

VIRGINIA

ANNUAL STATEMENT

OF THE

**HOW INSURANCE COMPANY,
A RISK RETENTION GROUP
IN RECEIVERSHIP**

RICHMOND, VIRGINIA

TO THE

**STATE CORPORATION
COMMISSION**

OF THE

COMMONWEALTH OF VIRGINIA

THROUGH THE

COMMISSIONER OF INSURANCE

FOR THE YEAR ENDED
DECEMBER 31, 1998

1998

PROPERTY AND CASUALTY

1998

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ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 1998
OF THE CONDITION AND AFFAIRS OF THE

HOW Insurance Company, A Risk Retention Group, In Receivership

NAIC Group Code 0000 NAIC Company Code 41246 Employer's ID Number 52-1208234

Organized under the Laws of the State of Virginia, using _____ as the Port of Entry, made to the _____

INSURANCE DEPARTMENT OF THE STATE OF Virginia

PURSUANT TO THE LAWS THEREOF

Incorporated 02/23/1981 Commenced Business 07/27/1981

Statutory Home Office 1300 E. Main Street, Richmond, VA 23219
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 111 Congress Avenue, Suite 1850
(Street and Number)
Austin, TX 78701 512-404-6555
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 111 Congress Avenue, Suite 1850, Austin, TX 78701
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 111 Congress Avenue, Suite 1850
(Street and Number)
Austin, TX 78701 512-404-6555
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Annual Statement Contact Mike R. Parker 512-404-6555
(Name) (Area Code) (Telephone Number) (Extension)

On Friday, October 14, 1994, in cause No. HE-1059-1, Styled Commonwealth of Virginia ex rel. State Corporation Commission and Steven T. Foster, Commissioner of Insurance v. Home Warranty Corporation, Home Owners Warranty Corporation, and HOW Insurance Company, a Risk Retention Group, the Circuit Court of the City of Richmond, Virginia, entered its FINAL ORDER APPOINTING RECEIVER FOR REHABILITATION OR LIQUIDATION (the "Receivership Order") appointing the State Corporation Commission of the Commonwealth of Virginia (the "Commission") permanent Receiver of HOW Insurance Company ("HOWIC" or "the Company"), as well as its parent Home Warranty Corporation ("HWC") and its affiliate, Home Owners Warranty Corporation ("HOW") (collectively, "the Companies"). The Receivership Order also appoints Steven T. Foster, Commissioner of Insurance, Bureau of Insurance, State Corporation Commission of the Commonwealth of Virginia, as Deputy Receiver and Patrick Cantilo as Special Deputy Receiver of the Companies. HOWIC remains in receivership and the Deputy Receiver continues to conduct the affairs of HOWIC and administers its operations pursuant to the terms of the Receivership Order. On April 24, 1996, a "Second Order in Aid of Receivership" appointed Alfred W. Gross, Acting Commissioner of Insurance, Bureau of Insurance, State Corporation Commission of the Commonwealth of Virginia (the "Bureau") Acting Deputy Receiver of the Companies, effective May 1, 1996. Mr. Gross has now been appointed Commissioner of Insurance of the Bureau and Deputy Receiver of the Companies.

AUTHORIZED REPRESENTATIVES

Mike R. Parker Christian Lundeen

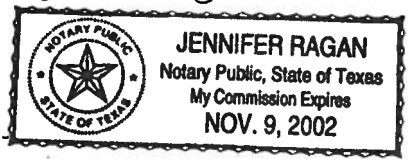
State of Texas }
County of Travis } ss:

Mike R. Parker, Authorized Representative Christian Lundeen, Authorized Representative of the HOW Insurance Company, A Risk Retention Group, In Receivership, being duly sworn, each deposes and says that they are the below described authorized representatives 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 Statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said insurer as of the reporting period stated above, and of its income and deductions therefrom for the period reported, and have been completed in accordance with the NAIC annual statement instructions and accounting practices and procedures manuals except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

Mike R. Parker Christian Lundeen
Authorized Representative Authorized Representative

Subscribed and sworn to before me this 24th day of February, 1999

Jennifer Ragan



- a. Is this an original filing? Yes [x] No []
- b. If no,
 - 1. State the amendment number _____
 - 2. Date filed _____
 - 3. Number of pages attached _____

**ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In
Receivership**

ASSETS

	Current Year				Prior Year
	1 Ledger Assets	2 Non-Ledger Assets	3 Assets Not Admitted	4 Net Admitted Assets (Cols 1 + 2 - 3)	5 Net Admitted Assets
1. Bonds (less \$0) liability for asset transfers with put options, Schedule D, Part 1)	119,000,014		111,129	118,888,885	121,687,132
2. Stocks:					
2.1 Preferred stocks (Schedule D, Part 2, Section 1).....					
2.2 Common stocks (Schedule D, Part 2, Section 2).....					
3. Mortgage loans on real estate (Schedule B):					
3.1 First liens					
3.2 Other than first liens					
4. Real estate: (Schedule A):					
4.1 Properties occupied by the company (less \$ encumbrances)					
4.2 Other properties (less \$ encumbrances)					
5. Cash (\$(208,708) Schedule E, Part 1) and short-term investments (\$11,145,246 Schedule DA, Part 1)	10,936,538			10,936,538	5,871,128
6. Other invested assets (Schedule BA)					
7. Receivable for securities					
8. Aggregate write-ins for invested assets					
9. Subtotals, cash and invested assets (Lines 1 to 8)	129,936,552		111,129	129,825,423	127,558,259
10. Agents' balances or uncollected premiums (net as to commissions and dividends):					
10.1 Premiums and agents' balances in course of collection (after deducting ceded reinsurance balances payable of (\$))					
10.2 Premiums, agents' balances and installments booked but deferred and not yet due (after deducting ceded reinsurance balances payable of \$) (Including \$ earned but unbilled premiums)					
10.3 Accrued retrospective premiums (after deducting ceded reinsurance balances payable of \$)					
11. Funds held by or deposited with reinsured companies					
12. Bills receivable, taken for premiums					
13. Reinsurance recoverables on loss and loss adjustment expense payments (Schedule F, Part 3, Cols. 2 and 3)	4,594,715			4,594,715	4,581,879
14. Federal income tax recoverable and interest thereon	1,017,397			1,017,397	1,017,397
14A. Guaranty funds receivable or on deposit					
15. Electronic data processing equipment					
16. Interest, dividends and real estate income due and accrued		1,627,198		1,627,198	1,662,560
17. Receivable from parent, subsidiaries and affiliates	4,287,122		4,287,122	0	
18. Equities and deposits in pools and associations					
19. Amounts receivable relating to uninsured accident and health plans					
20. Other assets nonadmitted (Exhibit 1)					
21. Aggregate write-ins for other than invested assets	638,517		3,550	634,967	634,120
22. TOTALS (Lines 9 through 21)	140,474,303	1,627,198	4,401,801	137,699,700	135,454,215
DETAILS OF WRITE-INS					
0801. Due from Broker.....				0	0
0802.					
0803.					
0898. Summary of remaining write-ins for Line 8 from overflow page					
0899. Totals (Lines 0801 thru 0803 plus 0898) (Line 8 above)					
2101. Loss Reserve Prepayments.....	634,967			634,967	634,120
2102. Miscellaneous Receivables.....	3,550		3,550	0	0
2103.				0	0
2198. Summary of remaining write-ins for Line 21 from overflow page					
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	638,517		3,550	634,967	634,120

**ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In
Receivership**

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 3A, Line 32, Column 5)	61,744,425	69,439,408
1A. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 2)		
2. Loss adjustment expenses (Part 3A, Line 32, Column 6)	32,847,918	42,041,382
3. Contingent commissions and other similar charges		
4. Other expenses (excluding taxes, licenses and fees)	1,881,506	1,432,759
5. Taxes, licenses and fees (excluding federal and foreign income taxes)		
6. Federal and foreign income taxes (excluding deferred taxes)		
7. Borrowed money		
8. Interest, including \$		
9. Unearned premiums (Part 2A, Line 34, Column 5) (after deducting ceded reinsurance unearned premiums of \$ 7,618,000)	17,982,000	28,974,000
10. Dividends declared and unpaid:		
a. Stockholders		
b. Policyholders		
11. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 14)	32,233,474	30,562,127
12. Amounts withheld or retained by company for account of others		
13. Remittances and items not allocated		
14. Provision for reinsurance (Schedule F, Part 7)	1,126,200	1,207,800
15. Excess of statutory reserves over statement reserves (Schedule P Interrogatories)		
16. Net adjustments in assets and liabilities due to foreign exchange rates		
17. Drafts outstanding		
18. Payable to parent, subsidiaries and affiliates		
19. Payable for securities		
20. Liability for amounts held under uninsured accident and health plans		
21. Capital Notes \$		
22. Aggregate write-ins for liabilities	22,578,382	18,971,976
23. Total liabilities (Lines 1 through 22)	170,393,905	192,629,451
24. Aggregate write-ins for special surplus funds		
25A. Common capital stock	1,000,000	1,000,000
25B. Preferred capital stock		
25C. Aggregate write-ins for other than special surplus funds		
26A. Surplus Notes		
26B. Gross paid in and contributed surplus	5,115,405	5,115,405
26C. Unassigned funds (surplus)	(38,809,609)	(63,290,640)
26D. Less treasury stock, at cost:		
(1)		
(2)		
27. Surplus as regards policyholders (Lines 24 to 26C, less 26D) (Page 4, Line 32)	(32,694,204)	(57,175,235)
28. TOTALS (Page 2, Line 22, Col. 4)	137,699,701	135,454,216
DETAILS OF WRITE-INS		
2201. Loss payments - deferred, see footnote no. 6.....	15,958,078	10,418,563
2202. Indirect losses - 100%, see footnote no. 6.....		1,896,245
2203. Loss reserve prepayments, See footnote no. 7.....	1,580,142	1,582,173
2298. Summary of remaining write-ins for Line 22 from overflow page	5,040,162	5,074,995
2299. Totals (Lines 2201 thru 2203 plus 2298) (Line 22 above)	22,578,382	18,971,976
2401.		
2402.		
2403.		
2498. Summary of remaining write-ins for Line 24 from overflow page		
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above)		
25C01.....		
25C02.....		
25C03.....		
25C98. Summary of remaining write-ins for Line 25C from overflow page		
25C99. Totals (Lines 25C01 thru 25C03 plus 25C98) (Line 25C above)		

**ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In
Receivership**

UNDERWRITING AND INVESTMENT EXHIBIT STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 2, Line 32, Column 4)	10,992,000	13,866,000
DEDUCTIONS		
2. Losses incurred (Part 3, Line 32, Column 7)	(1,195,446)	11,842,727
3. Loss expenses incurred (Part 4, Line 22, Column 1)	(3,801,546)	8,733,414
4. Other underwriting expenses incurred (Part 4, Line 22, Column 2)	7,212,312	5,460,955
5. Aggregate write-ins for underwriting deductions		39,989
6. Total underwriting deductions (Lines 2 through 5)	2,215,320	26,077,085
7. Net underwriting gain or (loss) (Line 1 minus Line 6)	8,776,680	(12,211,085)
INVESTMENT INCOME		
8. Net investment income earned (Part 1, Line 14)	5,978,684	6,636,076
9. Net realized capital gains or (losses) (Part 1A, Line 10)	348,198	(15,865)
9A. Net investment gain or (loss) (Lines 8 + 9)	6,326,882	6,620,211
OTHER INCOME		
10. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$)		
11. Finance and service charges not included in premiums		
12. Aggregate write-ins for miscellaneous income	9,400,277	3,042
13. Total other income (Lines 10 through 12)	9,400,277	3,042
14. Net income before dividends to policyholders and before federal and foreign income taxes (Lines 7 + 9A + 13)	24,503,839	(5,587,832)
14A. Dividends to policyholders (Exhibit 2, Line 16, Column 1 plus Page 3, Line 10b, Column 1 minus Column 2)		
14B. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 14 minus Line 14A)	24,503,839	(5,587,832)
15. Federal and foreign income taxes incurred		
16. Net income (Line 14B minus Line 15) (to Line 18)	24,503,839	(5,587,832)
CAPITAL AND SURPLUS ACCOUNT		
17. Surplus as regards policyholders, December 31 prior year (Page 4, Line 32, Column 2)	(57,175,236)	(53,005,157)
GAINS AND (LOSSES) IN SURPLUS		
18. Net income (from Line 16)	24,503,839	(5,587,832)
19. Net unrealized capital gains or (losses) (Part 1A, Line 11)	(107,153)	67,886
20. Change in nonadmitted assets (Exhibit 1, Line 6, Col. 3)	2,743	(61,334)
21. Change in provision for reinsurance (Page 3, Line 14, Column 2 minus Column 1)	81,600	343,805
22. Change in foreign exchange adjustment		
23. Change in excess of statutory reserves over statement reserves (Page 3, Line 15, Column 2 minus Column 1)		
23A. Change in surplus notes		
24. Capital changes:		
a. Paid in (Exhibit 2, Line 6, Column 1)		
b. Transferred from surplus (Stock Dividend)		
c. Transferred to surplus		
25. Surplus adjustments:		
a. Paid in (Exhibit 2, Line 7, Column 1)		
b. Transferred to capital (Stock Dividend)		
c. Transferred from capital		
26. Net remittances from or (to) Home Office (Exhibit 2, Line 4b minus Line 12b, Column 1)		
27. Dividends to stockholders (cash)		
28. Change in treasury stock (Page 3, Line 26D (1) and (2), Column 2 minus Column 1)		
29. Extraordinary amounts of taxes for prior years		1,067,397
30. Aggregate write-ins for gains and losses in surplus		
31. Change in surplus as regards policyholders for the year (Lines 18 through 30)	24,481,029	(4,170,079)
32. Surplus as regards policyholders, December 31 current year (Lines 17 plus Line 31) (Page 3, Line 27)	(32,694,207)	(57,175,236)
DETAILS OF WRITE-INS		
0501. Increase in Approved Proofs of Claim		39,989
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)		39,989
1201. Miscellaneous income	277	3,042
1202. Litigation Settlements	9,500,000	0
1203. Litigation Payments	(100,000)	0
1298. Summary of remaining write-ins for Line 12 from overflow page		
1299. Totals (Lines 1201 thru 1203 plus 1298) (Line 12 above)	9,400,277	3,042
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above)		

**ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In
Receivership**

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance		
2. Loss and loss adjustment expenses paid (net of salvage and subrogation)	11,904,291	13,841,553
3. Underwriting expenses paid	6,769,468	5,517,198
4. Other underwriting income (expenses)		(39,989)
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	(18,673,759)	(19,398,740)
6. Net investment income	6,707,423	7,085,539
7. Other income (expenses):		
7.1 Agents' balances charged off		
7.2 Net funds held under reinsurance treaties	1,671,347	1,665,351
7.3 Net amount withheld or retained for account of others		
7.4 Aggregate write-ins for miscellaneous items	9,400,277	3,042
7.5 Total other income (Lines 7.1 to 7.4)	11,071,624	1,668,393
8. Dividends to policyholders on direct business, less \$		
dividends on reinsurance assumed or ceded (net)		
9. Federal and foreign income taxes (paid) recovered	0	(420,497)
10. Net cash from operations (Line 5 plus Line 6 plus Line 7.5 minus Line 8 plus Line 9)	(894,712)	(11,065,306)
Cash from Investments		
11. Proceeds from investments sold, matured or repaid:		
11.1 Bonds	53,952,382	64,231,675
11.2 Stocks		
11.3 Mortgage loans		
11.4 Real estate		
11.5 Other invested assets		
11.6 Net gains or (losses) on cash and short-term investments		418
11.7 Miscellaneous proceeds		
11.8 Total investment proceeds (Lines 11.1 to 11.7)	53,952,382	64,232,093
12. Cost of investments acquired (long-term only):		
12.1 Bonds	51,600,563	60,920,069
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Miscellaneous applications		
12.7 Total investments acquired (Lines 12.1 to 12.6)	51,600,563	60,920,069
13. Net Cash from investments (Line 11.8 minus Line 12.7)	2,351,819	3,312,024
Cash from Financing and Miscellaneous Sources		
14. Cash provided:		
14.1 Surplus notes, capital and surplus paid in		
14.2 Capital notes \$		
less amounts repaid \$		
14.3 Net transfers from affiliates		
14.4 Borrowed funds received		
14.5 Other cash provided	3,664,565	5,002,013
14.6 Total (Lines 14.1 to 14.5)	3,664,565	5,002,013
15. Cash applied:		
15.1 Dividends to stockholders paid		
15.2 Net transfers to affiliates		
15.3 Borrowed funds repaid		
15.4 Other applications	56,261	553,913
15.5 Total (Lines 15.1 to 15.4)	56,261	553,913
16. Net cash from financing and miscellaneous sources (Line 14.6 minus Line 15.5)	3,608,304	4,448,100
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
17. Net change in cash and short-term investments (Line 10, plus Line 13, plus Line 16)	5,065,411	(3,305,181)
18. Cash and short-term investments:		
18.1 Beginning of year	5,871,127	9,176,308
18.2 End of year (Line 17 plus Line 18.1)	10,936,538	5,871,127
DETAILS OF WRITE-INS		
07.401 Miscellaneous Income	277	3,042
07.402 Litigation Settlements	9,500,000	0
07.403 Litigation Payments	(100,000)	0
07.498 Summary of remaining write-ins for Line 7.4 from overflow page		
07.499 Totals (Lines 07.401 thru 07.403 plus 07.498) (Line 7.4 above)	9,400,277	3,042

**ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In
Receivership**

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

1	2	3	Paid in Advance		Due and Accrued (h)		8 Earned During Year Cols. 3 + 5 + 6 - 4 - 7
			4	5	6	7	
	Schedule	Collected During Year	Current Year	Prior Year	Current Year	Prior Year	
1. U.S. government bonds	D (a)	2,044,345			238,668	399,588	1,883,425
1.1 Bonds exempt from U.S. tax	D (a)	90,234			20,509	22,928	87,815
1.2 Other bonds (unaffiliated)	D (a)	6,278,354			1,344,024	1,230,877	6,391,501
1.3 Bonds of affiliates	D (a)						
2.1 Preferred stocks (unaffiliated)	D (b)						
2.11 Preferred stocks of affiliates	D (b)						
2.2 Common stocks (unaffiliated)	D						
2.21 Common stocks of affiliates	D						
3. Mortgage loans	B (c)						
4. Real estate	A (d)						
5.1 Cash on hand and on deposit	E	68,429					68,429
5.2 Short-term investments	DA (e)	177,015			23,997	9,167	191,845
6. Other invested assets	BA						
7. Derivative instruments	DB/DC (f)						
8. Aggregate write-ins for investment income		58,478					58,478
9. TOTALS		(g) 8,716,855			1,627,198	1,662,560	(g) 8,681,493

		DEDUCTIONS		
		(i)		
10. Total investment expenses incurred (Part 4, Line 22, Col. 3)			2,702,809	
10A. Interest expense				
11. Depreciation on real estate (for companies which depreciate annually on a formula basis)				
12. Aggregate write-ins for deductions from investment income				
13. Total deductions (Lines 10 to 12)				2,702,809
14. Net Investment Income Earned (Line 9 minus Line 13 - to Page 4, Line 8)				5,978,684

DETAILS OF WRITE-INS							
0801. Miscellaneous investment income		58,478		0		0	58,478
0802.							
0803.							
0898. Summary of remaining write-ins for Line 8 from overflow page							
0899. Totals (Lines 0801 thru 0803 plus 0898) (Part 1, Line 8)		58,478					58,478
1201.							
1202.							
1203.							
1298. Summary of remaining write-ins for Line 12 from overflow page							
1299. Totals (Lines 1201 thru 1203 plus 1298) (Part 1, Line 12)							

- (a) Includes \$ 421,462 accrual of discount less \$ 1,108,936 amortization of premium.
- (b) Includes \$ accrual of discount less \$ amortization of premium.
- (c) Includes \$ accrual of discount less \$ amortization of premium.
- (d) Includes \$ for company's occupancy of its own buildings.
- (e) Includes \$ accrual of discount less \$ amortization of premium.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes asset transfers with put options accounted for as financing arrangements: \$ Column 3, \$ Column 8.
- (h) Admitted items only. State basis of exclusions.
- (i) Includes \$ interest on surplus notes and \$ interest on capital notes.

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

1	2	3	4	5	6	7
	Profit on Sales or Maturity	Loss on Sales or Maturity	Increases by Adjustment in Book Value	Decreases by Adjustment in Book Value	Net Gain or (Loss) from change in Difference Between Book and Admitted Values	Total (Net of Cols. 2 to 6 incl.) (Cols. 2 - 3 + 4 - 5 + 6)
1. U.S. government bonds	107,501	25,594				81,907
1.1 Bonds exempt from U.S. tax	127	9,163				(9,036)
1.2 Other bonds (unaffiliated)	310,843	35,516			(107,153)	168,174
1.3 Bonds of affiliates						
2.1 Preferred stocks (unaffiliated)						
2.11 Preferred stocks of affiliates						
2.2 Common stocks (unaffiliated)						
2.21 Common stocks of affiliates						
3. Mortgage loans						
4. Real estate				(a)		
5.1 Cash on hand and on deposit						
5.2 Short-term investments						
6. Other invested assets						
7. Derivative instruments						
8. Aggregate write-ins for capital gains and (losses)						
9. TOTALS	418,471	70,273			(107,153)	241,045
(Distribution of Line 9, Col. 7)						
10. Net realized capital gains or (losses) (Page 4, Line 9) (Col. 2-3, Line 9)						348,198
11. Net unrealized capital gains or (losses) (Page 4, Line 19) (Col. 4 - 5 + 6, Line 9)						(107,153)
DETAILS OF WRITE-INS						
0801.						
0802.						
0803.						
0898. Summary of remaining write-ins for Line 8 from overflow page						
0899. Totals (Lines 0801 thru 0803 plus 0898) (Part 1A, Line 8)						

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - PREMIUMS EARNED

Lines of Business		1 Net Premiums Written per Column 4, Part 2B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 2	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 2A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire				
2.	Allied lines				
3.	Farmowners multiple peril				
4.	Homeowners multiple peril				
5.	Commercial multiple peril				
6.	Mortgage guaranty				
8.	Ocean marine				
9.	Inland marine				
10.	Financial guaranty				
11.1	Medical malpractice - occurrence				
11.2	Medical malpractice - claims-made				
12.	Earthquake				
13.	Group accident and health				
14.	Credit accident and health (group and individual)				
15.	Other accident and health				
16.	Workers' compensation				
17.1	Other liability - occurrence				
17.2	Other liability - claims-made				
18.1	Products liability - occurrence		28,974,000	17,982,000	10,992,000
18.2	Products liability - claims-made				
19.1,19.2	Private passenger auto liability				
19.3,19.4	Commercial auto liability				
21.	Auto physical damage				
22.	Aircraft (all perils)				
23.	Fidelity				
24.	Surety				
26.	Burglary and theft				
27.	Boiler and machinery				
28.	Credit				
29.	International				
30A.	Reinsurance - Nonproportional Assumed Property				
30B.	Reinsurance - Nonproportional Assumed Liability				
30C.	Reinsurance - Nonproportional Assumed Financial Lines				
31.	Aggregate write-ins for other lines of business				
32.	TOTALS		28,974,000	17,982,000	10,992,000
DETAILS OF WRITE-INS					
3101.	.....			
3102.	.....			
3103.	.....			
3198.	Summary of remaining write-ins for Line 31 from overflow page				
3199.	Totals (Lines 3101 thru 3103 plus 3198) (Line 31 above)				

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - RECAPITULATION OF ALL PREMIUMS

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

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (b)	2 Amount Unearned (Running More Than One Year from Date of Policy) (b)	3 Advance Premiums 100%	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire					
2. Allied lines					
3. Farmowners multiple peril					
4. Homeowners multiple peril					
5. Commercial multiple peril					
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine					
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake					
13. Group accident and health				(c)	
14. Credit accident and health (group and individual)					
15. Other accident and health				(c)	
16. Workers' compensation					
17.1 Other liability - occurrence					
17.2 Other liability - claims-made					
18.1 Products liability - occurrence		17,982,000			17,982,000
18.2 Products liability - claims-made					
19.1,19.2 Private passenger auto liability					
19.3,19.4 Commercial auto liability					
21. Auto physical damage					
22. Aircraft (all perils)					
23. Fidelity					
24. Surety					
26. Burglary and theft					
27. Boiler and machinery					
28. Credit					
29. International					
30A. Reinsurance - Nonproportional Assumed Property					
30B. Reinsurance - Nonproportional Assumed Liability					
30C. Reinsurance - Nonproportional Assumed Financial Lines					
31. Aggregate write-ins for other lines of business					
32. TOTALS		17,982,000			17,982,000
33. Accrued retrospective premiums based on experience					
34. Balance (Line 32 plus Line 33)					17,982,000
DETAILS OF WRITE-INS					
3101.					
3102.					
3103.					
3198. Summary of remaining write-ins for Line 31 from overflow page					
3199. Totals (Lines 3101 thru 3103 plus 3198) (Line 31 above)					

(a) By 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? Yes [] No []

(b) State here basis of computation used in each case .

(c) Including \$reserved for deferred maternity and other similar benefits.

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - PREMIUMS WRITTEN**

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

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

NONE

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [] No []

If yes: 1. The amount of such installment premiums \$

2. Amount at which such installment premiums would have been reported had they been reported on an annualized basis \$

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 3A, Col. 5)	6 Net Losses Unpaid Previous Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 3) to Premiums Earned (Col. 4, Part 2)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire								
2. Allied lines								
3. Farmowners multiple peril								
4. Homeowners multiple peril								
5. Commercial multiple peril								
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine								
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims-made								
12. Earthquake								
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation								
17.1 Other liability - occurrence								
17.2 Other liability - claims-made								
18.1 Products liability - occurrence	7,476,917		977,380	6,499,537	61,744,425	69,439,408	(1,195,446)	(10.9)
18.2 Products liability - claims-made								
19.1,19.2 Private passenger auto liability								
19.3,19.4 Commercial auto liability								
21. Auto physical damage								
22. Aircraft (all perils)								
23. Fidelity								
24. Surety								
26. Burglary and theft								
27. Boiler and machinery								
28. Credit								
29. International								
30A. Reinsurance - Nonproportional Assumed Property	XXX							
30B. Reinsurance - Nonproportional Assumed Liability	XXX							
30C. Reinsurance - Nonproportional Assumed Financial Lines	XXX							
31. Aggregate write-ins for other lines of business								
32. TOTALS	7,476,917		977,380	6,499,537	61,744,425	69,439,408	(1,195,446)	(10.9)
DETAILS OF WRITE-INS								
3101.								
3102.								
3103.								
3198. Summary of remaining write-ins for Line 31 from overflow page								
3199. Totals (Lines 3101 thru 3103 plus 3198) (Line 31 above)								

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 3A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

Line of Business	1 Adjusted or in Process of Adjustment		2 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	3 Net Losses Excl. Incurred But Not Reported (Cols. 1a + 1b - 2)	4 Incurred But Not Reported			5 Net Losses Unpaid (Cols. 3 + 4a + 4b - 4c)	6 Unpaid Loss Adjustment Expenses
	a Direct	b Reinsurance Assumed			a Direct	b Reinsurance Assumed	c Reinsurance Ceded		
1. Fire									
2. Allied lines									
3. Farmowners multiple peril									
4. Homeowners multiple peril									
5. Commercial multiple peril									
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine									
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims-made									
12. Earthquake									
13. Group accident and health							(a)		
14. Credit accident and health (group and individual)							(a)		
15. Other accident and health									
16. Workers' compensation									
17.1 Other liability - occurrence									
17.2 Other liability - claims-made									
18.1 Products liability - occurrence	7,974,031		2,857,606	5,116,425	80,621,000		23,993,000	61,744,425	32,847,918
18.2 Products liability - claims-made									
19.1,19.2 Private passenger auto liability									
19.3,19.4 Commercial auto liability									
21. Auto physical damage									
22. Aircraft (all perils)									
23. Fidelity									
24. Surety									
26. Burglary and theft									
27. Boiler and machinery									
28. Credit									
29. International									
30A. Reinsurance - Nonproportional Assumed Property	XXX				XXX				
30B. Reinsurance - Nonproportional Assumed Liability	XXX				XXX				
30C. Reinsurance - Nonproportional Assumed Financial Lines	XXX				XXX				
31. Aggregate write-ins for other lines of business									
32. TOTALS	7,974,031		2,857,606	5,116,425	80,621,000		23,993,000	61,744,425	32,847,918
DETAILS OF WRITE-INS									
3101.									
3102.									
3103.									
3198. Summary of remaining write-ins for Line 31 from overflow page									
3199. Totals (Lines 3101 thru 3103 plus 3198) (Line 31 above)									

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 4 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
a. Direct	(2,764,870)			(2,764,870)
b. Reinsurance assumed				
c. Reinsurance ceded	831,877			831,877
d. Net claim adjustment service (a + b - c)	(3,596,747)			(3,596,747)
2. Commission and brokerage:				
a. Direct excluding contingent				
b. Reinsurance assumed excluding contingent				
c. Reinsurance ceded excluding contingent				
d. Contingent-direct				
e. Contingent-reinsurance assumed				
f. Contingent-reinsurance ceded				
g. Policy and membership fees				
h. Net commission and brokerage (a + b - c + d + e - f + g)				
3. Allowances to managers and agents				
4. Advertising				
5. Boards, bureaus and associations				
6. Surveys and underwriting reports				
7. Audit of assureds' records				
8. Salary and related items:				
a. Salaries				
b. Payroll taxes				
9. Employee relations and welfare				
10. Insurance				
11. Directors' fees				
12. Travel and travel items				
13. Rent and rent items				
14. Equipment				
15. Printing and stationery				
16. Postage, telephone and telegraph, exchange and express				
17. Legal and auditing		7,212,312		7,212,312
17A. Totals (Lines 3 to 17)		7,212,312		7,212,312
18. Taxes, licenses and fees:				
a. State and local insurance taxes deducting guaranty association credits of \$				
b. Insurance department licenses and fees				
c. Gross guaranty association assessments				
d. All other (excluding federal and foreign income and real estate)				
e. Total taxes, licenses and fees (a + b + c + d)				
19. Real estate expenses				
20. Real estate taxes				
20A. Reimbursements by uninsured accident and health plans				
21. Aggregate write-ins for miscellaneous expenses	(204,799)	0	2,702,809	2,498,010
22. Total expenses incurred	(3,801,546)	7,212,312	2,702,809	(a) 6,113,575
23. Less unpaid expenses - current year	32,847,918	1,835,903	45,603	34,729,424
24. Add unpaid expenses - prior year	42,041,382	1,393,059	39,700	43,474,141
25. Amounts receivable relating to uninsured accident and health plans, prior year				
26. Amounts receivable relating to uninsured accident and health plans, current year				
27. TOTAL EXPENSES PAID (Lines 22 - 23 + 24 - 25 + 26)	5,391,918	6,769,468	2,696,906	14,858,292
DETAILS OF WRITE-INS				
2101. Excess of Decrease in ULAE Reserves Over ULAE Expenses	(204,799)			(204,799)
2102. Investment Interest Expense			2,504,918	2,504,918
2103. Investment Management Expense			197,891	197,891
2198. Summary of remaining write-ins for Line 21 from overflow page				0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	(204,799)	0	2,702,809	2,498,010

(a) Includes management fees of \$0 paid to affiliates and \$0 paid to non-affiliates.

**ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In
Receivership**

**EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED
ITEMS**

	1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) Decrease
1. Summary of Items Page 2, Lines 10 to 15 and 17 to 19, Column 3	4,287,122	4,289,865	2,743
2. Other Assets:			
2.1 Bills receivable not taken for premiums			
2.2 Furniture, equipment and supplies			
2.3 Loans on personal security, endorsed or not			
3. Total (Lines 2.1 to 2.3) (Page 2, Line 20, Column 3)			
4. Aggregate write-ins for other than invested assets (Page 2, Line 21, Column 3)	3,550	3,550	0
5. Aggregate write-ins for related items			
6. Total (Line 1 plus Lines 3 to 5)	4,290,672	4,293,415	2,743
DETAILS OF WRITE-INS			
0401. Miscellaneous Receivables.....	3,550	3,550	0
0402.		0	0
0403.		0	0
0498. Summary of remaining write-ins for Line 4 from overflow page			
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above)	3,550	3,550	0
0501. Loans on company's stock.....			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page			
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)			

**ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In
Receivership**

EXHIBIT 2 - RECONCILIATION OF LEDGER ASSETS

	1 Current Year	2 Prior Year
INCREASE IN LEDGER ASSETS		
1. Net premiums written (Part 2, Line 32, Col. 1)		
2. Interest, dividends and real estate income received (Part 1, Line 9, Col. 3)	8,716,855	9,280,099
3. From sale or maturity of ledger assets (Part 1A, Line 9, Col. 2)	418,471	238,632
4. Other income items or increases, viz:		
a. Agents' balances previously charged off		
b. Remittances from home office to U.S. branch (gross)		
c. Funds held under reinsurance treaties (net)	1,671,347	
d. Borrowed money (gross)		
e. Amounts withheld or retained for account of others (net)		
f. Aggregate write-ins for increases in ledger assets	13,143,547	4,759,837
5. Adjustment in book value of ledger assets (Part 1A, Line 9, Col. 4)		
6. Capital paid in (Page 4, Line 24a)		
7. Surplus paid in (Page 4, Line 25a)		
7A. Surplus notes (Page 4, Line 23A)		
8. Total (Lines 1 to 7A)	23,950,220	14,278,568
DECREASE IN LEDGER ASSETS		
9. Net losses paid (Part 3, Line 32, Col. 4)	6,499,537	5,762,909
10. Expenses paid (Part 4, Line 27, Col. 4)	14,858,292	16,601,173
10A. Interest expense (Part 1, Line 10A)		
11. From sale or maturity of ledger assets (Part 1A, Line 9, Col. 3)	70,273	254,497
11A. Surplus notes (Page 4, Line 23A)		
12. Other disbursement items or decreases, viz:		
a. Agents' balances charged off		
b. Remittances to home office from U.S. branch (gross)		
c. Funds held under reinsurance treaties (net)		
d. Borrowed money (gross)		
e. Amounts withheld or retained for account of others (net)		
f. Aggregate write-ins for decreases in ledger assets	136,864	311,053
13. Adjustment in book value of ledger assets (Part 1A, Line 9, Col. 5) and depreciation (Part 1, Line 11)		
14. Federal and foreign income taxes paid		(1,067,397)
15. Dividends paid stockholders		
16. Dividends to policyholders on direct business, less \$ dividends on reinsurance assumed or ceded (net)		
17. Total (Lines 9 to 16)	21,564,965	21,862,235
RECONCILIATION BETWEEN YEARS		
18. Amount of ledger assets as per balance December 31 of previous year	138,089,047	145,672,714
19. Increase or (decrease) in ledger assets during the year (Line 8 minus Line 17)	2,385,254	(7,583,667)
20. Balance = ledger assets December 31 of current year	140,474,301	138,089,047
DETAILS OF WRITE-INS		
04f01. Miscellaneous Income	277	3,042
04f02. Loss Payments Deferred	3,643,270	3,038,322
04f03. Increase in Ledger Liabilities		18,123
04f98. Summary of remaining write-ins for Line 4f from overflow page	9,500,000	1,700,350
04f99. Totals (Lines 04f01 thru 04f03 plus 04f98) (Line 4f above)	13,143,547	4,759,837
12f01. Decrease in Loss Reserve Prepayments	2,031	311,053
12f02. Decrease in Ledger Liabilities	13,747	0
12f03. Litigation Payments	100,000	0
12f98. Summary of remaining write-ins for Line 12f from overflow page	21,086	
12f99. Totals (Lines 12f01 thru 12f03 plus 12f98) (Line 12f above)	136,864	311,053



ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

EXHIBIT OF PREMIUMS AND LOSSES (Statutory Page 14 Data)

NAIC Group Code 0000

BUSINESS IN THE STATE OF

DURING THE YEAR 1998

NAIC Company Code 41246

Table with 13 columns: Line of Business, Direct Premiums Written, Direct Premiums Earned, Dividends Paid or Credited to Policyholders on Direct Business, Direct Unearned Premium Reserves, Direct Losses Paid (deducting salvage), Direct Losses Incurred, Direct Losses Unpaid, Direct Allocated Loss Adjustment Expense Paid, Direct Allocated Loss Adjustment Expense Incurred, Direct Allocated Loss Adjustment Expense Unpaid, Commissions and Brokerage Expenses, Taxes, Licenses and Fees. Rows include 1. Fire, 2.1 Allied lines, 2.2 Multiple peril crop, 2.3 Federal flood, 3. Farmowners multiple peril, 4. Homeowners multiple peril, 5.1 Commercial multiple peril (non-liability portion), 5.2 Commercial multiple peril (liability portion), 6. Mortgage guaranty, 8. Ocean marine, 9. Inland marine, 10. Financial guaranty, 11. Medical malpractice, 12. Earthquake, 13. Group accident and health, 14. Credit A & H (group and individual), 15.1 Collectively renewable A & H, 15.2 Non-cancellable A & H, 15.3 Guaranteed renewable A & H, 15.4 Non-renewable for stated reasons only, 15.5 Other accident only, 15.6 All other A & H, 15.7 Federal employees health benefits program premium, 16. Workers' compensation, 17. Other liability, 18. Products liability, 19.1 Private passenger auto no-fault (personal injury protection), 19.2 Other private passenger auto liability, 19.3 Commercial auto no-fault (personal injury protection), 19.4 Other commercial auto liability, 21.1 Private passenger auto physical damage, 21.2 Commercial auto physical damage, 22. Aircraft (all perils), 23. Fidelity, 24. Surety, 26. Burglary and theft, 27. Boiler and machinery, 28. Credit, 31. Aggregate write-ins for other lines of business, 32. TOTALS (a), DETAILS OF WRITE-INS, 3101., 3102., 3103., 3198. Summary of remaining write-ins for Line 31 from overflow page, 3199. Totals (Lines 3101 thru 3103 plus 3198)(Line 31 above)

(a) Finance and service charges not included in Line 1 to 32 \$



ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

EXHIBIT OF PREMIUMS AND LOSSES (Statutory Page 14 Data)

NAIC Group Code 0000

BUSINESS IN THE STATE OF Consolidated

DURING THE YEAR 1998

NAIC Company Code 41246

Table with 13 columns: Line of Business, Direct Premiums Written, Direct Premiums Earned, Dividends Paid or Credited to Policyholders on Direct Business, Direct Unearned Premium Reserves, Direct Losses Paid (deducting salvage), Direct Losses Incurred, Direct Losses Unpaid, Direct Allocated Loss Adjustment Expense Paid, Direct Allocated Loss Adjustment Expense Incurred, Direct Allocated Loss Adjustment Expense Unpaid, Commissions and Brokerage Expenses, Taxes, Licenses and Fees. Rows include various insurance lines like Fire, Auto, Marine, etc., and a section for DETAILS OF WRITE-INS.

15.GT

(a) Finance and service charges not included in Line 1 to 32 \$

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

GENERAL INTERROGATORIES

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

4. CAPITAL STOCK OF THIS COMPANY

1 Class	2 Number of Shares Authorized	3 Number of Shares Outstanding	4 Par Value Per Share	5 Redemption Price If Callable	6 Is Dividend Rate Limited?	7 Are Dividends Cumulative?
Preferred	0	0	0.000	0	Yes [] No []	Yes [] No []
Common	50,000	50,000	20.000	X X X	XXX XXX	XXX XXX

5. (a) Does the company own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
 (b) If yes, (i) explain
 (ii) Name of real estate holding company
 (iii) Number of parcels involved?
 (iv) Total book value \$
6. (a) Is the company a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []
 (b) If yes, did the company register and file with its domiciliary State Insurance Commissioner, Director, or Superintendent, or with such regulatory official of the State of Domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners in its Model Holding Company System Regulatory Act and model regulations pertaining thereto, or is the company subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] NA []
 (c) State regulating VA
7. (a) Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the company? Yes [] No [X]
 (b) If yes, (i) state the percentage of foreign control: %
 (ii) State the nationality(s) of the foreign person(s) or entity(s) or (iii) Identify the type of entity(s) (e.g., individual, corporation or if the company is a mutual or reciprocal, the nationality of its government, manager or attorney in fact).
 manager or attorney in fact; and
8. (a) Total amount loaned during the year:
 (i) to directors or other officers \$0
 (ii) to stockholders not officers \$0
 (b) Total amount of loans outstanding at end of year:
 (i) to directors or other officers \$0
 (ii) to stockholders not officers \$0
9. (a) Did any person while an officer, director or trustee of the company receive directly or indirectly, during the period covered by this statement, any commission on the business transactions of the company? Yes [] No [X]
 (b) Did any person while an officer, director, trustee or employee receive directly or indirectly, during the period covered by this statement, any compensation in addition to their regular compensation on account of the reinsurance transactions of the company? Yes [] No [X]
 (c) Has this company an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of its officers, directors, trustees, or responsible employees which is in or is likely to conflict with the official duties of such person? Yes [X] No []
 (d) Except for retirement plans generally applicable to its staff employees and agents and contracts with its agents for the payment of commissions, has the company any agreement with a person whereby it agrees that for any service rendered or to be rendered, they shall receive directly or indirectly any salary, compensation or emolument that will extend beyond a period of 12 months from the date of the agreement? Yes [] No [X]
10. What amount of installment notes is owned and now held by the company? \$0
11. (a) Have any of these notes been hypothecated, sold or used in any manner as security for money loaned within the past year? Yes [] No [X]
 (b) If yes, what amount? \$
12. (a) Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$
 (b) Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [] No [X]
 (c) State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of this amount.

**ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In
Receivership**

GENERAL INTERROGATORIES (continued)

13. (a) What provision has this company made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss?
N/A
- (b) Describe the method used to estimate this company's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process. What provision has this company made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
.....1
14. (a) Has this company guaranteed any financed premium accounts? Yes [] No [X]
(b) If yes, give full information
15. (a) Has this company reinsured any risk with any other company under a quota share reinsurance contract which includes a provision which would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss ratio cap, an aggregate limit or any similar provision)? Yes [X] No []
(b) If yes, indicate the number of reinsurance contracts containing such provisions:
16. (a) Has this company reinsured any risk with any other company and agreed to release such company from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes [] No [X]
(b) If yes, give full information
17. If the company has assumed risks from another company, there should be charged on account of such reinsurances a reserve equal to that which the original company would have been required to charge had it retained the risks. Has this been done? Yes [] No [] NA [X]
18. (a) Has this company guaranteed policies issued by any other company and now in force? Yes [] No [X]
(b) If yes, give full information
19. (a) Were all stocks, bonds and other securities owned December 31 of current year, over which the company has exclusive control in the actual possession of the company on said date, except as shown by the Schedule E-Part 2-Special Deposits?
(b) If no, give full and complete information relating thereto: Yes [X] No []
20. (a) Were any of the stocks, bonds or other assets of the company owned at December 31 of the current year not exclusively under the control of the company, except as shown on the Schedule E-Part 2-Special Deposits; or has the company sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21). Yes [] No [X]
(b) If yes, state the amount thereof at December 31 of the current year:
 (i) loaned to others \$ 0
 (ii) subject to repurchase agreements \$ 0
 (iii) subject to reverse repurchase agreements \$ 0
 (iv) subject to dollar repurchase agreements \$ 0
 (v) subject to reverse dollar repurchase agreements \$ 0
 (vi) pledged as collateral \$ 0
 (vii) placed under option agreements \$ 0
 (viii) letter stock or other securities restricted as to sale \$ 0
 (ix) other \$ 0
 (c) For each category above, if any of these assets are held by others, identify by whom held.
 (i) (vi)
 (ii) (vii)
 (iii) (viii)
 (iv) (ix)
 (v)
 (d) For categories (b)(i) and (iii) above, and for any other securities that were made available for use by another person during the year covered by this statement, attach a schedule as shown in the instructions to the annual statement.
 (e) For category (b)(vii) above, do any of the option agreements involve asset transfers with put options? Yes [] No [] NA [X]
 If yes, disclose in the Notes to Financial Statements the information specified in the instructions to the annual statement.
21. Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement? Yes [] No [X]
 If yes, state the amount thereof at December 31 of the current year:
 (i) Rented from others \$
 (ii) Borrowed from others \$
 (iii) Leased from others \$
 (iv) Other \$
 Disclose in Notes to Financial Statements the nature of each of these obligations.
22. (a) State as of what date the latest financial examination of the company was made or is being made. 12/31/1990
 (b) State the as of date of the latest financial examination report that is available from either the state of domicile or the company. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/1990
 (c) State as of what date the latest financial examination report became available to other states or the public form either the state of domicile or the company. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 03/12/1992
 (d) By what departments?
 Virginia.....
23. (a) Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the company? Yes [] No [X]
 (b) If yes, date of change:
 If not previously filed, furnish herewith a certified copy of the instrument as amended.
24. (a) Has any direct new business been solicited or written in any state where the company was not licensed? Yes [] No [X]
 (b) If yes, explain
25. Is the purchase or sale of all investments of the company passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No []
26. Does the company keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No []
27. Have the instructions for completing the blank required by this department been followed in every detail? Yes [X] No []

**ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In
Receivership**

GENERAL INTERROGATORIES (continued)

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

28. What changes have been made during the year in the United States manager or the United States trustees of the company?
.....
29. Does this statement contain all business transacted for the company through its United States branch, on risks wherever located? Yes [] No []
30. (a) During the period covered by this statement, did any agent, general agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the company) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
(i) sales of new business? Yes [] No [X]
(ii) renewals? Yes [] No [X]
- (b) During the period covered by this statement, did any sales/service organization owned in whole or in part by the company or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
(i) sales of new business? Yes [] No [X]
(ii) renewals? Yes [] No [X]
31. (a) If the company recorded accrued retrospective premiums on insurance contracts on Line 10.3 of the assets schedule, Page 2, state the amount of corresponding liabilities recorded for:
(i) unpaid losses: \$
(ii) unpaid underwriting expenses (including loss adjustment expenses): \$
- (b) Of the amount on Line 10.3 of the assets schedule, Page 2, state the amount which is secured by letters of credit, collateral and other funds. \$
- (c) If the company underwrites commercial insurance risks, such as workers' compensation, are premium or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [] No [X] NA []
- (d) If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
(i) From: %
(ii) To: %
- (e) Are letters of credit or collateral and other funds received from insureds being utilized by the company to secure premium or promissory notes taken by the company, or to secure any of the company's reported direct unpaid loss reserves, including unpaid losses under deductible features of commercial policies? Yes [X] No []
- (f) If yes, state the amount thereof at December 31 of the current year:
(i) Letters of credit: \$ 3,244,766
(ii) Collateral and other funds: \$ 1,694,793
32. What interest, direct or indirect, has the company in the capital stock of any other insurance company?
None.....
33. (a) Does the company have any direct Medicare Supplement Insurance in force? Yes [] No [X]
(b) If yes, indicate premium earned on U.S. business only. \$
(c) What portion of Item (b) is not reported on the Medicare Supplement Insurance Experience Exhibit?
Reason for excluding \$
- (d) Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (b) above. \$
(e) Indicate total incurred claims on all Medicare Supplement insurance. \$
34. (a) Was the company's prior year's annual statement amended? Yes [] No [X]
(b) If yes, furnish the following information regarding the last amendment to the prior year's annual statement filed with the company's state of domicile:
(i) Amendment number
(ii) Date of amendment
35. What is the name, address and affiliation (officer/employee of the company or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion?
Theodore J. Zubulake, FCAS, MAAA
William M. Mercer, Inc.
Two World Trade Center 54th Floor, New York, NY 10048.....
36. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
PriceWaterhouseCoopers LLP
1100 Louisiana Street, Suite 4100, Houston, TX 77002.....
37. (a) Has the Company been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
(b) If yes, provide name of company, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any company that has ceased to exist as a result of the merger or consolidation.

Name of Company	NAIC Company Code	State of Domicile

GENERAL INTERROGATORIES (continued)

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

39. (a) Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
 (b) If answer is yes,
 (i) amount paid as losses or risk adjustment: \$.....
 (ii) amount paid as expenses: \$.....
 (iii) other amounts paid: \$.....

40. (a) Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$.....0
 (b) List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations or Rating Bureaus during the period covered by this statement.

Name of Organization	Amount Paid

41. (a) Amount of payments for legal expenses, if any? \$.....7,483,649
 (b) List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

Name of Firm	Amount Paid
Cantilo, Maisel & Hubbard, L.L.P.	5,488,777

42. (a) Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....0
 (b) List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

Name of Firm	Amount Paid

NOTES TO FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying financial statements of HOW Insurance Company, A Risk Retention Group, in Receivership (the "Company"), have been prepared in conformity with accounting practices prescribed or permitted by the National Association of Insurance Commissioners and the Bureau of Insurance (the "Bureau"), State Corporation Commission (the "Commission") of the Commonwealth of Virginia, including full adoption of the reporting requirement adopted by the NAIC in September 1995 for "Unearned Premium - Single or Fixed Premium Policies with Coverage Periods in Excess of Thirteen Months".

2. Receivership

On October 14, 1994, in Cause No. HE-1059-1, styled Commonwealth of Virginia, *ex rel.* State Corporation Commission and Steven T. Foster, Commissioner of Insurance v. Home Warranty Corporation, Home Owners Warranty Corporation, and HOW Insurance Company, a Risk Retention Group, the Circuit Court for the City of Richmond, Virginia, entered its FINAL ORDER APPOINTING RECEIVER FOR REHABILITATION OR LIQUIDATION (the "Receivership Order") appointing the Commission permanent Receiver of the Company, as well as its parent, Home Warranty Corporation ("HWC"), and its affiliate, Home Owners Warranty Corporation ("HOW") (collectively, "the Companies"). The Receivership Order also appointed Steven T. Foster, Commissioner of Insurance of the Bureau, as Deputy Receiver and Patrick H. Cantilo as Special Deputy Receiver of the Companies. In May of 1996, Alfred W. Gross was appointed Commissioner of Insurance of the Bureau and Deputy Receiver of the Company.

The liabilities of the Company will be paid subject to the payment priority scheme authorized by Virginia law. This financial statement has been prepared in conformity with the format adopted by the Bureau, and therefore, this financial statement does not segregate the Company's liabilities by order of payment priority. In this connection, certain liabilities listed in this financial statement may never be paid if the Company has insufficient assets available to satisfy these claims.

The Receivership Order directed the Receiver, Deputy Receiver and the Special Deputy Receiver to take control and possession of all of the Companies' property and affairs. The Deputy Receiver takes the place of the Board of Directors for the purpose of answering the various "General Interrogatories". Also, the "General Interrogatories" have been answered to the best of the Deputy Receiver's and his Authorized Representatives' knowledge and may be subject to change. Information for periods prior to October 7, 1994, is presented as previously reported to the Bureau by the Company or as presented in the books and records of the Company. The Deputy Receiver is continuing to investigate the accuracy of this information. The Deputy Receiver is analyzing and investigating various aspects of, and procedures related to, the Company's affairs and operations before October 7, 1994, and this analysis and investigation may lead the Deputy Receiver to change data and other information presented in this financial statement.

On March 12, 1996, and May 2, 1996, the Company entered into administrative service arrangements (the "Service Agreements") with third-party companies for the administration of certain specified aspects of the Company's operations and affairs. The Service Agreements enabled the Company to close its administrative office in Irving, Texas, on April 30, 1996, at which time it terminated most of its employees. The remaining employees of the Company were terminated in July of 1996.

3. Investments

Bonds are stated at amortized cost using the scientific method.

The Company's investment guidelines provide as follows: (a) 65% or more of its assets may be invested in fixed-income securities rated NAIC 1, (b) up to 25% of its assets may be invested in fixed-income securities rated NAIC 2, and (c) no more than 10% of its assets may be invested in securities rated NAIC 3. The Company may not invest in equities or fixed-income securities rated NAIC 4 or lower without the approval of the Deputy Receiver.

4. Reserves

The Deputy Receiver's staff investigated the method by which the Company established incurred but not reported ("IBNR") reserves. The Company's management reported IBNR reserves based on claims reported in the 15 days subsequent to year end. The Deputy Receiver's staff determined from its reviews that the more appropriate period to measure IBNR claims was approximately 650 days. This change was reflected at December 31, 1994. Historical losses were reported by the Company on a report year rather than a manifestation year basis. The receivership staff continues to review the historical loss information of the Company. The Deputy Receiver has allocated IBNR reserves to the receivership year because the Company did not previously record data which would reasonably permit such allocation by year with sufficient reliability.

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NOTES TO FINANCIAL STATEMENTS

5. Debt

The Company has no outstanding debt obligations to third parties.

6. Claims Payments

On November 29, 1994, the Deputy Receiver issued his First Directive (the "Directive") which authorized initial payments of 40% on approved direct claims for the cost of repairing defects to a home which are covered by the Company's Warranty, less any applicable deductible. The unpaid portion of the approved direct claims are reflected as "Loss payments - deferred" in the liabilities. The same Directive imposed a moratorium on the payment of "indirect claims" under the Company's warranty, which include, but are not limited to, amounts owed for extra-contractual obligations, non-economic damages, consequential damages, and litigation costs and attorneys' fees.

A second directive dated January 23, 1996, increased the direct claim payment rate to 50%. The Company began paying direct claims at the 50% rate in February of 1996.

A third directive dated December 28, 1998, increased the direct claim payment rate to 60% and directed that the following indirect claims be reclassified as direct claims: (i) claims approved by the Deputy Receiver for damages determined to be extra contractual obligations of the Company, non-economic damages, consequential damages, litigation costs or attorneys' fees incurred by a home owner or member builder in asserting a claim against the Company before receivership; and (ii) claims approved by the Deputy Receiver for litigation costs and attorneys' fees incurred by a member builder in an action brought against the member builder to recover under the Major Structural Defect Insurance coverage provided by the Company. The Company began paying claims at the 60% rate in January of 1999.

The Deputy Receiver has entered into claims handling agreements with certain builders in which such builders settle the direct claims of their customers.

Under the terms of the Receivership Appeal Procedure, claimants are permitted two levels of appeal for denied claims. The first level of appeal is to the Deputy Receiver. The second level of appeal is to the Commission if such claim appeal is denied by the Deputy Receiver. As of December 31, 1998, approximately 925 appeals and 157 Petitions for Review have been filed with the Deputy Receiver and Commission, respectively, since the inception of the receivership proceeding. The majority of these appeals involve claims by home owners for the following: (a) Major Structural Defect coverages for claims arising in the third through the tenth year after the home's construction; and (b) Builder's Limited Warranty/Builder Default coverage for defect claims arising during the first two years after the home's construction.

In regard to the appeal and petition information and statistics referenced by the preceding paragraph, there have been approximately 869 home owner and 145 builder appeals and petitions submitted to the Deputy Receiver or the Commission. The remaining appeals and petitions involve 37 claims from vendors and local councils, 9 claims for attorney fees, 8 claims from former employees of HOW and 14 claims from former members of the Company's Board of Directors and others. Generally, builder appeals involve disputes with respect to determinations of responsibility for making certain home repairs under the Builder's Limited Warranty. Further, builder appeals include, but are not limited to, claims for the refund of loss reserve prepayments, capital contributions, and enrollment fees. The appeals from claimants, other than home owners, generally involve fees for goods and services provided to the Company prior to the inception of the receivership proceedings.

7. Loss Prepayments

Pursuant to certain agreements between the Company and certain Member Builders, participating Member Builders are liable for specified payments which they may be required to prepay in the form of cash, Certificates of Deposit (CD's), or Letters of Credit (LOC's). Prepayments were made by builders and held by the Company as follows: (a) cash payments were deposited in the general operating account of the Company; (b) CD's received were issued in the Company's name; and (c) LOC's named the Company as the beneficiary. The Company held LOC's in the amount of \$3,244,766 and a collateralized security interest of \$114,651 at December 31, 1998. Cash prepayments and CD's were \$1,580,142 at December 31, 1998, and this amount is included in the Company's financials as of that date.

8. Related Party Transactions

Before they were placed in receivership, the Companies and their affiliates operated under previously adopted

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NOTES TO FINANCIAL STATEMENTS

protocols and agreements for the allocation of revenues and expenses among themselves. The Deputy Receiver has not found adequate documentation for at least some of these protocols and agreements and is continuing to review the Companies' records in an effort to ascertain the most appropriate manner in which revenues and expenses should be allocated. Beginning January 1, 1995, the Deputy Receiver has provisionally concentrated revenues and expenses at the Company, both operationally and for purposes of its financial reports. This allocation may change once the Deputy Receiver concludes his review of the Companies' records.

9. Leases

While the Company is not a direct party to any lease obligations, rent payments may be made by the Company. The office space in Arlington, Virginia, was reduced in December 1994 to a partial floor (13,971 square feet), which was vacated on September 30, 1995. The landlord of this lease space has requested that a lump sum payment, in an amount to be determined, be made to the landlord in satisfaction of its alleged loss of approximately \$3,500,000 arising from the early termination of this lease. The Deputy Receiver has established a \$500,000 liability for this matter based on his best estimate of the Company's exposure under this lease. Based upon future events, circumstances, and undetermined factors, this liability may or may not be required and a material reduction or increase of this reserve may be appropriate.

HOW operated an office facility and a warehouse storage facility in Irving, Texas, pursuant to lease arrangements which expired in calendar year 1996. In July of 1996, the Company executed a lease for approximately 6,000 square feet of warehouse space located in Dallas, Texas. The lease provides the warehouse space over a five-year period at a monthly base rent of approximately \$2,375.00 per month.

10. Regulatory Status

The Company was engaged in the business of administering and insuring a home builder warranty protection plan for new homes known as the Home Owners Warranty Program (the "HOW Program"). Before receivership, the HOW Program was available in all jurisdictions (other than Alaska) and the District of Columbia. During the course of receivership, a number of these states have placed restrictions on the Company's authority to write new insurance business. The Deputy Receiver imposed a moratorium on the issuance of new insurance business at the inception of the receivership. The moratorium for new insurance business remains in effect.

11. Litigation

The following is a description of certain litigation or claims filed by or against the Company:

A. Fire Retardant Treated ("FRT") Plywood Roof Sheathing Litigation

In 1977, the New Jersey legislature passed the New Home Warranty and Builders Registration Act (the "Registration Act") which established a state funded and sponsored builder warranty program largely modeled upon the pre-existing HOW Program. For private warranty plans, the legislation established an approval process which required each such plan to submit an application for continued approval to operate within New Jersey every two years. Since the Company pre-existed this legislation, the HOW Program was "grandfathered" for its initial approval in 1977 and obtained re-approval from New Jersey upon reapplication until 1989.

During the 1980's, certain New Jersey home owners began to complain that the roofs of their townhomes and multi-family dwellings were deteriorating. The home owners alleged that fire retardant treated plywood roof sheathing ("FRT plywood"), which was treated with chemicals designed to make the wood char at temperatures much less than the temperature at which wood burns so as to prevent the spread of fire across roof lines, was defective because the wood was deteriorating at temperatures far lower than it was designed. The Company's warranty document specifically provides that roof sheathing is a non-structural component that is separate and distinct from the structural roof system which consists generally of tresses, braces and framing. As such, the roof sheathing was considered to be a first year warranty item and not a ten year structural item.

The State of New Jersey decided to assure prompt relief to these home owners by agreeing to cover FRT plywood claims under the "Major Construction" or "Structural" defect portions of its warranty coverage (as defined in the statute). To do so, it expanded its traditional definition of structural elements to include plywood roof sheathing in spite of prior limitations respecting coverage for that element.

Similarly, the New Jersey Department of Community Affairs (the "DCA"), which is charged with administering and enforcing the Registration Act, opined that the Registration Act required such coverage and that any private warranty company that refused to provide ten year coverage for FRT plywood would have its authorization to conduct business in New Jersey revoked. In May of 1990, the DCA formally notified the Company that its application for renewal as an approved private warranty program in New

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NOTES TO FINANCIAL STATEMENTS

Jersey was denied due to its position on coverage of FRT plywood roof sheathing. The DCA then established a fund for FRT plywood related claims to reimburse participating plans for the cost of repairs in exchange for an assignment of rights by the plans to the DCA of any rights to go against the manufacturers of these products and other responsible parties for contribution and/or indemnity. The Company elected not to participate voluntarily in New Jersey's suggested remedy.

New Jersey's position was that roof sheathing was "intended" to be covered for ten years as a structural component since the outset of the state plan in 1977. The Registration Act, which mandates that private warranty plans must offer warranty coverage equivalent to the state's plan, requires that coverage deviating from the state plan automatically conform to its provisions.

The Company offered to provide supplemental FRT plywood coverage going forward but would not agree to an expanded coverage on enrolled units applied retroactively. The DCA was not agreeable to this approach but allowed the Company to continue to operate in a state of suspended approval while its administrative action was pending.

On April 26, 1990, New Jersey Senator Paterniti introduced S. 2602 (the "Paterniti Amendment"), which was signed into law on July 11, 1991, as L. 1991, C.202. This bill essentially codified the remedies proposed by New Jersey for defects in residential structures built using FRT plywood. The remediation system provides for payments by the new home warranty fund to those who demonstrate either actual damage to the sheathing or that inevitable premature failure would occur within the first ten years of residence. It also provides for the subrogation of claims that residents, builders and warrantors might have against manufacturers and other responsible parties.

The Paterniti Amendment also asserts a retroactive application based upon the rationale that it was merely a clarification of the intent of the original Registration Act. The DCA's position was that this "clarification" function was a legitimate foundation and justification for the proposed retroactive application and effectively mandated the Company's participation in the program to its inception in 1977.

The above described events resulted in litigation in two forums. First, the Company and some of its corporate affiliates were sued by home owner associations to replace roofs that contained allegedly defective roof sheathing. At the time of receivership, the Company was a co-defendant in approximately fifty-seven (57) such home owners' suits involving over 50,000 roofs. While the home owner associations in many of these lawsuits have entered into settlement agreements with other co-defendants, invariably, the settling parties have assigned any rights they have against the Company and its affiliates to the DCA. This litigation has been stayed since September of 1991 in all cases except for two home owner association suits.

During 1995 the DCA intervened in the home owner lawsuits and moved to have all FRT plywood claims involving non-settling parties transferred and consolidated into the case encaptioned as, The Commons at Kingswood Station, C. A. v. Orleans Construction Company, et al. All cases involving non-settling parties were consolidated into The Commons at Kingswood Station, C.A. suit. In this suit, the DCA asserted its right to recover payments made by it on behalf of non-settling defendants in the original action. The Companies were severed from this case.

The Deputy Receiver believes that there are meritorious defenses to the FRT plywood claims. This financial statement does not address the extent of the Company's liability, if any, for FRT plywood litigation and related claims.

B. Peterson v. Mission Viejo Company v. Home Owners Warranty Corporation and HOW Insurance Company, Case No. 92-CV-568, in the District Court of Douglas County, Colorado; Monahan v. Mission Viejo Company v. Home Owners Warranty Corporation and HOW Insurance Company, Civil Action No. 94-K-256, in the United States District Court for the District of Colorado; Tao v. Mission Viejo Company v. Home Owners Warranty Corporation and HOW Insurance Company, Civil Action No. 94-K-257, in the United States District Court for the District of Colorado; Anthony, Guerrasio, Fenimore, Nielsen and Miller v. Mission Viejo Company v. Home Owners Warranty Corporation and HOW Insurance Company, Civil Action No. 94-K-934, in the United States District Court for the District of Colorado; Solano v. Mission Viejo Company v. Home Owners Warranty Corporation and HOW Insurance Company, Civil Action No. 94-K-900, in the United States District Court for the District of Colorado; Hutton v. Mission Viejo Company v. Home Owners Warranty Corporation and HOW Insurance Company, Civil Action No. 94-K-901, in the United States District Court for the District of Colorado; DeFranco v. Mission Viejo Company v. Home Owners Warranty Corporation and HOW Insurance Company, Civil Action No. 94-K-

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NOTES TO FINANCIAL STATEMENTS

1348, in the United States District Court for the District of Colorado; Moore v. Mission Viejo Company, Civil Action No. 94-K-1415, in the United States District Court for the District of Colorado; Kosse v. Mission Viejo Company, Civil Action No. 94-K-1416, in the United States District Court for the District of Colorado; Home Warranty Corporation, Home Owners Warranty Corporation and HOW Insurance Company v. Mission Viejo Company, et al., Civil Action No. CIV-94-2015, in the United States District Court for the District of Colorado. These lawsuits involve a class of approximately 1,750 purchasers of homes built by Mission Viejo Company (“MVC”) in Highlands Ranch, Colorado. Of the class members, 22 have filed administrative claims with the Company in connection with alleged damages to their homes. In addition, 12 of the 22 claimants are named plaintiffs in the suits. Although the Company was not originally sued by the home owners, MVC later brought third-party actions against the Company requesting indemnity for repairs and defense in some, but not all, of the cases. As a result, the Company filed a declaratory judgment action in federal court against both the home owners and MVC seeking consolidation of all of the cases, as well as a determination of coverage issues under the Company’s Warranties. MVC has filed a counterclaim against the Company in the declaratory judgment action seeking a declaration of the Company’s duty to defend and indemnify MVC in these matters. Based upon a Motion for Stay filed by the Company over two years ago, the court having jurisdiction in these matters entered an order staying further action against the Company.

The lawsuits against MVC arose primarily from the home owner’s contentions that their homes were built on highly-expansive soils and that MVC, with knowledge of these conditions, constructed their homes without a foundation system designed to support the homes adequately as the homes moved. The home owners also contended that MVC fraudulently concealed the degree of the expansive nature of the soils and misrepresented that the basements of the homes could be finished off as living areas. Causes of action against MVC included negligence, breach of expressed and implied warranties, violations of the Colorado Consumer Protection Act, non-disclosure or concealment, and violation of certain Colorado statutes. The home owners also sought actual and exemplary damages against MVC.

In November of 1995, a Colorado jury in the class action lawsuit found MVC liable for damages to the homes. The class Plaintiffs and MVC reached agreement on terms for settlement. As part of the settlement agreement, the class Plaintiffs assigned to MVC all of their rights held under the warranty documents issued by the Companies. Because of this assignment, all administrative claims filed by class members are now being pursued by MVC. On October 28, 1997, a Determination of Appeal was issued awarding MVC, as assignee of the class members, a direct claim in the amount of \$338,232.16. The Determination of Appeal also awarded MVC a general creditor claim in the amount of \$3,663,465.89 for defense costs arising from the class action, individual home owner cases and the declaratory judgment action. MVC filed a Petition with the State Corporation Commission for the Commonwealth of Virginia (“Commission”) appealing the categorization and amount of defense costs awarded and seeking payment of the home owner’s award held by way of assignment. In addition, MVC filed an Application for Hearing (“Application”) with the Commission objecting to the Deputy Receiver’s suspension and classification of indirect claims. See paragraph E. below for additional information regarding the Application process. MVC’s Petition and Application were rendered moot by the third directive which reclassified indirect claims as direct claims. The Petition and Application were settled with MVC by the Companies in December of 1998 for a direct claim award of \$3,000,000 and mutual releases of the parties.

C. Linda S. Colescott, et al. v. Richmond Homes Limited, et al., Civil Action No. 94 CV 352, in the Douglas County District Court, Division 2, Colorado; Harold Rodenburg v. Richmond Homes Limited, et al., Civil Action No. 95 CV 298, in the Douglas County District Court, Division 1, Colorado; Steve and Melanie Constantini v. Richmond Homes Limited, et al., Civil Action No. 95 CV 1052, in the Boulder County District Court, Division 3, Colorado; Richard and Doris Moore v. Richmond Homes Limited, et al., Civil Action No. 95 CV 321, in the Douglas County District Court, Division 2, Colorado. These four class-action lawsuits (collectively, the “Colescott Litigation”) were filed against MDC Holdings, Inc. and its affiliates (collectively, “MDC”) beginning in 1994, on behalf of approximately 3,985 Colorado home owners whose homes were constructed between 1986 and 1994. MDC joined the HOW Program in January 1985.

The Colescott Litigation sought certification of a class consisting of all purchasers, both original and subsequent, who purchased homes containing basements with slab-on-grade floors constructed by MDC on lots having soil with a swell potential of 1% or greater. The class plaintiffs in the Colescott Litigation alleged that their homes were constructed without foundation systems designed to support the homes adequately as the homes moved, and sought actual and exemplary damages from the builder for causes of action that include negligence, breach of implied warranties, violation of the Colorado Consumer Protection Act and certain other Colorado statutes, and non-disclosure or concealment. In addition, the named plaintiffs in the Colescott Litigation claimed in their individual capacities that MDC breached its express one-, two- and ten-year warranties. The Company was not named as a defendant in the Colescott Litigation.

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NOTES TO FINANCIAL STATEMENTS

In November 1994, MDC tendered defense of the Colescott Litigation to the Company, because many of the homes involved were enrolled in the HOW Program. The Company informed MDC that the Company no longer provided a legal defense to builders, and that MDC could, at its option, assert a claim in the receivership proceeding for the resulting costs.

In November 1996, the Colescott Litigation was settled under an arrangement whereby each owner of a home built by MDC in various Colorado subdivisions through September 30, 1995, was entitled to receive a replacement policy from Lion Warranty Corporation (“Lion”), a newly formed subsidiary of MDC. The home owners who participated in the settlement were deemed to have assigned their rights under the Company’s Warranty, and any claims for coverage thereunder, to MDC as part of the settlement. As a group, MDC’s primary and excess insurers reportedly advanced \$22 million for the settlement fund, and an additional \$1,668,420 for defense.

In late 1996, MDC initiated discussions with the Company regarding its alleged duties to defend and indemnify MDC with respect to the Colescott Litigation and settlement. MDC asserted rights under the HOW Builder Agreement and rights of contribution and subrogation via assignment from its insurers who participated in the class settlement.

In May 1997, MDC submitted claims to the Company totaling \$4,982,998, contending that the Company owed this amount, as well as any amounts which would relate to future claims made against Lion on homes originally enrolled in the HOW Program. The Company continued the process of evaluating MDC’s claims. During the course of this evaluation, MDC advised that it would withdraw its claims from the claims adjudication process.

In September 1997, MDC filed an Application for Hearing with the Commission to contest the Deputy Receiver’s (i) moratorium on the payment of indirect claims, and (ii) classification of claims for defense costs as general creditor claims rather than direct claims. See paragraph E. below for additional information regarding the Application process. The third directive moots the Application because the Deputy Receiver reclassified indirect claims as direct claims.

In February 1998, MDC submitted a formal claim for reimbursement of the defense costs incurred by MDC in connection with the Colescott Litigation and settlement. MDC seeks to recover \$1,368,567.00 from the Company in reimbursement for attorneys’ fees and other costs of litigation not reimbursed by its other insurers. MDC’s claim for defense costs is currently under review by the Company to determine whether such claims are approximately submitted as direct claims.

D. In addition to litigation concerning FRT plywood pending in New Jersey, the Company, its affiliates and its insureds were subject to claims litigation or threatened litigation brought under the Company's warranty documents that may have a material effect on the Company's financials. As of December 31, 1998, the Deputy Receiver had posted loss reserves of approximately \$4,761,552 in regard to these litigation matters. This loss reserve amount is included in these financial statements. This reserve amount reflects only a small portion of the potential claims liability, if any, which may arise from FRT litigation and other litigation or threatened litigation matters. The Deputy Receiver believes that there are meritorious defenses to many of the litigation or threatened litigation cases which would either preclude or limit any recovery. Due to the inherent uncertainty of litigation, the Company’s actual liability may vary from its reserved liability for such litigation matters. The Deputy Receiver has stayed or moved to stay all pending litigation cases that were filed against the Companies. In most cases, litigation continues against the Company's insureds.

E. During July of 1997, the Company began to mail the “REPORT TO HOME OWNERS, MEMBER BUILDERS, CREDITORS, AND OTHER INTERESTED PERSON” (the “Report”) to approximately 1.7 million recipients. The Reports were sent in eight batches each within fifteen days of the prior mailing. Among other things, the Report informed these parties of the status of the receivership proceedings and of the directive issued by the Deputy Receiver on November 29, 1994 (the “Directive”). The Directive authorized the partial payment of approved direct claims (claims for the repair of covered defects as specified in the HOW Warranty Documents) and it temporarily suspended the payment of indirect claims under the HOW Warranty Documents (claims which include, but are not limited to, extra contractual obligations, non-economic damages, consequential damages, and litigation costs and attorneys’ fees) until all direct claims have been paid in full. These parties were also notified that all persons affected by the temporary suspension of payments on indirect claims and who wished to object to the suspension and classification of these types of claims must file an Application with the Clerk of the Commission within ten days of the date indicated on their Report. Failure to file the Application timely constituted a waiver of any right to object to the Deputy Receiver’s suspension and classification of indirect claims.

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NOTES TO FINANCIAL STATEMENTS

Six Applications were filed with the Commission to object to the suspension and classification of indirect claims. The third directive has rendered moot five of the six Applications because it reclassified indirect claims as direct claims.

F. The Deputy Receiver has a lawsuit pending against certain former employees, consultants, responsible third parties, and officers and directors of the Company. The litigation, styled Gross, et al. v. National Association of Home Builders, et al.; Cause No. 96-00472, was filed in the 101st Judicial District Court of Dallas County, Texas, in conjunction with a class action lawsuit maintained by home owners with homes enrolled in the HOW Program. The Deputy Receiver seeks damages from the defendants on a number of different legal grounds, including, but not limited to, breach of fiduciary duty, negligence, fraud, waste of corporate assets, voidable transfers, conspiracy and violation of applicable laws. The damages sought exceed \$100,000,000. The lawsuit has been settled against all parties other than the outside accounting and actuarial firms who provided professional services to the Companies before receivership. The trial for this litigation has been scheduled for April of 1999.

12. The Company has entered into an agreement with Compagnie Europeene de Reassurance Paris, in Liquidation, in which it has agreed to accept a 25% settlement of its claims. The amount accepted by the Company amounted to \$26,250.

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**ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In
Receivership**

FIVE-YEAR HISTORICAL DATA

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

	1 1998	2 1997	3 1996	4 1995	5 1994
Gross Premiums Written (Page 9, Part 2B, Cols. 1 & 2)					
1. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)				86,487	22,778,495
2. Property Lines (Lines 1, 2, 9, 12, 21 & 26)					
3. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)					
4A. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 31)					
4B. Non-proportional Reinsurance Lines (Lines 30A, 30B & 30C)					
5. Total (Line 32)				86,487	22,778,495
Net Premiums Written (Page 9, Part 2B, Col. 4)					
6. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)				(1,158,852)	10,880,247
7. Property Lines (Lines 1, 2, 9, 12, 21 & 26)					
8. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)					
9A. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 31)					
9B. Non-proportional Reinsurance Lines (Lines 30A, 30B & 30C)					
10. Total (Line 32)				(1,158,852)	10,880,247
Statement of Income (Page 4)					
11. Net Underwriting Gain or (Loss) (Line 7)	8,776,680	(12,211,085)	(6,227,360)	52,942,511	(135,345,501)
12. Net Investment Gain or (Loss) (Line 9A)	6,326,882	6,620,211	7,042,755	6,213,262	8,285,238
13. Total Other Income (Line 13)	9,400,277	3,042	483,934	5,941	2,792
14. Dividends to Policyholders (Line 14A)					
15. Federal and Foreign Income Taxes Incurred (Line 15)			50,000		
16. Net Income (Line 16)	24,503,839	(5,587,832)	1,249,329	59,161,714	(127,057,471)
Balance Sheet Lines (Pages 2 and 3)					
17. Total Admitted Assets (Page 2, Line 22, Col. 4)	137,699,700	135,454,215	143,105,997	153,618,380	157,053,330
18. Agents' Balances or Uncollected Premiums (Page 2, Col. 4)					
18.1 In Course of Collection (Line 10.1)					
18.2 Deferred and Not Yet Due (Line 10.2)					
18.3 Accrued Retrospective Premiums (Line 10.3)					
19. Total Liabilities (Page 3, Line 23)	170,393,905	192,629,451	196,111,155	207,090,536	273,297,430
20. Losses (Page 3, Lines 1 and 1A)	61,744,425	69,439,408	63,359,590	58,696,088	123,416,114
21. Loss Adjustment Expenses (Page 3, Line 2)	32,847,918	42,041,382	41,821,751	47,291,431	38,127,000
22. Unearned premiums (Page 3, Line 9)	17,982,000	28,974,000	42,840,000	57,929,000	79,522,936
23. Capital Paid Up (Page 3, Lines 25A & 25B)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
24. Surplus as Regards Policyholders (Page 3, Line 27)	(32,694,204)	(57,175,235)	(53,005,158)	(53,472,156)	(116,244,100)
Risk-Based Capital Analysis					
25. Total Adjusted Capital	(32,694,204)	(57,175,235)	(53,005,158)		
26. Authorized Control Level Risk-Based Capital	12,116,724	14,592,392	12,853,893		
Percentage Distribution of Cash and Invested Assets (Page 2, Col. 4) (Line divided by Page 2, Line 9, Col. 4) x 100.0					
27. Bonds (Line 1)	91.6	95.4	92.9	98.1	85.7
28. Stocks (Lines 2.1 & 2.2)					5.2
29. Mortgage Loans on Real Estate (Lines 3.1 and 3.2)					
30. Real Estate (Lines 4.1 & 4.2)					
31. Cash and Short-Term Investments (Line 5)	8.4	4.6	6.8	1.9	9.1
32. Other Invested Assets (Line 6)					
32A. Receivable for Securities (Line 7)					
33. Aggregate Write-Ins for Invested Assets (Line 8)			0.2		
34. Cash and Invested Assets (Line 9)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
35. Affiliated Bonds (Schedule D, Summary, Line 25, Col. 6)					
36. Affiliated Preferred Stocks (Schedule D, Summary, Line 39, Col. 3)					
37. Affiliated Common Stocks (Schedule D, Summary, Line 53, Col. 3)					
38. Affiliated Short-Term Investments (subtotals included in Schedule DA, Part 1, Col. 10)					
38A. Affiliated Mortgage Loans on Real Estate					
38B. All Other Affiliated					
39. Total of above Lines 35, 36, 37, 38, 38A & 38B					
40. Percentage of Investments in Parent, Subsidiaries and Affiliates to Surplus as Regards Policyholders (Line 39 above divided by Page 3, Col. 1, Line 27 x 100.0)					

**ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In
Receivership**

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 1998	2 1997	3 1996	4 1995	5 1994
Capital and Surplus Accounts (Page 4)					
41. Net Unrealized Capital Gains or (Losses) (Line 19)	(107,153)	67,886	(71,862)	(77,444)	(978,165)
42. Dividends to Stockholders (Cash) (Line 27)					
43. Change in Surplus as Regards Policyholders for the Year (Line 31)	24,481,029	(4,170,079)	467,000	62,771,944	(135,641,559)
Gross Losses Paid (Page 10, Part 3, Cols. 1 & 2)					
44. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	7,476,917	6,336,246	6,152,181	8,327,984	15,484,622
45. Property Lines (Lines 1, 2, 9, 12, 21 & 26)					
46. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)					
47A. All Other Lines (Lines 10, 13, 14, 15, 23, 24, 28, 29 & 31)					
47B. Non-Proportional Reinsurance Lines (Lines 30A, 30B & 30C)					
48. Total (Line 32)	7,476,917	6,336,246	6,152,181	8,327,984	15,484,622
Net Losses Paid (Page 10, Part 3, Col. 4)					
49. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	6,499,537	5,762,909	7,612,723	9,722,598	7,250,190
50. Property Lines (Lines 1, 2, 9, 12, 21 & 26)					
51. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)					
52A. All Other Lines (Lines 10, 13, 14, 15, 23, 24, 28, 29 & 31)					
52B. Non-Proportional Reinsurance Lines (Lines 30A, 30B & 30C)					
53. Total (Line 32)	6,499,537	5,762,909	7,612,723	9,722,598	7,250,190
Operating Percentages (Page 4) (Line divided by Page 4, Line 1) x 100.0					
54. Premiums Earned (Line 1)	100.0	100.0	100.0	100.0	100.0
55. Losses Incurred (Line 2)	(10.9)	85.4	81.4	(269.1)	619.5
56. Loss Expenses Incurred (Line 3)	(34.6)	63.0	42.2	81.8	227.4
57. Other Underwriting Expenses Incurred (Line 4)	65.6	39.4	17.7	28.3	19.7
58. Net Underwriting Gain or (Loss) (Line 7)	79.8	(88.1)	(41.3)	259.1	(766.6)
Other Percentages					
59. Other Underwriting Expenses to Net Premiums Written (Page 4, Lines 4 + 5 - 13 divided by Page 9, [Page 8, 1994 and prior] Lines 4 + 5 - 13 divided by Page 9, Part 2B, Col. 4, Line 32 x 100.0)				498.4	31.9
60. Losses and Loss Expenses Incurred to Premiums Earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	(45.5)	148.4	123.6	(187.4)	846.9
61. Net Premiums Written to Policyholders' Surplus (Page 9, Part 2B, Col. 4, Line 32 divided by Page 3, Line 27, Col. 1 x 100.0)				2.2	(9.4)
One Year Loss Development (000 omitted)					
62. Development in Estimated Losses and Loss Expenses Incurred Prior to Current Year (Schedule P - Part 2 - Summary, Line 12, Col. 12)	(7,584)	14,275	7,725	(70,912)	1,813
63. Percent of Development of Loss and Loss Expenses Incurred to Policyholders' Surplus of Previous Year End (Line 62 above divided by Page 4, Line 17, Col. 1 x 100.0)	13.3	(26.9)	(14.4)	61.0	9.3
Two Year Loss Development (000 omitted)					
64. Development in Estimated Losses and Loss Expenses Incurred Two years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 13)	6,901	22,274	(61,663)	(2,324)	4,888
65. Percent of Development of Loss and Loss Expenses Incurred to Reported Policyholders' Surplus of Second Previous Year End (Line 64 above divided by Page 4, Line 17, Col. 2 x 100.0)	(13.0)	(41.7)	53.0	(12.0)	25.5

Schedule A - Part 1

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule A - Verification

NONE

Schedule B - Part 1

NONE

Schedule B - Part 2

NONE

Schedule B - Verification

NONE

Schedule BA - Part 1

NONE

Schedule BA - Part 2

NONE

Schedule BA - Verification

NONE

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

SCHEDULE D - PART 1A - SECTION 1

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

1	2	3	4	5	6	7	8	9	10	11	12
Quality Rating per the NAIC Designation	1 Year or Less	Over 1 Year Through 5 Years	Over 5 Years Through 10 Years	Over 10 Years Through 20 Years	Over 20 Years	Total Current Year	Col. 7 as a % of Line 10.7	Total from Col. 7 Prior Year	% From Col. 8 Prior Year	Total Publicly Traded	Total Privately Placed (a)
1. U.S. Governments, Schedules D & DA (Group 1)											
1.1 Class 1	8,181,704	11,590,704	4,164,401	2,319,624	66,419	26,322,852	20.2	35,058,651	27.8	26,322,852	.0
1.2 Class 2	.0	.0	.0	.0	.0	.0				.0	.0
1.3 Class 3	.0	.0	.0	.0	.0	.0				.0	.0
1.4 Class 4	.0	.0	.0	.0	.0	.0				.0	.0
1.5 Class 5	.0	.0	.0	.0	.0	.0				.0	.0
1.6 Class 6	0	0	0	0	0	0				0	0
1.7 TOTALS	8,181,704	11,590,704	4,164,401	2,319,624	66,419	26,322,852	20.2	35,058,651	27.8	26,322,852	
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Class 1	.0	.0	.0	.0	.0	.0				.0	.0
2.2 Class 2	.0	.0	.0	.0	.0	.0				.0	.0
2.3 Class 3	.0	.0	.0	.0	.0	.0				.0	.0
2.4 Class 4	.0	.0	.0	.0	.0	.0				.0	.0
2.5 Class 5	.0	.0	.0	.0	.0	.0				.0	.0
2.6 Class 6	0	0	0	0	0	0				0	0
2.7 TOTALS											
3. States, Territories and Possessions etc., Guaranteed, Schedules D & DA (Group 3)											
3.1 Class 1	.0	.0	.0	.0	.0	.0				.0	.0
3.2 Class 2	.0	.0	.0	.0	.0	.0				.0	.0
3.3 Class 3	.0	.0	.0	.0	.0	.0				.0	.0
3.4 Class 4	.0	.0	.0	.0	.0	.0				.0	.0
3.5 Class 5	.0	.0	.0	.0	.0	.0				.0	.0
3.6 Class 6	0	0	0	0	0	0				0	0
3.7 TOTALS											
4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Class 1	.0	.0	.0	.0	.0	.0				.0	.0
4.2 Class 2	.0	.0	.0	.0	.0	.0				.0	.0
4.3 Class 3	.0	.0	.0	.0	.0	.0				.0	.0
4.4 Class 4	.0	.0	.0	.0	.0	.0				.0	.0
4.5 Class 5	.0	.0	.0	.0	.0	.0				.0	.0
4.6 Class 6	0	0	0	0	0	0				0	0
4.7 TOTALS											
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1 Class 1	8,150,432	4,249,740	1,044,367	2,027,878	146,324	15,618,741	12.0	8,542,930	6.8	15,618,740	.0
5.2 Class 2	.0	.0	.0	.0	.0	.0				.0	.0
5.3 Class 3	.0	.0	.0	.0	.0	.0				.0	.0
5.4 Class 4	.0	.0	.0	.0	.0	.0				.0	.0
5.5 Class 5	.0	.0	.0	.0	.0	.0				.0	.0
5.6 Class 6	0	0	0	0	0	0				0	0
5.7 TOTALS	8,150,432	4,249,740	1,044,367	2,027,878	146,324	15,618,741	12.0	8,542,930	6.8	15,618,740	

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

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

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

1	2	3	4	5	6	7	8	9	10	11	12
Quality Rating per the NAIC Designation	1 Year or Less	Over 1 Year Through 5 Years	Over 5 Years Through 10 Years	Over 10 Years Through 20 Years	Over 20 Years	Total Current Year	Col. 7 as a % of Line 10.7	Total from Col. 7 Prior Year	% From Col. 8 Prior Year	Total Publicly Traded	Total Privately Placed (a)
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Class 1	.0	2,998,541	941,907	.0	.0	3,940,448	3.0	3,934,905	3.1	3,940,448	.0
6.2 Class 2	.0	2,364,985	.0	.0	.0	2,364,985	1.8			2,364,985	.0
6.3 Class 3	.0	.0	776,187	150,000	.0	926,187	0.7	302,993	0.2	926,187	.0
6.4 Class 4	.0	.0	.0	.0	.0					.0	.0
6.5 Class 5	.0	.0	.0	.0	.0					.0	.0
6.6 Class 6	0	0	0	0	0					0	0
6.7 TOTALS		5,363,526	1,718,094	150,000		7,231,620	5.6	4,237,898	3.4	7,231,620	
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Class 1	17,543,381	9,692,697	15,479,540	2,786,849	.0	45,502,467	35.0	49,568,434	39.3	45,502,466	.0
7.2 Class 2	1,500,574	10,863,950	10,496,024	.0	.0	22,860,548	17.6	23,252,503	18.4	22,860,548	.0
7.3 Class 3	.0	1,550,603	8,422,244	2,002,194	.0	11,975,041	9.2	4,503,600	3.6	11,975,041	.0
7.4 Class 4	.0	.0	522,864	.0	.0	522,864	0.4	1,002,003	0.8	522,864	.0
7.5 Class 5	.0	.0	.0	.0	.0					.0	.0
7.6 Class 6	.0	.0	.0	.0	.0					.0	.0
7.7 TOTALS	19,043,955	22,107,250	34,920,672	4,789,043		80,860,920	62.2	78,326,540	62.1	80,860,919	
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Class 1	.0	.0	.0	.0	.0					.0	.0
8.2 Class 2	.0	.0	.0	.0	.0					.0	.0
8.3 Class 3	.0	.0	.0	.0	.0					.0	.0
8.4 Class 4	.0	.0	.0	.0	.0					.0	.0
8.5 Class 5	.0	.0	.0	.0	.0					.0	.0
8.6 Class 6	0	0	0	0	0					0	0
8.7 TOTALS											
9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Class 1	.0	.0	.0	.0	.0					.0	.0
9.2 Class 2	.0	.0	.0	.0	.0					.0	.0
9.3 Class 3	.0	.0	.0	.0	.0					.0	.0
9.4 Class 4	.0	.0	.0	.0	.0					.0	.0
9.5 Class 5	.0	.0	.0	.0	.0					.0	.0
9.6 Class 6	0	0	0	0	0					0	0
9.7 TOTALS											

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

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

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

1	2	3	4	5	6	7	8	9	10	11	12
Quality Rating per the NAIC Designation	1 Year or Less	Over 1 Year Through 5 Years	Over 5 Years Through 10 Years	Over 10 Years Through 20 Years	Over 20 Years	Total Current Year	Col. 7 as a % of Line 10.7	Total from Col. 7 Prior Year	% From Col. 8 Prior Year	Total Publicly Traded	Total Privately Placed (a)
10. Total Bonds Current Year											
10.1 Class 1	33,875,517	28,531,682	21,630,215	7,134,351	212,743	91,384,508	70.3	XXX	XXX	91,384,506	
10.2 Class 2	1,500,574	13,228,935	10,496,024			25,225,533	19.4	XXX	XXX	25,225,533	
10.3 Class 3		1,550,603	9,198,431	2,152,194		12,901,228	9.9	XXX	XXX	12,901,228	
10.4 Class 4			522,864			522,864	0.4	XXX	XXX	522,864	
10.5 Class 5						(c)		XXX	XXX		
10.6 Class 6						(c)		XXX	XXX		
10.7 TOTALS	35,376,091	43,311,220	41,847,534	9,286,545	212,743	(b) 130,034,133	100.0	XXX	XXX	130,034,131	
10.8 Line 10.7 as a % of Col. 7	27.2	33.3	32.2	7.1	0.2	100.0	XXX	XXX	XXX	100.0	
11. Total Bonds Prior Year											
11.1 Class 1	18,951,941	43,487,275	23,277,184	11,055,992	332,528	XXX	XXX	97,104,920	77.0	97,104,920	
11.2 Class 2		13,726,711	7,387,119	1,521,657	617,016	XXX	XXX	23,252,503	18.4	23,252,503	
11.3 Class 3		516,209	3,186,694	1,103,690		XXX	XXX	4,806,593	3.8	4,806,593	
11.4 Class 4			1,002,003			XXX	XXX	1,002,003	0.8	1,002,003	
11.5 Class 5						XXX	XXX	(c)			
11.6 Class 6						XXX	XXX	(c)			
11.7 TOTALS	18,951,941	57,730,195	34,853,000	13,681,339	949,544	XXX	XXX	(b) 126,166,019	100.0	126,166,019	
11.8 Line 11.7 as a % of Col. 9	15.0	45.8	27.6	10.8	0.8	XXX	XXX	100.0	XXX	100.0	
12. Total Publicly Traded Bonds											
12.1 Class 1	33,875,516	28,531,682	21,630,216	7,134,351	212,743	91,384,508	70.3	97,104,921	77.0	91,384,508	XXX
12.2 Class 2	1,500,574	13,228,935	10,496,024			25,225,533	19.4	23,252,503	18.4	25,225,533	XXX
12.3 Class 3		1,550,603	9,198,432	2,152,194		12,901,229	9.9	4,806,593	3.8	12,901,229	XXX
12.4 Class 4			522,864			522,864	0.4	1,002,003	0.8	522,864	XXX
12.5 Class 5											XXX
12.6 Class 6											XXX
12.7 TOTALS	35,376,090	43,311,220	41,847,536	9,286,545	212,743	130,034,134	100.0	126,166,020	100.0	130,034,134	XXX
12.8 Line 12.7 as a % of Col. 7	27.2	33.3	32.2	7.1	0.2	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 7, Section 10	27.2	33.3	32.2	7.1	0.2	100.0	XXX	XXX	XXX	100.0	XXX
13. Total Privately Placed Bonds											
13.1 Class 1										XXX	
13.2 Class 2										XXX	
13.3 Class 3										XXX	
13.4 Class 4										XXX	
13.5 Class 5										XXX	
13.6 Class 6										XXX	
13.7 TOTALS										XXX	
13.8 Line 13.7 as a % of Col. 7								XXX	XXX	XXX	
13.9 Line 13.7 as a % of Line 10.7, Col. 7, Section 10								XXX	XXX	XXX	

(a) Includes \$ 0 freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.
 (b) Includes \$ 3,232,327 current year, \$ 2,741,645 prior year of bonds with Z designations and \$ 0 current year, 0 prior year of bonds with Z* designations. The letter "Z" means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. "Z*" means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.
 (c) Includes \$ 0 current year, \$ 0 prior year of bonds with 5* designations and \$ 0 current year, 0 prior year of bonds with 6* designations. "5*" means the NAIC designation was assigned by the SVO in reliance on the insurer's certification that the issuer is current in all principal and interest payments. "6*" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

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ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

SCHEDULE D - PART 1A - SECTION 2

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

1	2	3	4	5	6	7	8	9	10	11	12
Distribution by Type	1 Year or Less	Over 1 Year Through 5 Years	Over 5 Years Through 10 Years	Over 10 Years Through 20 Years	Over 20 Years	Total Current Year	Col. 7 as a % of Line 10.7	Total from Col 7 Prior Year	% From Col. 8 Prior Year	Total Publicly Traded	Total Privately Placed
1. U.S. Governments, Schedules D & DA (Group 1)											
1.1 Issuer Obligations	2,066,456	1,057,348	0	0	0	3,123,804	2.4	17,306,550	13.7	3,123,804	0
1.2 Single Class Mortgage-Backed/Asset-Backed Bonds	6,115,247	10,533,357	4,164,401	2,319,624	66,419	23,199,048	17.8	17,752,101	14.1	23,199,048	0
1.7 Totals	8,181,703	11,590,705	4,164,401	2,319,624	66,419	26,322,852	20.2	35,058,651	27.8	26,322,852	0
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Issuer Obligations	0	0	0	0	0					0	0
2.2 Single Class Mortgage-Backed/Asset-Backed Bonds	0	0	0	0	0					0	0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
2.3 Defined	0	0	0	0	0					0	0
2.4 Other	0	0	0	0	0					0	0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES:											
2.5 Defined	0	0	0	0	0					0	0
2.6 Other	0	0	0	0	0					0	0
2.7 Totals											
3. States, Territories, and Possessions Guaranteed, Schedules D & DA (Group 3)											
3.1 Issuer Obligations	0	0	0	0	0					0	0
3.2 Single Class Mortgage-Backed/Asset-Backed Bonds	0	0	0	0	0					0	0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
3.3 Defined	0	0	0	0	0					0	0
3.4 Other	0	0	0	0	0					0	0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES:											
3.5 Defined	0	0	0	0	0					0	0
3.6 Other	0	0	0	0	0					0	0
3.7 Totals											
4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Issuer Obligations	0	0	0	0	0					0	0
4.2 Single Class Mortgage-Backed/Asset-Backed Bonds	0	0	0	0	0					0	0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
4.3 Defined	0	0	0	0	0					0	0
4.4 Other	0	0	0	0	0					0	0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES:											
4.5 Defined	0	0	0	0	0					0	0
4.6 Other	0	0	0	0	0					0	0
4.7 Totals											
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1 Issuer Obligations	0	1,023,106	0	873,051	0	1,896,157	1.5	2,045,123	1.6	1,896,158	0
5.2 Single Class Mortgage-Backed/Asset-Backed Bonds	565,754	2,242,292	581,259	1,073,639	146,324	4,609,268	3.5	6,497,807	5.2	4,609,268	0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
5.3 Defined	7,584,677	984,341	463,109	81,188	0	9,113,315	7.0			9,113,315	0
5.4 Other	0	0	0	0	0					0	0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES:											
5.5 Defined	0	0	0	0	0					0	0
5.6 Other	0	0	0	0	0					0	0
5.7 Totals	8,150,431	4,249,739	1,044,368	2,027,878	146,324	15,618,740	12.0	8,542,930	6.8	15,618,741	0

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ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

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

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

1 Distribution by Type	2 1 Year or Less	3 Over 1 Year Through 5 Years	4 Over 5 Years Through 10 Years	5 Over 10 Years Through 20 Years	6 Over 20 Years	7 Total Current Year	8 Col. 7 as a % of Line 10.7	9 Total from Col. 7 Prior Year	10 % From Col. 8 Prior Year	11 Total Publicly Traded	12 Total Privately Placed
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Issuer Obligations .....	.0	5,363,526	1,718,094	150,000	.0	7,231,620	5.6	4,237,898	3.4	7,231,620	.0
6.2 Single Class Mortgage-Backed/Asset-Based Bonds .....	.0	.0	.0	.0	.0	.0		.0		.0	.0
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES:											
6.3 Defined .....	.0	.0	.0	.0	.0	.0		.0		.0	.0
6.4 Other .....	.0	.0	.0	.0	.0	.0		.0		.0	.0
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES:											
6.5 Defined .....	.0	.0	.0	.0	.0	.0		.0		.0	.0
6.6 Other	0	0	0	0	0	0		0		0	0
6.7 Totals		5,363,526	1,718,094	150,000		7,231,620	5.6	4,237,898	3.4	7,231,620	
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Issuer Obligations	14,645,820	18,582,093	32,685,085	4,594,431	.0	70,507,429	54.2	58,275,448	46.2	70,507,430	.0
7.2 Single Class Mortgage-Backed/Asset-Based Bonds .....	.0	.0	.0	.0	.0	.0		.0		.0	.0
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES:											
7.3 Defined	4,398,134	1,526,454	2,235,587	194,611	.0	8,354,786	6.4	18,052,720	14.3	8,354,787	.0
7.4 Other .....	.0	.0	.0	.0	.0	.0		.0		.0	.0
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES:											
7.5 Defined .....	.0	1,998,702	.0	.0	.0	1,998,702	1.5	1,998,372	1.6	1,998,702	.0
7.6 Other	0	0	0	0	0	0		0		0	0
7.7 Totals	19,043,954	22,107,249	34,920,672	4,789,042		80,860,917	62.2	78,326,540	62.1	80,860,919	
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Issuer Obligations	0	0	0	0	0					0	0
8.7 Totals											
9. Parents, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Issuer Obligations .....	.0	.0	.0	.0	.0	.0		.0		.0	.0
9.2 Single Class Mortgage-Backed/Asset-Based Bonds .....	.0	.0	.0	.0	.0	.0		.0		.0	.0
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES:											
9.3 Defined .....	.0	.0	.0	.0	.0	.0		.0		.0	.0
9.4 Other .....	.0	.0	.0	.0	.0	.0		.0		.0	.0
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES:											
9.5 Defined0	.0	.0	.0	.0	.0		.0		.0	.0
9.6 Other	0	0	0	0	0	0		0		0	0
9.7 Totals											

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ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

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

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

1 Distribution by Type	2 1 Year or Less	3 Over 1 Year Through 5 Years	4 Over 5 Years Through 10 Years	5 Over 10 Years Through 20 Years	6 Over 20 Years	7 Total Current Year	8 Col. 7 as a % of Line 10.7	9 Total From Col. 7 Prior Year	10 % From Col. 8 Prior Year	11 Total Publicly Traded	12 Total Privately Placed
10. Total Bonds Current Year											
10.1 Issuer Obligations	16,712,276	26,026,073	34,403,179	5,617,482		82,759,010	63.6	XXX	XXX	82,759,012	
10.2 Single Class Mortgage-Backed/Asset-Backed Bonds	6,681,001	12,775,649	4,745,660	3,393,263	212,743	27,808,316	21.4	XXX	XXX	27,808,316	
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
10.3 Defined	11,982,811	2,510,795	2,698,696	275,799		17,468,101	13.4	XXX	XXX	17,468,102	
10.4 Other								XXX	XXX		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
10.5 Defined		1,998,702				1,998,702	1.5	XXX	XXX	1,998,702	
10.6 Other								XXX	XXX		
10.7 Totals	35,376,088	43,311,219	41,847,535	9,286,544	212,743	130,034,129	100.0	XXX	XXX	130,034,132	
10.8 Line 10.7 as a % of Col. 7	27.2	33.3	32.2	7.1	0.2	100.0	XXX	XXX	XXX	100.0	
11. Total Bonds Prior Year											
11.1 Issuer Obligations	11,988,323	33,752,474	28,279,065	7,228,141	617,016	XXX	XXX	81,865,019	64.9	81,865,018	
11.2 Single Class Mortgage-Backed/Asset-Backed Bonds	4,458,925	10,878,502	4,691,458	3,888,495	332,528	XXX	XXX	24,249,908	19.2	24,249,910	
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
11.3 Defined	2,095,127	11,646,589	1,746,301	2,564,703		XXX	XXX	18,052,720	14.3	18,052,720	
11.4 Other	0	0	0	0	0	XXX	XXX			0	0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
11.5 Defined	409,567	1,452,630	136,175			XXX	XXX	1,998,372	1.6	1,998,372	
11.6 Other	0	0	0	0	0	XXX	XXX			0	0
11.7 Totals	18,951,942	57,730,195	34,852,999	13,681,339	949,544	XXX	XXX	126,166,019	100.0	126,166,020	
11.8 Line 11.7 as a % of Col. 9	15.0	45.8	27.6	10.8	0.8	XXX	XXX	100.0	XXX	100.0	
12. Total Publicly Traded Bonds											
12.1 Issuer Obligations	16,712,276	26,026,074	34,403,179	5,617,482	0	82,759,011	63.6	81,865,018	64.9	82,759,011	XXX
12.2 Single Class Mortgage-Backed/Asset-Backed Bonds	6,681,002	12,775,649	4,745,660	3,393,263	212,743	27,808,317	21.4	24,249,910	19.2	27,808,317	XXX
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
12.3 Defined	11,982,812	2,510,795	2,698,696	275,799	0	17,468,102	13.4	18,052,720	14.3	17,468,102	XXX
12.4 Other	0	0	0	0	0	0				0	XXX
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
12.5 Defined	0	1,998,702	0	0	0	1,998,702	1.5	1,998,372	1.6	1,998,702	XXX
12.6 Other	0	0	0	0	0	0				0	XXX
12.7 Totals	35,376,090	43,311,220	41,847,535	9,286,544	212,743	130,034,132	100.0	126,166,020	100.0	130,034,132	XXX
12.8 Line 12.7 as a % of Col. 7	27.2	33.3	32.2	7.1	0.2	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 7, Section 10	27.2	33.3	32.2	7.1	0.2	100.0	XXX	XXX	XXX	100.0	XXX
13. Total Privately Placed Bonds											
13.1 Issuer Obligations	0	0	0	0	0					XXX	
13.2 Single Class Mortgage-Backed/Asset-Backed Bonds	0	0	0	0	0					XXX	
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
13.3 Defined	0	0	0	0	0					XXX	
13.4 Other	0	0	0	0	0					XXX	
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
13.5 Defined	0	0	0	0	0					XXX	
13.6 Other	0	0	0	0	0					XXX	
13.7 Totals										XXX	
13.8 Line 13.7 as a % of Col. 7								XXX	XXX	XXX	
13.9 Line 13.7 as a % of Line 10.7, Col. 7, Section 10								XXX	XXX	XXX	

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ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

SCHEDULE D - PART 1

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

1 CUSIP Identification		2 Interest a Rate of		3 Date of				4 Book Value	5 Par Value	6 Rate Used to Obtain Market Value	7 Market Value	8 Actual Cost	Interest		10 Increase by Adjustment in Book Value During Year	11 Decrease by Adjustment in Book Value During Year	12 Amount of Interest Due and Accrued Dec. 31 Current Year, on Bonds in Default as to Principal or Interest	13 NAIC Designation	14 Year Acquired	15 Effective Rate of Interest	16 Statement Value Dec. 31 of Current Year (a)
				Maturity		Option							9.1 Amount Due and Accrued Dec. 31 of Current Year on Bonds not in Default	9.2 Gross Amount Received During Year							
				Year	Month	Year	Call Price														
4599999 - Total - Industrial and Miscellaneous Bonds							69,826,801	70,846,756	XXX	72,248,098	70,085,893	1,058,168	4,370,362	208,409	265,187	0	XXX	XXX	XXX	69,715,672	
5499999 - Total - Issuer Obligations							71,724,894	72,540,000	XXX	74,433,703	72,189,373	1,284,787	4,658,929	212,104	272,823	0	XXX	XXX	XXX	71,613,765	
5599999 - Total - Single Class Mortgage-Backed/Asset-Backed Securities							27,808,316	28,268,987	XXX	28,250,542	27,691,611	220,256	2,127,587	46,042	19,363	0	XXX	XXX	XXX	27,808,316	
5699999 - Total - Defined Multi-Class Residential Mortgage-Backed Securities							17,468,102	17,597,431	XXX	17,698,037	17,409,646	91,625	955,679	103,154	98,409	0	XXX	XXX	XXX	17,468,102	
5899999 - Total - Defined Multi-Class Commercial Mortgage-Backed Securities							1,998,702	2,000,000	XXX	2,104,380	1,998,632	6,533	147,000	329	0	0	XXX	XXX	XXX	1,998,702	
6099999 Totals							119,000,014	120,406,418	XXX	122,486,662	119,289,262	1,603,201	7,889,196	361,630	390,595	0	XXX	XXX	XXX	118,888,885	

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Schedule D - Part 2 - Section 1

NONE

Schedule D - Part 2 - Section 2

NONE

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

SCHEDULE D - PART 3

Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

1		2	3	4	5	6	7
CUSIP Identification	Description	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends
US GOVERNMENT OBLIGATIONS - U.S.							
36202C-BS-1	GNMA POOL #1849	02/19/1998	NOMURA INTERNATIONAL		50,707	48,625	207
36202C-G5-6	GNMA POOL #2020	02/19/1998	NOMURA INTERNATIONAL		6,162,570	5,909,567	25,116
36202C-RF-2	GNMA POOL #2286	02/19/1998	NOMURA INTERNATIONAL		427,029	409,497	1,740
36202C-SP-9	GNMA POOL #2326	02/19/1998	NOMURA INTERNATIONAL		4,105,417	3,936,869	16,732
36202C-TA-1	GNMA POOL #2345	02/19/1998	NOMURA INTERNATIONAL		1,560,610	1,496,540	6,360
36202C-UX-9	GNMA POOL #2398	02/19/1998	NOMURA INTERNATIONAL		413,581	396,601	1,686
36202C-VH-3	GNMA POOL #2416	02/19/1998	NOMURA INTERNATIONAL		86,648	83,090	353
36202C-WF-6	GNMA POOL #2446	02/19/1998	NOMURA INTERNATIONAL		1,361,480	1,305,585	5,549
36202C-ZC-0	GNMA POOL #2539	02/19/1998	NOMURA INTERNATIONAL		1,052,501	1,009,291	4,289
362059-Y8-4	GNMA POOL #030435	05/20/1998	Undefined		8,241	7,635	36
362064-L8-8	GNMA POOL #034551	05/20/1998	Undefined		169,158	156,718	744
36214D-AB-3	GNMA POOL #102702	05/20/1998	Undefined		126,197	116,917	555
36214G-3M-0	GNMA POOL #106204	05/20/1998	Undefined		309,070	286,342	1,360
36214H-GD-4	GNMA POOL #106496	05/20/1998	Undefined		140,934	130,570	620
36216Z-SW-0	GNMA POOL #181533	05/20/1998	Undefined		43,023	39,859	189
36216H-G4-2	GNMA POOL #165019	05/20/1998	Undefined		47,696	44,189	210
362174-3H-5	GNMA POOL #212400	05/20/1998	Undefined		31,190	28,896	137
36217A-U3-2	GNMA POOL #187902	05/20/1998	Undefined		17,151	15,889	75
36217K-WL-8	GNMA POOL #196051	05/20/1998	Undefined		10,877	10,077	48
36217T-UE-7	GNMA POOL #203181	05/20/1998	Undefined		45,816	42,446	202
36218F-KA-5	GNMA POOL #220889	05/20/1998	Undefined		24,867	23,039	109
362199-7D-7	GNMA POOL #271892	05/20/1998	Undefined		52,287	48,442	230
36219E-BK-5	GNMA POOL #246742	05/20/1998	Undefined		148,351	137,441	653
36219M-5Q-1	GNMA POOL #253855	05/20/1998	Undefined		195,936	181,528	862
36219N-TB-6	GNMA POOL #254446	05/20/1998	Undefined		132,181	122,460	582
36220H-OY-9	GNMA POOL #278671	05/20/1998	Undefined		372,418	345,031	1,639
36220L-2N-0	GNMA POOL #281681	05/20/1998	Undefined		145,266	134,584	639
36220M-AP-4	GNMA POOL #281814	05/20/1998	Undefined		926,702	858,554	4,078
36220N-DH-7	GNMA POOL #282804	05/20/1998	Undefined		24,376	22,583	107
912827-3C-4	US TREASURY NOTE 6.000% '02	11/03/1998	PAINE WEBBER INC.		1,059,688	1,000,000	15,489
COUNTRY TOTAL					19,251,967	18,348,867	90,598
0399999 - Total - Bonds - U.S. Government					19,251,967	18,348,867	90,598
SPECIAL REVENUE AND ASSESSMENTS - U.S.							
U.S. GOVERNMENT							
312911-Z6-0	FHLMC 1360Z	Various	PAR ACCRETION		0	57,251	0
STATE TOTAL					0	57,251	0
COUNTRY TOTAL					0	57,251	0
3199999 - Total - Bonds - Special Revenue					0	57,251	0
PUBLIC UTILITIES - U.S.							
653522-BV-3	NIAGARA MOHAWK PWR CORP	03/02/1998	GOLDMAN SACHS & CO.		1,087,930	1,000,000	38,799
653522-DJ-8	NIAGARA MOHAWK POWER	06/30/1998	DONALDSN, LUFKN & JENRETT		623,412	625,000	0
COUNTRY TOTAL					1,711,342	1,625,000	38,799
3899999 - Total - Bonds - Public Utilities					1,711,342	1,625,000	38,799
INDUSTRIAL & MISCELLANEOUS - U.S.							
029717-AM-7	AMER STANDARD SR NT	08/04/1998	GOLDMAN SACHS & CO.		1,005,660	1,000,000	36,219
161546-AV-8	CFAB 1998-2 IAG	12/18/1998	CHASE MANHATTAN		2,500,000	2,500,000	7,272
196879-AF-7	COLTEC INDUSTRIES, INC	04/16/1998	CHASE MANHATTAN		649,006	650,000	0
404230-AF-4	HMH PROPERTIES MTN	08/05/1998	DONALDSN, LUFKN & JENRETT		745,140	750,000	0
41163G-AE-1	HARCOURT GENERAL INC	05/26/1998	SALOMON BROTHERS INC		2,011,180	2,000,000	42,806
441065-AH-2	COLUMBIA HEALTH HOSPITAL CORP AMER	08/21/1998	SALOMON BROTHERS INC		1,012,000	1,250,000	0
460321-AC-6	INTERNATIONAL SHIPHOLDING CORP	01/22/1998	CITICORP SECURITIES		746,148	750,000	0
592173-AG-3	METLIFE INSUR CO 144A	05/26/1998	SALOMON BROTHERS INC		2,069,240	2,000,000	9,722
65440D-AH-5	NINE WEST GROUP SR NT	01/30/1998	MERRILL LYNCH		1,001,250	1,000,000	46,760
676255-AJ-1	OFFSHORE LOGISTICS INC 144A	01/27/1998	JEFFERIES & COMPANY, INC		648,200	650,000	0
74157K-AC-5	PRIMEDIA INC	02/17/1998	SALOMON BROTHERS INC		745,688	750,000	0
749121-AK-5	QWEST COMM INTL INC SR NT 144A	11/04/1998	SALOMON BROTHERS INC		496,620	500,000	0
832248-AC-2	SMITHFIELD FOODS	02/09/1998	CHASE MANHATTAN		498,265	500,000	0
942683-AA-1	WATSON PHARMACEUTICALS	05/18/1998	DONALDSN, LUFKN & JENRETT		991,280	1,000,000	0
961238-AF-9	WESTPOINT STEVENS	11/12/1998	GOLDMAN SACHS & CO.		511,875	500,000	16,734

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ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

SCHEDULE D - PART 4

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

1		2	3	4	5	6	7	8	9	10	11	12	13	14
CUSIP Identification	Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Book Value at Disposal Date	Increase by Adjustment in Book Value During Year	Decrease by Adjustment in Book Value During Year	Profit on Disposal	Loss on Disposal	Interest on Bonds Received During Year	Dividends on Stocks Received During Year
36219N-HR-4...	GNMA POOL #254140	Various	PRINCIPAL RECEIPT		13,807	13,807	13,311	13,807	436	.0	.0	.0	1,115	
36219N-TB-6...	GNMA POOL #254446	Various	PRINCIPAL RECEIPT		30,947	30,947	33,403	30,947	.0	2,456	.0	.0	478	
36219S-Z5-1...	GNMA POOL #258264	Various	PRINCIPAL RECEIPT		99,361	99,361	108,428	99,361	.0	8,640	.0	.0	6,442	
36219T-NG-0...	GNMA POOL #258813	Various	PRINCIPAL RECEIPT		6,971	6,971	6,721	6,971	222	.0	.0	.0	560	
36219U-4W-1...	GNMA POOL #260137	Various	PRINCIPAL RECEIPT		15,852	15,852	15,282	15,852	503	.0	.0	.0	1,093	
36220H-QY-9...	GNMA POOL #278671	Various	PRINCIPAL RECEIPT		67,345	67,345	72,690	67,345	.0	5,346	.0	.0	1,614	
36220L-2N-0...	GNMA POOL #281681	Various	PRINCIPAL RECEIPT		14,038	14,038	15,152	14,038	.0	1,114	.0	.0	709	
36220M-AP-4...	GNMA POOL #281814	Various	PRINCIPAL RECEIPT		181,470	181,470	195,875	181,470	.0	14,404	.0	.0	4,689	
36220N-DH-7...	GNMA POOL #282804	Various	PRINCIPAL RECEIPT		452	452	488	452	.0	36	.0	.0	14	
36221A-LH-5...	GNMA POOL #900328	Various	PRINCIPAL RECEIPT		30,775	30,775	33,852	30,775	.0	2,890	.0	.0	2,403	
36221G-SV-4...	GNMA POOL #905932	Various	PRINCIPAL RECEIPT		2,913	2,913	3,184	2,913	.0	258	.0	.0	176	
36221H-3B-3...	GNMA POOL #907094	Various	PRINCIPAL RECEIPT		1,291	1,291	1,411	1,291	.0	109	.0	.0	72	
36221H-5W-5...	GNMA POOL #907161	Various	PRINCIPAL RECEIPT		837	837	915	837	.0	74	.0	.0	47	
36221H-JU-4...	GNMA POOL #906575	Various	PRINCIPAL RECEIPT		59,235	59,235	64,751	59,235	.0	5,181	.0	.0	4,501	
36221J-E6-8...	GNMA POOL #907357	Various	PRINCIPAL RECEIPT		663	663	725	663	.0	59	.0	.0	37	
36221J-JS-5...	GNMA POOL #907473	Various	PRINCIPAL RECEIPT		28,140	28,140	30,761	28,140	.0	2,457	.0	.0	2,807	
36221J-JV-5...	GNMA POOL #907796	Various	PRINCIPAL RECEIPT		5,093	5,093	5,567	5,093	.0	451	.0	.0	495	
36221M-7K-8...	GNMA POOL #910798	Various	PRINCIPAL RECEIPT		1,206	1,206	1,318	1,206	.0	108	.0	.0	68	
36221M-YS-1...	GNMA POOL #910621	Various	PRINCIPAL RECEIPT		872	872	953	872	.0	78	.0	.0	49	
36221M-ZP-6...	GNMA POOL #910650	Various	PRINCIPAL RECEIPT		934	934	1,021	934	.0	84	.0	.0	53	
36221N-2N-5...	GNMA POOL #911581	Various	PRINCIPAL RECEIPT		75,035	75,035	82,022	75,035	.0	6,639	.0	.0	1,393	
36221N-PB-6...	GNMA POOL #911218	Various	PRINCIPAL RECEIPT		41,110	41,110	44,938	41,110	.0	3,494	.0	.0	3,456	
36225A-DX-5...	GNMA POOL #780118	Various	PRINCIPAL RECEIPT		376,738	376,738	404,523	376,738	.0	27,300	.0	.0	19,390	
36225A-FR-6...	GNMA POOL #780176	Various	PRINCIPAL RECEIPT		2,170,747	2,170,747	2,351,869	2,170,747	.0	176,563	.0	.0	123,243	
912827-E8-1...	0-US TREASURY NOTE 7.0% '99	02/18/1998	MERRILL LYNCH		1,526,602	1,500,000	1,627,500	1,530,349	.0	3,379	.0	3,747	36,635	
912827-F9-8...	US TREASURY NOTE 6.375% '99	02/18/1998	SMITH BARNEY SHEARSON		2,330,188	2,300,000	2,355,344	2,316,246	.0	1,471	13,941	.0	87,489	
912827-J3-7...	0-US TREASURY NOTE 6.375% '00	02/18/1998	PAINE WEBBER INC		2,035,000	2,000,000	2,041,875	2,015,223	.0	1,001	19,777	.0	76,077	
912827-N2-4...	0-US TREASURY NOTE 5.125% '98	02/18/1998	NOMURA INTERNATIONAL		6,485,781	6,500,000	6,503,555	6,500,627	.0	104	.0	14,845	74,129	
912827-XE-7...	US TREASURY NOTE 8.875% '99	03/10/1998	NOMURA INTERNATIONAL		1,030,078	1,000,000	1,150,938	1,025,302	.0	5,112	4,776	.0	50,259	
912827-Y4-8...	0-US TREASURY NOTE 6.625% '01	02/19/1998	MERRILL LYNCH		792,492	765,000	773,091	772,333	.0	267	20,159	.0	7,000	
912827-YE-6...	US TREASURY NOTE 7.875% '99	02/25/1998	PAINE WEBBER INC		1,036,875	1,000,000	1,085,938	1,024,547	.0	2,053	12,328	.0	23,277	
COUNTRY TOTAL					27,382,796	27,184,267	28,280,719	27,293,887	2,974	637,770	107,501	18,593	835,482	XXX
0399999 - Bonds - U.S. Governments					27,382,796	27,184,267	28,280,719	27,293,887	2,974	637,770	107,501	18,593	835,482	XXX
SPECIAL REVENUE AND ASSESSMENTS - U.S. GEORGIA														
047852-DF-2...	BTATLANTA GA URBN RESIDENTAL FIN	10/01/1998	CALLED @ 22.8370000		581,202	2,545,000	412,122	575,016	34,681	.0	6,186	.0	.0	XXX
STATE TOTAL					581,202	2,545,000	412,122	575,016	34,681	0	6,186	0	.0	XXX
NEW YORK														
649885-HV-5...	BTNEW YORK ST MTG AGY REC H/O SER	Various	CALLED @ 100.0000000		115,000	115,000	125,350	124,163	.0	133	9,163	.0	5,214	XXX
STATE TOTAL					115,000	115,000	125,350	124,163	0	133	9,163	0	5,214	XXX
U.S. GOVERNMENT														
312950-S3-3...	FHLMC PC GOLD 15Y POOL #B00538	Various	PRINCIPAL RECEIPT		812,225	812,225	854,613	812,225	.0	37,045	.0	.0	38,890	
31340Y-LE-7...	FHLMC SER 34 CL 34-C	Various	PRINCIPAL RECEIPT		313,181	313,181	292,188	313,181	15,742	.0	.0	.0	15,937	
31358M-YQ-1...	FNMA 92-61Z	Various	PRINCIPAL RECEIPT		673,910	673,910	686,756	673,910	.0	7,534	.0	.0	27,188	
31359E-QU-8...	BTFNMA PAC 93188 CL PK	Various	PRINCIPAL RECEIPT		293,972	293,972	298,060	293,972	.0	1,941	.0	.0	14,936	
313610-VQ-7...	FNMA POOL #46523	Various	PRINCIPAL RECEIPT		37,303	37,303	34,365	37,303	1,205	.0	.0	.0	2,088	
313611-A2-1...	FNMA POOL #46825	Various	PRINCIPAL RECEIPT		9,836	9,836	9,062	9,836	325	.0	.0	.0	434	
313613-QF-1...	FNMA POOL #49054	Various	PRINCIPAL RECEIPT		5,568	5,568	5,129	5,568	190	.0	.0	.0	135	
31361X-7J-8...	FNMA POOL #44997	Various	PRINCIPAL RECEIPT		80,842	80,842	74,475	80,842	2,603	.0	.0	.0	4,714	
31361Y-GK-3...	FNMA POOL #45202	Various	PRINCIPAL RECEIPT		2,565	2,565	2,363	2,565	83	.0	.0	.0	96	
31365E-BN-2...	FNMA POOL #125245	Various	PRINCIPAL RECEIPT		399,747	399,747	409,116	399,747	.0	8,824	.0	.0	15,765	
STATE TOTAL					2,629,148	2,629,148	2,666,127	2,629,148	20,148	55,343	0	0	120,184	XXX
TEXAS														

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ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	11	12	13	14	
CUSIP Identification	Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Book Value at Disposal Date	Increase by Adjustment in Book Value During Year	Decrease by Adjustment in Book Value During Year	Profit on Disposal	Loss on Disposal	Interest on Bonds Received During Year	Dividends on Stocks Received During Year
539761-AC-0...	BTLOCKHART CORRECTIONAL FAC MBIA.....	04/01/1998	CALLED @ 100.0000000.....		15,000	15,000	14,850	14,873	1	0	127	0	656	
STATE TOTAL					15,000	15,000	14,850	14,873	1	0	127	0	656	XXX
COUNTRY TOTAL					3,340,349	5,304,148	3,218,449	3,343,199	54,830	55,476	6,313	9,163	126,054	XXX
3199999 - Bonds - Special Revenues					3,340,349	5,304,148	3,218,449	3,343,199	54,830	55,476	6,313	9,163	126,054	XXX
INDUSTRIAL & MISCELLANEOUS - U.S.														
003916-AP-8...	ACCESS MTG LOAN TR 1996-3 A2.....	Various	PRINCIPAL RECEIPT.....		723,415	723,415	723,302	723,415	988	0	0	0	31,807	
021091-AB-9...	ALPS 94-1 A2.....	Various	VARIOUS.....		923,093	916,168	925,330	916,981	0	3,270	6,112	0	44,551	
315292-AA-0...	FERRELLGAS LP FIN CORP.....	08/05/1998	CALLED @ 105.0000000.....		525,000	500,000	525,000	513,849	0	2,360	11,151	0	50,556	
393505-BH-4...	GREENTREE FINL CORP HSG CL 93-3A5.....	Various	PRINCIPAL RECEIPT.....		125,423	125,423	125,717	125,423	0	104	0	0	7,046	
524908-AL-4...	LEHMAN BROTHERS HOLDINGS INC NOTE.....	01/26/1998	LEHMAN BROTHERS.....		1,022,440	1,000,000	1,039,090	1,007,974	0	730	14,466	0	20,955	
542671-CG-5...	LONG ISLAND LIGHTING CO.....	06/29/1998	CALLED @ 100.0000000.....		600,000	600,000	617,400	616,911	0	105	0	16,911	38,675	
708160-AX-4...	PENNEY J C CO INC NOTE.....	10/29/1998	PRUDENTIAL BACHE.....		1,063,000	1,000,000	1,051,690	1,029,128	0	5,374	33,872	0	122,850	
747410-AB-4...	QUAKER ST CORP.....	04/29/1998	Undefined.....		976,450	1,000,000	993,860	995,055	168	0	0	18,605	36,622	
783760-QK-0...	BTRYLAND ACCEPT CORP IV REMIC 81.....	12/09/1998	PRINCIPAL RECEIPT.....		44,406	44,406	46,675	44,406	0	1,956	0	0	3,997	
825390-AB-3...	SHOWBOAT INC 1ST MTG.....	06/17/1998	Undefined.....		527,475	500,000	462,500	467,498	872	0	59,977	0	28,780	
87666R-AK-8...	TAUBMAN REALTY GROUP MTN.....	09/23/1998	Undefined.....		1,053,950	1,000,000	1,049,610	1,036,558	0	8,326	17,392	0	61,330	
909411-AB-6...	UNITED ARTIST THEATRE.....	Various	VARIOUS.....		496,108	487,064	487,064	487,064	0	0	9,044	0	35,857	
COUNTRY TOTAL					8,080,760	7,896,477	8,047,238	7,964,263	2,028	22,225	152,014	35,516	483,024	XXX
4599999 - Bonds - Industrial and Miscellaneous					8,080,760	7,896,477	8,047,238	7,964,263	2,028	22,225	152,014	35,516	483,024	XXX
6099997 - Bonds - Part 4					38,803,905	40,384,891	39,546,406	38,601,349	59,832	715,471	265,827	63,272	1,444,560	XXX
6099998 - Bonds - Part 5					15,148,477	15,000,000	15,005,703	15,002,834	0	2,870	152,644	7,001	116,460	XXX
6099999 - Total - Bonds					53,952,382	55,384,891	54,552,110	53,604,183	59,832	718,341	418,472	70,273	1,561,020	XXX
7299999 Totals					53,952,382	XXX	54,552,110	53,604,183	59,832	718,341	418,472	70,273	1,561,020	0

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ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

SCHEDULE D - PART 5

Showing all Long-Term Bonds and Stocks ACQUIRED During Current Year and Fully DISPOSED OF During Current Year

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
CUSIP Identification	Description	Date Acquired	Name of Vendor	Disposal Date	Name of Purchaser	Par Value (Bonds) or Number of Shares (Stock)	Cost to Company	Consideration	Book Value at Disposal Date	Increase by Adjustment in Book Value During Year	Decrease by Adjustment in Book Value During Year	Profit on Disposal	Loss on Disposal	Interest and Dividends Received During Year	Paid for Accrued Interest and Dividends
US GOVERNMENT OBLIGATIONS - U.S.															
912827-3R-1	US TREASURY NOTE 5.625%	01/26/1998	MORGAN STANLEY	Various	MORGAN STANLEY	7,000,000	7,038,828	7,031,367	7,038,368	0	460	0	7,001	37,988	28,280
COUNTRY TOTAL						7,000,000	7,038,828	7,031,367	7,038,368	0	460	0	7,001	37,988	28,280
0399999 - Bonds - U.S. Governments						7,000,000	7,038,828	7,031,367	7,038,368	0	460	0	7,001	37,988	28,280
SPECIAL REVENUE AND ASSESSMENTS - U.S.															
U.S. GOVERNMENT															
31360A-9L-2	FNMA 7Y BLN TBA	01/26/1998	SALOMON BROTHERS INC	01/26/1998	SALOMON BROTHERS INC	7,000,000	6,903,750	7,000,000	6,903,750	0	0	96,250	0	29,167	29,167
STATE TOTAL						7,000,000	6,903,750	7,000,000	6,903,750	0	0	96,250	0	29,167	29,167
COUNTRY TOTAL						7,000,000	6,903,750	7,000,000	6,903,750	0	0	96,250	0	29,167	29,167
3199999 - Bonds - Special Revenue						7,000,000	6,903,750	7,000,000	6,903,750	0	0	96,250	0	29,167	29,167
INDUSTRIAL & MISCELLANEOUS - U.S.															
404230-AD-9	HMH PROPERTIES	Various	VARIOUS	08/07/1998	VARIOUS	1,000,000	1,063,125	1,117,110	1,060,716	0	2,409	56,394	0	49,305	3,451
COUNTRY TOTAL						1,000,000	1,063,125	1,117,110	1,060,716	0	2,409	56,394	0	49,305	3,451
4599999 - Bonds - Industrial and Miscellaneous						1,000,000	1,063,125	1,117,110	1,060,716	0	2,409	56,394	0	49,305	3,451
6099998 - Total - Bonds						15,000,000	15,005,703	15,148,477	15,002,834	0	2,870	152,644	7,001	116,460	60,898
7199999 - Total - Preferred and Common Stocks							0	0	0	0	0	0	0	0	0
7299999 Totals							15,005,703	15,148,477	15,002,834	0	2,870	152,644	7,001	116,460	60,898

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SCHEDULE D - PART 6 - SECTION 1

Valuation of Shares of Subsidiary, Controlled or Affiliated Companies

CUSIP Identification	1 Description Name of Subsidiary, Controlled or Affiliated Company	2 NAIC Company Code or Alien Insurer Identification Number	3 NAIC Valuation Method (See SVO Purposes and Procedures manual)	4 Do Insurer's Admitted Assets Include Intangible Assets Connected with Holding of Such Company's Stock?	5 If Yes, Amount of Such Intangible Assets	6 Statement Value	Stock of Such Company Owned by Insurer on Statement Date	
							7 Number of Shares	8 % of Outstanding
1799999 Totals							XXX	XXX

Amount of insurer's capital and surplus from the prior year's annual statement: \$(57,175,235)

SCHEDULE D - PART 6 - SECTION 2

CUSIP Identification	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 5, Section 1	Stock in Lower-tier Company Owned Indirectly by Insurer on Statement Date	
				4 Number of Shares	5 % of Outstanding
NONE					
0399999 Total				XXX	XXX

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

SCHEDULE DA - PART 1

Showing all SHORT-TERM INVESTMENTS Owned December 31 of Current Year

1		2	3	4		5		6	7	8	9	10	11	Interest		13	14	15		
CUSIP Identification	Description	Date Acquired	Name of Vendor	Interest		Date of Maturity		Book Value	Increase or (Decrease) by Adjustment in Book Value During Year	Par Value	Rate Used to Obtain Statement Value	Statement Value	Actual Cost	12.1	12.2	Paid for Accrued Interest	NAIC Designation	Effective Rate of Interest		
				a	b	a	b							Amount Due and Accrued Dec. 31 of Current Year on Bonds Not in Default	Gross Amount Received					
INDUSTRIAL & MISCELLANEOUS ISSUER OBLIGATIONS																				
161990-22-1	CHASE MANHATTAN	12/1998	Undefined	0.0000	MATR	1999	01	5,167,479	0	5,167,479	COST	5,167,479	5,167,479	0	0	0	1	0.000		
17177M-NL-2	CIESCO LP	12/1998	CS First Boston	5.2500	MATR	1999	01	1,989,500	0	2,000,000	COST	1,989,500	1,989,500	4,958	0	0	1	11.153		
30241N-ZT-5	FCC NATIONAL BANK	10/1998	CS First Boston	5.1000	MATR	1999	01	1,500,000	0	1,500,000	COST	1,500,000	1,500,000	14,875	0	0	1	5.198		
59087B-NM-5	METLIFE FUNDING INC	12/1998	GOLDMAN SACHS & CO	5.4500	MATR	1999	01	2,488,267	0	2,500,000	COST	2,488,267	2,488,267	4,163	0	0	1	11.601		
COUNTRY TOTAL - U.S.								11,145,246	0	11,167,479	XXX	11,145,246	11,145,246	23,997	0	0	XXX	XXX		
3999999 - Industrial and Miscellaneous - Issuer Obligations								11,145,246	0	11,167,479	XXX	11,145,246	11,145,246	23,997	0	0	0	XXX	XXX	
4599999 - Total - Industrial and Miscellaneous Bonds								11,145,246	0	11,167,479	XXX	11,145,246	11,145,246	23,997	0	0	0	XXX	XXX	
5499999 - Total - Issuer Obligations								11,145,246	0	11,167,479	XXX	11,145,246	11,145,246	23,997	0	0	0	XXX	XXX	
6099999 - Total - Bonds								11,145,246	0	11,167,479	XXX	11,145,246	11,145,246	23,997	0	0	0	XXX	XXX	
8299999 Totals								11,145,246	(a)	0	XXX	XXX	11,145,246	11,145,246	23,997	0	0	0	XXX	XXX

(a) Includes \$0 other than accrual of discount and amortization of premium.

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ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

SCHEDULE DA - PART 2

Verification of SHORT-TERM INVESTMENTS Between Years

	1	2	3	4	5	6
	Total	Bonds	Collateral Loans	Mortgage Loans	Other Short-term Investment Assets(a)	Investments in Parent, Subsidiaries and Affiliates
1. Book value, prior year	4,478,887	4,478,887				
2. Cost of short-term investments acquired	75,137,804	75,137,804				
3. Increase by adjustment in book value						
4. Profit on disposal of short-term investments						
5. Subtotals (Total of Lines 2 to 4)	75,137,804	75,137,804				
6. Consideration received on disposal of short-term investments	68,471,445	68,471,445				
7. Decrease by adjustment in book value						
8. Loss on disposal of short-term investments						
9. Subtotals (Total of Lines 6 to 8)	68,471,445	68,471,445				
10. Book value, current year	11,145,246	11,145,246				
11. Income collected during year	177,015	177,015				
12. Income earned during year	191,845	191,845				

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

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Schedule DB - Part A - Section 1

NONE

Schedule DB - Part A - Section 2

NONE

Schedule DB - Part A - Section 3

NONE

Schedule DB - Part A - Section 4

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part B - Section 2

NONE

Schedule DB - Part B - Section 3

NONE

Schedule DB - Part B - Section 4

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Part C - Section 3

NONE

Schedule DB - Part C - Section 4

NONE

Schedule DB - Part D - Section 1

NONE

Schedule DB - Part D - Section 2

NONE

Schedule DB - Part D - Section 3

NONE

Schedule DB - Part D - Section 4

NONE

Schedule DB - Part E - Section 1

NONE

Schedule DB - Part E - Section 2

NONE

**ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In
Receivership**

SCHEDULE DM

For bonds and preferred stocks owned as of December 31, state the aggregate statement (admitted) value, the aggregate fair market value, and the aggregate difference, if any, between them.

	1	2	3
	Statement (Admitted) Value	Fair Market Value (a)	Excess of Statement over Market (-), or Market over Statement (+)
1. Bonds	130,034,131	128,524,882	(1,509,249)
2. Preferred Stocks			
3. Totals	130,034,131	128,524,882	(1,509,249)

(a) Amortized or book values shall not be substituted for fair market values. Describe the sources or methods utilized in determining the fair market values.

Market values were obtained from the SVO where available. The market value of bonds not valued by the SVO were obtained from T. Rowe Price Associates, Inc.....

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ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

SCHEDULE E - PART 2 - SPECIAL DEPOSITS

Line Number	Type	Description of Deposit	Where Deposited and Purpose of Deposit	1 Par or Book Value	2 Statement Value	3 Market Value
NC00001	B	FNMA 7.0% Due 03/25/22	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	2,000,000	1,937,083	2,047,960
NC00002	B	FNMA 5.75% Due 09/25/10	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	1,706,028	1,699,760	1,700,671
NC00003	B	FNMA 5.8% Due 12/25/21	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	2,000,000	1,983,464	1,993,100
NC00004	B	FNMA 6.6% Due 09/25/18	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	2,000,000	1,968,433	2,014,220
NC00005	B	Atlanta GA Urban Residential Fin 8.375% Due 10/01/16	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	2,455,000	566,130	611,737
NC00006	B	Lockhart Correctional Fac 8.75% Due 04/01/12	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	440,000	436,381	468,855
NC00007	B	BankAmerica Corp 7.2% Due 04/15/06	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	1,000,000	914,701	1,083,130
NC00008	B	Caterpillar Inc. 6.0% Due 05/01/07	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	2,000,000	1,905,552	2,024,360
NC00009	B	Commercial Credit Group Inc. 7.875% Due 07/15/04	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	1,000,000	1,006,840	1,096,710
NC00010	B	Dillard Dept Stores Inc. 8.0% Due 01/15/99	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	1,500,000	1,500,574	1,500,975
NC00011	B	Ford Motor Credit Co. 6.125% Due 01/09/06	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	1,000,000	953,263	1,024,940
NC00012	B	Green Tree Financial Corp. 6.55% Due 07/15/18	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	2,000,000	1,998,617	2,013,540
NC00013	B	NAC RE Corp. 8.0% Due 06/15/99	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	2,000,000	2,000,000	2,020,600
NC00014	B	National Rural Utilities Corp. 6.5% Due 09/15/02	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	2,000,000	1,998,541	2,070,460
NC00015	B	NationsBank Corp. 6.875% Due 02/15/05	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	1,000,000	997,247	1,050,220
NC00016	B	NationsBank Corp. 6.5% Due 08/15/03	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	1,000,000	1,000,000	1,034,920
NC00017	B	New York State Mtg Agy Rev 10.75% Due 10/01/12	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	405,000	436,671	410,346
NC00018	B	Progress Capital Holdings Inc. 6.88% Due 08/01/01	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	1,000,000	1,000,000	1,020,410
NC00019	B	Ryland Accept Corp. Four 9.0% Due 02/01/17	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	1,705,594	1,706,020	1,716,390
NC00020	B	Salomon Inc. 6.5% Due 03/01/00	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	1,000,000	1,000,000	1,011,460
NC00021	B	Salomon Smith Barney Holdings 6.875% Due 06/15/05	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	1,000,000	1,021,392	1,043,940
NC00022	B	Sears Roebuck & Co. 8.52% Due 05/13/02	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	1,500,000	1,600,484	1,630,995
NC00023	B	USF&G Corp. 8.375% Due 06/15/01	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	2,000,000	2,067,987	2,127,020
NC00024	B	Union Tank Car Co. 7.125% Due 02/01/07	Bankers Trust Company; Reinsurance Trust Agreement w/ American Re	500,000	499,541	523,765
NC99999 -				34,211,622	32,198,681	33,240,724
XX99999 - Not All Policyholders				34,211,622	32,198,681	33,240,724
9999999 Totals				34,211,622	32,198,681	33,240,724

Schedule F - Part 1

NONE

Schedule F - Part 2

NONE

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

SCHEDULE F - PART 3

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

Federal ID Number	NAIC Company Code	Name of Reinsurer	Domiciliary Jurisdiction	Reinsurance Contracts Ceding 75% or More of Direct Premiums Written	1 Reinsurance Premiums Ceded	Reinsurance Recoverable On										Reinsurance Payable		13 Net Amount Recoverable From Reinsurers Cols. 10 - [11 + 12]	14 Funds Held By Company Under Reinsurance Treaties
						2 Paid Losses	3 Paid LAE	4 Known Case Loss Reserves	5 Known Case LAE Reserves	6 IBNR Loss Reserves	7 IBNR LAE Reserves	8 Unearned Premiums	9 Contingent Commissions	10 Cols. 2 thru 9 Totals	11 Ceded Balances Payable	12 Other Amounts Due to Reinsurers			
13-4924125	10227	American Reinsurance Company	Dover, DE				.721			23,993	5,591	7,618			37,923		37,923	32,233	
36-3347420	23876	Chatham Reinsurance Corporation	Chatham, NJ			.8	.1								9	7	2		
13-1701424	10650	Commercial Compensation Insurance Co.	Tarrytown, NY			195	.65								260		260		
13-3440360	29700	European Reinsurance Corp. of America	Manchester, NH			175	239	434							848	469	379		
00-0000000	00000	New York Insurance Exchange	New York, NY			22	.1								23		23		
13-2930109	22047	North Star Reinsurance Corp/Signet	Wilmington, DE				146	293							439		439		
06-1008792	37818	Orion Insurance Company	Farmington, CT			206	.70	15							291	.6	285		
23-2153760	39675	PMA Reinsurance Corporation	Philadelphia, PA				.2	.44							.46	.19	.27		
23-0580680	24457	Reliance Insurance Company	Philadelphia, PA			29	.78	146							253	.18	235		
94-6078058	21911	San Francisco Reinsurance Company	Novato, CA			4									4		4		
75-1444207	30058	SCOR Reinsurance Company	New York, NY			298	419	772							1,489	1,024	465		
13-3029255	39322	Sorema North American Reinsurance Co.	New York, NY			51	.98	192							341	307	34		
41-0406690	24767	St. Paul Marine & Fire Insurance Company	St. Paul, MN			79	.123	210							412	180	232		
47-0698507	23680	TIG Reinsurance Company	Stamford, CT			413	.138	30							581	.56	525		
13-6108722	12904	Tokio Marine & Fire Insurance Company	New York, NY			4	.1								5	4	1		
0599999 - Authorized - Other U.S. Unaffiliated Insurers						1,484	1,381	2,857		23,993	5,591	7,618		42,924		2,090	40,834	32,233	
AA-1122000	00000	Lloyds Underwriters	London, UK			587	.171								758	.6	752		
AA-1121365	00000	Sphere Drake Insurance PLC	London, UK			165	.55								220		220		
AA-1121425	00000	Terra Nova Insurance Company Ltd	London, UK			272	.91								363		363		
0899999 - Authorized - Other Non-U.S. Insurers						1,024	317							1,341		6	1,335		
0999999 - Total - Authorized						2,508	1,698	2,857		23,993	5,591	7,618		44,265		2,096	42,169	32,233	
AA-1120150	00000	Anglo American Insurance Company, LTD	London, UK			49	.16								65		65		
AA-1240077	00000	CIE Europeene De Reassurances S.A.	Paris, France			20	.6								26		26		
AA-1120440	00000	Copenhagen Reinsurance Company (UK) Ltd	London, UK			13	.1								14	.37	(23)		
AA-1120580	00000	Excess Insurance Co., Ltd	London, UK			16	.1								17		17		
AA-1560483	00000	Hannover Stahl Ruckversicherungs Akt.	Germany			16	.3								19	.14	5		
AA-1561035	00000	Mutuelle Generale Francaise Accidents	France			4									4		4		
AA-1121295	00000	Scan Re Insurance Co., Ltd	London, UK			2									2		2		
AA-1121380	00000	Storebrand Insurance Co. (UK) Ltd	London, UK			92	.31								123		123		
AA-1121430	00000	TOA-RE Insurance (UK) Ltd	London, UK			90	.30								120		120		
1799999 - Unauthorized - Other Non-U.S. Insurers						302	88							390		51	339		
1899999 - Total - Unauthorized						302	88							390		51	339		
9999999 Totals						2,810	1,786	2,857		23,993	5,591	7,618		44,655		2,147	42,508	32,233	

NOTE: Report the five largest provisional commission rates included in the cedant's reinsurance treaties.

The commission rate to be reported is by contract with ceded premium in excess of \$50,000:

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

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

SCHEDULE F - PART 4

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

Federal ID Number	NAIC Company Code	Name of Reinsurer	Domiciliary Jurisdiction	Reinsurance Recoverable on Paid Losses and Paid Loss Adjustment Expenses							8 Percentage Overdue Col. 6/Col. 7	9 Percentage more Than 120 Days Overdue Col. 5 / Col. 7
				1 Current	Overdue				7 Total Due Cols. 1 + 6			
					2 1 to 29 Days	3 30 - 90 Days	4 91 - 120 Days	5 Over 120 Days		6 Total Overdue Cols. 2 + 3 + 4 + 5		
36-3347420	23876	Chatham Reinsurance Corporation	Chatham, NJ	.0				.9	.9	.9	100.0	100.0
13-1701424	10650	Commercial Compensation Insurance Co	Tarrytown, NY	.0				260	260	260	100.0	100.0
13-3440360	29700	European Reinsurance Corp. of America	Manchester, NH	252				162	162	414	39.1	39.1
00-0000000	00000	New York Insurance Exchange	New York, NY	.0				.23	.23	.23	100.0	100.0
13-2930109	22047	North Star Reinsurance Corporation/Signet	Wilmington, DE	.146				.0	.0	.146	.0	.0
06-1008792	37818	Orion Insurance Company	Farmington, CT	.1				.275	.275	.276	99.6	99.6
23-2153760	39675	PMA Reinsurance Corporation	Philadelphia, PA	.2				.0	.0	.0	.0	.0
23-0580680	24457	Reliance Insurance Company	Philadelphia, PA	.73				.34	.34	.107	31.8	31.8
94-6078058	21911	San Francisco Reinsurance Company	Novato, CA	.0				.4	.4	.4	100.0	100.0
75-1444207	30058	SCOR Reinsurance Company	New York, NY	.472				.245	.245	.717	34.2	34.2
13-3029255	39322	Sorema North American Reinsurance Company	New York, NY	.125				.24	.24	.149	16.1	16.1
41-0406690	24767	St. Paul Marine & Fire Insurance Company	St. Paul, MN	.119				.83	.83	.202	41.1	41.1
47-0698507	23680	TIG Reinsurance Company	Stamford, CT	.1				.550	.550	.551	99.8	99.8
13-6108722	12904	Tokio Marine & Fire Insurance Company	New York, NY	.0				.5	.5	.5	100.0	100.0
0599999 - Authorized - Other U.S. Unaffiliated Insurers				1,191				1,674	1,674	2,865	58.4	58.4
AA-1122000	00000	Lloyds Underwriters	London, UK	.0				.758	.758	.758	100.0	100.0
AA-1121365	00000	Sphere Drake Insurance PLC	London, UK	.0				.220	.220	.220	100.0	100.0
AA-1121425	00000	Terra Nova Insurance Company Ltd	London, UK	.0				.363	.363	.363	100.0	100.0
0899999 - Authorized - Other Non-U.S. Insurers								1,341	1,341	1,341	100.0	100.0
0999999 - Total - Authorized				1,191				3,015	3,015	4,206	71.7	71.7
AA-1120150	00000	Anglo American Insurance Company Ltd	London, UK	.0				.65	.65	.65	100.0	100.0
AA-1240077	00000	CIE Europeene De Reassurances S.A.	Paris, France	.0				.26	.26	.26	100.0	100.0
AA-1120440	00000	Copenhagen Reinsurance Company (UK)	London, UK	.14				.0	.0	.14	.0	.0
AA-1120580	00000	Excess Insurance Co., Ltd	London, UK	.0				.17	.17	.17	100.0	100.0
AA-1560483	00000	Hannover Stahl Ruckversicherungs Akt	Hannover, Germany	.0				.19	.19	.19	100.0	100.0
AA-1561035	00000	Mutuelle Generale Francaise Accidents	France	.0				.4	.4	.4	100.0	100.0
AA-1121295	00000	Scan Re Insurance Co., Ltd	London, UK	.0				.2	.2	.2	100.0	100.0
AA-1121380	00000	Storebrand Insurance Co. (UK) Ltd	London, UK	.0				.123	.123	.123	100.0	100.0
AA-1121430	00000	TOA-RE Insurance (UK) Ltd	London, UK	.0				.120	.120	.120	100.0	100.0
1799999 - Unauthorized - Other Non-U.S. Insurers				14				376	376	390	96.4	96.4
1899999 - Total - Unauthorized				14				376	376	390	96.4	96.4
9999999 Totals				1,205				3,391	3,391	4,596	73.8	73.8

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ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

SCHEDULE F - PART 5

Provision for Unauthorized Reinsurance as of December 31, Current Year (000 Omitted)

Federal ID Number	NAIC Company Code	Name of Reinsurer	Domiciliary Jurisdiction	1 Reinsurance Recoverable all Items Schedule F Part 3, Col. 10	2 Funds Held By Company Under Reinsurance Treaties	3 Letters of Credit	4 Ceded Balances Payable	5 Miscellaneous Balances	6 Other Allowed Offset Items	7 Sum of Cols. 2 thru 6 but not in excess of Col. 1	8 Subtotal Col. 1 minus Col. 7	9 Recoverable Paid Losses & LAE Expenses Over 90 Days past Due not in Dispute	10 20% of Amount in Col. 9	11 Smaller of Col. 7 or Col. 10	12 Smaller of Col. 7 or 20% of Amount in Dispute Included in Col. 1	13 Total Provision for Unauthorized Reinsurance Smaller of Col. 1 or Cols. 8 + 11 + 12
AA-1120150	00000	Anglo American Insurance Company, LTD.	London, UK	65						0	65		0	0	0	65
AA-1240077	00000	CIE Europeene De Reassurances S.A.	Paris, France	26						0	26		0	0	0	26
AA-1120440	00000	Copenhagen Reinsurance Company (UK)	London, UK	14				37		14	0		0	0	0	0
AA-1120580	00000	Excess Insurance Co., Ltd.	London, UK	17						0	17	17	3	0	0	17
AA-1560483	00000	Hannover Stahl Ruckversicherungs Akt.	Germany	19				14		14	5	19	4	4	4	9
AA-1561035	00000	Mutuelle Generale Francaise Accidents	France	4						0	4	4	1	0	0	4
AA-1121295	00000	Scan Re Insurance Co., Ltd.	London, UK	2						0	2	2	0	0	0	2
AA-1121380	00000	Storebrand Insurance Co. (UK) Ltd.	London, UK	123						0	123		0	0	0	123
AA-1121430	00000	TOA-RE Insurance (UK) Ltd.	London, UK	120						0	120		0	0	0	120
0899999 - Other Non-U.S. Insurers				390				51		28	362	42	8	4		366
9999999 Totals				390				51		28	362	42	8	4		366

1. Amounts in dispute totaling \$334 are included in Column 1.
2. Amounts in dispute totaling \$334 are excluded from Column 9.
3. Column 1 excludes \$recoverables on ceded IBNR on contracts in force prior to July 1, 1984 and not subsequently renewed.

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

SCHEDULE F - PART 6

Provision for Overdue Authorized Reinsurance as of December 31, Current Year

Federal ID Number	NAIC Company Code	Name of Reinsurer	1 Reinsurance Recoverable on Paid Losses and LAE More Than 90 Days Overdue (a)	2 Total Reinsurance Recoverable on Paid Losses and Paid LAE (b)	3 Amounts Received Prior 90 Days	4 Col. 1 divided by (Cols. 2 + 3)	5 Amounts in Col. 1 for Companies Reporting less than 20% in Col. 4	6 Amounts in Dispute Excluded from Col. 1 for Companies Reporting less than 20% in Col. 4	7 20% of Amount in Col. 6	8 Amount Reported in Col. 5 x 20% + Col. 7
36-3347420	23876	Chatham Reinsurance Corporation	9,000	9,000		100.0	0	0	0	0
13-1701424	10650	Commercial Compensation Insurance Co	0	0		0.0	0	260,000	52,000	52,000
13-3440360	29700	European Reinsurance Corp. of America	162,000	414,000		39.1	0	0	0	0
AA-1122000	00000	Lloyds Underwriters	105,000	105,000		100.0	0	0	0	0
00-0000000	00000	New York Insurance Exchange	23,000	23,000		100.0	0	0	0	0
13-2930109	22047	North Star Reinsurance Corp/Signet	0	146,000		0.0	0	0	0	0
06-1008792	37818	Orion Insurance Company	0	1,000		0.0	0	275,000	55,000	55,000
23-2153760	39675	PMA Reinsurance Corporation	0	2,000		0.0	0	0	0	0
23-0580680	24457	Reliance Insurance Company	34,000	107,000		31.8	0	0	0	0
94-6078058	21911	San Francisco Reinsurance Company	4,000	4,000		100.0	0	0	0	0
75-1444207	30058	SCOR Reinsurance Company	245,000	717,000		34.2	0	0	0	0
13-3029255	39322	Sorema North American Reinsurance Co	24,000	149,000		16.1	24,000	0	0	4,800
AA-1121366	00000	Sphere Drake Insurance Ltd	0	0		0.0	0	220,000	44,000	44,000
41-0406690	24767	St. Paul Marine & Fire Insurance Company	83,000	202,000		41.1	0	0	0	0
AA-1121425	00000	Terra Nova Insurance Company Ltd	0	0		0.0	0	363,000	72,600	72,600
47-0698507	23680	TIG Reinsurance Company	0	1,000		0.0	0	550,000	110,000	110,000
13-6108722	12904	Tokio Marine & Fire Insurance Company	5,000	5,000		100.0	0	0	0	0
9999999 Totals			694,000	1,885,000		36.8	24,000	1,668,000	333,600	338,400

(a) From Schedule F - Part 4 Columns 4 + 5, total authorized, less \$ 2,321,000 in dispute.
 (b) From Schedule F - Part 3 Columns 2 + 3, total authorized, less \$ 2,321,000 in dispute.

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ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

SCHEDULE F - PART 7

Provision for Overdue Reinsurance as of December 31, Current Year

Federal ID Number	NAIC Company Code	Name of Reinsurer	1 Reinsurance Recoverable All Items	2 Funds Held By Company Under Reinsurance Treaties	3 Letters of Credit	4 Ceded Balances Payable	5 Other Miscellaneous Balances	6 Other Allowed Offset Items	7 Sum of Cols. 2 thru 6 but not in excess of Col. 1	8 Col. 1 minus Col. 7	9 Greater of Col. 8 or Schedule F - Part 4 Cols. 4 + 5
36-3347420	23876	Chatham Reinsurance Corporation	9,000				7,000		7,000	2,000	9,000
13-3440360	29700	European Reinsurance Corp. of America	848,000				469,000		469,000	379,000	379,000
AA-1122000	00000	Lloyds Underwriters	758,000				6,000		6,000	752,000	758,000
00-0000000	00000	New York Insurance Exchange	23,000						0	23,000	23,000
23-0580680	24457	Reliance Insurance Company	253,000				18,000		18,000	235,000	235,000
94-6078058	21911	San Francisco Reinsurance Company	4,000						0	4,000	4,000
75-1444207	30058	SCOR Reinsurance Company	1,489,000				1,024,000		1,024,000	465,000	465,000
41-0406690	24767	St. Paul Marine & Fire Insurance Company	412,000				180,000		180,000	232,000	232,000
13-6108722	12904	Tokio Marine & Fire Insurance Company	5,000				4,000		4,000	1,000	5,000
9999999 Totals			3,801,000				1,708,000		1,708,000	2,093,000	2,110,000

1. Total	2,110,000
2. x .20	x .20
3. Line 1 x Line 2	422,000
4. Schedule F - Part 6 Col. 8	338,400
5. Provision for Overdue Authorized Reinsurance (Lines 3 + 4)	760,400
6. Provision for Unauthorized Reinsurance (Schedule F - Part 5 Col. 13 x 1000)	365,800
7. Provision for Reinsurance (sum Lines 5 + 6)[Enter this amount on Page 3, Line 14]	1,126,200

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**ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In
Receivership**

SCHEDULE F - PART 8

Restatement of Balance Sheet to Identify Net Credit for Reinsurance

	1 As Reported (Net of Ceded)	2 Restatement Adjustments	3 Restated (Gross of Ceded)
<u>ASSETS</u> (Page 2, Col. 4)			
1. Cash and invested assets (Line 9)	129,825,423		129,825,423
2. Agents' balances or uncollected premiums (Line 10)			
3. Funds held by or deposited with reinsured companies (Line 11)			
4. Reinsurance recoverable on loss and loss adjustment expense payments (Line 13)	4,594,715	(4,594,715)	0
5. Other assets (Lines 12 and 14 through 21)	3,279,562		3,279,562
6. Net amount recoverable from reinsurers		9,147,932	9,147,932
7. Totals (Line 22)	137,699,700	4,553,217	142,252,917
<u>LIABILITIES</u> (Page 3)			
8. Losses and loss adjustment expenses (Lines 1 through 2)	94,592,343	32,441,606	127,033,949
9. Taxes, expenses, and other obligations (Lines 3 through 8)	1,881,506		1,881,506
10. Unearned premiums (Line 9)	17,982,000	7,618,000	25,600,000
11. Dividends declared and unpaid (Line 10)			
12. Funds held by company under reinsurance treaties (Line 11)	32,233,474	(32,233,474)	0
13. Amounts withheld or retained by company for account of others (Line 12)			
14. Provision for reinsurance (Line 14)	1,126,200	(1,126,200)	0
15. Other liabilities (Lines 15 through 22)	22,578,382	(2,146,715)	20,431,667
16. Total liabilities (Line 23)	170,393,905	4,553,217	174,947,122
17. Surplus as regards policyholders (Line 27)	(32,694,204)	X X X	(32,694,204)
18. Totals (Line 28)	137,699,701	4,553,217	142,252,918

NOTE: Is the restatement of this exhibit the result of grossing up balances ceded to affiliates under 100 percent reinsurance or pooling arrangements? Yes [] No [X]

If yes, give full explanation:

Schedule H - Part 1

NONE

Schedule H - Part 2

NONE

Schedule H - Part 3

NONE

Schedule H - Part 4

NONE

Schedule H - Part 5

NONE

**SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES
SCHEDULE P - PART 1 - SUMMARY**

(\$000 Omitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								13 Number of Claims Reported - Direct and Assumed
	2 Direct and Assumed	3 Ceded	4 Net (Cols. 2 - 3)	Loss Payments		Allocated Loss Expense Payments		Unallocated Loss Expense Payments		11 Salvage and Subrogation Received	12 Total Net Paid (Cols. 5 - 6 + 7 - 8 + 9 - 10)	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded	9 Direct and Assumed	10 Ceded			
1. Prior	XXX	XXX	XXX	(25)		1				25	(24)	XXX
2. 1989	19,975	1,646	18,329	21,878	5,521	7,471	710	3,565		3,275	26,683	XXX
3. 1990	20,678	1,480	19,198	22,656	498	6,752	86	2,839		2,435	31,663	XXX
4. 1991	22,018	3,513	18,505	21,358	511	7,942	1,056	1,886		3,241	29,619	XXX
5. 1992	23,047	5,737	17,310	26,730	1,179	10,107	864	4,031		4,406	38,825	XXX
6. 1993	23,496	7,466	16,030	21,590	4,607	6,731	266	4,663		3,641	28,111	XXX
7. 1994	22,967	7,731	15,236	9,435	3,642	2,608	204	10,542		1,156	18,739	XXX
8. 1995	18,920	5,042	13,878	7,161	254	368	71	1,800		411	9,004	XXX
9. 1996	18,502	3,413	15,089	4,980	422	639	17	7,160		1,713	12,340	XXX
10. 1997	17,937	4,071	13,866	2,980	583	521	13	3,662		315	6,567	XXX
11. 1998	13,588	2,596	10,992	1,353	251	137	9	1,273		193	2,503	XXX
12. Totals	XXX	XXX	XXX	140,096	17,468	43,277	3,296	41,422		20,811	204,031	XXX

	Losses Unpaid				Allocated Loss Expenses Unpaid				Unallocated Loss Expenses Unpaid		24 Salvage and Subrogation Anticipated	25 Total Net Losses and Expenses Unpaid	26 Number of Claims Outstand- ing - Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		22	23			
	14 Direct and Assumed	15 Ceded	16 Direct and Assumed	17 Ceded	18 Direct and Assumed	19 Ceded	20 Direct and Assumed	21 Ceded					
									22 Direct and Assumed	23 Ceded			
1.	3										3	XXX	
2.	1										1	XXX	
3.	17				3						20	XXX	
4.	2,308	1,425			36						919	XXX	
5.	895	430			4						469	XXX	
6.	327	19									308	XXX	
7.	1,192	322	80,621	23,993	1		18,788	5,591	19,163		89,859	XXX	
8.	167	21			193						339	XXX	
9.	270	13			23						280	XXX	
10.	635	132			59						562	XXX	
11.	2,159	496			169						1,832	XXX	
12. Totals	7,974	2,858	80,621	23,993	488		18,788	5,591	19,163		94,592	XXX	

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		35 Inter- Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	27 Direct and Assumed	28 Ceded	29 Net	30 Direct and Assumed	31 Ceded	32 Net	33 Loss	34 Loss Expense		36 Losses Unpaid	37 Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX			XXX	3	
2.	32,915	6,231	26,684	164.8	378.6	145.6				1	
3.	32,267	584	31,683	156.0	39.5	165.0				17	3
4.	33,530	2,992	30,538	152.3	85.2	165.0				883	36
5.	41,767	2,473	39,294	181.2	43.1	227.0				465	4
6.	33,311	4,892	28,419	141.8	65.5	177.3				308	
7.	142,350	33,752	108,598	619.8	436.6	712.8				57,498	32,361
8.	9,689	346	9,343	51.2	6.9	67.3				146	193
9.	13,072	452	12,620	70.7	13.2	83.6				257	23
10.	7,857	728	7,129	43.8	17.9	51.4				503	59
11.	5,091	756	4,335	37.5	29.1	39.4				1,663	169
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX			XXX	61,744	32,848

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

**ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In
Receivership**

SCHEDULE P - PART 2 - SUMMARY

1 Years in Which Losses Were Incurred	INCURRED LOSSES AND ALLOCATED EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT		
	2 1989	3 1990	4 1991	5 1992	6 1993	7 1994	8 1995	9 1996	10 1997	11 1998	12 One Year	13 Two Year	
1. Prior	13,037	12,565	12,860	12,937	13,081	12,895	12,147	13,437	13,445	13,420	(25)	(17)	
2. 1989	20,606	17,344	24,621	26,061	23,640	23,750	23,167	23,324	23,187	23,119	(68)	(205)	
3. 1990	XXX	26,478	23,938	26,379	27,651	25,502	28,195	28,059	28,845	28,844	(1)	785	
4. 1991	XXX	XXX	27,705	25,640	27,409	27,922	28,450	28,517	28,551	28,652	101	135	
5. 1992	XXX	XXX	XXX	30,589	32,403	36,606	34,715	34,836	35,563	35,263	(300)	427	
6. 1993	XXX	XXX	XXX	XXX	28,701	28,117	23,887	23,902	23,991	23,756	(235)	(146)	
7. 1994	XXX	XXX	XXX	XXX	XXX	132,928	66,247	73,982	83,133	78,893	(4,240)	4,911	
8. 1995	XXX	XXX	XXX	XXX	XXX	XXX	6,376	4,852	8,743	7,543	(1,200)	2,691	
9. 1996	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,140	6,866	5,460	(1,406)	(1,680)	
10. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,677	3,467	(210)	XXX	
11. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,062	XXX	XXX	
											12. Totals	(7,584)	6,901

SCHEDULE P - PART 3 - SUMMARY

1 Years in Which Losses Were Incurred	CUMULATIVE PAID LOSSES AND ALLOCATED EXPENSES AT YEAR END (\$000 OMITTED)										12	13
	2 1989	3 1990	4 1991	5 1992	6 1993	7 1994	8 1995	9 1996	10 1997	11 1998	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
1. Prior	.000	11,449	12,323	12,718	12,704	12,682	12,142	13,436	13,441	13,417	XXX	XXX
2. 1989	7,699	14,214	18,284	21,837	23,612	23,743	23,156	23,323	23,186	23,118	XXX	XXX
3. 1990	XXX	10,326	22,125	24,860	24,948	25,356	28,057	28,021	28,823	28,824	XXX	XXX
4. 1991	XXX	XXX	13,921	22,471	25,319	25,941	27,692	27,605	27,633	27,733	XXX	XXX
5. 1992	XXX	XXX	XXX	15,925	27,308	31,165	32,452	32,991	34,078	34,794	XXX	XXX
6. 1993	XXX	XXX	XXX	XXX	11,809	21,544	22,438	22,960	23,322	23,448	XXX	XXX
7. 1994	XXX	XXX	XXX	XXX	XXX	(982)	6,235	7,795	7,871	8,197	XXX	XXX
8. 1995	XXX	XXX	XXX	XXX	XXX	XXX	1,034	3,381	4,332	7,204	XXX	XXX
9. 1996	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,165	4,592	5,180	XXX	XXX
10. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,392	2,905	XXX	XXX
11. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,230	XXX	XXX

SCHEDULE P - PART 4 - SUMMARY

1 Years in Which Losses Were Incurred	BULK AND INCURRED BUT NOT REPORTED RESERVES ON LOSSES AND ALLOCATED EXPENSES AT YEAR END (\$000 OMITTED)									
	2 1989	3 1990	4 1991	5 1992	6 1993	7 1994	8 1995	9 1996	10 1997	11 1998
1. Prior	.0	.0	.0	.0	.132	.86	.0	.0	.0	.0
2. 1989	2,113	.0	1,569	1,549	.0	.1	.0	.0	.0	.0
3. 1990	XXX	2,748	.0	.888	1,889	.17	.0	.0	.0	.0
4. 1991	XXX	XXX	4,629	1,248	1,141	1,761	.0	.0	.0	.0
5. 1992	XXX	XXX	XXX	2,378	.892	2,500	.0	.0	.0	.0
6. 1993	XXX	XXX	XXX	XXX	4,018	2,369	.0	.0	.0	.0
7. 1994	XXX	XXX	XXX	XXX	XXX	119,883	56,034	64,516	73,342	69,825
8. 1995	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0
9. 1996	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0
10. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0
11. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

Schedule P - Part 1A - Home/Farm

NONE

Schedule P - Part 1B - Private Passenger

NONE

Schedule P - Part 1C - Comm'l Auto/Truck

NONE

Schedule P - Part 1D - Workers' Comp

NONE

Schedule P - Part 1E - Comm Multi Peril

NONE

Schedule P - Part 1F - Section 1

NONE

Schedule P - Part 1F - Section 2

NONE

Schedule P - Part 1G - Special Liability

NONE

Schedule P - Part 1H - Section 1

NONE

Schedule P - Part 1H - Section 2

NONE

Schedule P - Part 1I - Special Property

NONE

Schedule P - Part 1J - Auto Phys. Damage

NONE

Schedule P - Part 1K - Fidelity/Surety

NONE

Schedule P - Part 1L - Other

NONE

Schedule P - Part 1M - International

NONE

Schedule P - Part 1N - Reinsurance A

NONE

Schedule P - Part 1O - Reinsurance B

NONE

Schedule P - Part 1P - Reinsurance C

NONE

**ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In
Receivership**

**SCHEDULE P - PART 1R - SECTION 1 - PRODUCTS LIABILITY -
OCCURRENCE**

(\$000 Omitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments						11 Salvage and Subrogation Received	12 Total Net Paid (Cols. 5 - 6 + 7 - 8 + 9 - 10)	13 Number of Claims Reported - Direct and Assumed
	2 Direct and Assumed	3 Ceded	4 Net (Cols. 2 - 3)	Loss Payments		Allocated Loss Expense Payments		Unallocated Loss Expense Payments				
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded	9 Direct and Assumed	10 Ceded			
1. Prior	XXX	XXX	XXX	(25)		.1				25	(24)	XXX
2. 1989	19,975	1,646	18,329	21,878	5,521	7,471	710	3,565		3,275	26,683	11,357
3. 1990	20,678	1,480	19,198	22,656	498	6,752	86	2,839		2,435	31,663	11,570
4. 1991	22,018	3,513	18,505	21,358	511	7,942	1,056	1,886		3,241	29,619	13,133
5. 1992	23,047	5,737	17,310	26,730	1,179	10,107	864	4,031		4,406	38,825	13,557
6. 1993	23,496	7,466	16,030	21,590	4,607	6,731	266	4,663		3,641	28,111	14,086
7. 1994	22,967	7,731	15,236	9,435	3,642	2,608	204	10,542		1,156	18,739	12,955
8. 1995	18,920	5,042	13,878	7,161	254	368	71	1,800		411	9,004	3,696
9. 1996	18,502	3,413	15,089	4,980	422	639	17	7,160		1,713	12,340	4,287
10. 1997	17,937	4,071	13,866	2,980	583	521	13	3,662		315	6,567	2,766
11. 1998	13,588	2,596	10,992	1,353	251	137	9	1,273		193	2,503	2,003
12. Totals	XXX	XXX	XXX	140,096	17,468	43,277	3,296	41,422		20,811	204,031	XXX

	Losses Unpaid				Allocated Loss Expenses Unpaid				Unallocated Loss Expenses Unpaid		24 Salvage and Subrogation Anticipated	25 Total Net Losses and Expenses Unpaid	26 Number of Claims Outstand- ing - Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		22	23			
	14 Direct and Assumed	15 Ceded	16 Direct and Assumed	17 Ceded	18 Direct and Assumed	19 Ceded	20 Direct and Assumed	21 Ceded					
1.	.3											.3	.3
2.	.1											.1	.1
3.	17				3							20	49
4.	2,308	1,425			36							919	76
5.	895	430			4							469	49
6.	327	19										308	35
7.	1,192	322	80,621	23,993	1		18,788	5,591	19,163			89,859	219
8.	167	21			193							339	24
9.	270	13			23							280	81
10.	635	132			59							562	128
11.	2,159	496			169							1,832	592
12.	7,974	2,858	80,621	23,993	488		18,788	5,591	19,163			94,592	1,257

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		35 Inter- Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	27 Direct and Assumed	28 Ceded	29 Net	30 Direct and Assumed	31 Ceded	32 Net	33 Loss	34 Loss Expense		36 Losses Unpaid	37 Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX			XXX	.3	
2.	32,915	6,231	26,684	164.8	378.6	145.6				.1	
3.	32,267	584	31,683	156.0	39.5	165.0				17	.3
4.	33,530	2,992	30,538	152.3	85.2	165.0				883	36
5.	41,767	2,473	39,294	181.2	43.1	227.0				465	4
6.	33,311	4,892	28,419	141.8	65.5	177.3				308	
7.	142,350	33,752	108,598	619.8	436.6	712.8				57,498	32,361
8.	9,689	346	9,343	51.2	6.9	67.3				146	193
9.	13,072	452	12,620	70.7	13.2	83.6				257	23
10.	7,857	728	7,129	43.8	17.9	51.4				503	59
11.	5,091	756	4,335	37.5	29.1	39.4				1,663	169
12.	XXX	XXX	XXX	XXX	XXX	XXX			XXX	61,744	32,848

Schedule P - Part 1R - Section 2

NONE

Schedule P - Part 1S-Fin./Mtg. Guaranty

NONE

Schedule P - Part 2A

NONE

Schedule P - Part 2B

NONE

Schedule P - Part 2C

NONE

Schedule P - Part 2D

NONE

Schedule P - Part 2E

NONE

Schedule P - Part 2F - Section 1

NONE

Schedule P - Part 2F - Section 2

NONE

Schedule P - Part 2G

NONE

Schedule P - Part 2H - Section 1

NONE

Schedule P - Part 2H - Section 2

NONE

Schedule P - Part 2I

NONE

Schedule P - Part 2J

NONE

Schedule P - Part 2K

NONE

Schedule P - Part 2L

NONE

Schedule P - Part 2M

NONE

Schedule P - Part 2N

NONE

Schedule P - Part 2O

NONE

Schedule P - Part 2P

NONE

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

SCHEDULE P - PART 2R - SECTION 1 - PRODUCTS LIABILITY - OCCURRENCE

1 Years in Which Losses Were Incurred	INCURRED LOSSES AND ALLOCATED EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	2 1989	3 1990	4 1991	5 1992	6 1993	7 1994	8 1995	9 1996	10 1997	11 1998	12 One Year	13 Two Year
1. Prior	13,037	12,565	12,860	12,937	13,081	12,895	12,147	13,437	13,445	13,420	(25)	(17)
2. 1989	20,606	17,344	24,621	26,061	23,640	23,750	23,167	23,324	23,187	23,119	(68)	(205)
3. 1990	XXX	26,478	23,938	26,379	27,651	25,502	28,195	28,059	28,845	28,844	(1)	785
4. 1991	XXX	XXX	27,705	25,640	27,409	27,922	28,450	28,517	28,551	28,652	101	135
5. 1992	XXX	XXX	XXX	30,589	32,403	36,606	34,715	34,836	35,563	35,263	(300)	427
6. 1993	XXX	XXX	XXX	XXX	28,701	28,117	23,887	23,902	23,991	23,756	(235)	(146)
7. 1994	XXX	XXX	XXX	XXX	XXX	132,928	66,247	73,982	83,133	78,893	(4,240)	4,911
8. 1995	XXX	XXX	XXX	XXX	XXX	XXX	6,376	4,852	8,743	7,543	(1,200)	2,691
9. 1996	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,140	6,866	5,460	(1,406)	(1,680)
10. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,677	3,467	(210)	XXX
11. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,062	XXX	XXX
12. Totals											(7,584)	6,901

SCHEDULE P - PART 2R - SECTION 2 - PRODUCTS LIABILITY - CLAIMS-MADE

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

SCHEDULE P - PART 2S - FINANCIAL GUARANTY/MORTGAGE GUARANTY

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

Schedule P - Part 3A

NONE

Schedule P - Part 3B

NONE

Schedule P - Part 3C

NONE

Schedule P - Part 3D

NONE

Schedule P - Part 3E

NONE

Schedule P - Part 3F - Section 1

NONE

Schedule P - Part 3F - Section 2

NONE

Schedule P - Part 3G

NONE

Schedule P - Part 3H - Section 1

NONE

Schedule P - Part 3H - Section 2

NONE

Schedule P - Part 3I

NONE

Schedule P - Part 3J

NONE

Schedule P - Part 3K

NONE

Schedule P - Part 3L

NONE

Schedule P - Part 3M

NONE

Schedule P - Part 3N

NONE

Schedule P - Part 3O

NONE

Schedule P - Part 3P

NONE

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

SCHEDULE P - PART 3R - SECTION 1 - PRODUCTS LIABILITY - OCCURRENCE

1 Years in Which Losses Were Incurred	CUMULATIVE PAID LOSSES AND ALLOCATED EXPENSES AT YEAR END (\$000 OMITTED)										12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	2 1989	3 1990	4 1991	5 1992	6 1993	7 1994	8 1995	9 1996	10 1997	11 1998		
1. Prior	.000	11,449	12,323	12,718	12,704	12,682	12,142	13,436	13,441	13,417	1,646	1,100
2. 1989	7,699	14,214	18,284	21,837	23,612	23,743	23,156	23,323	23,186	23,118	3,381	7,975
3. 1990	XXX	10,326	22,125	24,860	24,948	25,356	28,057	28,021	28,823	28,824	3,280	8,241
4. 1991	XXX	XXX	13,921	22,471	25,319	25,941	27,692	27,605	27,633	27,733	2,853	10,204
5. 1992	XXX	XXX	XXX	15,925	27,308	31,165	32,452	32,991	34,078	34,794	3,087	10,421
6. 1993	XXX	XXX	XXX	XXX	11,809	21,544	22,438	22,960	23,322	23,448	2,992	11,059
7. 1994	XXX	XXX	XXX	XXX	XXX	(982)	6,235	7,795	7,871	8,197	1,701	11,035
8. 1995	XXX	XXX	XXX	XXX	XXX	XXX	1,034	3,381	4,332	7,204	747	2,925
9. 1996	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,165	4,592	5,180	984	3,222
10. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,392	2,905	427	2,211
11. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,230	216	1,195

SCHEDULE P - PART 3R - SECTION 2 - PRODUCTS LIABILITY - CLAIMS-MADE

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

NONE

SCHEDULE P - PART 3S - FINANCIAL GUARANTY/MORTGAGE GUARANTY

1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.000			XXX	XXX
2. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			XXX	XXX
3. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX

NONE

Schedule P - Part 4A

NONE

Schedule P - Part 4B

NONE

Schedule P - Part 4C

NONE

Schedule P - Part 4D

NONE

Schedule P - Part 4E

NONE

Schedule P - Part 4F - Section 1

NONE

Schedule P - Part 4F - Section 2

NONE

Schedule P - Part 4G

NONE

Schedule P - Part 4H - Section 1

NONE

Schedule P - Part 4H - Section 2

NONE

Schedule P - Part 4I

NONE

Schedule P - Part 4J

NONE

Schedule P - Part 4K

NONE

Schedule P - Part 4L

NONE

Schedule P - Part 4M

NONE

Schedule P - Part 4N

NONE

Schedule P - Part 4O

NONE

Schedule P - Part 4P

NONE

**ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP,
In Receivership**

SCHEDULE P - PART 4R - SECTION 1 - PRODUCTS LIABILITY - OCCURRENCE

1 Years in Which Losses Were Incurred	BULK AND INCURRED BUT NOT REPORTED RESERVES ON LOSSES AND ALLOCATED EXPENSES AT YEAR END (\$000 OMITTED)									
	2 1989	3 1990	4 1991	5 1992	6 1993	7 1994	8 1995	9 1996	10 1997	11 1998
1. Prior	0	0	0	0	132	86	0	0	0	
2. 1989	2,113	0	1,569	1,549	0	1	0	0	0	
3. 1990	XXX	2,748	0	888	1,889	17	0	0	0	
4. 1991	XXX	XXX	4,629	1,248	1,141	1,761	0	0	0	
5. 1992	XXX	XXX	XXX	2,378	892	2,500	0	0	0	
6. 1993	XXX	XXX	XXX	XXX	4,018	2,369	0	0	0	
7. 1994	XXX	XXX	XXX	XXX	XXX	119,883	56,034	64,516	73,342	69,825
8. 1995	XXX	XXX	XXX	XXX	XXX	XXX	0	0	0	
9. 1996	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	0	
10. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	
11. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

SCHEDULE P - PART 4R - SECTION 2 - PRODUCTS LIABILITY - CLAIMS-MADE

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

NONE

SCHEDULE P - PART 4S - FINANCIAL GUARANTY/MORTGAGE GUARANTY

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

NONE

Schedule P - Part 5A- SN1

NONE

Schedule P - Part 5A- SN2

NONE

Schedule P - Part 5A- SN3

NONE

Schedule P - Part 5B- SN1

NONE

Schedule P - Part 5B- SN2

NONE

Schedule P - Part 5B- SN3

NONE

Schedule P - Part 5C- SN1

NONE

Schedule P - Part 5C- SN2

NONE

Schedule P - Part 5C- SN3

NONE

Schedule P - Part 5D- SN1

NONE

Schedule P - Part 5D- SN2

NONE

Schedule P - Part 5D- SN3

NONE

Schedule P - Part 5E- SN1

NONE

Schedule P - Part 5E- SN2

NONE

Schedule P - Part 5E- SN3

NONE

Schedule P - Part 5F- SN1A

NONE

Schedule P - Part 5F- SN2A

NONE

Schedule P - Part 5F- SN3A

NONE

Schedule P - Part 5F- SN1B

NONE

Schedule P - Part 5F- SN2B

NONE

Schedule P - Part 5F- SN3B

NONE

Schedule P - Part 5H- SN1A

NONE

Schedule P - Part 5H- SN2A

NONE

Schedule P - Part 5H- SN3A

NONE

Schedule P - Part 5H- SN1B

NONE

Schedule P - Part 5H- SN2B

NONE

Schedule P - Part 5H- SN3B

NONE

SCHEDULE P - PART 5R - PRODUCTS LIABILITY - OCCURRENCE

SECTION 1A

1 Years in Which Premiums Were Earned and Losses Were Incurred	CUMULATIVE NUMBER OF CLAIMS CLOSED WITH LOSS PAYMENT DIRECT AND ASSUMED AT YEAR END									
	2	3	4	5	6	7	8	9	10	11
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
1. Prior								0	0	0
2. 1989	1,857	3,192	3,290	3,367	3,388	3,392	3,380	3,381	3,381	3,381
3. 1990	XXX	1,505	2,896	3,218	3,234	3,302	3,282	3,279	3,280	3,280
4. 1991	XXX	XXX	1,968	2,787	2,853	2,874	2,857	2,850	2,850	2,853
5. 1992	XXX	XXX	XXX	2,240	3,109	3,161	3,079	3,066	3,081	3,087
6. 1993	XXX	XXX	XXX	XXX	2,125	3,020	2,974	2,973	2,987	2,992
7. 1994	XXX	XXX	XXX	XXX	XXX	1,181	1,541	1,638	1,650	1,701
8. 1995	XXX	XXX	XXX	XXX	XXX	XXX	331	639	688	747
9. 1996	XXX	XXX	XXX	XXX	XXX	XXX	XXX	383	721	984
10. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	219	427
11. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	216

SECTION 2A

1 Years in Which Premiums Were Earned and Losses Were Incurred	NUMBER OF CLAIMS OUTSTANDING DIRECT AND ASSUMED AT YEAR END									
	2	3	4	5	6	7	8	9	10	11
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
1. Prior	496	97	36	5	2	1	5	1	3	3
2. 1989	2,242	297	166	34	5	3	4	1	1	1
3. 1990	XXX	2,016	589	223	76	5	10	11	23	49
4. 1991	XXX	XXX	1,619	333	52	31	36	32	66	76
5. 1992	XXX	XXX	XXX	1,688	167	104	104	87	49	49
6. 1993	XXX	XXX	XXX	XXX	1,748	284	156	102	108	35
7. 1994	XXX	XXX	XXX	XXX	XXX	1,663	314	147	199	219
8. 1995	XXX	XXX	XXX	XXX	XXX	XXX	1,358	251	101	24
9. 1996	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,763	336	81
10. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	709	128
11. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	592

SECTION 3A

1 Years in Which Premiums Were Earned and Losses Were Incurred	CUMULATIVE NUMBER OF CLAIMS REPORTED DIRECT AND ASSUMED AT YEAR END									
	2	3	4	5	6	7	8	9	10	11
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
1. Prior								0	0	0
2. 1989	11,295	11,428	11,429	11,437	11,438	11,437	11,357	11,357	11,357	11,357
3. 1990	XXX	11,259	11,628	11,639	11,643	11,643	11,541	11,541	11,542	11,570
4. 1991	XXX	XXX	13,174	13,226	13,226	13,226	13,111	13,111	13,120	13,133
5. 1992	XXX	XXX	XXX	13,858	13,897	13,899	13,554	13,554	13,556	13,557
6. 1993	XXX	XXX	XXX	XXX	14,355	14,473	14,036	14,036	14,081	14,086
7. 1994	XXX	XXX	XXX	XXX	XXX	13,146	12,784	12,785	12,891	12,955
8. 1995	XXX	XXX	XXX	XXX	XXX	XXX	3,693	3,695	3,696	3,696
9. 1996	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,328	4,246	4,287
10. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,765	2,766
11. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,003

Schedule P - Part 5R- SN1B

NONE

Schedule P - Part 5R- SN2B

NONE

Schedule P - Part 5R- SN3B

NONE

Schedule P - Part 6C - SN1

NONE

Schedule P - Part 6C - SN2

NONE

Schedule P - Part 6D - SN1

NONE

Schedule P - Part 6D - SN2

NONE

Schedule P - Part 6E - SN1

NONE

Schedule P - Part 6E - SN2

NONE

Schedule P - Part 6H - SN1A

NONE

Schedule P - Part 6H - SN2A

NONE

Schedule P - Part 6H - SN1B

NONE

Schedule P - Part 6H - SN2B

NONE

Schedule P - Part 6M - SN1

NONE

Schedule P - Part 6M - SN2

NONE

Schedule P - Part 6N - SN1

NONE

Schedule P - Part 6N - SN2

NONE

Schedule P - Part 6O - SN1

NONE

Schedule P - Part 6O - SN2

NONE

**ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP,
In Receivership**

SCHEDULE P - PART 6R - PRODUCTS LIABILITY - OCCURRENCE

SECTION 1A

1 Years in Which Premiums Were Earned and Losses Were Incurred	CUMULATIVE PREMIUMS EARNED DIRECT AND ASSUMED AT YEAR END (\$000 OMITTED)										12 Current Year Premiums Earned
	2 1989	3 1990	4 1991	5 1992	6 1993	7 1994	8 1995	9 1996	10 1997	11 1998	
1. Prior	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	
2. 1989	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	
3. 1990	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0	
4. 1991	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	.0	
5. 1992	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	
6. 1993	XXX	XXX	XXX	XXX	23,484	23,602	23,496	23,496	23,496	23,496	
7. 1994	XXX	XXX	XXX	XXX	XXX	23,703	22,967	22,967	22,967	22,967	
8. 1995	XXX	XXX	XXX	XXX	XXX	XXX	18,920	18,920	18,920	18,920	
9. 1996	XXX	XXX	XXX	XXX	XXX	XXX	XXX	18,502	18,502	18,502	
10. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	17,937	17,937	
11. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	13,588	
12. Total											13,588
13. Earned Premiums (Sch P, Part 1)	19,975	20,678	22,018	23,047	23,496	22,967	18,920	18,502	17,937	13,588	XXX

SECTION 2A

1 Years in Which Premiums Were Earned and Losses Were Incurred	CUMULATIVE PREMIUMS EARNED CEDED AT YEAR END (\$000 OMITTED)										12 Current Year Premiums Earned
	2 1989	3 1990	4 1991	5 1992	6 1993	7 1994	8 1995	9 1996	10 1997	11 1998	
1. Prior	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	
2. 1989	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	
3. 1990	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0	
4. 1991	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	.0	
5. 1992	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	
6. 1993	XXX	XXX	XXX	XXX	5,269	5,269	7,466	7,466	7,466	7,466	
7. 1994	XXX	XXX	XXX	XXX	XXX	6,047	7,731	7,731	7,731	7,731	
8. 1995	XXX	XXX	XXX	XXX	XXX	XXX	5,042	5,042	5,042	5,042	
9. 1996	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,413	3,413	3,413	
10. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,071	4,071	
11. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,596	
12. Total											2,596
13. Earned Premiums (Sch P, Part 1)	1,646	1,480	3,513	5,737	7,466	7,731	5,042	3,413	4,071	2,596	XXX

SCHEDULE P - PART 6R - PRODUCTS LIABILITY - CLAIMS-MADE

SECTION 1B

1 Years in Which Premiums Were Earned and Losses Were Incurred	CUMULATIVE PREMIUMS EARNED DIRECT AND ASSUMED AT YEAR END (\$000 OMITTED)										12 Current Year Premiums Earned
	2 1989	3 1990	4 1991	5 1992	6 1993	7 1994	8 1995	9 1996	10 1997	11 1998	
1. Prior											
2. 1989											
3. 1990	XXX										
4. 1991	XXX	XXX									
5. 1992	XXX	XXX	XXX								
6. 1993	XXX	XXX	XXX	XXX							
7. 1994	XXX	XXX	XXX	XXX	XXX						
8. 1995	XXX	XXX	XXX	XXX	XXX	XXX					
9. 1996	XXX	XXX	XXX	XXX	XXX	XXX	XXX				
10. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
11. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
12. Total											
13. Earned Premiums (Sch P, Part 1)											XXX

SECTION 2B

1 Years in Which Premiums Were Earned and Losses Were Incurred	CUMULATIVE PREMIUMS EARNED CEDED AT YEAR END (\$000 OMITTED)										12 Current Year Premiums Earned
	2 1989	3 1990	4 1991	5 1992	6 1993	7 1994	8 1995	9 1996	10 1997	11 1998	
1. Prior											
2. 1989											
3. 1990	XXX										
4. 1991	XXX	XXX									
5. 1992	XXX	XXX	XXX								
6. 1993	XXX	XXX	XXX	XXX							
7. 1994	XXX	XXX	XXX	XXX	XXX						
8. 1995	XXX	XXX	XXX	XXX	XXX	XXX					
9. 1996	XXX	XXX	XXX	XXX	XXX	XXX	XXX				
10. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
11. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
12. Total											
13. Earned Premiums (Sch P, Part 1)											XXX

Schedule P - Part 7A - Section 1

NONE

Schedule P - Part 7A - Section 2

NONE

Schedule P - Part 7A - Section 3

NONE

Schedule P - Part 7A - Section 4

NONE

Schedule P - Part 7A - Section 5

NONE

Schedule P - Part 7B - Section 1

NONE

Schedule P - Part 7B - Section 2

NONE

Schedule P - Part 7B - Section 3

NONE

Schedule P - Part 7B - Section 4

NONE

Schedule P - Part 7B - Section 5

NONE

Schedule P - Part 7B - Section 6

NONE

Schedule P - Part 7B - Section 7

NONE

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In Receivership

SCHEDULE P INTERROGATORIES

1. Computation of excess statutory reserves over statement reserves.

a. Auto Liability (private passenger and commercial)

1998.....(.....60.0 %) 1997.....(.....60.0 %) 1996(.....60.0 %)
Total \$.....

b. Other Liability and Products Liability

1998.....0 (.....67.3 %) 1997.....0 (.....67.3 %) 1996(.....67.3 %)
Total \$.....0

c. Medical Malpractice

1998.....(.....60.0 %) 1997.....(.....60.0 %) 1996(.....60.0 %)
Total \$.....

d. Workers' Compensation

1998.....(.....65.0 %) 1997.....(.....65.0 %) 1996(.....65.0 %)
Total \$.....

e. Credit

Total \$.....

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

Total \$.....0

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

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

3. The definition of allocated loss adjustment expenses (ALAE) and, therefore, unallocated loss adjustment expenses (ULAE) was changed effective January 1, 1998. This change in definition applies to both paid and unpaid expenses. Are these expenses reported in compliance with these definitions in this statement? Answer: Yes [X] No []

4. The unallocated loss expense payments and reserves should be allocated to the years in which the losses were incurred based on the number of claims reported, closed and outstanding in those years. When allocating ULAE between companies in a group or a pool, the ULAE should be allocated in the same percentage used for the loss amounts and the claim counts. For reinsurers, ULAE assumed should be reported according to the reinsurance contract. For ULAE incurred by reinsurers, or in those situations where suitable claim count information is not available, ULAE should be allocated by a reasonable method determined by the company and described in Interrogatory 8, below. Are they so reported in this Statement? Answer: Yes [X] No []

5. Do any lines in Schedule P include reserves which are reported gross of any discount to present value of future payments, but are reported net of such discounts on Page 11? Yes [] No [X]

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

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

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

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

a. Fidelity0
b. Surety0

7. Claim count information is reported (check one).
If not the same in all years, explain in Interrogatory 8.

a. per claim X
b. per claimant _____

8. The information provided in Schedule P will be used by many persons to estimate the adequacy of the current loss and expense reserves, among other things. Are there any especially significant events, coverage, retention or accounting changes which have occurred which must be considered when making such analyses? (An extended statement may be attached.)
ULAE reserves are allocated to 1994 as are the IBNR reserves (see Notes to Financial Statements #4).....

OF THE

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

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SCHEDULE Y (continued)
PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

1 NAIC Company Code	2 Federal ID Number	3 Names of Insurers and Parent, Subsidiaries or Affiliates	4 Shareholder Dividends	5 Capital Contributions	6 Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments	7 Income/ (Disbursements) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s)	8 Management Agreements, Service Contracts and Non-GAAP Cost Sharing Agreements	9 Income/ (Disbursements) Incurred Under Reinsurance Agreements	10 Any Other Material Activity Not in the Ordinary Course of the Insurer's Business	11 Totals	12 Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit Taken/(Liability)
NONE											
9999999 Control Totals											

**ANNUAL STATEMENT FOR THE YEAR 1998 OF THE HOW INSURANCE COMPANY, A RISK RETENTION GROUP, In
Receivership**

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

1 States, etc.	1a Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	No				(26,812)			
2. Alaska	AK	No							
3. Arizona	AZ	No			(3,238)	1,986,151	2,016,201		
4. Arkansas	AR	No			23,016	(40,931)	77,773		
5. California	CA	No			21,756	6,118,434	26,430,536		
6. Colorado	CO	No			3,609,173	3,799,176	3,220,381		
7. Connecticut	CT	No				283,458	474,971		
8. Delaware	DE	No			(1,830)	(70,192)	38,887		
9. District of Columbia	DC	No							
10. Florida	FL	No			72,392	(480,541)	1,123,266		
11. Georgia	GA	No			156,812	(572,859)	1,306,444		
12. Hawaii	HI	No			107,949	(710,051)	38,887		
13. Idaho	ID	No							
14. Illinois	IL	No			243,068	(403,226)	492,026		
15. Indiana	IN	No			88,070	(299,946)	446,095		
16. Iowa	IA	No							
17. Kansas	KS	No							
18. Kentucky	KY	No			37,073	309,725	438,863		
19. Louisiana	LA	No			766,931	(6,717,348)	333,324		
20. Maine	ME	No				(26,812)			
21. Maryland	MD	No			126,082	(347,403)	446,640		
22. Massachusetts	MA	No				12,075	38,887		
23. Michigan	MI	No			5,887	(20,925)			
24. Minnesota	MN	No			89,243	943,741	1,594,860		
25. Mississippi	MS	No			6,026	10,879	31,665		
26. Missouri	MO	No			141,343	362,826	760,808		
27. Montana	MT	No				555,522	555,522		
28. Nebraska	NE	No			79,162	475,314	427,752		
29. Nevada	NV	No			4,015	(939,728)	155,546		
30. New Hampshire	NH	No			(1,457)	(1,457)			
31. New Jersey	NJ	No			430,455	2,918,736	6,467,664		
32. New Mexico	NM	No			47,014	103,117	116,660		
33. New York	NY	No			28,350	9,199			
34. North Carolina	NC	No			41,341	7,076,001	14,659,509		
35. North Dakota	ND	No							
36. Ohio	OH	No				217,192	872,170		
37. Oklahoma	OK	No			32,634	629,708	849,949		
38. Oregon	OR	No			9,080	72,116	116,660		
39. Pennsylvania	PA	No			49,972	(2,644,031)	416,644		
40. Rhode Island	RI	No							
41. South Carolina	SC	No			38,305	236,669	605,530		
42. South Dakota	SD	No							
43. Tennessee	TN	No			175,950	(52,697)	175,545		
44. Texas	TX	No			799,609	(9,990,008)	21,659,877		
45. Utah	UT	No			2,039	(12,699)	38,887		
46. Vermont	VT	No							
47. Virginia	VA	Yes			149,872	964,421	1,711,064		
48. Washington	WA	No			85,807	(102,547)	194,444		
49. West Virginia	WV	No				(114,908)			
50. Wisconsin	WI	No			15,018	38,636	261,095		
51. Wyoming	WY	No							
52. American Samoa	AS	No							
53. Guam	GU	No							
54. Puerto Rico	PR	No							
55. U.S. Virgin Islands	VI	No							
56. Canada	CN	No							
57. Aggregate Other Aliens	OT	XXX							
98. Totals	(a) 1				7,476,917	3,547,975	88,595,031		
DETAILS OF WRITE-INS									
5701.		XXX							
5702.		XXX							
5703.		XXX							
5798.	Summary of remaining write-ins for Line 57 from overflow page.								
5799.	Totals (Lines 5701 thru 5703 plus 5798)(Line 57 above)								

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

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

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

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

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

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



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

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



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

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



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

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



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

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

6. The officers and directors information is a required filing for all companies. Yes [] No [X]
 Will the officers and directors information be filed with the NAIC by March 1?
 If response is no, please explain:
 The Company is in Receivership and has no officers or directors.....

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



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES (continued)

7. The SVO Compliance Certification is a required filing for all companies. Will the SVO Compliance Certification be filed by March 1? Yes [X] No []
If no, please explain:

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

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

.....
If second response is no and the form is "None", affix bar code (Document Identifier 490) here:



9. The Supplemental Compensation Exhibit is a required filing, with the domiciliary Department, for all companies. Will the Supplemental Compensation Exhibit be filed with this domiciliary Department by March 1? Yes [] No [X]
If no, please explain:
Not Applicable.....

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



10. a. Will the Risk-based Capital Report be filed with the NAIC by March 1? Yes [X] No []
If no, please explain:

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

b. Will the Risk-based Capital Report be filed with the domiciliary Department, if required, by March 1? Yes [X] No []
If no, please explain:

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

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

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



12. The Insurance Expense Exhibit is a required filing for all companies. Will the Insurance Expense Exhibit be filed by April 1? Yes [] No [X]
If no, please explain:

The Company is in Receivership and is not required to file the Insurance Expense Exhibit.....
If response is no and the form is "None", affix bar code (Document Identifier 270) here:



13. Management's Discussion and Analysis is a required filing for all companies. Will Management's Discussion and Analysis be filed by April 1? Yes [X] No []
If no, please explain:

.....
If response is no and the form is "None", affix bar code (Document Identifier 350) here:

**SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES
(continued)**

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

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



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

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



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

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



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



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

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

OVERFLOW PAGE FOR WRITE-INS

P003 Additional Aggregate Lines for Page 3 Line 22.

*LIAB

2204. Deferred LAE.....	1,288,855	1,288,855
2205. Reinsurance liability adjustment.....	722,602	743,688
2206. Unclaimed property drafts.....	41,150	56,195
2207. Lease liability.....	500,000	500,000
2208. Notices of claim determination.....	1,063,038	1,060,800
2209. Ceded reinsurance - Amounts due reinsurers.....	1,424,113	1,424,113
2210. Suspense.....	404	1,344
2297. Summary of remaining write-ins for Line 22 from page 3	5,040,162	5,074,995

P014 Additional Aggregate Lines for Page 14 Line 04F.

*EX2

04F04 . Deferred Indirect Losses.....		30,852
04F05 . Deferred Loss Adjustment Expenses.....		4,148
04F06 . Increase in Funds Held Under Reinsurance Treaties.....		1,665,351
04F07 . Litigation Settlements.....	9,500,000	0
04F97 . Summary of remaining write-ins for Line 4F from page 14	9,500,000	1,700,350

P014 Additional Aggregate Lines for Page 14 Line 12F.

*EX2

12F04 . Decrease in Reinsurance Premium Payable.....	21,086	0
12F97 . Summary of remaining write-ins for Line 12F from page 14	21,086	