



**QUARTERLY STATEMENT**

AS OF SEPTEMBER 30, 2007

OF THE CONDITION AND AFFAIRS OF THE

**American Physicians Insurance Company**

NAIC Group Code 0000, 0000 NAIC Company Code 32557 Employer's ID Number 75-1517531  
(Current Period) (Prior Period)

Organized under the Laws of Texas, State of Domicile or Port of Entry Texas

Country of Domicile US

Incorporated/Organized November 23, 1975 Commenced Business June 1, 1976

Statutory Home Office 1301 S. Capital of Texas Hwy., Suite C-300, Austin, Texas 78746  
(Street and Number, City or Town, State and Zip Code)

Main Administrative Office 1301 S. Capital Of Texas Hwy., Suite C-300, Austin, Texas 78746 512-314-4430  
(Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 1301 S. Capital of Texas Hwy., Suite C-300, Austin, Texas 78746  
(Street and Number or P. O. Box, City or Town, State and Zip Code)

Primary Location of Books and Records 1301 S. Capital of Texas Hwy., Suite C-300, Austin, Texas 78746  
(Street and Number, City or Town, State and Zip Code)  
512-314-4330  
(Area Code) (Telephone Number)

Internet Website Address www.apie.us

Statutory Statement Contact Bruce Edwin Wood, CPA 512-314-4330  
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Policyowner Relations Contact 1301 Capital of Texas Hwy., Suite C-300, Austin, Texas 78746 512-314-4330  
(Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

**OFFICERS**

1. Timothy L. LaFrey# (Chief Executive Officer)
2. Maury L. Magids (President & COO)
3. Marc J. Zimmermann, CPA (Senior Vice President, Secretary & CFO)
4. Jay R. Tidey (Treasurer)

**OTHER OFFICERS**

Norris C. Knight, Jr., MD# (Chairman)  
 Vicki L. Gould# (Vice President, Claims)

**DIRECTORS OR TRUSTEES**

Lawrence M. Pierce, MD  
 William J. Peche, MD  
 Norris C. Knight, Jr., MD  
 Richard S. Shoberg, Jr., MD  
 Kenneth S. Shifrin  
 Timothy L. LaFrey#  
 Maury L. Magids#  
 Marc J. Zimmermann, CPA#  
 Samuel R. Granett#

State of Texas }  
 County of Travis } SS

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, 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 reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual 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. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

\_\_\_\_\_  
 Maury L. Magids  
 President & COO  
 Subscribed and sworn to before me this \_\_\_\_\_  
 day of \_\_\_\_\_ 2007

\_\_\_\_\_  
 Marc J. Zimmermann, CPA  
 Senior Vice President, Secretary & CFO

\_\_\_\_\_  
 Jay R. Tidey  
 Treasurer

- 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 \_\_\_\_\_

## ASSETS

	Current Statement Date			4
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Col. 1 minus Col. 2)	December 31 Prior Year Net Admitted Assets
1. Bonds	159,610,696		159,610,696	132,831,837
2. Stocks:				
2.1 Preferred stocks				6,707,793
2.2 Common stocks	6,187,055		6,187,055	
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)				
4.2 Properties held for the production of income (less \$ encumbrances)				
4.3 Properties held for sale (less \$ encumbrances)				
5. Cash (\$ 330,454 ), cash equivalents (\$ ) and short-term investments (\$ 8,149,608 )	8,480,062		8,480,062	5,922,819
6. Contract loans (including \$ premium notes)				
7. Other invested assets	1,213,897		1,213,897	1,142,559
8. Receivables for securities				
9. Aggregate write-ins for invested assets	180,872		180,872	175,171
10. Subtotals, cash and invested assets (Line 1 to Line 9)	175,672,582		175,672,582	146,780,179
11. Title plants less \$ charged off (for Title insurers only)				
12. Investment income due and accrued	901,471		901,471	705,802
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	19,134,068		19,134,068	14,819,581
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	53,480		53,480	97,758
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts	3,399,128		3,399,128	8,729,107
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset	5,351,871	1,196,591	4,155,280	3,470,679
17. Guaranty funds receivable or on deposit	273,911		273,911	273,911
18. Electronic data processing equipment and software	448,513		448,513	
19. Furniture and equipment, including health care delivery assets (\$ )				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates				
22. Health care (\$ ) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	291,487	86,507	204,980	1,708,546
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 10 to Line 23)	205,526,511	1,283,098	204,243,413	176,585,563
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Totals (Line 24 and Line 25)	205,526,511	1,283,098	204,243,413	176,585,563
<b>DETAILS OF WRITE-INS</b>				
0901. Directors and Officers Trust Fund	180,872		180,872	175,171
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)	180,872		180,872	175,171
2301. Prepaid Insurance	86,507	86,507		1,673,088
2302. Accounts Receivable Other - Premium Taxes	204,980		204,980	35,458
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above)	291,487	86,507	204,980	1,708,546

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$ 27,648,000 )	48,227,923	44,431,664
2. Reinsurance payable on paid losses and loss adjustment expenses		
3. Loss adjustment expenses	33,914,389	36,754,486
4. Commissions payable, contingent commissions and other similar charges	353,183	364,386
5. Other expenses (excluding taxes, licenses and fees)	305,216	188,996
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses))	1,416,445	652,758
7.2 Net deferred tax liability		
8. Borrowed money \$ and interest thereon \$		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ 343,280 and including warranty reserves of \$ )	39,333,607	35,061,053
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders	152,550	
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	364,430	45,279
13. Funds held by company under reinsurance treaties	5,928,604	4,003,206
14. Amounts withheld or retained by company for account of others	313,155	520,242
15. Remittances and items not allocated	1,118,120	1,944,063
16. Provision for reinsurance		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	784,716	2,672,861
20. Payable for securities		
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ and interest thereon \$		
23. Aggregate write-ins for liabilities		4,395,399
24. Total liabilities excluding protected cell liabilities (Line 1 through Line 23)	132,212,338	131,034,393
25. Protected cell liabilities		
26. Total liabilities (Line 24 and Line 25)	132,212,338	131,034,393
27. Aggregate write-ins for special surplus funds		10,226,799
28. Common capital stock	10,000,000	
29. Preferred capital stock	10,198	
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	47,844,910	
33. Unassigned funds (surplus)	14,175,967	35,324,371
34. Less treasury stock, at cost:		
34.1 shares common (value included in Line 28 \$ )		
34.2 shares preferred (value included in Line 29 \$ )		
35. Surplus as regards policyholders (Line 27 through Line 33, less Line 34)	72,031,075	45,551,170
36. Totals	204,243,413	176,585,563
<b>DETAILS OF WRITE-INS</b>		
2301. Unearned Member Maintenance Fees		4,395,399
2302.		
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above)		4,395,399
2701. Subscriber Deposits		10,226,799
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Line 2701 through Line 2703 plus Line 2798) (Line 27 above)		10,226,799
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Line 3001 through Line 3003 plus Line 3098) (Line 30 above)		

## STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
<b>UNDERWRITING INCOME</b>			
1. Premiums earned:			
1.1 Direct (written \$ 52,749,336 )	52,858,361	50,150,770	65,862,384
1.2 Assumed (written \$ )			
1.3 Ceded (written \$ (1,515,235))	(1,529,055)	5,770,609	5,390,837
1.4 Net (written \$ 54,264,571 )	54,387,416	44,380,161	60,471,547
DEDUCTIONS:			
2. Losses incurred (current accident year \$ 14,268,000 ):			
2.1 Direct	2,985,211	14,164,747	16,417,528
2.2 Assumed	(179,000)	(597,920)	(399,920)
2.3 Ceded	(8,304,639)	822,598	1,032,169
2.4 Net	11,110,850	12,744,229	14,985,439
3. Loss expenses incurred	8,081,117	17,135,231	23,984,433
4. Other underwriting expenses incurred	9,708,124	10,536,331	13,978,744
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Line 2 through Line 5)	28,900,091	40,415,791	52,948,616
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	25,487,325	3,964,370	7,522,931
<b>INVESTMENT INCOME</b>			
9. Net investment income earned	5,783,167	4,319,766	6,190,438
10. Net realized capital gains (losses) less capital gains tax of \$ (1,019,368)	(1,893,113)	215,680	3,677
11. Net investment gain (loss) (Line 9 plus Line 10)	3,890,054	4,535,446	6,194,115
<b>OTHER INCOME</b>			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$ )			
13. Finance and service charges not included in premiums	96,537	237,881	283,057
14. Aggregate write-ins for miscellaneous income		8,024,970	10,380,731
15. Total other income (Line 12 through Line 14)	96,537	8,262,851	10,663,788
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 8 plus Line 11 plus Line 15)	29,473,916	16,762,667	24,380,834
17. Dividends to policyholders			
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	29,473,916	16,762,667	24,380,834
19. Federal and foreign income taxes incurred	12,734,245	6,440,621	8,826,519
20. Net income (Line 18 minus Line 19) (to Line 22)	16,739,671	10,322,046	15,554,315
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year	45,551,170	29,789,112	29,789,112
22. Net income (from Line 20)	16,739,671	10,322,046	15,554,315
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (259,313)	(481,580)	(104,150)	26,704
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax	1,621,879	845,931	366,506
27. Change in nonadmitted assets	(1,218,666)	(97,605)	155,254
28. Change in provision for reinsurance			
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles			
32. Capital changes:			
32.1 Paid in	10,000,000		
32.2 Transferred from surplus (Stock Dividend)	37,844,910		
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			
33.2 Transferred to capital (Stock Dividend)	(27,646,960)		
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders	(152,550)		
36. Change in treasury stock			
37. Aggregate write-ins for gains and losses in surplus	(10,226,799)	(272,719)	(340,721)
38. Change in surplus as regards policyholders (Line 22 through Line 37)	26,479,905	10,693,503	15,762,058
39. Surplus as regards policyholders, as of statement date (Line 21 plus Line 38)	72,031,075	40,482,615	45,551,170
<b>DETAILS OF WRITE-INS</b>			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page			
0599. TOTALS (Line 0501 through Line 0503 plus Line 0598) (Line 5 above)			
1401. Member Maintenance Contributions		8,024,970	10,387,839
1402. Miscellaneous Income			(7,108)
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)		8,024,970	10,380,731
3701. Change in Subscriber Deposits	(10,226,799)	(272,719)	(340,721)
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page			
3799. TOTALS (Line 3701 through Line 3703 plus Line 3798) (Line 37 above)	(10,226,799)	(272,719)	(340,721)

**CASH FLOW**

	1	2
	Current Year To Date	Prior Year Ended December 31
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance .....	58,371,756	57,106,264
2. Net investment income .....	5,380,741	5,758,320
3. Miscellaneous income .....	(110,550)	9,547,773
4. Total (Line 1 through Line 3) .....	63,641,947	72,412,357
5. Benefit and loss related payments .....	7,351,740	8,906,474
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....	22,953,957	29,083,549
7. Commissions, expenses paid and aggregate write-ins for deductions .....	10,951,190	7,570,142
8. Dividends paid to policyholders .....		
9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses) .....		
10. Total (Line 5 through Line 9) .....	41,256,887	45,560,165
11. Net cash from operations (Line 4 minus Line 10) .....	22,385,060	26,852,192
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	14,072,949	35,126,004
12.2 Stocks .....	4,204,395	1,692,013
12.3 Mortgage loans .....		
12.4 Real estate .....		
12.5 Other invested assets .....		110,000
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....		
12.7 Miscellaneous proceeds .....		
12.8 Total investment proceeds (Line 12.1 through Line 12.7) .....	18,277,344	36,928,017
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	44,340,046	59,313,117
13.2 Stocks .....	3,718,752	2,832,463
13.3 Mortgage loans .....		
13.4 Real estate .....		
13.5 Other invested assets .....		
13.6 Miscellaneous applications .....		
13.7 Total investments acquired (Line 13.1 through Line 13.6) .....	48,058,798	62,145,580
14. Net increase or (decrease) in contract loans and premium notes .....		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	(29,781,454)	(25,217,563)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....		
16.2 Capital and paid in surplus, less treasury stock .....	10,000,000	
16.3 Borrowed funds .....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5 Dividends to stockholders .....		
16.6 Other cash provided (applied) .....	(46,363)	(26,253)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) .....	9,953,637	(26,253)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17) .....	2,557,243	1,608,376
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	5,922,819	4,314,443
19.2 End of period (Line 18 plus Line 19.1) .....	8,480,062	5,922,819

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001 .....		
20.0002 .....		
20.0003 .....		
20.0004 .....		
20.0005 .....		
20.0006 .....		
20.0007 .....		
20.0008 .....		
20.0009 .....		
20.0010 .....		

## NOTES TO FINANCIAL STATEMENTS

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Accounting Practices

**Statutory Accounting Practices**—The accompanying financial statements have been prepared in conformity with insurance accounting practices prescribed or permitted by the Texas Department of Insurance, which are designed primarily to reflect the Company's ability to meet obligations to its policyholders. The state of Texas has adopted the National Association of Insurance Commissioners ("NAIC") statutory accounting practices ("SAP") as the basis of its statutory accounting practices except that it has retained certain prescribed practices.

In the preparation of the accompanying statutory financial statements, the Company has not utilized any accounting practices, which are considered to be permitted practices.

The above prescribed statutory accounting practices differ from accounting principles generally accepted in the United States of America ("GAAP") followed by other business enterprises in determining financial position and results of operations.

#### B. Use of Estimated in the Preparation of the Financial Statements

The preparation of the statutory financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates included in the accompanying financial statements are the reserve for losses and loss adjustment expenses, reinsurance premiums payable and premiums ceded.

#### C. Accounting Policy

The Company issues policies written on a claims-made basis. The Company is currently licensed to issue policies in Texas, Arkansas and Oklahoma. A claims-made policy provides coverage for claims reported during the policy year. The Company charges both a base premium and a premium maintenance fee. Policies are written for a one-year term and premiums and maintenance fees are earned on a pro-rata basis over the term of the policy. Premium maintenance fees are charged to offset the costs incurred by the Company to issue and maintain policies. The reserve for unearned premiums and maintenance fees are determined on a monthly pro rata basis. Upon termination of coverage, members may purchase an extended reporting period (tail) endorsement for additional periods of time. These extended reporting period coverage endorsements are earned when written.

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred.

**Adoption of a Change in Statutory Presentation**— Beginning in 2007, the Company adopted a change in presentation of maintenance fees. The Company charges both a base premium and a premium maintenance fee. Policies are written for a one-year term and premiums and maintenance fees are earned on a pro-rata basis over the term of the policy. Premium maintenance fees are charged to offset the costs incurred by the Company to issue and maintain policies. Effective with the first quarter filing in 2007, all maintenance fees are reported inclusive with premiums. Prior to 2007 maintenance fees were reported as a separate write-in line on the balance sheet for accounts receivable and unearned premiums, and also as a write-in line on the income statement, and for cash flow they were previously included as miscellaneous income. Since maintenance fees have all the characteristics of premiums this is an appropriate classification change. This treatment is also consistent with how the Company has accounted for premium tax filings submitted to the states in which it writes business. This change in accounting presentation had no impact on the Company's Statutory Surplus for the nine months ending September 30, 2007 or year ended December 31, 2006.

#### D. In addition, the Company uses the following accounting policies:

- i. Short-term investments are stated at amortized cost using the interest method.
- ii. Investment grade bonds not backed by other loans are stated at amortized cost using the scientific interest method. Non-investment grade bonds with NAIC designations of 3 through 6 are stated at the lower of amortized value or fair value.
- iii. Common Stocks are stated at fair value.
- iv. All single class and multi-class mortgage-backed/asset-backed securities (e.g., CMOs) are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities using either the retrospective or prospective methods. If it is determined that a decline in fair value is other than temporary, the cost basis of the security is written down to the undiscounted estimated future cash flows.
- v. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates are continually reviewed with outside actuaries and any adjustments are reflected in the period determined.

## NOTES TO FINANCIAL STATEMENTS

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### 2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

#### A. Material Changes in Accounting Principles

There were no material changes in accounting principles.

#### B. Correction of Errors

There were no corrections due to errors.

### 3. BUSINESS COMBINATIONS AND GOODWILL

#### A. Statutory Purchase Method

Not applicable

#### B. Statutory Merger

Not applicable

#### C. Impairment Loss

During the three months ended September 30, 2007, APIC saw a significant and rapid decline in the market value of its Alt-A mortgage backed securitites, particularly those with an A rating. The majority of collateralized mortgage obligations (CMOs) in our portfolio have underlying mortgages categorized as "Prime" quality loans, and none of our CMO's have underlying mortgages classified as "Subprime." However, within our portfolio there are eleven CMO securities classified as "Alternative-A" or "Alt-A". These Alt-A securities are generally considered to have underlying mortgages with underwriting characteristics that are stronger than "Subprime" mortgages but less stringent than "Prime" mortgages. In evaluating this decline, APIC considered the deepening national housing crisis and its potential effects on the underlying collateral and concluded that the decreases in value of its A rated Alt-A securities should be considered "other than temporary" as defined in Statements of Financial Accountings Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities, and SSAP No. 43, Loan-backed and Structured Securities. The amount of the pretax charge to earnings associated with this adjustment for the three months ended September 30, 2007, is \$3,654,000 bringing our total carrying value in Alt-A securities to \$14,156,000 from \$17,810,000 as of September 30, 2007. While we have the ability and the intent to hold all of our Alt-A securities indefinitely, we will continue to monitor and evaluate these securities and their underlying collateral.

### 4. DISCONTINUED OPERATIONS

Not applicable

### 5. INVESTMENTS

#### A. Mortgage Loans

Not applicable

#### B. Debt Restructuring

Not applicable

#### C. Reverse Mortgages

Not applicable

#### D. Loan-Backed Securities

i. The Company uses the prospective method of amortization.

ii. The Company uses broker dealer survey values for prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities.

#### E. Repurchase Agreements

Not applicable

#### F. Real Estate Impairment and Retail Land Sales

Not applicable

### 6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

Not applicable

### 7. INVESTMENT INCOME

The Company has no investment income that is over 90 days past due.

### 8. DERIVATIVE INSTRUMENTS

Not Applicable

### 9. INCOME TAXES

A. The Exchange will file a final Federal Income Tax Return as an Exchange as of March 31, 2007. Subsequent to the merger on April 1, 2007 the Company will file a consolidated Federal Income Tax Return with American Physicians Service Group ("APSG"), its new parent company.

**NOTES TO FINANCIAL STATEMENTS**

- B. At September 30, 2007, the Company did not have any unused operating loss carry forward to offset future taxable income. The amount of federal income taxes incurred in the current and prior years that will be available for recoupment in the event of current year or future net losses is \$11,714,877, \$8,922,000, \$4,551,100, and \$3,327,800 from the first nine months of 2007, and the years 2006, 2005, and 2004, respectively.
- C. The Company does not have any refunds due from the Internal Revenue Service as of September 30, 2007.
- D. The components of net deferred tax asset is as follows:

	<b>9/30/07</b>	<b>12/31/06</b>	<b>Change</b>
(1) Total gross deferred tax assets (admitted and non-admitted)	\$5,950,323	\$4,223,689	\$1,726,634
(2) Total gross deferred tax liabilities	<u>598,452</u>	<u>753,009</u>	<u>(154,557)</u>
(3) Net deferred tax asset	5,351,871	3,470,680	1,881,191
(4) Non-Admitted deferred tax assets in accordance with SSAP No. 10	<u>(1,196,591)</u>	<u>0</u>	<u>(1,196,591)</u>
(5) Net Admitted deferred tax asset	<u>\$4,155,280</u>	<u>\$3,470,680</u>	<u>\$ 684,600</u>

## E. Unrecognized Deferred Tax Liabilities

None

## F. Current Tax and Change in Deferred Tax

The provisions for income taxes incurred on earnings for the nine months and year ended September 30, 2007 and December 31, 2006 are as follows:

	<b>2007</b>	<b>2006</b>
Federal income taxes on operations	\$12,734,245	\$8,826,519
Federal income taxes on realized capital gains	<u>(1,019,368)</u>	<u>1,980</u>
Federal Income Taxes Incurred	\$11,714,877	\$8,828,499

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	<b>9/30/07</b>	<b>12/31/06</b>
Deferred tax assets:		
(1) Loss reserve discounting	\$1,741,099	\$1,792,551
(2) Change in unearned prem. reserve	2,930,416	2,431,138
(3) Write down for Impairment of losses on investments	<u>1,278,809</u>	<u>-0-</u>
Total Deferred Tax Assets	\$5,950,324	\$ 4,223,689
Non-admitted deferred tax asset	<u>(1,196,591)</u>	<u>-0-</u>
Admitted deferred tax assets	\$4,753,733	\$4,223,689
Deferred tax liabilities:		
(1) Unrealized gain on investments	\$ 259,313	\$ 681,404
(2) Other	<u>339,140</u>	<u>71,605</u>
Total Deferred tax liabilities	\$ 598,453	\$ 753,009
Net Admitted Deferred Tax Assets	<u>\$4,155,280</u>	<u>\$3,470,680</u>

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

	<b>9/30/07</b>	<b>12/31/06</b>	<b>Change</b>
Total gross deferred tax assets	\$5,950,324	\$4,223,689	\$1,726,635
Total gross deferred tax liabilities	<u>598,453</u>	<u>753,009</u>	<u>(154,556)</u>
Net Gross Deferred Tax Asset	\$5,351,871	\$3,470,680	\$1,881,191

- G. The income tax benefit incurred and change in deferred income tax for the nine months ended September 30, 2007, and year ended December 31, 2006, differs from the amount computed by applying the federal statutory rate of 35% for 2007 and 2006 to income before income tax as follows:

	<b>2007</b>	<b>2006</b>
Provision computed at statutory rate	\$9,959,091	\$ 8,538,195
Discounting of reserve	(51,452)	391,769
Adjustment on unearned premiums	499,278	25,348
Adjustments on prior year taxes	247,809	(86,225)
Write-down of impaired securities	1,278,809	-0-
Recoveries on structured annuities	(24,968)	(4,532)
Accrual of amortization	(148,769)	(21,531)
Other	<u>(44,921)</u>	<u>(14,525)</u>
Total Statutory Income Taxes	\$11,714,877	\$ 8,828,499

**10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES**

**NOTES TO FINANCIAL STATEMENTS**

- A. American Physicians Insurance Exchange ("Exchange") was organized in 1975 under Article 19 of the Texas Insurance Code as a Reciprocal Exchange and did not have any stockholders until April 1, 2007.
- B. The Exchange was managed by an "Attorney-in-Fact," APS Facilities Management Inc. ("FMI") up to March 31, 2007. The management agreement between FMI and the Exchange basically provided for full management by FMI of the affairs of the Exchange under the direction of the Exchange's Physician Board of Directors. Subject to the direction of the Board, FMI sold and issued policies, investigated, settled and defended claims and otherwise managed the Exchange's affairs. In consideration of performing its services, FMI received a percentage fee based on APIE's earned premiums (before payment of reinsurance), as well as a portion of APIE's profits. FMI paid salaries and personnel related expenses, rent and office operations costs, data processing costs and many other operating expenses of APIE. APIE was responsible for the payment of claims, claims expenses, peer review expenses, directors' fees and expenses, legal, actuarial and auditing expenses, its taxes, outside agent commissions and certain other expenses.
- C. American Physicians Service Group, Inc. ("APSG") (NASDAQ: AMPH) is the parent company for the wholly-owned APS Facilities Management, Inc. ("FMI") who manages the Exchange under an attorney-in-fact contractual arrangement. The Exchange's Board of Directors on June 1, 2006 adopted and approved a plan of conversion and merger agreement with APSG and authorized the execution of these documents. The APIE board of directors agreed on a merger transaction in which, immediately after APIE converts from a Texas reciprocal insurance exchange to a Texas stock insurance company and changes its name to American Physicians Insurance Company ("APIC"), a newly formed, wholly owned subsidiary of APSG will merge into APIC, with APIC becoming a wholly owned subsidiary of APSG.

The TDI issued a Consent Order dated January 26, 2007, which placed some conditions for the conversion and merger to occur. The Securities and Exchange Commission declared the Company's joint registration and proxy statement effective on February 1, 2007. On March 22, 2007, a special meeting of APIE subscribers was held approving this transaction and APSG shareholders also approved the merger on the same day. This transaction closed effective April 1, 2007.

**11. DEBT**

Not applicable

**12. RETIREMENT PLANS, DEFERRED COMPENSATION, POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POST-RETIREMENT BENEFIT PLANS**

All compensation and employee related plan expenses, if any, are paid by the managing general agent and the Company does not assume any liability for these expenses.

**13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS**

- A. The Company is a stock insurance company and has one shareholder (APSG) effective with the merger on April 1, 2007.
- B. The Company has no surplus debentures or subscriber deposits as of September 30, 2007.
- C. General information on Subscriber deposits follows:
- i. From inception of the Exchange through March 1992, as periodically determined and approved by the APIE Board of Directors, eligible physicians desiring to purchase insurance through the Exchange were required to make a refundable subscriber deposit. The amount of refundable deposit varied during this period from \$1,000 to \$15,000 based on medical specialty. For refundable deposits made to the Exchange prior to January 1, 1987, interest was accrued on the outstanding balance. Effective January 1, 1989, accrual of interest on refundable deposits was suspended by the APIE Board of Directors. Refundable deposits made subsequent to January 1, 1987, were non-interest bearing. As of December 31, 2006, the Exchange had \$10,226,800, which included accrued interest remaining on subscribers' deposits of \$38,000, respectively. Effective with the merger on April 1, 2007, all subscriber deposits and accrued interest were converted into the Company's mandatorily redeemable preferred stock. Simultaneously with the merger on the same date, the individual holders of the Company's mandatorily redeemable preferred stock exchanged all of the Company's outstanding preferred stock for mandatorily redeemable preferred stock of the Company's parent, APSG. As such APSG now owns all of the Company's outstanding common and preferred stock. APSG is required to redeem all of the preferred shares issued to the Company's former subscribers at a rate of \$1,000,000 per year plus a 3% annual dividend until all such shares are redeemed.

Prior to the merger, The Exchange requested authority from the Texas Department of Insurance ("TDI") to return Subscriber Deposits for individuals who are no longer active policyholders. TDI has authorized partial pro-rata distributions of subscriber deposits to former subscribers. The Exchange's Board of Directors elected not to authorize distributions in 2006. The Exchange's Board of Directors elected to authorize maximum distributions of \$200,000 for 2005. The Board of Directors may elect to continue to refund up to \$200,000 per year in the future contingent on specific TDI requirements. The TDI has authorized the Exchange to return full subscriber deposits to active policyholders upon death, disability, or retirement. Total refunds made in the nine months ended September 30, 2007 and the year ended 2006 were \$(50,500), and \$73,700, respectively. The first nine months of 2007 refunds were negative due to cancellations of prior checks issued and not cashed. All subscriber deposits were converted into mandatorily redeemable preferred stock on April 1, 2007.

- iii. Beginning in 1991, physicians who were previously members of the Exchange and subsequently return are allowed to convert their current refundable deposits as consideration for reduced premiums and satisfies any current and future subscriber deposit requirements. The Exchange continued to allow existing subscribers to convert their refundable deposits in this manner up to April 1, 2007, the date of the merger. The amount of such conversions was \$79,300 and \$267,100 during the first quarter 2007 and the year ended 2006, respectively.
- iv. The portion of unassigned surplus represented by cumulative unrealized gains (net of taxes) as of September 30, 2007 is \$41,222.

**NOTES TO FINANCIAL STATEMENTS****14. CONTINGENCIES****A. Contingent commitments**

The Company did not have any contingent commitments as of September 30, 2007.

**B. All other Contingencies**

Various lawsuits against the Company have arisen in the normal course of the Company's business. It is management's opinion that liabilities, if any, arising from these claims will not have a significant adverse effect on the statutory financial position, results of operations, or cash flows of the Company.

**15. LEASES**

The Company had no lease commitments in force at September 30, 2007.

**16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK**

None

**17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENT OF LIABILITIES**

None

**18. GAIN/LOSS FROM UNINSURED A & H PLANS**

Not applicable

**19. DIRECT PREMIUM WRITTEN BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS**

- A. American Physicians Insurance Agency, Inc. EIN 75-1212528  
1301 Capital of Texas Hwy., Suite C-300, Austin, Texas 78746
- B. American Physicians Insurance Agency, Inc. does not hold an exclusive contract.
- C. American Physicians Insurance Agency, Inc. is licensed to write multi-lines of coverage. However, its business is concentrated in medical malpractice.
- D. American Physicians Insurance Agency, Inc. has the authority to solicit business for those lines of insurance the Company is authorized to write, to advertise the Company's name, recruit and appoint agents, and perform those actions necessary for its Agency to fulfill its duties under the terms of its contract.

**20. SEPTEMBER 11 EVENTS**

No losses were incurred as a result of the terrorist attacks of September 11, 2001.

**21. OTHER ITEMS**

The Company elected to use truncation in reporting amounts in the statement.

**22. SUBSEQUENT EVENTS**

None.

**23. REINSURANCE**

- A. Unsecured reinsurance recoverables at September 30, 2007, that exceeded 3% of the Company's's surplus are summarized as follows:

Authorized Reinsurance Companies		
EIN #	COMPANY NAME	AMOUNT
13-1675535	Swiss Reinsurance	12,557,791
AA-1122000	Hannover Ruckversicherrungs AG	2,057,062
06-0237820	Ace Tempest RE USA	2,017,552
13-5616275	Transatlantic Reinsurance	4,087,621

- B. The Company had no reinsurance recoverable in dispute at September 30, 2007.
- C. Reinsurance Assumed And Ceded:
  - i. The amount of return commission due reinsurers on assumed and ceded premiums at September 30, 2007 was \$0.
  - ii. The Company did not have any adjustment commissions based on reinsurance loss experience or profit sharing.
  - iii. The Company's reinsurance treaties are on a calendar year basis for reported claims. When the Company's insured's policies have coverage for prior acts being reported under the current policy, these acts are also covered under the Company's reinsurance treaties.

**NOTES TO FINANCIAL STATEMENTS**

- iv. The Company had assumed reinsurance liabilities on medical professional liability policies written by other insurance companies in the state of Texas. In the course of assuming this business, the Company has established letters of credit, for the benefit of those ceding companies, in the amount of \$800,000 and pledged assets in the amount of \$840,000 to secure those letters of credit.
- D. Uncollectible Reinsurance  
The Company did not write off any reinsurance balances due during 2007.
- E. Commutation of Ceded Reinsurance  
The Company did not commute any of its reinsurance in 2007.
- F. Retroactive Reinsurance  
Not applicable
- G. Premium Adjustments Profit/(Loss)

The Company enters into reinsurance contracts, which provide coverage for losses in excess of the Company's retention of \$250,000 on individual claims and beginning in 2002, \$350,000 on multiple insured claims related to a single occurrence. The 2007 reinsurance contract provides for the same terms with the Company retaining an additional 20% of the risk above the aforementioned retention levels. The reinsurance contracts for 2002 through 2007 contain variable premium ceding rates based on loss experience. The actual percentage rate charged under these contracts will depend upon the development of ultimate losses developed to the reinsured under the reinsurance treaties.

Consistent with SSAP 62, during the current year, the ceded premium charged under these contracts will depend upon the development of ultimate losses ceded to the reinsurers under their retrospective treaties. Estimates of ultimate reinsurance ceded premium amounts compared to the amounts paid on a provisional basis are reviewed by treaty year, with each treaty year giving rise to either an asset or liability on the balance sheet. For the nine months ended September 30, 2007, the Company recorded \$8.0 million in positive development for the treaty years 2002 through 2006 based on outside actuarial review. Additionally, each treaty year requires a 24 or 36-month holding period before any cash can be returned or paid. During the nine months ending September 30, 2007, the Company received \$13.8 million due to the expiration of the 2003 treaty year 36-month holding period and the 2004 treaty year 24-month holding period.

**24. RETROSPECTIVE RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION**

Not applicable

**25. CHANGES IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES**

The reserve for unpaid losses and loss adjustment expenses represent the estimated liability for unpaid claims reported to the Company, plus claims incurred but not reported ("IBNR") and the related estimated loss adjustment expenses. The reserve for losses and loss adjustment expenses is determined based on the Company's actual experience, available industry data and projections as to future claims frequency, severity, inflationary trends and settlement patterns.

The Company writes medical malpractice policies which have a lengthy period for reporting a claim (tail coverage) and a long process of litigating a claim through the courts and whose risk factors expose its reserves for loss and loss adjustment expenses to significant variability. These conditions subject the Company's open reported claims and incurred but not reported claims to increases due to inflation, changes in legal proceedings, and changes in the law. While the anticipated effects of inflation is implicitly considered when estimating reserves for loss and loss adjustment expenses, the increase in average severity of claims is caused by a number of factors. Future average severities are projected based on historical trends adjusted for changes in underwriting standards, policy provisions, and general economic trends. Those anticipated trends are monitored based on actual experience and are modified as necessary to reflect any changes in the development of ultimate losses and loss adjustment expenses to the Company. These specific risks, combined with the variability that is inherent in any reserve estimate, could result in significant adverse deviation from the Company's carried net reserve amounts. Settlement of the Company's claims is subject to considerable uncertainty. The Company's management believes the reserves for loss and loss adjustment expenses are reasonably stated for all obligations of the Company as of September 30, 2007 and December 31, 2006.

The following table reflects the activity in the liability for reserve for losses and loss adjustment expenses showing the changes for the twelve month periods beginning January 1, 2006 and ending December 31, 2006 and the nine month period ending September 30, 2007 (in thousands):

	(In thousands)	
	2007	2006
<b>Balance at January 1</b>	\$ 81,186	\$ 66,195
Less: Reinsurance Recoverable Paid Losses	<u>98</u>	<u>262</u>
<b>Net Balance at January 1</b>	\$ 81,088	\$ 65,933
Incurred, net of reinsurance, related to:		
Current years	\$ 30,659	\$ 43,431
Prior years	<u>(11,469)</u>	<u>(4,461)</u>
<b>Net Incurred</b>	\$19,190	\$ 38,970
Paid, net of reinsurance, related to:		
Current years	\$ 3,053	\$ 4,820
Prior years	<u>15,136</u>	<u>18,995</u>
<b>Total Net Paid</b>	\$ 18,189	\$ 23,815
<b>Net Balance at Period End</b>	\$ 82,089	\$ 81,088
Plus: Reinsurance Recoverable Paid Losses	<u>53</u>	<u>98</u>

**NOTES TO FINANCIAL STATEMENTS**

<b>Balance at Period End</b>	<u>\$ 82,142</u>	<u>\$ 81,186</u>
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Incurred—net of reinsurance for the current years relates to incurred loss and loss adjustment expense related to premium earned in that period, also referred to as accident year. Incurred—net of reinsurance for the prior years represents the total net change in estimates charged or credited to earnings in the current year with respect to liabilities that originated and were established in prior years. As noted in the table above, for the nine months ended September 30, 2007, our current accident year loss and loss adjustment expenses was increased \$30,659,000. In addition, we incurred favorable development for allocated loss adjustment expenses of \$11,469,000 for prior years' claims. The \$11,469,000 of favorable development was primarily the result of loss severity for the 2002 through 2006 report years developing favorably compared to prior period estimates. In addition, the total number of claims closed with indemnity for these report years were less than prior estimates.

**26. INTERCOMPANY POOLING ARRANGEMENTS**

The Company is not part of an affiliated group of insurers and does not have any pooling arrangements.

**27. STRUCTURAL SETTLEMENTS**

The Company has purchased annuities at various times in resolution of claims of which the claimant is payee. In each case, release of liability was obtained from the claimants and the Company's contingent liability was assigned to the annuity life insurance carrier, who assumed responsibility for payment of benefits to the claimant.

Other invested assets at September 30, 2007 and December 31, 2006, consists of a structured annuity recorded at net present value in the amount of \$1,213,900, and \$1,142,600, respectively. During 1985, the Company purchased a structured annuity to settle a claim. Under the terms of the structured annuity, upon the death of the claimant, certain payments in the structured annuity are payable to the Company. As of September 30, 2007, the Company expects to receive future payments totaling \$3,550,000 through 2043. The present value of the future payments is based on the implied interest rate in the original structured annuity of 8.125%.

**28. HEALTH CARE RECEIVABLES**

Not applicable

**29. PARTICIPATING ACCIDENT AND HEALTH POLICIES**

Not applicable

**30. PREMIUM DEFICIENCY RESERVES**

Not applicable

**31. HIGH DEDUCTIBLES**

The Company has no high deductible policies.

**32. DISCOUNTING OF LIABILITIES FOR UNPAID LOSS ADJUSTMENT EXPENSES**

The Company does not discount its reserves for statutory reporting.

**33. ASBESTOS/ENVIRONMENTAL RESERVES**

Not applicable

**34. SUBSCRIBER SAVINGS ACCOUNT**

Not applicable

**35. MULTIPLE PERIL CROP**

Not applicable

## NOTES TO FINANCIAL STATEMENTS (Electronic Filing Only)

## 4. Discontinued Operations

5. The amounts related to Discontinued Operations and the effect on the Company's Balance Sheet and Statement of Income is as follows:

## Balance sheet

Assets

a. Line 5	Cash		\$ .....
b. Line 26	Totals		\$ .....

Liabilities, Surplus and Other Funds

c. Line 26	Total Liabilities		\$ .....
d. Line 35	Surplus		\$ .....
e. Line 36	Total		\$ .....

## Statement of Income

f. Line 1	Premiums		\$ .....
g. Line 6	Total underwriting deductions		\$ .....
h. Line 8	Net underwriting gain or loss		\$ .....
i. Line 18	Net income after dividends to policyholders after capital gains tax and before all other federal and foreign income taxes		\$ .....
j. Line 19	Federal and foreign income taxes incurred		\$ .....
k. Line 20	Net Income		\$ .....

## 5. Investments

## A. Mortgage Loans, including Mezzanine Real Estate Loans

For mortgage loans, disclose the following information:

Current YearPrior Year

4. As of year end, the Company held mortgages with interest more than 180 days past due with a recorded investment, excluding accrued interest	\$ .....	\$ .....
a. Total interest due on mortgages with interest more than 180 days past due	\$ .....	\$ .....
5. Taxes, assessments and any amounts advanced and not included in the mortgage loan total	\$ .....	\$ .....
6. Current year impaired loans with a related allowance for credit losses	\$ .....	\$ .....
a. Related allowance for credit losses	\$ .....	\$ .....
7. Impaired mortgage loans without an allowance for credit losses	\$ .....	\$ .....
8. Average recorded investment in impaired loans	\$ .....	\$ .....
9. Interest income recognized during the period the loans were impaired	\$ .....	\$ .....
10. Amount of interest income recognized on a cash basis during the period the loans were impaired	\$ .....	\$ .....
11. Allowance for credit losses:		
a. Balance at beginning of period	\$ .....	\$ .....
b. Additions charged to operations	\$ .....	\$ .....
c. Direct write-downs charged against the allowances	\$ .....	\$ .....
d. Recoveries of amounts previously charged off	\$ .....	\$ .....
e. Balance at end of period	\$ .....	\$ .....

## B. Debt Restructuring

For restructured debt in which the company is a creditor, disclose the following:

Current YearPrior Year

1. The total recorded investment in restructured loans, as of year end	\$ .....	\$ .....
2. The realized capital losses related to these loans	\$ .....	\$ .....
3. Total contractual commitments to extend credit to debtors owning receivables whose terms have been modified in troubled debt restructurings	\$ .....	\$ .....

## 9. Income Taxes

A. The components of the net deferred tax asset recognized in the Company's Assets, Liabilities, Surplus and Other Funds are as follows:

Current YearPrior Year

1. Total of gross deferred tax assets	\$ ..... 5,920,323	\$ ..... 4,223,689
2. Total of deferred tax liabilities	\$ ..... 598,452	\$ ..... 753,009
3. Net deferred tax asset	\$ ..... 5,351,871	\$ ..... 3,470,680
4. Deferred tax asset nonadmitted	\$ ..... 1,196,591	\$ .....
5. Net admitted deferred tax asset	\$ ..... 4,155,280	\$ ..... 3,470,680
6. (Increase) decrease in nonadmitted asset	\$ ..... (1,196,591)	\$ ..... 26,550

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**(Electronic Filing Only)**

10. Information Concerning Parent, Subsidiaries and Affiliates

E. Indicate the amount of any guarantees or undertakings, written or otherwise, for the benefit of an affiliate or related party that result in a material contingent exposure of the reporting entity's or any related party's assets or liabilities: \$ .....

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. Defined Benefit Plan

A summary of assets, obligations and assumptions of the Pension and Other Postretirement Benefit Plans are as follows at December 31, of said year.

	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>Current Year</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Prior Year</u>
1. Change in benefit obligation				
a. Benefit obligation at beginning of year	\$ .....	\$ .....	\$ .....	\$ .....
b. Service cost	\$ .....	\$ .....	\$ .....	\$ .....
c. Interest cost	\$ .....	\$ .....	\$ .....	\$ .....
d. Contribution by plan participants	\$ .....	\$ .....	\$ .....	\$ .....
e. Actuarial gain (loss)	\$ .....	\$ .....	\$ .....	\$ .....
f. Foreign currency exchange rate changes	\$ .....	\$ .....	\$ .....	\$ .....
g. Benefits paid	\$ .....	\$ .....	\$ .....	\$ .....
h. Plan amendments	\$ .....	\$ .....	\$ .....	\$ .....
i. Business combinations, divestitures, curtailments, settlements and special termination benefits	\$ .....	\$ .....	\$ .....	\$ .....
j. Benefit obligation at end of year	\$ .....	\$ .....	\$ .....	\$ .....
2. Change in plan assets				
a. Value of plan assets at beginning of year	\$ .....	\$ .....	\$ .....	\$ .....
b. Actual return on plan assets	\$ .....	\$ .....	\$ .....	\$ .....
c. Foreign currency exchange rate changes	\$ .....	\$ .....	\$ .....	\$ .....
d. Employer contribution	\$ .....	\$ .....	\$ .....	\$ .....
e. Plan participants' contributions	\$ .....	\$ .....	\$ .....	\$ .....
f. Benefits paid	\$ .....	\$ .....	\$ .....	\$ .....
g. Business combinations, divestitures and settlements	\$ .....	\$ .....	\$ .....	\$ .....
h. Fair value of plan assets at end of year	\$ .....	\$ .....	\$ .....	\$ .....
3. Funded status				
a. Unamortized prior service cost	\$ .....	\$ .....	\$ .....	\$ .....
b. Unrecognized net gain or (loss)	\$ .....	\$ .....	\$ .....	\$ .....
c. Remaining net obligation or net asset at initial date of application	\$ .....	\$ .....	\$ .....	\$ .....
d. Prepaid assets or accrued liabilities	\$ .....	\$ .....	\$ .....	\$ .....
e. Intangible asset	\$ .....	\$ .....	\$ .....	\$ .....
4. Accumulated benefit obligation for vested employees and partially vested employees to the extent vested	\$ .....	\$ .....	\$ .....	\$ .....
5. Benefit obligation for non-vested employees				
a. Projected pension obligation	\$ .....	\$ .....	\$ .....	\$ .....
b. Accumulated benefit obligation	\$ .....	\$ .....	\$ .....	\$ .....
6. Components of net periodic benefit cost				
a. Service cost	\$ .....	\$ .....	\$ .....	\$ .....
b. Interest cost	\$ .....	\$ .....	\$ .....	\$ .....
c. Expected return on plan assets	\$ .....	\$ .....	\$ .....	\$ .....
d. Amortization of unrecognized transition obligation or transition asset	\$ .....	\$ .....	\$ .....	\$ .....
e. Amount of recognized gains and losses	\$ .....	\$ .....	\$ .....	\$ .....
f. Amount of prior service cost recognized	\$ .....	\$ .....	\$ .....	\$ .....
g. Amount of gain or loss recognized due to a settlement or curtailment	\$ .....	\$ .....	\$ .....	\$ .....
h. Total net periodic benefit cost	\$ .....	\$ .....	\$ .....	\$ .....

	<u>Current Year</u>	<u>Prior Year</u>
8. Weighted-average assumptions used to determine net periodic benefit cost as of Dec. 31:		
a. Weighted average discount rate	.....	.....
b. Expected long-term rate of return on plan assets	.....	.....
c. Rate of compensation increase	.....	.....
Weighted average assumptions used to determine projected benefit obligations as of Dec. 31:		
d. Weighted average discount rate	.....	.....
e. Rate of compensation increase	.....	.....

	1 Percentage Point <u>Increase</u>	1 Percentage Point <u>Decrease</u>
11. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:		
a. Effect on total of service and interest cost components	\$ .....	\$ .....
b. Effect on postretirement benefit obligation	\$ .....	\$ .....

	<u>Current Year</u>	<u>Prior Year</u>	<u>Target Allocation</u>
12. The defined benefit pension plan asset allocation as of the measurement date ..... and the target asset allocation, presented as a percentage of total plan assets were as follows:			
a. Debt Securities	..... %	..... %	..... % to .....
b. Equity Securities	..... %	..... %	..... % to .....
c. Real Estate	..... %	..... %	..... % to .....
d. Other	..... %	..... %	..... % to .....
e. Total	100.0 %	100.0 %	..... % to .....

	<u>Years</u>	<u>Amount</u>
13. The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:		
1.	.....	\$ .....
2.	.....	\$ .....
3.	.....	\$ .....
4.	.....	\$ .....
5.	.....	\$ .....
6. Thereafter Total	.....	\$ .....

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations  
9. The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses: \$ ..... 41,223

**NOTES TO FINANCIAL STATEMENTS (Continued)  
(Electronic Filing Only)**

14. Contingencies

A. 1. Total SSAP No. 88, Investments in Subsidiary, Controlled, and Affiliated Entities, a Replacement of SSAP No. 46 and SSAP No. 48, Joint Ventures, Partnerships and Limited Liability Company contingent liabilities: \$ .....

15. Leases

A. Disclose the following items related to lessee leasing arrangements (refer to SSAP No. 22, Leases):

2. For leases having initial or remaining noncancellable lease terms in excess of one year:

a. At January 1, of said year, the minimum aggregate rental commitments are as follows: (Dollars in thousands)

<u>Year Ending December 31</u>	<u>Operating Leases</u>
1. ....	\$ .....
2. ....	\$ .....
3. ....	\$ .....
4. ....	\$ .....
5. ....	\$ .....
6. Total	\$ .....

B. When leasing is a significant part of the lessor's business activities in terms of revenue, net income, or assets, disclose the following information with respect to leases:

1. Lessor Leases:

c. Future minimum lease payment receivables under noncancellable leasing arrangements as of December 31, of said year are as follows:

<u>Year Ending December 31</u>	<u>Operating Leases</u>
1. ....	\$ .....
2. ....	\$ .....
3. ....	\$ .....
4. ....	\$ .....
5. ....	\$ .....
6. Total	\$ .....

2. Leveraged Leases:

b. The Company's investment in leveraged leases re leveraged leases at December 31, of said year v (In thousands)

**NONE** from

1. Income from leveraged leases before income	.....	.....
2. Less current income tax	.....	.....
3. Net income from leveraged leases	\$ .....	\$ .....

c. The components of the investment in leveraged leases at December 31, of said year were as shown below: (In thousands)

	<u>Current Year</u>	<u>Prior Year</u>
1. Lease contracts receivable (net of principal and interest on non-recourse financing)	\$ .....	\$ .....
2. Estimated residual value of leased assets	\$ .....	\$ .....
3. Unearned and deferred income	\$ .....	\$ .....
4. Investment in leveraged leases	\$ .....	\$ .....
5. Deferred income taxes related to leveraged leases	\$ .....	\$ .....
6. Net investment in leveraged leases	\$ .....	\$ .....

16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentration of Credit Risk.

For financial instruments with off-balance risk, an insurer shall disclose in the financial statements the following information by class of financial instrument:

1. The table below summarizes the face amount of the Company's financial instruments with off-balance sheet risk:

	<u>Assets</u>		<u>Liabilities</u>	
	<u>Current Year</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Prior Year</u>
a. Swaps	\$ .....	\$ .....	\$ .....	\$ .....
b. Futures	\$ .....	\$ .....	\$ .....	\$ .....
c. Options	\$ .....	\$ .....	\$ .....	\$ .....
d. Total	\$ .....	\$ .....	\$ .....	\$ .....

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

C. Wash Sales

2. The details by NAIC designation 3 or below of securities sold during the current reporting period and reacquired within 30 days of the sale date are:

<u>Bonds:</u>	<u>Number of Transactions</u>	<u>Book Value of Securities Sold</u>	<u>Cost of Securities Repurchased</u>	<u>Gain/(Loss)</u>
a. NAIC 3	\$ .....	\$ .....	\$ .....	\$ .....
b. NAIC 4	\$ .....	\$ .....	\$ .....	\$ .....
c. NAIC 5	\$ .....	\$ .....	\$ .....	\$ .....
d. NAIC 6	\$ .....	\$ .....	\$ .....	\$ .....
<u>Preferred Stock:</u>				
e. NAIC P/RP3	\$ .....	\$ .....	\$ .....	\$ .....
f. NAIC P/RP4	\$ .....	\$ .....	\$ .....	\$ .....
g. NAIC P/RP5	\$ .....	\$ .....	\$ .....	\$ .....
h. NAIC P/RP6	\$ .....	\$ .....	\$ .....	\$ .....

**NOTES TO FINANCIAL STATEMENTS (Continued)  
(Electronic Filing Only)**

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

A. ASO Plans:	1	2	3
The gain from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during said year:	<u>ASO Uninsured Plans</u>	<u>Uninsured Portion of Partially Insured Plans</u>	<u>Total ASO</u>
a. Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ .....	\$ .....	\$ .....
b. Total net other income or expenses (including interest paid to or received from plans)	\$ .....	\$ .....	\$ .....
c. Net gain or (loss) from operations	\$ .....	\$ .....	\$ .....
d. Total claim payment volume	\$ .....	\$ .....	\$ .....
B. ASC Plans	1	2	3
The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans was as follows during said year:	<u>ASC Uninsured Plans</u>	<u>Uninsured Portion of Partially Insured Plans</u>	<u>Total ASC</u>
a. Gross reimbursement for medical cost incurred	\$ .....	\$ .....	\$ .....
b. Gross administrative fees accrued	\$ .....	\$ .....	\$ .....
c. Other income or expenses (including interest paid to or received from plans)	\$ .....	\$ .....	\$ .....
d. Gross expenses incurred (claims and administrative)	\$ .....	\$ .....	\$ .....
e. Total net gain or loss from operations	\$ .....	\$ .....	\$ .....

23. Reinsurance

C. Reinsurance Assumed and Ceded	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net</u>	
	1 Premium Reserve	2 Commission Equity	3 Premium Reserve	4 Commission Equity	5 Premium Reserve	6 Commission Equity
a. Affiliates	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
b. All Other	\$ .....	\$ .....	\$ 343,280	\$ .....	\$ .....	\$ .....
c. TOTAL	\$ .....	\$ .....	\$ 343,280	\$ .....	\$ .....	\$ .....
d. Direct Unearned Premium Reserve	\$ 39,676,887					

\* Line c of Column 3 plus Line d must equal Page 3, Line 9, first inside amount.

2. The additional or return commission, predicated on loss experience or on any other form of profit sharing arrangements in this annual statement as a result of existing contractual arrangements are accrued as follows:

<u>REINSURANCE</u>	1 <u>Direct</u>	2 <u>Assumed</u>	3 <u>Ceded</u>	4 <u>Net</u>
a. Contingent Commission	\$ .....	\$ .....	\$ .....	\$ .....
b. Sliding Scale Adjustments	\$ .....	\$ .....	\$ .....	\$ .....
c. Other Profit Commission Arrangements	\$ .....	\$ .....	\$ .....	\$ .....
d. TOTAL	\$ .....	\$ .....	\$ .....	\$ .....

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

D. Calculation of nonadmitted retrospective premium.

1. For Ten Percent (10%) Method of Determining Nonadmitted Retrospective Premium

a. Total accrued retro premium	\$ .....
b. Unsecured amount	\$ .....
c. Less: Nonadmitted amount (10%)	\$ .....
d. Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	\$ .....
e. Admitted amount Line (a) - Line (c) - Line (d)	\$ .....

2. For Quality Rating Method of Determining Nonadmitted Retrospective Premium

	1 Insured's Current Quality Rating	2 Total Amount	3 Unsecured Balances	4 %	5 Amount Column (3) x Column (4)	6 Admitted Amount Column (2) - Column (5)
a.	1	\$ .....	\$ .....	1%	\$ .....	\$ .....
b.	2	\$ .....	\$ .....	2%	\$ .....	\$ .....
c.	3	\$ .....	\$ .....	5%	\$ .....	\$ .....
d.	4	\$ .....	\$ .....	10%	\$ .....	\$ .....
e.	5	\$ .....	\$ .....	20%	\$ .....	\$ .....
f.	6	\$ .....	\$ .....	100%	\$ .....	\$ .....
g. Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted						\$ .....
h. Total Line (a) through Line (f) minus Line (g)		\$ .....	\$ .....		\$ .....	\$ .....

27. Structured Settlements

A. Loss Reserves Eliminated by Annuities	\$ .....
Unrecorded Loss Contingencies	\$ .....

**NOTES TO FINANCIAL STATEMENTS  
(Electronic Filing Only)**

32. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

A. Tabular Discount

Schedule P Lines of Business		Tabular Discount Included in Schedule P, Part 1*	
		1 Case	2 IBNR
1.	Homeowners/Farmowners .....		
2.	Private Passenger Auto Liability/Medical .....		
3.	Commercial Auto/Truck Liability/Medical .....		
4.	Workers' Compensation .....		
5.	Commercial Multiple Peril .....		
6.	Medical Malpractice - occurrence .....		
7.	Medical Malpractice - claims-made .....		
8.	Special Liability .....		
9.	Other Liability - occurrence .....		
10.	Other Liability - claims-made .....		
11.	Special Property .....		
12.	Auto Physical Damage .....		
13.	Fidelity, Surety .....		
14.	Other (including Credit, Accident and Health) .....		
15.	International .....		
16.	Reinsurance Nonproportional Assumed Property .....		
17.	Reinsurance Nonproportional Assumed Liability .....		
18.	Reinsurance Nonproportional Assumed Financial Lir .....		
19.	Products Liability - occurrence .....		
20.	Products Liability - claims-made .....		
21.	Financial Guaranty/Mortgage Guaranty .....		
22.	Total .....		

**NONE**

\*Must exclude medical loss reserves and all loss adjustment expense reserves.

B. Non-Tabular Discount

Schedule P Lines of Business		Nontabular Discount**			
		1 Case	2 IBNR	3 Defense and Cost Containment Expense	4 Adjusting and Other Expense
1.	Homeowners/Farmowners .....				
2.	Private Passenger Auto Liability/Medical .....				
3.	Commercial Auto/Truck Liability/Medical .....				
4.	Workers' Compensation .....				
5.	Commercial Multiple Peril .....				
6.	Medical Malpractice - occurrence .....				
7.	Medical Malpractice - claims-made .....				
8.	Special Liability .....				
9.	Other Liability - occurrence .....				
10.	Other Liability - claims-made .....				
11.	Special Property .....				
12.	Auto Physical Damage .....				
13.	Fidelity, Surety .....				
14.	Other (including Credit, Accident and Health) .....				
15.	International .....				
16.	Reinsurance Nonproportional Assumed Property .....				
17.	Reinsurance Nonproportional Assumed Liability .....				
18.	Reinsurance Nonproportional Assumed Financial Lines .....				
19.	Products Liability - occurrence .....				
20.	Products Liability - claims-made .....				
21.	Financial Guaranty/Mortgage Guaranty .....				
22.	Total .....				

\*\*Should include medical loss reserves and all loss adjustment expense reserves, whether reported as tabular or nontabular in Schedule P.

## NOTES TO FINANCIAL STATEMENTS (Electronic Filing Only)

33. Asbestos/Environmental Reserves

A. For asbestos-related losses (including coverage dispute costs) for each of the five most current calendar years, provide the following:

	1	2	3	4	5
	2003	2004	2005	2006	2007
<b>1. Direct Basis:</b>					
a. Beginning reserves (incl. Case, Bulk plus IBNR and LAE):	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
b. Incurred losses and loss adjustment expenses:	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
c. Calendar year payments for losses and loss adjustment expenses:	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
d. Ending reserves (incl. Case, Bulk plus IBNR Loss and LAE):	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
Note: Line d = Line a + Line b - Line c					
<b>2. Assumed Reinsurance Basis:</b>					
a. Beginning reserves (incl. Case, Bulk plus IBNR and LAE):	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
b. Incurred losses and loss adjustment expenses:	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
c. Calendar year payments for losses and loss adjustment expenses:	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
d. Ending reserves (incl. Case, Bulk plus IBNR Loss and LAE):	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
Note: Line d = Line a + Line b - Line c					
<b>3. Net of Ceded Reinsurance Basis:</b>					
a. Beginning reserves (incl. Case, Bulk plus IBNR and LAE):	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
b. Incurred losses and loss adjustment expenses:	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
c. Calendar year payments for losses and loss adjustment expenses:	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
d. Ending reserves (incl. Case, Bulk plus IBNR Loss and LAE):	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
Note: Line d = Line a + Line b - Line c					

B. State the amount of the ending reserves for Bulk plus IBNR included in A (Loss and LAE):

1. Direct Basis:		\$ .....
2. Assumed Reinsurance Basis:		\$ .....
3. Net of Ceded Reinsurance Basis:		\$ .....

# NONE

C. State the amount of the ending reserves for loss adjust (Case, Bulk plus IBNR):

1. Direct Basis:		\$ .....
2. Assumed Reinsurance Basis:		\$ .....
3. Net of Ceded Reinsurance Basis:		\$ .....

D. For environmental losses (including coverage dispute costs) for each of the five most current calendar years, provide the following:

	1	2	3	4	5
	2003	2004	2005	2006	2007
<b>1. Direct Basis:</b>					
a. Beginning reserves (incl. Case, Bulk plus IBNR and LAE):	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
b. Incurred losses and loss adjustment expenses:	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
c. Calendar year payments for losses and loss adjustment expenses:	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
d. Ending reserves (incl. Case, Bulk plus IBNR Loss and LAE):	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
Note: Line d = Line a + Line b - Line c					
<b>2. Assumed Reinsurance Basis:</b>					
a. Beginning reserves (incl. Case, Bulk plus IBNR and LAE):	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
b. Incurred losses and loss adjustment expenses:	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
c. Calendar year payments for losses and loss adjustment expenses:	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
d. Ending reserves (incl. Case, Bulk plus IBNR Loss and LAE):	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
Note: Line d = Line a + Line b - Line c					
<b>3. Net of Ceded Reinsurance Basis:</b>					
a. Beginning reserves (incl. Case, Bulk plus IBNR and LAE):	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
b. Incurred losses and loss adjustment expenses:	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
c. Calendar year payments for losses and loss adjustment expenses:	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
d. Ending reserves (incl. Case, Bulk plus IBNR Loss and LAE):	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
Note: Line d = Line a + Line b - Line c					

E. State the amount of the ending reserves for Bulk plus IBNR included in D (Loss and LAE):

1. Direct Basis:		\$ .....
2. Assumed Reinsurance Basis:		\$ .....
3. Net of Ceded Reinsurance Basis:		\$ .....

F. State the amount of the ending reserves for loss adjustment expenses included in D (Case, Bulk plus IBNR):

1. Direct Basis:		\$ .....
2. Assumed Reinsurance Basis:		\$ .....
3. Net of Ceded Reinsurance Basis:		\$ .....

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE American Physicians Insurance Company  
**NOTES TO FINANCIAL STATEMENTS - ITEM 1A**

1 State Prescribed Practices	2 Current	3 Prior	4 State of Domicile
---------------------------------	--------------	------------	------------------------

**NONE**

**NOTES TO FINANCIAL STATEMENTS - ITEM 5A02**

1 Percent Reduced	2 Investment Excluding Accrued Interest	3 Number of Mortgages
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**NONE**

**NOTES TO FINANCIAL STATEMENTS - ITEM 13.10**

Description of Assets, Holder of Note and Other	1 Date Issued	2 Interest Rate	3 Par Value (Face Amount of Notes)	4 Carrying Value of Note	5 Principal and/or Interest Paid Current Year	6 Total Principal and/or Interest Paid	7 Unapproved Principal and/or Interest	8 Date of Maturity
---	------------------	--------------------	---------------------------------------	-----------------------------	--	---	---	-----------------------

**NONE**

**NOTES TO FINANCIAL STATEMENTS - ITEM 13.11**

1 Year (Starting with Current Year)	2 Change in Year Surplus	3 Change in Gross Paid-in and Contributed Surplus
--	-----------------------------	--

**NONE**

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE American Physicians Insurance Company  
**NOTES TO FINANCIAL STATEMENTS - ITEM 19**

1	2	3	4	5	6
Name and Address of Managing General Agent or Third Party Administrator	FEIN Number	Exclusive Contract	Types of Business Written	Type of Authority Granted	Total Direct Premiums Written/Produced By

**NONE**

**NOTES TO FINANCIAL STATEMENTS - ITEM 23B**

1	2	3	4	5
Name of Reinsurer	Total Amount in Dispute (Including IBNR)	Notification	Arbitration	Litigation

**NONE**

**NOTES TO FINANCIAL STATEMENTS - ITEM 23C**

1	2	3	4	5	6
Protected Cell Name	Covered Exposure	Ultimate Exposure Amount	Fair Value of Assets as of December 31	Initial Contract Date of Securitization Instrument	Maturity Date of Securitization Instrument

**NONE**

**NOTES TO FINANCIAL STATEMENTS - ITEM 23D and 23E**

1	2
Name of Reinsurer	Amount

**NONE**

**NOTES TO FINANCIAL STATEMENTS - ITEM 23F01A1 through 23F1E**

1	2	3
Company	Assumed Amount	Ceded Amount

**NONE**

\* Total amounts must agree with totals in 23F1A4. Include the NAIC Company Code or Alien Insurer Identification Number for each insurer listed.

**NOTES TO FINANCIAL STATEMENTS - ITEM 23F1F**

1	2	3
Company	Total Paid/Loss/LAE Recoverable	Amount Over 90 Days Overdue

**NONE**

\* Total amounts must agree with totals in 23F1A4. Include the NAIC Company Code or Alien Insurer Identification Number for each insurer listed.

**NOTES TO FINANCIAL STATEMENTS - ITEM 23F2F**

1	2	3	4
Company	Total Paid/Loss/LAE Recoverables	Amount Over 90 Days Overdue	Collateral Held

**NONE**

\* Total amounts must agree with totals in 23F1A4. Include the NAIC Company Code or Alien Insurer Identification Number for each insurer listed.

**NOTES TO FINANCIAL STATEMENTS - ITEM 23G**

1	2	3	4
Description	Interest Income	Cash Recoveries	Deposit Balance

**NONE**

**NOTES TO FINANCIAL STATEMENTS - ITEM 27B**

1	2	3
Life Insurance Company and Location	Licensed in Company's State of Domicile Yes/No	Statement Value (i.e. Present Value) of Annuities

**NONE**

**NOTES TO FINANCIAL STATEMENTS - ITEM 28A**

1	2	3	4	5	6
Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing

**NONE**

**NOTES TO FINANCIAL STATEMENTS - ITEM 28B**

1	2	3	4	5	6	7	8	9	10
Calendar Year	Evaluation Period Year Ending	Risk Sharing Receivable as Estimated in the Prior Year	Risk Sharing Receivable as Estimated in the Current Year	Risk Sharing Receivable Billed	Risk Sharing Receivable Not Yet Billed	Actual Risk Sharing Amounts Received in Year Billed	Actual Risk Sharing Amounts Received First Year Subsequent	Actual Risk Sharing Amounts Received Second Year Subsequent	Actual Risk Sharing Amounts Received - All Other

**NONE**

## GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted)

### PART 1 - COMMON INTERROGATORIES

#### GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes (X) No ( )
- 1.2 If yes, has the report been filed with the domiciliary state? Yes (X) No ( )
- 2.1 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 reporting entity? Yes (X) No ( )
- 2.2 If yes, date of change: 04/01/2007
- 3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes ( ) No (X)  
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes ( ) No (X)
- 4.2 If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....	.....	.....
.....	.....	.....
.....	.....	.....

- 5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes ( ) No (X) N/A ( )  
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2004
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 08/28/2006
- 6.4 By what department or departments?  
Texas  
.....
- 7.1 Has this reporting entity 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)
- 7.2 If yes, give full information  
.....  
.....
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes ( ) No (X)
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.  
.....  
.....
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes ( ) No (X)
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....

**GENERAL INTERROGATORIES (continued)**

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted.)

9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes (X) No ( )  
 (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  
 (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;  
 (c) Compliance with applicable governmental laws, rules and regulations;  
 (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  
 (e) Accountability for adherence to the code.

9.11 If the response to 9.1 is No, please explain:  
 .....  
 .....

9.2 Has the code of ethics for senior managers been amended? Yes ( ) No (X)

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).  
 .....  
 .....

9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes ( ) No (X)

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).  
 .....  
 .....

**FINANCIAL**

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes ( ) No (X)

10.2 If yes, indicate the amounts receivable from parent included in the Page 2 amount: \$ .....

**INVESTMENT**

11.1 Has there been any change in the reporting entity's own preferred or common stock? Yes (X) No ( )

11.2 If yes, explain

Prior to April 1, 2007, the company was a reciprocal exchange. It converted to a stock company and change its' name to American Physicians Insurance Company. The Company than merged with American Physicians Services Group, Inc. and issued preferred and common stock to its' policyholders.

12.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes ( ) No (X)

12.2 If yes, give full and complete information relating thereto:  
 .....  
 .....

13. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$ .....

14. Amount of real estate and mortgages held in short-term investments: \$ .....

15.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes ( ) No (X)

15.2 If yes, please complete the following:

	1 Prior Year-End Book/ Adjusted Carrying Value	2 Current Quarter Book/ Adjusted Carrying Value
15.21 Bonds .....	\$ .....	\$ .....
15.22 Preferred Stock .....	\$ .....	\$ .....
15.23 Common Stock .....	\$ .....	\$ .....
15.24 Short-Term Investments .....	\$ .....	\$ .....
15.25 Mortgage Loans on Real Estate .....	\$ .....	\$ .....
15.26 All Other .....	\$ .....	\$ .....
15.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Line 15.21 to Line 15.26) .....	\$ .....	\$ .....
15.28 Total Investment in Parent included in Line 15.21 to Line 15.26 above .....	\$ .....	\$ .....

16.1 Has the reporting entity entered into any hedging transactions reported on schedule DB? Yes ( ) No (X)

16.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes ( ) No ( )

If no, attach a description with this statement.

**GENERAL INTERROGATORIES (continued)**

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted.)

17. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.J-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes (X) No ( )

17.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
JPMorganChase Bank, NA .....	221 W. 6th Street, Ausitn, TX 78701 .....
.....	.....
.....	.....

17.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....	.....	.....
.....	.....	.....
.....	.....	.....

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes ( ) No (X)

17.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

17.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
Southwest Securities .....	APS Financial Corp. ....	1301 S. Capitol of TX Wwy. , Suite C-300 Austin, TX 78746 .....
JP Morgan Chase Bk .....	Dana Investment Advisors .....	15800 W. Bluemound Rd. Suite 250, Brookfeild, WI 53008-6003 .....
JPMorgan Chase Bk .....	Century Management .....	805 Las Cimas Pkwy. , Suite 430, Ausitn, Tx 78746 .....

18.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes (X) No ( )

18.2 If no, list exceptions:

.....  
.....

## GENERAL INTERROGATORIES (continued)

### PART 2

#### PROPERTY AND CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes ( ) No ( ) N/A (X)  
If yes, attach an explanation.
2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes ( ) No (X)  
If yes, attach an explanation.
- 3.1 Have any of the reporting entity's primary reinsurance contracts been cancelled? Yes ( ) No (X)
- 3.2 If yes, give full and complete information thereto  
.....  
.....  
.....
- 4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves") discounted at a rate of interest greater than zero? Yes ( ) No (X)
- 4.2 If yes, complete the Discount Schedule.

**SCHEDULE A - VERIFICATION**

Real Estate

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December		
2. Increase (decrease) by adjustment		
3. Cost of acquired		
4. Cost of additions to and permanent improv		
5. Total profit (loss) on sales		
6. Increase (decrease) by foreign exchange		
7. Amount received on sales		
8. Book/adjusted carrying value at end of cur		
9. Total valuation allowance		
10. Subtotal (Line 8 plus Line 9)		
11. Total nonadmitted amounts		
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)		

NONE

**SCHEDULE B - VERIFICATION**

Mortgage Loans

	1 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year		
2. Amount loaned during period:		
2.1. Actual cost at time of acquisitions		
2.2. Additional investment made after a		
3. Accrual of discount and mortgage interest		
4. Increase (decrease) by adjustment		
5. Total profit (loss) on sale		
6. Amounts paid on account or in full during t		
7. Amortization of premium		
8. Increase (decrease) by foreign exchange		
9. Book value/recorded investment excluding		
10. Total valuation allowance		
11. Subtotal (Line 9 plus Line 10)		
12. Total nonadmitted amounts		
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)		

NONE

**SCHEDULE BA - VERIFICATION**

Other Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year	1,142,559	1,162,835
2. Cost of acquisitions during period:		
2.1. Actual cost at time of acquisitions		
2.2. Additional investment made after acquisitions		
3. Accrual of discount		
4. Increase (decrease) by adjustment	71,338	89,724
5. Total profit (loss) on sale		
6. Amounts paid on account or in full during the period		110,000
7. Amortization of premium		
8. Increase (decrease) by foreign exchange adjustment		
9. Book/adjusted carrying value of long-term invested assets at end of current period	1,213,897	1,142,559
10. Total valuation allowance		
11. Subtotal (Line 9 plus Line 10)	1,213,897	1,142,559
12. Total nonadmitted amounts		
13. Statement value of long term invested assets at end of current period (Page 2, Line 7, Column 3)	1,213,897	1,142,559

**SCHEDULE D - VERIFICATION**

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	139,539,630	114,079,271
2. Cost of bonds and stocks acquired	48,058,798	62,145,580
3. Accrual of discount	227,965	203,335
4. Increase (decrease) by adjustment	(4,394,634)	41,084
5. Increase (decrease) by foreign exchange adjustment		
6. Total profit (loss) on disposal	741,583	(3,915)
7. Consideration for bonds and stocks disposed of	18,277,344	36,818,017
8. Amortization of premium	98,246	107,708
9. Book/adjusted carrying value, current period	165,797,752	139,539,630
10. Total valuation allowance		
11. Subtotal (Line 9 plus Line 10)	165,797,752	139,539,630
12. Total nonadmitted amounts		
13. Statement value	165,797,752	139,539,630

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE American Physicians Insurance Company

**SCHEDULE D - PART 1B**

Showing the Acquisitions, Dispositions and Non-Trading Activity  
 During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 .....	177,380,247	6,984,912	12,993,768	(3,611,087)	158,209,084	177,380,247	167,760,304	139,432,226
2. Class 2 .....								
3. Class 3 .....								
4. Class 4 .....								
5. Class 5 .....								
6. Class 6 .....								
7. Total Bonds .....	177,380,247	6,984,912	12,993,768	(3,611,087)	158,209,084	177,380,247	167,760,304	139,432,226
<b>PREFERRED STOCK</b>								
8. Class 1 .....								
9. Class 2 .....								
10. Class 3 .....								
11. Class 4 .....								
12. Class 5 .....								
13. Class 6 .....								
14. Total Preferred Stock .....								
15. Total Bonds and Preferred Stock .....	177,380,247	6,984,912	12,993,768	(3,611,087)	158,209,084	177,380,247	167,760,304	139,432,226

**SCHEDULE DA - PART 1**

Short-Term Investments Owned End of Current Quarter

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
8299999 Totals .....	8,149,608	X X X	8,149,608	57,835	.....

**SCHEDULE DA - PART 2 - VERIFICATION**

Short-Term Investments Owned

	1	2
	Year To Date	Prior Year Ended December 31
1. Book / adjusted carrying value, December 31 of prior year .....	4,353,930	3,985,594
2. Cost of short-term investments acquired .....	22,163,583	17,072,837
3. Increase (decrease) by adjustment .....		
4. Increase (decrease) by foreign exchange adjustment .....		
5. Total profit (loss) on disposal of short-term investments .....		9,572
6. Consideration received on disposal of short-term investments .....	18,367,905	16,714,073
7. Book / adjusted carrying value, current period .....	8,149,608	4,353,930
8. Total valuation allowance .....		
9. Subtotal (Line 7 plus Line 8) .....	8,149,608	4,353,930
10. Total nonadmitted amounts .....		
11. Statement value (Line 9 minus Line 10) .....	8,149,608	4,353,930
12. Income collected during period .....	251,340	193,586
13. Income earned during period .....	253,728	213,042

**Page 12**

Schedule DB, Pt. F, Section 1, Replicated (Synthetic) Assets Open

**NONE**

**Page 13**

Sch. DB, Pt. F, Sn. 2, Reconciliation Replicated (Syn.) Assets

**NONE**

**Page 14**

Schedule F - Ceded Reinsurance

**NONE**

**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

Current Year to Date - Allocated by States and Territories

States, etc.	1 Is Insurer Licensed? (Yes or No)	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2 Current Year To Date	3 Prior Year To Date	4 Current Year To Date	5 Prior Year To Date	6 Current Year To Date	7 Prior Year To Date
1. Alabama	AL	No					
2. Alaska	AK	No					
3. Arizona	AZ	No					
4. Arkansas	AR	Yes	588,998	526,839		267,500	2,625,000
5. California	CA	No					2,807,500
6. Colorado	CO	No					
7. Connecticut	CT	No					
8. Delaware	DE	No					
9. District of Columbia	DC	No					
10. Florida	FL	No					
11. Georgia	GA	No					
12. Hawaii	HI	No					
13. Idaho	ID	No					
14. Illinois	IL	No					
15. Indiana	IN	No					
16. Iowa	IA	No					
17. Kansas	KS	No					
18. Kentucky	KY	No					
19. Louisiana	LA	No					
20. Maine	ME	No					
21. Maryland	MD	No					
22. Massachusetts	MA	No					
23. Michigan	MI	No					
24. Minnesota	MN	No					
25. Mississippi	MS	No					
26. Missouri	MO	No					
27. Montana	MT	No					
28. Nebraska	NE	No					
29. Nevada	NV	No					
30. New Hampshire	NH	No					
31. New Jersey	NJ	No					
32. New Mexico	NM	No					
33. New York	NY	No					
34. North Carolina	NC	No					
35. North Dakota	ND	No					
36. Ohio	OH	No					
37. Oklahoma	OK	Yes	27,542				
38. Oregon	OR	No					
39. Pennsylvania	PA	No					
40. Rhode Island	RI	No					
41. South Carolina	SC	No					
42. South Dakota	SD	No					
43. Tennessee	TN	No					
44. Texas	TX	Yes	52,132,796	53,191,886	8,591,090	5,799,645	60,625,989
45. Utah	UT	No					66,832,783
46. Vermont	VT	No					
47. Virginia	VA	No					
48. Washington	WA	No					
49. West Virginia	WV	No					
50. Wisconsin	WI	No					
51. Wyoming	WY	No					
52. American Samoa	AS	No					
53. Guam	GU	No					
54. Puerto Rico	PR	No					
55. U. S. Virgin Islands	VI	No					
56. Northern Mariana Islands	MP	No					
57. Canada	CN	No					
58. Aggregate Other Alien	OT	X X X					
59. Totals	(a) 3		52,749,336	53,718,725	8,591,090	6,067,145	63,250,989
<b>DETAILS OF WRITE-INS</b>							
5801	X X X						
5802	X X X						
5803	X X X						
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X						
5899. TOTALS (Line 5801 through Line 5803 plus Line 5898) (Line 58 above)	X X X						

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

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE American Physicians Insurance Company

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES  
OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**

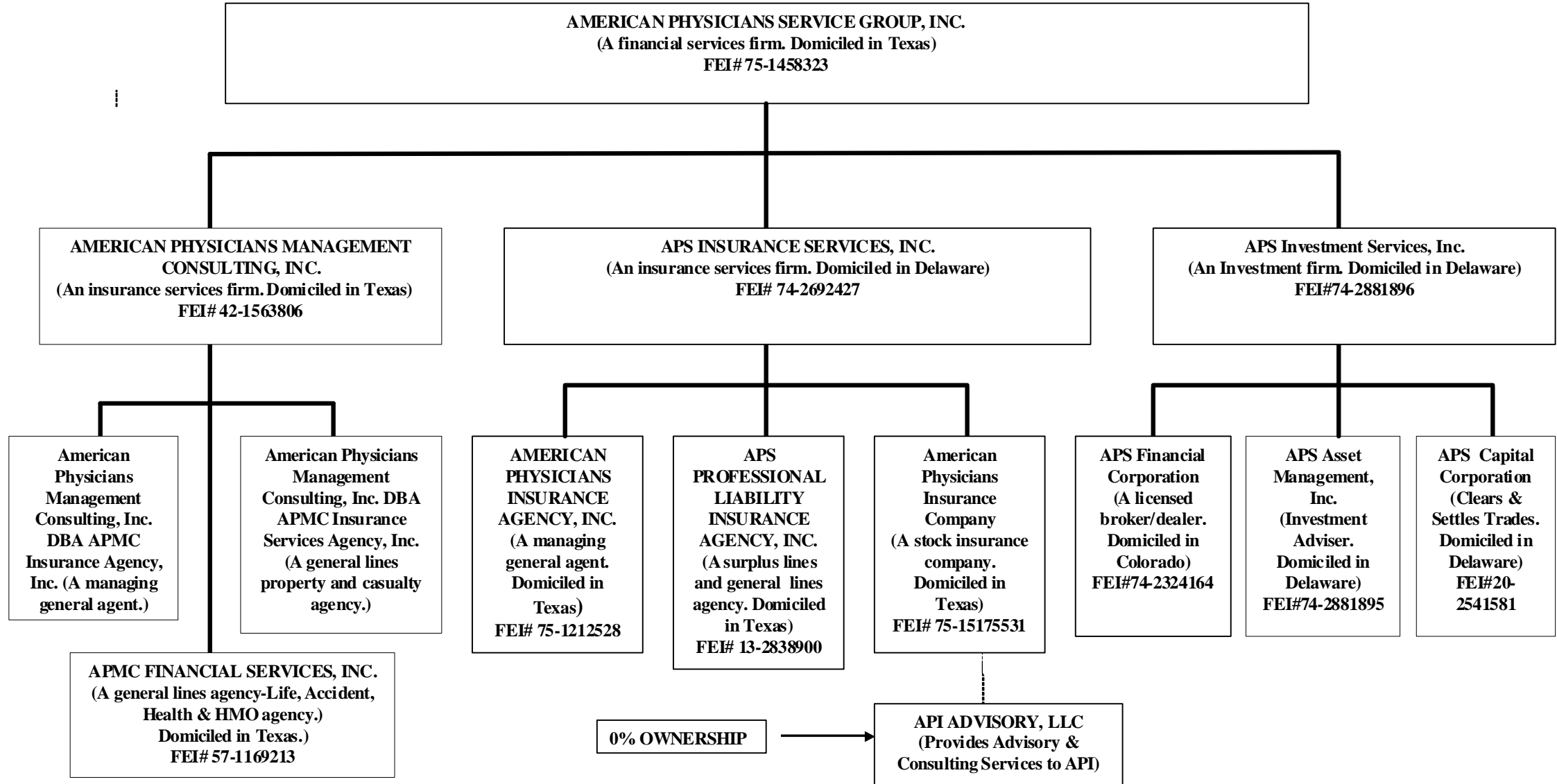
All entity members of a Holding Company Group that have acquired and/or disposed of any domestic entity (s) since filing the last annual or quarterly statement shall prepare a common schedule for inclusion in each of the individual quarterly statements

**PART 1 - ORGANIZATIONAL LISTING**

1 NAIC Group Code	2 Group Name	3 NAIC Company Code	4 State of Domicile	5 FEI Number	6 Name of Company
0000	American Physicians Insurance Company	32557	TX	75-1517531	American Physicians Insurance Company
	American Physician Service Group, Inc.		TX	75-1458323	American Physician Service Group, Inc.
	American Physician Service Group, Inc.		DE	74-2692427	APS Insurance Services, Inc.
	American Physician Service Group, Inc.		TX	75-1212528	American Physician Insurance Agency Inc.
	American Physician Service Group, Inc.		TX	42-1563806	American Physician Mgt. Consulting, Inc.
	American Physician Service Group, Inc.		TX	57-1169213	APMC Financial Services, Inc.
	American Physician Service Group, Inc.		TX	42-1563806	APMC Insurance Agency, Inc.
	American Physician Service Group, Inc.		TX	13-2838900	APS Professional Liability Insur. Agency
	American Physician Service Group, Inc.		TX	42-1563806	APMC Insurance Services Agency, Inc.
	American Physician Service Group, Inc.		DE	74-2881896	APS Investment Services, Inc.
	American Physician Service Group, Inc.		CO	74-2324164	APS Financial Corporation
	American Physician Service Group, Inc.		DE	74-2881895	APS Asset Management Inc.
	American Physician Service Group, Inc.		DE	20-2541581	APS Capital Corporation

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES  
OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**

**PART 1 - ORGANIZATIONAL CHART**



**PART 1 - LOSS EXPERIENCE**

Lines of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
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	52,858,361	2,985,211	5.6	28.3
12. Earthquake				
13. Group accident and health				
14. Credit accident and health				
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				
30. Reinsurance-Nonproportional Assumed Property	XXX	XXX	XXX	XXX
31. Reinsurance-Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
32. Reinsurance-Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
33. Aggregate write-ins for other lines of business				
34. TOTALS	52,858,361	2,985,211	5.6	
<b>DETAILS OF WRITE-INS</b>				
3301.				
3302.				
3303.				
3398. Summary of remaining write-ins for Line 33 from overflow page				
3399. Totals (Line 3301 through Line 3303 plus Line 3398) (Line 33)				

**PART 2 - DIRECT PREMIUMS WRITTEN**

	1 Current Quarter	2 Current Year to Date	3 Prior Year to Date
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			
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			
30. Reinsurance-Nonproportional Assumed Property	XXX	XXX	XXX
31. Reinsurance-Nonproportional Assumed Liability	XXX	XXX	XXX
32. Reinsurance-Nonproportional Assumed Financial Lines	XXX	XXX	XXX
33. Aggregate write-ins for other lines of business			
34. TOTALS	22,239,136	52,749,336	53,718,725
<b>DETAILS OF WRITE-INS</b>			
3301.			
3302.			
3303.			
3398. Summary of remaining write-ins for Line 33 from overflow page			
3399. Totals (Line 3301 through Line 3303 plus Line 3398) (Line 33)			

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE American Physicians Insurance Company

**PART 3 (000 Omitted)**

**LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE**

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Column 1 plus Column 2)	2007 Loss and LAE Payments on Claims Reported as of Prior Year-End	2007 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2007 Loss and LAE Payments (Column 4 plus Column 5)	Q. S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year End	Q. S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year End	Q. S. Date IBNR Loss and LAE Reserves	Total Q. S. Loss and LAE Reserves (Column 7 plus Column 8 plus Column 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings) / Deficiency (Column 4 plus Column 7 minus Column 1)	Prior-Year-End IBNR Loss and LAE Reserves Developed (Savings) / Deficiency (Column 5 plus Column 8 plus Column 9 minus Column 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings) / Deficiency (Column 11 plus Column 12)
1. 2004 + Prior	15,204	10,915	26,119	4,806		4,806	7,506		5,857	13,363	(2,892)	(5,058)	(7,950)
2. 2005	9,887	6,569	16,456	4,102	16	4,118	7,124	34	3,913	11,071	1,339	(2,606)	(1,267)
3. Subtotals 2005 + prior	25,091	17,484	42,575	8,908	16	8,924	14,630	34	9,770	24,434	(1,553)	(7,664)	(9,217)
4. 2006	20,882	17,729	38,611	6,256	38	6,294	14,910	288	14,862	30,060	284	(2,541)	(2,257)
5. Subtotals 2006 + prior	45,973	35,213	81,186	15,164	54	15,218	29,540	322	24,632	54,494	(1,269)	(10,205)	(11,474)
6. 2007	X X X	X X X	X X X	X X X	3,018	3,018	X X X	12,408	15,240	27,648	X X X	X X X	X X X
7. Totals	45,973	35,213	81,186	15,164	3,072	18,236	29,540	12,730	39,872	82,142	(1,269)	(10,205)	(11,474)
8. Prior Year-End's Surplus As Regards Policy-holders	45,973										Column 11, Line 7 As % of Column 1, Line 7	Column 12, Line 7 As % of Column 2, Line 7	Column 13, Line 7 As % of Column 3, Line 7
											1. .... (2.8)%	2. .... (29.0)%	3. .... (14.1)%
													Column 13, Line 7
													Line 8
													4. .... (25.0)%

## SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your 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 of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

**Responses**

1. Will the Trusted Surplus Statement be filed with the state of domicile and the NAIC with this statement?

NO

EXPLANATION:

.....

BARCODE:

Document Identifier 490:



2. Will Supplement A to Schedule T (Medical Malpractice Supplement) be filed with this statement?

YES

EXPLANATION:

.....

BARCODE:

Document Identifier 450:

3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?

NO

EXPLANATION:

.....

BARCODE:

Document Identifier 365:



**Page E01**

Sch. A, Pt. 2, Real Estate Acquired

**NONE**

Sch. A, Pt. 3, Real Estate Sold

**NONE**

**Page E02**

Schedule B, Part 1, Mortgage Loans Acquired

**NONE**

Schedule B, Part 2, Mortgage Loans Sold

**NONE**

**Page E03**

Sch. BA, Pt. 1, Other Long-Term Invested Assets Acquired  
Details filed with the state of domicile, state of commercial domicile and the NAIC.

Sch. BA, Pt. 2, Other Long-Term Invested Assets Sold  
Details filed with the state of domicile, state of commercial domicile and the NAIC.

**Page E04**

Schedule D, Part 3, Long-Term Bonds and Stocks Acquired  
Details filed with the state of domicile, state of commercial domicile and the NAIC.

**Page E05**

Schedule D, Part 4, Long-Term Bonds and Stocks Disposed Of  
Details filed with the state of domicile, state of commercial domicile and the NAIC.

**Page E06**

Schedule DB, Part A, Section 1

**NONE**

Schedule DB, Part B, Section 1

**NONE**

**Page E07**

Schedule DB, Part C, Section 1

**NONE**

Schedule DB, Part D, Section 1

**NONE**

**Page E08**

Schedule E, Part 1, Cash  
Details filed with the state of domicile, state of commercial domicile and the NAIC.

**Page E09**

Schedule E, Part 2, Cash Equivalents

**NONE**



SUPPLEMENT FOR THE QUARTER ENDING SEPTEMBER 30, 2007 OF THE American Physicians Insurance Company

## MEDICARE PART D COVERAGE SUPPLEMENT

NAIC Group Code: 0000

NAIC Company Code: 32557

	1	2	3	4	5
	Individual Coverage		Group Coverage		Total Cash
	Insured	Uninsured	Insured	Uninsured	
1. Premiums Collected .....				XXX	XXX
2. Earned Premiums .....				XXX	XXX
3. Claims Paid .....				XXX	XXX
4. Claims Incurred .....				XXX	XXX
5. Reinsurance Coverage and Low Income (Claims Paid Net of Reimbursements App					
6. Aggregate Policy Reserves - Change ...				XXX	XXX
7. Expenses Paid .....				XXX	XXX
8. Expenses Incurred .....				XXX	XXX
9. Underwriting Gain or Loss .....				XXX	XXX
10. Cash Flow Results .....	XXX	XXX	XXX	XXX	

**NONE**

(a) Uninsured Receivable/Payable with CMS at End of Quarter: \$ ..... due from CMS or \$ ..... due to CMS



SUPPLEMENT FOR THE QUARTER ENDING SEPTEMBER 30, 2007 OF THE American Physicians Insurance Company

## SUPPLEMENT "A" TO SCHEDULE T EXHIBIT OF MEDICAL MALPRACTICE PREMIUMS WRITTEN ALLOCATED BY STATES AND TERRITORIES

The type of health care providers reported on this page is: Physicians, including surgeons and osteopaths

States, Etc.	1 Direct Premiums Written	2 Direct Premiums Earned	Direct Losses Paid		5 Direct Losses Incurred	Direct Losses Unpaid		8 Direct Losses Incurred But Not Reported
			3 Amount	4 Number of Claims		6 Amount Reported	7 Number of Claims	
1. Alabama AL								
2. Alaska AK								
3. Arizona AZ								
4. Arkansas AR	580,057	541,194			(477,500)	2,575,000	12	
5. California CA								
6. Colorado CO								
7. Connecticut CT								
8. Delaware DE								
9. District of Columbia DC								
10. Florida FL								
11. Georgia GA								
12. Hawaii HI								
13. Idaho ID								
14. Illinois IL								
15. Indiana IN								
16. Iowa IA								
17. Kansas KS								
18. Kentucky KY								
19. Louisiana LA								
20. Maine ME								
21. Maryland MD								
22. Massachusetts MA								
23. Michigan MI								
24. Minnesota MN								
25. Mississippi MS								
26. Missouri MO								
27. Montana MT								
28. Nebraska NE								
29. Nevada NV								
30. New Hampshire NH								
31. New Jersey NJ								
32. New Mexico NM								
33. New York NY								
34. North Carolina NC								
35. North Dakota ND								
36. Ohio OH								
37. Oklahoma OK	27,542	905						
38. Oregon OR								
39. Pennsylvania PA								
40. Rhode Island RI								
41. South Carolina SC								
42. South Dakota SD								
43. Tennessee TN								
44. Texas TX	51,702,160	51,855,838	8,555,483	64	3,655,604	33,331,728	677	27,122,761
45. Utah UT								
46. Vermont VT								
47. Virginia VA								
48. Washington WA								
49. West Virginia WV								
50. Wisconsin WI								
51. Wyoming WY								
52. American Samoa AS								
53. Guam GU								
54. Puerto Rico PR								
55. U. S. Virgin Islands VI								
56. Northern Mariana Islands MP								
57. Canada CN								
58. Aggregate Other Alien OT								
59. Totals	52,309,759	52,397,937	8,555,483	64	3,178,104	35,906,728	689	27,122,761
<b>DETAILS OF WRITE-INS</b>								
5801.								
5802.								
5803.								
5898. Summary of remaining write-ins for Line 58 from overflow page								
5899. Totals (Line 5801 through Line 5803 plus Line 5898) (Line 58 above)								



SUPPLEMENT FOR THE QUARTER ENDING SEPTEMBER 30, 2007 OF THE American Physicians Insurance Company

## SUPPLEMENT "A" TO SCHEDULE T EXHIBIT OF MEDICAL MALPRACTICE PREMIUMS WRITTEN ALLOCATED BY STATES AND TERRITORIES

The type of health care providers reported on this page is: Other health care professionals, including dentists

States, Etc.	1 Direct Premiums Written	2 Direct Premiums Earned	Direct Losses Paid		5 Direct Losses Incurred	Direct Losses Unpaid		8 Direct Losses Incurred But Not Reported
			3 Amount	4 Number of Claims		6 Amount Reported	7 Number of Claims	
1. Alabama	AL							
2. Alaska	AK							
3. Arizona	AZ							
4. Arkansas	AR	8,941	6,508			50,000	2	
5. California	CA							
6. Colorado	CO							
7. Connecticut	CT							
8. Delaware	DE							
9. District of Columbia	DC							
10. Florida	FL							
11. Georgia	GA							
12. Hawaii	HI							
13. Idaho	ID							
14. Illinois	IL							
15. Indiana	IN							
16. Iowa	IA							
17. Kansas	KS							
18. Kentucky	KY							
19. Louisiana	LA							
20. Maine	ME							
21. Maryland	MD							
22. Massachusetts	MA							
23. Michigan	MI							
24. Minnesota	MN							
25. Mississippi	MS							
26. Missouri	MO							
27. Montana	MT							
28. Nebraska	NE							
29. Nevada	NV							
30. New Hampshire	NH							
31. New Jersey	NJ							
32. New Mexico	NM							
33. New York	NY							
34. North Carolina	NC							
35. North Dakota	ND							
36. Ohio	OH							
37. Oklahoma	OK							
38. Oregon	OR							
39. Pennsylvania	PA							
40. Rhode Island	RI							
41. South Carolina	SC							
42. South Dakota	SD							
43. Tennessee	TN							
44. Texas	TX	430,636	453,916	35,607	3	(192,893)	171,500	8
45. Utah	UT							
46. Vermont	VT							
47. Virginia	VA							
48. Washington	WA							
49. West Virginia	WV							
50. Wisconsin	WI							
51. Wyoming	WY							
52. American Samoa	AS							
53. Guam	GU							
54. Puerto Rico	PR							
55. U. S. Virgin Islands	VI							
56. Northern Mariana Islands	MP							
57. Canada	CN							
58. Aggregate Other Alien	OT							
59. Totals		439,577	460,424	35,607	3	(192,893)	221,500	10
<b>DETAILS OF WRITE-INS</b>								
5801.								
5802.								
5803.								
5898. Summary of remaining write-ins for Line 58 from overflow page								
5899. Totals (Line 5801 through Line 5803 plus Line 5898) (Line 58 above)								



PROPERTY AND CASUALTY SUPPLEMENT FOR THE QUARTER ENDING SEPTEMBER 30, 2007

OF THE U. S. BRANCH OF THE American Physicians Insurance Company

TRUSTEED SURPLUS STATEMENT

AFFIDAVIT OF U. S. MANAGERS, GENERAL AGENTS OR ATTORNEYS

being duly sworn, says that he/she is the of the American Physicians Insurance Company, a corporation organized under the laws of, entered to transact business in the United States through the State of, that this trusted surplus statement together with its related schedules appended hereto is a true statement of the trusted surplus of said corporation, that the several items of assets, as hereinafter enumerated, are the absolute property of said corporation, free and clear from any liens or claims thereon, except as hereinafter stated, and that each and all of the hereinafter mentioned assets are held in the United States by Insurance Departments and Officers of the various States of the United States and Trustees as hereinafter indicated, and that the assets, liabilities and deductions therefrom reported in this statement are in accordance with the instructions accompanying this statement.

Subscribed and sworn to before me this day of A.D., 2007

AFFIDAVIT OF TRUSTEE - SCHEDULE B

being sworn, say that it is the Trustee of the American Physicians Insurance Company, a corporation organized under the laws of, entered to transact business in the United States through the State of, located at, that the assets listed in Schedule B of the following statement are held by it as such Trustee within the United States, and that the said assets are subject to no other claims than those of policyholders and creditors

Subscribed and sworn to before me this day of A.D., 2007

NONE

AFFIDAVIT OF TRUSTEE - SCHEDULE C

being sworn, say that it is the Trustee of the American Physicians Insurance Company, a corporation organized under the laws of, entered to transact business in the United States through the State of, located at, that the assets listed in Schedule C of the following statement are held by it as such Trustee within the United States, and that the said assets are subject to no other claims than those of policyholders and creditors within the United States.

Subscribed and sworn to before me this day of A.D., 2007

AFFIDAVIT OF TRUSTEE - SCHEDULE D

being sworn, say that it is the Trustee of the American Physicians Insurance Company, a corporation organized under the laws of, entered to transact business in the United States through the State of, located at, that the assets listed in Schedule D of the following statement are held by it as such Trustee within the United States, and that the said assets are subject to no other claims than those of policyholders and creditors within the United States.

Subscribed and sworn to before me this day of A.D., 2007

**TRUSTEED SURPLUS STATEMENT  
ASSETS**

SCHEDULE A - DEPOSITS WITH STATE OFFICERS (EXCLUDING SPECIAL DEPOSITS)

1	2	3	4	5
Line Number	Description	Admitted Asset Value	Par Value	Fair Value

**NONE**

SCHEDULE B - DEPOSITS WITH UNITED STATES TRUSTEE

2.01	Cash			
2.02	Bonds			
2.03	Preferred Stock			
2.04	Common Stock			
2.05	Mortgage Loans on Real Estate			
2.06	Real Estate			
2.07	Short-Term Investment			
2.08	Other Invested Assets			
2.09	Miscellaneous Assets not included in any of the above categories			
2.98	Accrued Investment Income		XXX	XXX
2.99	Totals			

SCHEDULE C - DEPOSITS WITH UNITED STATES TRUSTEE

3.01	Cash			
3.02	Bonds			
3.03	Preferred Stock			
3.04	Common Stock			
3.05	Mortgage Loans on Real Estate			
3.06	Real Estate			
3.07	Short-Term Investment			
3.08	Other Invested Assets			
3.09	Miscellaneous Assets not included in any of the above categories			
3.98	Accrued Investment Income		XXX	XXX
3.99	Totals			

SCHEDULE D - DEPOSITS WITH UNITED STATES TRUSTEE

4.01	Cash			
4.02	Bonds			
4.03	Preferred Stock			
4.04	Common Stock			
4.05	Mortgage Loans on Real Estate			
4.06	Real Estate			
4.07	Short-Term Investment			
4.08	Other Invested Assets			
4.09	Miscellaneous Assets not included in any of the above categories			
4.98	Accrued Investment Income		XXX	XXX
4.99	Totals			

**TRUSTEED SURPLUS STATEMENT**  
 LIABILITIES AND TRUSTEED SURPLUS

		1 Current Quarter
1. Total liabilities .....		
ADDITIONS TO LIABILITIES:		
2. Ceded reinsurance balances payable .....		
3. Agents' credit balances .....		
4. Aggregate write-ins for other additions to liabilities .....		
5. Total additions (Line 2 plus Line 3 plus Line 4) .....		
6. Total (Line 1 plus Line 5) .....		
DEDUCTIONS FROM LIABILITIES:		
7. Reinsurance recoverable on paid losses and loss adjustment expenses:		
7.1 Authorized companies .....		
7.2 Unauthorized companies .....		
8. Special state deposits, not exceeding net liabilities carried in this statement on business in each respective state:		
8.1 Special state deposits (submit schedule) .....		
8.2 Accrued interest on special state deposits .....		
9. Agents' balances or uncollected premiums not more than ninety day:		
10. Unpaid reinsurance premiums receivable, not exceeding losses and		
10.1 Authorized companies .....		
10.2 Unauthorized companies .....		
11. Aggregate write-ins for other deductions from liabilities .....		
12. Total deductions (Line 7 through Line 11) .....		
13. Total adjusted liabilities (Line 6 minus Line 12) .....		
14. Trusteed surplus .....		
15. Total .....		
<b>DETAILS OF WRITE-INS</b>		
0401. ....		
0402. ....		
0403. ....		
0498. Summary of remaining write-ins for Line 4 from overflow page .....		
0499. Totals (Line 0401 through Line 0403 plus Line 0498) (Line 4 above) .....		
1101. ....		
1102. ....		
1103. ....		
1198. Summary of remaining write-ins for Line 11 from overflow page .....		
1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above) .....		

**NONE**