



PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015
OF THE CONDITION AND AFFAIRS OF THE
AFFIRMATIVE INSURANCE COMPANY

NAIC Group Code 3596 3596 NAIC Company Code 42609 Employer's ID Number 34-1385465
(Current) (Prior)

Organized under the Laws of Illinois, State of Domicile or Port of Entry IL
Country of Domicile United States of America

Incorporated/Organized 06/10/1983 Commenced Business 07/15/1983

Statutory Home Office 222 Merchandise Mart Plaza, Suite 960, Chicago, IL, US 60654
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 4450 Sojourn Drive, Suite 500, Addison, TX, US 75001-5094
(Street and Number) (City or Town, State, Country and Zip Code)
972-728-6300
(Area Code) (Telephone Number)

Mail Address P.O. Box 9030, Addison, TX, US 75001-9030
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 4450 Sojourn Drive, Suite 500, Addison, TX, US 75001-5094
(Street and Number) (City or Town, State, Country and Zip Code)
972-728-6300
(Area Code) (Telephone Number)

Internet Website Address www.affirmative.com

Statutory Statement Contact Flora Chan, 972-728-6303
(Name) (Area Code) (Telephone Number)
FChan@affirmative.com, 877-219-7528
(E-mail Address) (FAX Number)

OFFICERS

None - Company in Rehabilitation

OTHER

None - Company in Rehabilitation

DIRECTORS OR TRUSTEES

None - Company in Rehabilitation

State of Texas SS:
County of Dallas

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.

Douglas Harrell
Chief Financial Officer
Office of the Special Deputy Receiver

Subscribed and sworn to before me this 22nd day of February, 2016

- 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.....

Asta Wichmann Daniels
Sr. Accountant
January 27th, 2020

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	22,769,334		22,769,334	24,095,100
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	36,787,539		36,787,539	36,503,107
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$				
encumbrances)				
4.2 Properties held for the production of income (less				
\$				
encumbrances)				
4.3 Properties held for sale (less \$				
encumbrances)				
5. Cash (\$				
29,510,575 , Schedule E - Part 1), cash equivalents				
(\$				
, Schedule E - Part 2) and short-term				
investments (\$	46,068,172		46,068,172	22,686,746
16,557,597 , Schedule DA)				
6. Contract loans (including \$				
premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	6,543,929		6,543,929	5,331,887
9. Receivable for securities				
10. Securities lending reinvested collateral assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	112,168,974		112,168,974	88,616,840
13. Title plants less \$				
charged off (for Title insurers				
only)				
14. Investment income due and accrued	141,876		141,876	105,737
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	10,279,353	50,000	10,229,353	23,091,983
15.2 Deferred premiums and agents' balances and installments booked but				
deferred and not yet due (including \$				
earned but unbilled premiums)	12,345,795		12,345,795	27,794,177
15.3 Accrued retrospective premiums (\$				
) and				
contracts subject to redetermination (\$				
)				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	4,037,353		4,037,353	28,043,487
16.2 Funds held by or deposited with reinsured companies	852,549		852,549	
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	9,045,491	9,045,491		13,091,313
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets				
(\$				
)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	115,030		115,030	38,561
24. Health care (\$				
) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	626,716	537,247	89,469	7,360,802
26. Total assets excluding Separate Accounts, Segregated Accounts and				
Protected Cell Accounts (Lines 12 to 25)	149,613,137	9,632,738	139,980,399	188,142,900
27. From Separate Accounts, Segregated Accounts and Protected Cell				
Accounts				
28. Total (Lines 26 and 27)	149,613,137	9,632,738	139,980,399	188,142,900
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)				
2501. Other Receivables	615,583	526,114	89,469	7,360,802
2502. Goodwill	7,386	7,386		
2503. Prepaid Expense	3,747	3,747		
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	626,716	537,247	89,469	7,360,802

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY
LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	107,555,138	35,434,233
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	5,900,225	8,605,694
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	8,885,564	10,911,660
4. Commissions payable, contingent commissions and other similar charges		3,520,936
5. Other expenses (excluding taxes, licenses and fees)	416,819	133,813
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	(631,359)	1,531,049
7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ and interest thereon \$		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$3,450 and including warranty reserves of \$ and accrued accident and health experience rating refunds including \$ for medical loss ratio rebate per the Public Health Service Act)	40,547,978	15,184,425
10. Advance premium	672,123	748,143
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	567,512	80,164,239
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ certified) (Schedule F, Part 8)	174,069	82,154
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	422,846	217,716
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending		
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ and interest thereon \$		
25. Aggregate write-ins for liabilities	5,838,907	7,343,980
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	170,349,822	163,878,043
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	170,349,822	163,878,043
29. Aggregate write-ins for special surplus funds		
30. Common capital stock	2,500,000	2,500,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes	15,000,000	
34. Gross paid in and contributed surplus	227,509,859	207,509,859
35. Unassigned funds (surplus)	(275,379,284)	(185,745,002)
36. Less treasury stock, at cost:		
36.1 shares common (value included in Line 30 \$)		
36.2 shares preferred (value included in Line 31 \$)		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	(30,369,425)	24,264,857
38. TOTALS (Page 2, Line 28, Col. 3)	139,980,397	188,142,900
DETAILS OF WRITE-INS		
2501. Loss & LAE Payable to GA	4,031,572	4,926,513
2502. Escheat Payable	1,057,248	847,034
2503. Other Liabilities	262,928	1,570,433
2598. Summary of remaining write-ins for Line 25 from overflow page	487,159	
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	5,838,907	7,343,980
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above)		
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 thru 3203 plus 3298)(Line 32 above)		

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4).....	180,043,142	96,786,700
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7).....	169,561,970	89,247,923
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	21,560,702	26,433,691
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	70,971,290	42,041,012
5. Aggregate write-ins for underwriting deductions.....		
6. Total underwriting deductions (Lines 2 through 5).....	262,093,962	157,722,626
7. Net income of protected cells.....		
8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7).....	(82,050,820)	(60,935,926)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	371,665	378,786
10. Net realized capital gains or (losses) less capital gains tax of \$ (Exhibit of Capital Gains (Losses)).....	6,557	13,160
11. Net investment gain (loss) (Lines 9 + 10).....	378,222	391,946
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$(340) amount charged off \$).....	(340)	
13. Finance and service charges not included in premiums.....		
14. Aggregate write-ins for miscellaneous income.....	225,809	248,072
15. Total other income (Lines 12 through 14).....	225,469	248,072
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	(81,447,129)	(60,295,908)
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).....	(81,447,129)	(60,295,908)
19. Federal and foreign income taxes incurred.....		(9,043,401)
20. Net income (Line 18 minus Line 19)(to Line 22).....	(81,447,129)	(51,252,507)
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	24,264,857	46,291,290
22. Net income (from Line 20).....	(81,447,129)	(51,252,507)
23. Net transfers (to) from Protected Cell accounts.....		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$	602,933	2,021,810
25. Change in net unrealized foreign exchange capital gain (loss).....		
26. Change in net deferred income tax.....		
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3).....	(8,698,174)	7,432,661
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....	(91,915)	(82,154)
29. Change in surplus notes.....	15,000,000	
30. Surplus (contributed to) withdrawn from protected cells.....		
31. Cumulative effect of changes in accounting principles.....		
32. Capital changes:		
32.1 Paid in.....		
32.2 Transferred from surplus (Stock Dividend).....		
32.3 Transferred to surplus.....		
33. Surplus adjustments:		
33.1 Paid in.....	20,000,000	19,853,757
33.2 Transferred to capital (Stock Dividend).....		
33.3 Transferred from capital.....		
34. Net remittances from or (to) Home Office.....		
35. Dividends to stockholders.....		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1).....		
37. Aggregate write-ins for gains and losses in surplus.....		
38. Change in surplus as regards policyholders for the year (Lines 22 through 37).....	(54,634,285)	(22,026,433)
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	(30,369,428)	24,264,857
DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page.....		
0599. Totals (Lines 0501 thru 0503 plus 0598)(Line 5 above).....		
1401. Miscellaneous Income.....	225,809	248,072
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page.....		
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above).....	225,809	248,072
3701.		
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page.....		
3799. Totals (Lines 3701 thru 3703 plus 3798)(Line 37 above).....		

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	153,192,411	128,663,022
2. Net investment income	628,712	968,448
3. Miscellaneous income	225,469	248,072
4. Total (Lines 1 through 3)	154,046,592	129,879,542
5. Benefit and loss related payments	73,434,931	119,667,940
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	102,663,895	72,038,024
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	(4,045,822)	(5,500,000)
10. Total (Lines 5 through 9)	172,053,004	186,205,964
11. Net cash from operations (Line 4 minus Line 10)	(18,006,412)	(56,326,422)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	12,677,205	22,613,303
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		300,705
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	12,677,205	22,914,008
13. Cost of investments acquired (long-term only):		
13.1 Bonds	11,638,068	2,454,418
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	893,541	893,542
13.6 Miscellaneous applications		9,999,661
13.7 Total investments acquired (Lines 13.1 to 13.6)	12,531,609	13,347,621
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	145,595	9,566,387
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	15,000,000	
16.2 Capital and paid in surplus, less treasury stock	20,000,000	19,853,757
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)	6,242,243	3,494,035
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	41,242,243	23,347,792
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	23,381,426	(23,412,243)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	22,686,746	46,098,989
19.2 End of period (Line 18 plus Line 19.1)	46,068,172	22,686,746

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

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ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

Line of Business		1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire				
2.	Allied lines				
3.	Farmowners multiple peril				
4.	Homeowners multiple peril				
5.	Commercial multiple peril				
6.	Mortgage guaranty				
8.	Ocean marine				
9.	Inland marine				
10.	Financial guaranty				
11.1	Medical professional liability - occurrence				
11.2	Medical professional liability - claims-made				
12.	Earthquake				
13.	Group accident and health				
14.	Credit accident and health (group and individual)				
15.	Other accident and health				
16.	Workers' compensation				
17.1	Other liability - occurrence				
17.2	Other liability - claims-made				
17.3	Excess workers' compensation				
18.1	Products liability - occurrence				
18.2	Products liability - claims-made				
19.1, 19.2	Private passenger auto liability	134,763,563	9,862,368	26,074,283	118,551,648
19.3, 19.4	Commercial auto liability				
21.	Auto physical damage	70,643,132	5,322,057	14,473,695	61,491,494
22.	Aircraft (all perils)				
23.	Fidelity				
24.	Surety				
26.	Burglary and theft				
27.	Boiler and machinery				
28.	Credit				
29.	International				
30.	Warranty				
31.	Reinsurance - nonproportional assumed property				
32.	Reinsurance - nonproportional assumed liability				
33.	Reinsurance - nonproportional assumed financial lines				
34.	Aggregate write-ins for other lines of business				
35.	TOTALS	205,406,695	15,184,425	40,547,978	180,043,142
DETAILS OF WRITE-INS					
3401.	.....			
3402.	.....			
3403.	.....			
3498.	Summary of remaining write-ins for Line 34 from overflow page				
3499.	Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)				

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

Line of Business		1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned But Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1.	Fire					
2.	Allied lines					
3.	Farmowners multiple peril					
4.	Homeowners multiple peril					
5.	Commercial multiple peril					
6.	Mortgage guaranty					
8.	Ocean marine					
9.	Inland marine					
10.	Financial guaranty					
11.1	Medical professional liability - occurrence					
11.2	Medical professional liability - claims-made					
12.	Earthquake					
13.	Group accident and health					
14.	Credit accident and health (group and individual)					
15.	Other accident and health					
16.	Workers' compensation					
17.1	Other liability - occurrence					
17.2	Other liability - claims-made					
17.3	Excess workers' compensation					
18.1	Products liability - occurrence					
18.2	Products liability - claims-made					
19.1, 19.2	Private passenger auto liability	26,074,283				26,074,283
19.3, 19.4	Commercial auto liability					
21.	Auto physical damage	14,473,695				14,473,695
22.	Aircraft (all perils)					
23.	Fidelity					
24.	Surety					
26.	Burglary and theft					
27.	Boiler and machinery					
28.	Credit					
29.	International					
30.	Warranty					
31.	Reinsurance - nonproportional assumed property					
32.	Reinsurance - nonproportional assumed liability					
33.	Reinsurance - nonproportional assumed financial lines					
34.	Aggregate write-ins for other lines of business					
35.	TOTALS	40,547,978				40,547,978
36.	Accrued retrospective premiums based on experience					
37.	Earned but unbilled premiums					
38.	Balance (Sum of Line 35 through 37)					40,547,978
DETAILS OF WRITE-INS						
3401.	.....				
3402.	.....				
3403.	.....				
3498.	Summary of remaining write-ins for Line 34 from overflow page					
3499.	Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)					

(a) State here basis of computation used in each case

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1+2+3-4-5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire						
2. Allied lines						
3. Farmowners multiple peril						
4. Homeowners multiple peril						
5. Commercial multiple peril						
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine						
10. Financial guaranty						
11.1 Medical professional liability - occurrence						
11.2 Medical professional liability - claims-made						
12. Earthquake						
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation						
17.1 Other liability - occurrence						
17.2 Other liability - claims-made						
17.3 Excess workers' compensation						
18.1 Products liability - occurrence						
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability	104,957,870	51,202,362			21,396,669	134,763,563
19.3, 19.4 Commercial auto liability						
21. Auto physical damage	61,521,420	19,309,204			10,187,492	70,643,132
22. Aircraft (all perils)						
23. Fidelity						
24. Surety						
26. Burglary and theft						
27. Boiler and machinery						
28. Credit						
29. International						
30. Warranty						
31. Reinsurance - nonproportional assumed property	XXX					
32. Reinsurance - nonproportional assumed liability	XXX					
33. Reinsurance - nonproportional assumed financial lines	XXX					
34. Aggregate write-ins for other lines of business						
35. TOTALS	166,479,290	70,511,566			31,584,161	205,406,695
DETAILS OF WRITE-INS						
3401.						
3402.						
3403.						
3498. Summary of remaining write-ins for Line 34 from overflow page						
3499. Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)						

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

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

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

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A , Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 -3)				
1. Fire								
2. Allied lines								
3. Farmowners multiple peril								
4. Homeowners multiple peril								
5. Commercial multiple peril								
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine								
10. Financial guaranty								
11.1 Medical professional liability - occurrence								
11.2 Medical professional liability - claims-made								
12. Earthquake								
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	160,767		115,853	44,914			44,914	
17.1 Other liability - occurrence								
17.2 Other liability - claims-made								
17.3 Excess workers' compensation								
18.1 Products liability - occurrence								
18.2 Products liability - claims-made								
19.1, 19.2 Private passenger auto liability	113,501,793	59,082,703	121,308,615	51,275,882	105,334,650	35,697,051	120,913,481	102.0
19.3, 19.4 Commercial auto liability								
21. Auto physical damage	53,104,267	12,808,944	19,792,942	46,120,269	2,220,488	(262,818)	48,603,575	79.0
22. Aircraft (all perils)								
23. Fidelity								
24. Surety								
26. Burglary and theft								
27. Boiler and machinery								
28. Credit								
29. International								
30. Warranty								
31. Reinsurance - nonproportional assumed property	XXX							
32. Reinsurance - nonproportional assumed liability	XXX							
33. Reinsurance - nonproportional assumed financial lines	XXX							
34. Aggregate write-ins for other lines of business								
35. TOTALS	166,766,828	71,891,647	141,217,410	97,441,065	107,555,138	35,434,233	169,561,970	94.2
DETAILS OF WRITE-INS								
3401.								
3402.								
3403.								
3498. Summary of remaining write-ins for Line 34 from overflow page								
3499. Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)								

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses			Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed			7 Reinsurance Ceded
1. Fire								
2. Allied lines								
3. Farmowners multiple peril								
4. Homeowners multiple peril								
5. Commercial multiple peril								1,083,361
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine								
10. Financial guaranty								
11.1 Medical professional liability - occurrence								
11.2 Medical professional liability - claims-made								
12. Earthquake								
13. Group accident and health							(a)	
14. Credit accident and health (group and individual)							(a)	
15. Other accident and health								
16. Workers' compensation	1,686,614		1,686,614		117,396		117,396	
17.1 Other liability - occurrence								
17.2 Other liability - claims-made								
17.3 Excess workers' compensation								
18.1 Products liability - occurrence								
18.2 Products liability - claims-made								
19.1, 19.2 Private passenger auto liability	36,841,474	8,575,843	50,467	45,366,850	38,741,297	21,340,154	113,651	105,334,650
19.3, 19.4 Commercial auto liability								
21. Auto physical damage	1,295,338	220,086		1,515,424	740,749	23,021	58,706	2,220,488
22. Aircraft (all perils)								813,975
23. Fidelity								
24. Surety								
26. Burglary and theft								
27. Boiler and machinery								
28. Credit								
29. International								
30. Warranty								
31. Reinsurance - nonproportional assumed property	XXX				XXX			
32. Reinsurance - nonproportional assumed liability	XXX				XXX			
33. Reinsurance - nonproportional assumed financial lines	XXX				XXX			
34. Aggregate write-ins for other lines of business								
35. TOTALS	39,823,426	8,795,929	1,737,081	46,882,274	39,599,442	21,363,175	289,753	107,555,138
DETAILS OF WRITE-INS								
3401.								
3402.								
3403.								
3498. Summary of remaining write-ins for Line 34 from overflow page								
3499. Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)								

(a) Including \$ for present value of life indemnity claims.

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	8,820,666			8,820,666
1.2 Reinsurance assumed	2,316,152			2,316,152
1.3 Reinsurance ceded	(136,341)			(136,341)
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	11,273,159			11,273,159
2. Commission and brokerage:				
2.1 Direct excluding contingent		35,672,803		35,672,803
2.2 Reinsurance assumed, excluding contingent		18,607,080		18,607,080
2.3 Reinsurance ceded, excluding contingent		10,007,811		10,007,811
2.4 Contingent - direct		(245,914)		(245,914)
2.5 Contingent - reinsurance assumed		(93,099)		(93,099)
2.6 Contingent - reinsurance ceded		(13,034,989)		(13,034,989)
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)		56,968,048		56,968,048
3. Allowances to managers and agents				
4. Advertising				
5. Boards, bureaus and associations		212,501		212,501
6. Surveys and underwriting reports	244,383	33,151		277,534
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	7,148,509	2,487,550		9,636,059
8.2 Payroll taxes	679,403	148,589		827,992
9. Employee relations and welfare	659,189	329,996		989,185
10. Insurance	25,900	100,010		125,910
11. Directors' fees				
12. Travel and travel items	236,619	39,501		276,120
13. Rent and rent items	65,812	3,516,203		3,582,015
14. Equipment	181,276	29,747		211,023
15. Cost or depreciation of EDP equipment and software	371,507	52,630		424,137
16. Printing and stationery	54,988	14,054		69,042
17. Postage, telephone and telegraph, exchange and express	222,564	43,874		266,438
18. Legal and auditing	260,870	(27,856)		233,014
19. Totals (Lines 3 to 18)	10,151,020	6,979,950		17,130,970
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$		4,279,841		4,279,841
20.2 Insurance department licenses and fees		529,869		529,869
20.3 Gross guaranty association assessments		1,644		1,644
20.4 All other (excluding federal and foreign income and real estate)	114,057	1,057,339		1,171,396
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)	114,057	5,868,693		5,982,750
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	22,466	1,154,599	121,192	1,298,257
25. Total expenses incurred	21,560,702	70,971,290	121,192	92,653,184
26. Less unpaid expenses - current year	8,885,564	(214,540)		8,671,024
27. Add unpaid expenses - prior year	10,911,660	5,185,798		16,097,458
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	23,586,798	76,371,628	121,192	100,079,618
DETAILS OF WRITE-INS				
2401. Other Miscellaneous Expenses		21,031	121,192	142,223
2402. Outside Services	22,466	646,409		668,875
2403. Premium Deficiency Reserve		487,159		487,159
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 thru 2403 plus 2498)(Line 24 above)	22,466	1,154,599	121,192	1,298,257

(a) Includes management fees of \$ 13,778,715 to affiliates and \$ to non-affiliates.

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 26,237	38,362
1.1 Bonds exempt from U.S. tax	(a) 8,887	1,039
1.2 Other bonds (unaffiliated)	(a) 321,506	352,437
1.3 Bonds of affiliates	(a) .....	.....
2.1 Preferred stocks (unaffiliated)	(b) .....	.....
2.11 Preferred stocks of affiliates	(b) .....	.....
2.2 Common stocks (unaffiliated) .....	.....	.....
2.21 Common stocks of affiliates .....	.....	.....
3. Mortgage loans	(c) .....	.....
4. Real estate	(d) .....	.....
5. Contract loans .....	.....	.....
6. Cash, cash equivalents and short-term investments	(e) 8,290	9,222
7. Derivative instruments	(f) .....	.....
8. Other invested assets	91,797	91,797
9. Aggregate write-ins for investment income .....	.....	.....
10. Total gross investment income	456,717	492,857
11. Investment expenses .....	.....	(g) 121,192
12. Investment taxes, licenses and fees, excluding federal income taxes .....	.....	(g)
13. Interest expense .....	.....	(h)
14. Depreciation on real estate and other invested assets .....	.....	(i)
15. Aggregate write-ins for deductions from investment income .....	.....	.....
16. Total deductions (Lines 11 through 15) .....	.....	121,192
17. Net investment income (Line 10 minus Line 16) .....	.....	371,665
DETAILS OF WRITE-INS		
0901. ....	.....	.....
0902. ....	.....	.....
0903. ....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above) .....	.....	.....
1501. ....	.....	.....
1502. ....	.....	.....
1503. ....	.....	.....
1598. Summary of remaining write-ins for Line 15 from overflow page .....	.....	.....
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above) .....	.....	.....

- (a) Includes \$ 12,600 accrual of discount less \$ 305,786 amortization of premium and less \$ 85,922 paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
- (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ accrual of discount less \$ 7,110 amortization of premium and less \$ 4,142 paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds
1.1 Bonds exempt from U.S. tax
1.2 Other bonds (unaffiliated)	6,557	.....	6,557	.....	.....
1.3 Bonds of affiliates
2.1 Preferred stocks (unaffiliated)
2.11 Preferred stocks of affiliates
2.2 Common stocks (unaffiliated)
2.21 Common stocks of affiliates	284,432	.....
3. Mortgage loans
4. Real estate
5. Contract loans
6. Cash, cash equivalents and short-term investments
7. Derivative instruments
8. Other invested assets	318,501	.....
9. Aggregate write-ins for capital gains (losses)
10. Total capital gains (losses)	6,557	.....	6,557	602,933	.....
DETAILS OF WRITE-INS					
0901.
0902.
0903.
0998. Summary of remaining write-ins for Line 9 from overflow page
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY

EXHIBIT OF NON-ADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens.....			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income.....			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	50,000	50,000	
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums and contracts subject to redetermination			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon	9,045,491		(9,045,491)
18.2 Net deferred tax asset			
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	537,247	884,564	347,317
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	9,632,738	934,564	(8,698,174)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	9,632,738	934,564	(8,698,174)
DETAILS OF WRITE-INS			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)			
2501. Other Receivables	526,114	526,114	
2502. Goodwill	7,386	7,386	
2503. Goodwill - Agency Relationships		351,064	351,064
2598. Summary of remaining write-ins for Line 25 from overflow page	3,747		(3,747)
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	537,247	884,564	347,317

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Affirmative Insurance Company (Affirmative, the Company or AIC) have been prepared on the basis of accounting practices prescribed or permitted by the Illinois Division of Insurance.

The Illinois Department of Insurance (IL DOI) recognizes only statutory accounting practices prescribed or permitted by the State of Illinois for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under Illinois Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual (NAIC SAP) has been fully adopted by the State of Illinois, as it relates to these financial statements. The Director of Insurance has the right to permit practices that deviate from NAIC SAP, but has not adopted any such practices for purposes of preparing the accompanying financial statements.

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Illinois is shown below:

	State of Domicile	2015	2014
<u>NET INCOME</u>			
(1) State basis	IL	(81,447,129)	(51,252,507)
(2) State prescribed practices that increase/(decrease) NAIC SAP			
(3) State permitted practices that increase/(decrease) NAIC SAP			
(4) NAIC SAP		<u>(81,447,129)</u>	<u>(51,252,507)</u>
<u>SURPLUS</u>			
(5) State basis	IL	(30,369,425)	24,264,857
(6) State prescribed practices that increase/(decrease) NAIC SAP			
(7) State permitted practices that increase/(decrease) NAIC SAP			
(8) NAIC SAP		<u>(30,369,425)</u>	<u>24,264,857</u>

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct business and are based on reports received from ceding companies for reinsurance assumed.

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

If ceding commissions received under a reinsurance agreement exceeds the anticipated acquisition costs of the business ceded, the Company will establish a liability, equal to the difference between the anticipated acquisition cost and the reinsurance commissions received, to be amortized pro-rata over the life of the reinsurance agreement.

Net investment income earned consists primarily of interest and dividends less investment related expense. Interest is recognized on an accrual basis and dividends are recognized when declared. Net realized capital gains (losses) are recognized on a specific identification basis when securities are sold, redeemed or otherwise disposed. Realized capital losses include write-downs for impairments considered to be other than temporary.

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost, which approximates fair value.
- (2) Bonds not backed by other loans are stated at amortized cost using the scientific interest method. Significant changes in estimated cash flows from the original purchase assumptions are accounted for by using the retrospective method. Non-investment grade bonds with NAIC designations of 3 through 6 are stated at the lower of amortized value or fair value.
- (3) The Company has no common stocks other than investments in the stocks of subsidiaries and they are carried at the equity basis.
- (4) The Company has no preferred stocks.
- (5) The Company has no mortgage loans on real estate.
- (6) The Company has no loan-backed securities. Mortgage-backed (Structured) securities are revalued using the prospective method. Prepayment assumptions are obtained from dealer surveys or internal estimates and are based on the current interest rate and economic environment.
- (7) The Company carries its investments in subsidiaries to where it has an interest of 10% or more on the equity basis, which is the statutory surplus of its insurance subsidiaries.
- (8) The Company has an ownership interest in a limited liability company. The Company carries this investment based on the underlying audited GAAP equity of the investee. See Note 10 B for additional information.
- (9) The Company has no derivatives.

NOTES TO FINANCIAL STATEMENTS

- (10) The Company considered anticipated investment income as a factor when evaluating the need for premium deficiency calculations. The Company has recognized a premium deficiency of \$487,159.
- (11) 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 the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability is continually reviewed and any adjustments are reflected in the period determined.
- (12) The Company has not modified its capitalization policy from the prior period.
- (13) The Company does not write major medical insurance with prescription drug coverage.

2. Accounting Changes and Corrections of Errors

- A. The company has no material changes in accounting principles and/or correction of errors.

3. Business Combinations and Goodwill

- A. Statutory Purchase Method

The Company has no business combination or goodwill relating to any business combination accounted for under the statutory purchase method during the reporting period.

- B. Statutory Merger

The Company has no business combination or goodwill relating to any business combination accounted for under the statutory merger method during the reporting period.

- C. Impairment Loss

Not applicable

4. Discontinued Operations

The Company discontinued writing new business on September 30, 2015 and announced the discontinuation of writing renewals effective December 20, 2015 in various states.

5. Investments

- A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company has no mortgage loans.

- B. Debt Restructuring

The Company has no debt restructuring.

- C. Reverse Mortgages

The Company has no reverse mortgages.

- D. Loan-Backed and Structured Securities

The Company has no loan-backed securities.

- E. Repurchase Agreements and/or Securities Lending Transactions

The Company has no repurchase agreements or securities lending transactions.

- F. Real Estate

The Company has no direct investment in real estate (See footnote 10 B for additional information).

- G. Low-Income Housing Tax Credits (LIHTC)

The Company has no investment in low-income housing.

NOTES TO FINANCIAL STATEMENTS

H. Restricted Assets

1. Restricted Assets (Including pledged) summarized by restricted asset category

Restricted Asset Category	Gross Restricted							8 Total Current Year Admitted Restricted	Percentage	
	Current Year					6 Total From Prior Year	7 Increase / (Decrease) (5 minus 6)		9 Gross Restricted to Total Assets	10 Admitted Restricted to Total Admitted Assets
	1 Total General Account (G/A)	2 G/A Supporting Protected Cell Account Activity (a)	3 Total Protected Cell Account Restricted Assets	4 Protected Cell Account Assets Supporting G/A Activity (b)	5 Total (1 plus 3)					
a. Subject to contractual obligation for which liability is not shown										
b. Collateral held under security lending agreements										
c. Subject to repurchase agreements										
d. Subject to reverse repurchase agreements										
e. Subject to dollar repurchase agreements										
f. Subject to dollar reverse repurchase agreements										
g. Placed under option contracts										
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock										
i. FHLB capital stock										
j. On deposit with states	3,912,450				3,912,450	3,953,497	(41,047)	3,912,450	2.615%	2.795%
k. On deposit with other regulatory bodies										
l. Pledged collateral to FHLB (including assets backing funding agreements)										
m. Pledged as collateral not captured in other categories	5,432,982				5,432,982	22,595,727	(17,162,745)	5,432,982	3.631%	3.881%
n. Other restricted assets										
o. Total Restricted Assets	9,345,432				9,345,432	26,549,224	(17,203,792)	9,345,432	6.246%	6.676%

(a) Subset of column 1
(b) Subset of column 3

2. Detail of assets pledged as collateral not captured in other categories (reported on line m above)

Description of Assets	Gross Restricted							8 Total Current Year Admitted Restricted	Percentage	
	Current Year					6 Total From Prior Year	7 Increase / (Decrease) (5 minus 6)		9 Gross Restricted to Total Assets	10 Admitted Restricted to Total Admitted Assets
	1 Total General Account (G/A)	2 G/A Supporting Protected Cell Account Activity (a)	3 Total Protected Cell Account Restricted Assets	4 Protected Cell Account Assets Supporting G/A Activity (b)	5 Total (1 plus 3)					
Reinsurance	5,432,982				5,432,982	16,435,168	(11,002,186)	5,432,982	3.631%	3.881%
Sales Leaseback	-				-	6,160,559	(6,160,559)	-	-	-
Total	5,432,982				5,432,982	22,595,727	(17,162,745)	5,432,982	3.631%	3.881%

(a) Subset of column 1
(b) Subset of column 3

3. Detail of other restricted assets (reported on line n above)

Description of Assets	Gross Restricted							8 Total Current Year Admitted Restricted	Percentage	
	Current Year					6 Total From Prior Year	7 Increase / (Decrease) (5 minus 6)		9 Gross Restricted to Total Assets	10 Admitted Restricted to Total Admitted Assets
	1 Total General Account (G/A)	2 G/A Supporting Protected Cell Account Activity (a)	3 Total Protected Cell Account Restricted Assets	4 Protected Cell Account Assets Supporting G/A Activity (b)	5 Total (1 plus 3)					
Total										

(a) Subset of column 1
(b) Subset of column 3

I. Working Capital Finance Investments

The Company has no working capital finance investments.

J. Offsetting and Netting of Assets and Liabilities

The Company doesn't have any offsetting and netting of assets and liabilities.

K. Structured Notes

The Company has no structured notes.

6. Joint Ventures, Partnerships and Limited Liability Companies

A. Detail for those greater than 10% of admitted assets.

In March 2013, the Company contributed ownership interest in real estate to an affiliate in exchange for membership interest in a limited liability company and the ownership is less than 10% of the admitted assets. See Note 10 B for additional information.

NOTES TO FINANCIAL STATEMENTS

B. Write-downs for Impairment of Joint Ventures, Partnerships and LLCs

The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7. Investment Income

A. Accrued Investment Income

The Company non-admits any investment income due or accrued that is over 90 days past due.

B. Amounts Non-Admitted

There has no non-admitted amount.

8. Derivative Instruments

The Company has no derivative instruments.

9. Income Taxes

A. Deferred Tax Asset/(Liability)

1. Components of Net Deferred Tax Asset/(Liability)

	12/31/2015		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) (Total)
(a) Gross Deferred Tax Assets	79,702,294	-	79,702,294
(b) Statutory Valuation Allowance Adjustment	79,685,192	-	79,685,192
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	17,102	-	17,102
(d) Deferred Tax Assets Nonadmitted	-	-	-
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	17,102	-	17,102
(f) Deferred Tax Liabilities	17,102	-	17,102
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f)	-	-	-

	12/31/2014		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
(a) Gross Deferred Tax Assets	51,303,258	-	51,303,258
(b) Statutory Valuation Allowance Adjustment	51,299,498	-	51,299,498
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	3,760	-	3,760
(d) Deferred Tax Assets Nonadmitted	-	-	-
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	3,760	-	3,760
(f) Deferred Tax Liabilities	3,760	-	3,760
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f)	-	-	-

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
(a) Gross Deferred Tax Assets	28,399,036	-	28,399,036
(b) Statutory Valuation Allowance Adjustment	28,385,694	-	28,385,694
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	13,342	-	13,342
(d) Deferred Tax Assets Nonadmitted	-	-	-
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	13,342	-	13,342
(f) Deferred Tax Liabilities	13,342	-	13,342
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f)	-	-	-

2. Admission Calculation Components

	12/31/2015		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	-	-	-
(b) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 below	-	-	-
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	-	-	-
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	-	-	(3,036,943)
(c) Adjusted Gross Deferred Tax Assets (Excluding the Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	17,102	-	17,102
(d) Deferred Tax Assets Admitted as the Result of Application of SSAP No. 101 Total (2(a) + 2(b) + 2(c))	17,102	-	17,102

NOTES TO FINANCIAL STATEMENTS

	12/31/2014		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	-	-	-
(b) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 below	-	-	-
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	-	-	-
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	-	-	2,426,486
(c) Adjusted Gross Deferred Tax Assets (Excluding the Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	3,760	-	3,760
(d) Deferred Tax Assets Admitted as the Result of Application of SSAP No. 101 Total (2(a) + 2(b) + 2(c))	3,760	-	3,760

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	-	-	-
(b) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 below	-	-	-
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	-	-	-
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	-	-	(5,463,428)
(c) Adjusted Gross Deferred Tax Assets (Excluding the Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	13,342	-	13,342
(d) Deferred Tax Assets Admitted as the Result of Application of SSAP No. 101 Total (2(a) + 2(b) + 2(c))	13,342	-	13,342

3. Other Admissibility Criteria

	2015	2014
(a) Ratio Percentage Used to Determine Recovery Period And Threshold Limitation Amount	(113.245%)	129.649%
(b) Amount of Adjusted Capital and Surplus Used to Determine Recovery Period and Threshold Limitation in 2(b)2 Above.	(30,369,425)	24,264,857

4. Impact of Tax Planning Strategies

	2015		2014		Change	
	(1) Ordinary	(2) Capital	(3) Ordinary	(4) Capital	(5) (Col. 1-3) Ordinary	(6) (Col. 2-4) Capital
(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.						
1. Adjusted Gross DTAs amount from Note 9A1 (c)	17,102	-	3,760	-	13,342	-
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	-	-	-	-	-	-
3. Net Admitted Adjusted Gross DTAs amount from Note 9A1 (e)	17,102	-	3,760	-	13,342	-
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	-	-	-	-	-	-
(b) Does the Company's tax-planning strategies include the use of reinsurance?			Yes [] No [X]			

B. Deferred Tax Liabilities Not Recognized

- (1) There are no temporary differences for which deferred tax liabilities (DTL) are not recognized.
- (2) The cumulative amount of each type of temporary difference is \$0.
- (3) The amount of unrecognized DTL for temporary differences related to investments in foreign subsidiaries and foreign subsidiaries corporate joint ventures that essentially permanent in duration is \$0. The Company has no investments in foreign subsidiaries or foreign corporate joint ventures.
- (4) The amount of the DTL for temporary differences other than those in item (3) above that is not recognized is \$0.

C. Current and Deferred Incomes Taxes

1. Current Income Tax

	(1) 2015	(2) 2014	(3) (Col 1-2) Change
(a) Federal	-	(8,982,706)	8,982,706
(b) Foreign	-	-	-
(c) Subtotal	-	(8,982,706)	8,982,706
(d) Federal income tax on net capital gains	-	-	-
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	(60,696)	60,696
(g) Federal and foreign income taxes incurred	-	(9,043,402)	9,043,402

NOTES TO FINANCIAL STATEMENTS

2. Deferred Tax Assets

	(1) 2015	(2) 2014	(3) Change
(a) Ordinary			
(1) Discounting of unpaid losses	1,769,020	695,602	1,073,418
(2) Unearned premium reserves	2,885,408	1,115,280	1,770,128
(3) Policyholder reserves	-	-	-
(4) Investments	-	-	-
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed assets	1,186,228	777,294	408,934
(8) Compensation and benefits accrual	-	-	-
(9) Pension accrual	-	-	-
(10) Receivable – non-admitted	-	-	-
(11) Net operating loss carry-forward	73,299,546	48,152,727	25,146,819
(12) Tax credit carry-forward	-	-	-
(13) Other (including items <5% of total ordinary tax assets)	354,642	235,258	119,384
(14) Other assets – non-admitted	207,450	327,097	(119,647)
(99) Subtotal	79,702,294	51,303,258	28,399,036
(b) Statutory valuation allowance adjustment	79,685,192	51,299,498	28,385,694
(c) Nonadmitted	-	-	-
(d) Admitted ordinary deferred tax assets(2a99 – 2b – 2c)	17,102	3,760	13,342
(e) Capital			
(1) Investments	-	-	-
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items<5% of total capital tax assets)	-	-	-
(99) Subtotal	-	-	-
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	-	-	-
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	-	-	-
(i) Admitted deferred tax assets (2d + 2h)	17,102	3,760	13,342

3 Deferred Tax Liabilities

	(1) 2015	(2) 2014	(3) Change
(a) Ordinary			
(1) Investments	17,102	3,760	13,342
(2) Fixed assets	-	-	-
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items<5% of total capital tax liabilities)	-	-	-
(99) Subtotal	17,102	3,760	13,342
(b) Capital			
(1) Investments	-	-	-
(2) Real Estate	-	-	-
(3) Other (including items<5% of total capital tax liabilities)	-	-	-
(99) Subtotal	-	-	-
(c) Deferred tax liabilities (3a99 + 3b99)	17,102	3,760	13,342
4. Net deferred tax assets/liabilities (2i – 3c):	-	-	-

NOTES TO FINANCIAL STATEMENTS

D. Reconciliation of Federal Income Tax Rate to Actual Effective Tax Rate

The provision for federal income taxes incurred was different from that which would have been obtained by applying the statutory federal income tax rate to net gain from operations after dividends to policyholders and before federal income taxes. The significant items causing this difference were as follows:

	12/31/15	Effective Tax Rate
Income before taxes	(81,447,128)	35%
Provision computed at 35% statutory rate	(28,506,495)	35.00%
State taxes	(948)	0.00%
Tax-exempt income deduction	(364)	0.00%
Change in deferred taxes on nonadmitted assets	119,647	-0.15%
Change in valuation allowance adjustment	28,385,694	-34.85%
Other	2,466	0.00%
Total statutory income tax expense	-	0.00%
Federal and foreign taxes incurred	-	0.00%
Realized capital gains (losses) tax	-	0.00%
Change in net deferred income taxes	-	0.00%
Total statutory income taxes	-	0.00%

E. Operating loss and Tax Credit Carryforwards and Protective Tax Deposits

- (1) As of December 31, 2015, there is an operating loss of \$209,472,275 (expires 2029 through 2033) and no tax credit carryforwards available for tax purposes.
- (2) The amount of federal income taxes incurred that are available for recoupment in the event of future net losses are:

	Ordinary	Capital	Total
2014	-	-	-
2013	-	-	-

- (3) The aggregate amount of deposits admitted under Section 6603 of the Internal Revenue Service Code are -0-.

F. Consolidated Federal Income Tax Return

- (1) The Company's federal income tax return is consolidated with Affirmative Insurance Holdings, Inc. and its subsidiaries as shown in Schedule Y for 2014.
- (2) The method of allocation between the companies is subject to written agreement. Each company pays a share of the total tax liability determined as if computed separately. Companies that would report a loss are reimbursed by the other companies up to the amount of their tax liabilities computed separately. Intercompany balances are settled in accordance with the Tax Sharing Agreement when estimated payments are due and the return is filed.
- (3) The Company and its subsidiaries were ordered into rehabilitation in September and October 2015 and Holdings voluntarily filed for Chapter 11 bankruptcy relief in October 2015. The Company is uncertain of its tax filing status for 2015. The Company has estimated its total tax liability consistent with 2014 and has established a valuation allowance against taxes paid in prior years recoverable through loss carry-forward as of December 31, 2015.

G. Federal or foreign federal income tax loss contingencies

The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

A. Nature of Relationships

The Company, domiciled in the state of Illinois, a wholly-owned subsidiary of Affirmative Insurance Group, Inc., (Group), with its parent being Affirmative Insurance Holdings, Inc. (Holdings), through its subsidiaries, is engaged in underwriting, servicing and distributing non-standard automobile insurance policies and related products and services to individual consumers.

B. Detail of Transactions Greater Than 1/2% of Admitted Assets

The Company and its affiliates have various transactions with Holdings and certain other subsidiaries and affiliates in the normal course of operations. These transactions include reinsurance, charges for investment management and administration, employee benefits, rental of space, computer services, and income tax services. Significant transactions with affiliated companies, excluding reinsurance transactions, for non-insurance transactions that are more than 1/2 of 1% of the Company's total admitted assets include:

On June 30, 2015, the Group contributed additional capital in the amount of \$20.0 million to the Company.

In March 2013, the Company received approval from the Illinois Department of Insurance to contribute its \$7.7 million ownership in this real estate, at cost, to 1500 Main, LLC (1500 Main), an affiliate owned by Affirmative Real Estate Investment LLC (AREI), in exchange for an approximated 50% interest in AREI.

NOTES TO FINANCIAL STATEMENTS

1500 Main entered into a \$4.8 million loan secured by a mortgage on the commercial real estate and assignment of rental receipts on the property. One half of the proceeds of the loan were used to reduce the Company's ownership interest in AREI to approximately 30% and the other half of the proceeds were distributed to AIC as a member distribution. The Company entered into an agreement to repurchase ownership interest in AREI on a prorata basis over the 33 month term of the loan such that the ownership interests of the Company and Affirmative Casualty Insurance Company (Casualty) will return to 50% upon maturity of the loan. The ownership interest in AREI is shown in Other Invested Assets on the Balance Sheet as of December 31, 2015. The balance as of December 31, 2015 was \$6,543,928 or equivalent to 51.2% ownership of AREI.

C. Change in Terms of Intercompany Arrangements

The Company had no significant changes to the terms of intercompany arrangements during the year.

D. Amounts Due from or to Related Parties, and the terms and manner of settlement

At December 31, 2015, significant net balances due to or from related parties include the following, which are typically settled within 90 days:

<u>Name of related party</u>	<u>Due from</u>	<u>Due to</u>
Affirmative Insurance Holdings, ,Inc.	-	5,224
Affirmative Insurance Services, Inc. (AIS)	26,274	-
Affirmative Direct Insurance Co.	4,571	
Affirmative Casualty Insurance Co.	9,599	
Affirmative Insurance Company of Michigan	-	40,521
Affirmative Real Estate Investment, LLC	74,586	
Affirmative General Agency, Inc. (AGAI)		208,757
Affirmative Services , Inc. (ASI)	-	168,344
Total	<u>115,030</u>	<u>422,846</u>

E. Guarantees or Undertakings for Related Parties

The Company has no agreement or guarantees for the benefits of affiliates that will result in material contingent exposure.

F. Management, Service Contracts, Cost Sharing Agreements

Pursuant to a General Agency Agreement, AIC's compensation to the general agency was based on actual costs incurred including fees.

The actual compensation paid to AIS and AGAI, for the year ended December 31, 2015, was approximately \$16.5 million.

Service Agreement

The Service Agreement between the Company and ASI allows for intercompany payments by the Service Company for payroll, furniture, fixtures and equipment, as well as operating expenses, on behalf of the Company. The expenses allocated to AIC for the year ended December 31, 2015, was approximately \$6.3 million.

100% Quota Share Reinsurance Contract

The 100% Quota Share Reinsurance contract between the AIC and its subsidiaries allows for intercompany cash settlements of premium and losses, net of third party reinsurance. The Company settled \$45.6 million in written premium net of commission and \$70.6 million in paid losses and loss adjustment expenses, resulting in a net settlement of \$25.0 million paid, for the year ended December 31, 2015.

G. The Nature of Relationships that Could Affect Operations

All outstanding shares of the Company are owned by Parent, Affirmative Insurance Group, Inc.

H. Amount Deducted for Investments in Upstream Companies

The Company does not have investment in upstream companies.

I. Details of Investment in Affiliates Greater than 10% of Admitted Assets

The Company directly owns a 100% interest in Casualty. As of December 31, 2015, total assets, liabilities and surplus as regards policyholders was \$36.1 million, \$8.5 million and \$27.6 million respectively, while net income for the period ended December 31, 2015 was \$52.7 thousand.

J. Writedowns for Impairments of Investments in Affiliates:

The Company did not recognize any impairment write down for its investments in subsidiaries, controlled, or affiliated companies.

K. Foreign Insurance Subsidiary Valued Using CARVM

Not applicable

L. Downstream Holding Company Valued Using Look-Through Method

Not applicable

NOTES TO FINANCIAL STATEMENTS

11. Debt

A. Debt

The Company does not have any outstanding debt.

B. Funding Agreements with Federal Home Loan Banks (FHLB)

The Company does not have funding agreements with FHLB.

12. Retirement Plans, Deferred Compensation, Post-Employment Benefits and Compensated Absences and Other Postretirement Benefits Plans

A. Defined Benefit Plan

The Company does not have a defined benefit plan because the Company does not have any employees.

B. – D. Description of Investment Policies, Fair Value of Plan Assets, Rate of Return Assumptions

Not applicable.

E. Defined Contribution Plans

The Company does not have defined contribution plans because the Company does not have employees.

F. Multiemployer Plans

The Company does not have multi-employer plans.

G. Consolidated/Holding Company Plans

Not applicable

H. Postemployment Benefits and Compensated Absences

The Company does not have post-employment benefits or a compensated absences plan because the Company does not have any employees.

I. Impact of Medicare Modernization Act on Postretirement Benefit:

The Company does not have a postretirement benefit plan because the Company has no employees.

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations:

(1) Outstanding Shares

The Company has 10,000 shares authorized, 1,000 shares issued and outstanding. All shares are \$2,500 par value.

(2) Dividend Rate of Preferred Stock

The Company has no preferred stock authorized, issued or outstanding.

(3) Dividend Restrictions

The maximum amount of dividends, which can be paid by State of Illinois Insurance Companies to shareholders without prior approval of Illinois Director of Insurance in any 12-month period, is the greater of (i) 10% of surplus as regards policyholders at the end of the preceding year, or (ii) the net income for the preceding calendar year. Dividends may be paid only from unassigned surplus. The unassigned surplus as of December 31, 2015 was negative. The maximum dividend payout that may be made without prior approval in 2016 is \$0.

(4) Dates and Amounts of Dividend Paid

The Company did not pay any dividend in this reporting period.

(5) Amount of Ordinary Dividends That May Be Paid

There are no other restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.

(6) Restriction of Unassigned Funds

There are no other restrictions placed on the Company's unassigned funds (surplus), including for whom the surplus is being held.

(7) Mutual Surplus Advances

The Company is not a mutual reciprocal entity.

(8) Company Stock Held for Special Purposes

The Company does not have stocks that are held for special purposes.

NOTES TO FINANCIAL STATEMENTS

15. Leases

A. Lessee Leasing Arrangement:

The Company has no lessee leasing arrangement.

B. Lessor Leasing Arrangement

The Company has no lessor leasing arrangements.

16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

The Company does not have any financial instruments with off-balance sheet risk or concentration of credit risk.

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

A. Transfers of Receivables Reported as Sales

Not applicable

B. Transfers or Servicing of Financial Assets

Not applicable

C. Wash Sales

Not applicable

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Effective July 1, 2015 the direct premium written of the Company was produced by Managing General Agents (MGA), the total premium was \$49,967,757 written from July 1st to December 31st, 2015.

The individual MGA that produced more than 5% of the Company's surplus as of December 31, 2015 are listed in the following:

Name and Address of MGA	FEIN Number	Exclusive Contract	Type of Business Written	Type of Authority Granted	Total Direct Written Premiums Written
Affirmative Agencies, Inc. 4450 Sojourn Drive, Suite 500, Addison, Texas 75001	47-3150223	Yes	Non-standard Auto	C,CA,B,P,U	\$49,967,757

20. Fair Value Measurements

A. Inputs Used for Assets and Liabilities Measured and Reported at Fair Value

1. Items Measured and Reported at Fair Value by Levels 1, 2 and 3

The Company utilizes a hierarchy of valuation techniques for the disclosure of fair value estimates based on whether the significant inputs into the valuation are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. The Company measures certain assets at fair value on a recurring basis, including investment securities classified as short-term investments. Following is a brief description of the type of valuation information that qualifies a financial asset or liability for each level:

Level 1 — Unadjusted quoted market prices for identical assets or liabilities in active markets which are accessible by the Company.

Level 2 — Observable prices in active markets for similar assets or liabilities. Prices for identical or similar assets or liabilities in markets that are not active. Directly observable market inputs for substantially the full term of the asset or liability, e.g., interest rates and yield curves at commonly quoted intervals, volatilities, prepayment speeds, default rates, and credit spreads. Market inputs that are not directly observable, but are derived from or corroborated by observable market data.

NOTES TO FINANCIAL STATEMENTS

Level 3 — Unobservable inputs based on the Company's own judgment as to assumptions a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data. Also included in Level 3 are structured securities subject to the financial modeling methodology. While many of the unit prices of such modeled securities reflect market observable inputs, it is difficult to generalize their level in the fair value hierarchy.

The Company evaluates the various types of financial assets and liabilities to determine the appropriate fair value hierarchy based upon trading activity and the observability of market inputs. The Company employs control processes to validate the reasonableness of the fair value estimates of its assets and liabilities, including those estimates based on prices and quotes obtained from independent third-party sources. The Company's procedures generally include, but are not limited to, initial and ongoing evaluation of methodologies used by independent third-parties and monthly analytical reviews of the prices against current pricing trends and statistics.

Where possible, the Company utilizes quoted market prices to measure fair value. For assets and liabilities that have quoted market prices in active markets, the Company uses the quoted market prices as fair value and includes these prices in the amounts disclosed in Level 1 of the hierarchy. When quoted market prices in active markets are unavailable, the Company determines fair values based on independent external valuation information obtained from independent pricing services, which utilizes various models and valuation techniques based on a range of inputs including pricing models, quoted market prices of publicly traded securities with similar duration and yield, time value, yield curve, prepayment speeds, default rates and discounted cash flows. In most cases, these estimates are determined based on independent third-party valuation information, and the amounts are disclosed as Level 2 or Level 3 of the fair value hierarchy depending on the level of observable market inputs. Additional pricing services are used as a comparison to ensure that realistic fair values are used in pricing the investment portfolio.

Description	(Level 1)	(Level 2)	(Level 3)	Total
A. Assets at fair value				
Bonds:				
U.S Treasury & Govt. Agencies				
States & Political Sub.				
Corporate Debt Sec.				
FDIC-insured Cert. of Deposits				
Short-term Investments and Cash Equiv.	16,322,164	-	-	16,322,164
Total Bonds	16,322,164	-	-	16,322,164
Common Stocks:				
Subsidiaries			36,787,539	36,787,539
Total Common Stocks	-	-	36,787,539	36,787,539
Other Assets:				
Membership Interest			6,543,929	6,543,929
Total Other Assets	-	-	6,543,929	6,543,929
Total assets on balance sheet at fair value	16,322,164	-	43,331,468	59,653,632
B. Liabilities on balance sheet at fair value				
Total liabilities on balance sheet at fair value	-	-	-	-

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels 1 and 2. This policy also applies to transfer into or out of Level 3 as stated in paragraph 3 below.

2. Rollforward of Level 3 Items

The following table provides information as of December 31, 2014 about the Company's financial assets measured at fair value within Level 3 of the fair value hierarchy:

Description	Beginning Balance at 01/01/2014	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/2014
A. Assets										
Bonds:										
Issuer obligations										
Commercial MBS										
Common stocks					284,432					36,787,539
Subsidiaries	36,503,107									
Other invested assets										
Membership Interest	5,331,886				318,501	893,541		-		6,543,928
Total assets	41,834,993	-	-	-	602,933	893,541	-	-	-	43,331,467
B. Liabilities										
Total liabilities	-	-	-	-	-	-	-	-	-	-

3. Policy on Transfers Into and Out of Level 3

At the end of each reporting period, the company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred into or out of Level 3. During the current year, no transfers into or out of Level 3 were required.

4. Inputs and Techniques Used for Level 2 and Level 3 Fair Values

The Company has no assets or liabilities measured at fair value in the Level 2 category.

Subsidiary common stocks carried at fair value categorized as Level 3 were valued using the equity method. These valuations were determined to be Level 3 valuations based on the Company's own judgment as to assumptions used from the three-level fair value hierarchy as described above in part A.1. of this note.

NOTES TO FINANCIAL STATEMENTS

Membership interest carried at fair value categorized as Level 3 was valued based on the underlying audited GAAP equity of the investee. This investment is presented as other invested assets in the Company's balance sheet.

5. Derivative Fair Values

Not applicable.

B. Other Fair Value Disclosures

Not applicable.

C. Fair Values for All Financial Instruments by Levels 1, 2 and 3

The table below reflects the fair values and admitted values of all admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method (subsidiaries, joint ventures and ventures). The fair values are also categorized into the three-level hierarchy as described above in Note 20A.

Type of Financial Instrument	Aggregate Fair Value	Admitted Value	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Financial Instruments – assets						
Bonds:						
U.S. Treasury & Govt Agencies States & Political Sub.	5,296,864	5,317,200	5,296,865	-		
Corporate Debt Securities	17,150,644	17,452,134		17,150,644		
Cash, Cash Equivalents & S-T	46,067,667	46,068,172	45,832,739	234,928		
Other assets:						
Other assets						
Total Assets	68,515,175	68,837,506	51,129,604	17,385,572	-	-
Financial Instruments – liabilities						
Total liabilities	-	-	-	-	-	-

D. Financial Instruments for which Not Practicable to Estimate Fair Values

Not applicable.

21. Other Items

A. Extraordinary Items

Not applicable

B. Troubled Debt Restructuring For Debtors

Not applicable

C. Other Disclosures and Unusual Items

The Company was ordered into rehabilitation in Illinois on September 16, 2015.

Affirmative Insurance Company of Michigan, a subsidiary of the Company, was ordered into rehabilitation in Michigan on October 29, 2015.

Affirmative Casualty Insurance Company, a subsidiary of the Company, was ordered into rehabilitation in Louisiana on September 17, 2015.

Affirmative Direct Insurance Company, a down-stream subsidiary of the Company, was ordered into rehabilitation in Louisiana on September 17, 2015.

Affirmative Insurance Holdings, Inc., the parent of the Company, and certain of its subsidiaries filed voluntary petitions for relief under chapter 11 in the United States Bankruptcy Court for the District of Delaware on October 14, 2015.

On March 1, 2016, the Rehabilitator petitioned the Supervising Court for the entry of an Order of Liquidation with a Finding of Insolvency for the Company.

The Company is under the control of a Court Appointed Receiver therefore the Company has no directors.

D. Business Interruption Insurance Recoveries

Not applicable

E. State Transferable and Non-transferable Tax Credits

Not applicable

F. Subprime Mortgage Related Risk Exposures

Not applicable

22. Events Subsequent

The Company has no subsequent event that needs to be disclosed.

NOTES TO FINANCIAL STATEMENTS

23. Reinsurance

A. Unsecured Reinsurance Recoverables

The Company has unsecured reinsurance recoverables in excess of 3% of the Company's policyholder surplus as follows:

NAIC Code	Federal ID #	Name of Reinsurer	Amount
12750	36-2467238	Evergreen National Indemnity Company	1,812,105
30068	76-1444207	SCOR Reinsurance Company	3,097,168
25364	13-1675535	Swiss Re	987,544

B. Reinsurance Recoverable in Dispute

The Company's reinsurance recoverable in dispute on paid or unpaid (including IBNR) losses which exceeded 5% of policyholders' surplus is as follows:

Name of Reinsurer	Total Amount in Dispute	Notification	Arbitration	Litigation
Swiss Re Amer Corp	\$988,000	\$988,000	-	-

C. Reinsurance Assumed and Ceded

(1) The following table summarizes ceded and assumed premiums and the related commission equity at December 31, 2015:

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	12,450,847	2,490,169	-	-	12,450,847	2,490,169
b. All Other	-	-	3,450	966	(3,450)	(966)
c. TOTAL	12,450,847	2,490,169	3,450	966	12,447,396	2,489,203
d. Direct Unearned Premium Reserve	\$28,100,582					

(2) Certain agency agreements and ceded reinsurance contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amount accrued at the end of the current year was zero.

(3) The Company does not use protected cells as an alternative to traditional reinsurance.

(4) In 2011, the Company entered into a quota-share agreement with a third-party reinsurance company under which the Company ceded 10% of business produced in Louisiana, Alabama, Texas and Illinois from September 1, 2011 through December 31, 2011. At December 31, 2011, this contract converted to a 40% quota-share reinsurance contract on the in-force business for the applicable states throughout 2012. Written premiums ceded under this agreement totaled \$82.0 million during the year ended December 31, 2012, and this agreement was extended under the same terms through March 31, 2013 and terminated on a cutoff basis as of April 1, 2013. Upon termination, the Company recorded \$27.2 million of returned premium, net of \$7.7 million of deferred ceding commissions. Written premiums under this agreement during 2013 represented a return of previously ceded premiums totaling \$5.5 million. Written premiums ceded under this agreement totaled \$99.4 million since inception through April 1, 2013. This agreement was commuted on March 24, 2015 and a gain of \$49 thousand was recognized for the period.

(5) In 2013, the Company entered into a quota-share agreement with a third-party reinsurance company effective March 31, 2013, under which the Company ceded 40% of business produced in Louisiana, Alabama, Texas and Illinois. This agreement was amended effective June 30, 2013, under which the Company ceded an additional 40% for the same four states for the remainder of 2013. This agreement was further amended to provide a \$10.0 million reduction in ceded premiums in the fourth quarter. Written premiums ceded under this agreement totaled \$145.8 million during the year ended December 31, 2013. This agreement terminated on January 1, 2014, resulting in the return of \$47.2 million unearned premiums, net of \$13.9 million of ceding commissions. Written premiums ceded under the agreement totaled \$98.6 million. This agreement was commuted in June 2015 and a gain of \$0.6 million was recognized for the period.

(6) Effective December 31, 2013, the Company entered into a new reinsurance agreement with four third-party reinsurance companies. Under this agreement, the Company ceded 20% of premiums and losses in Alabama, Illinois, Louisiana and Texas, and 60% in California on policies in force on December 31, 2013 or written or renewed on and after that date. Written premiums ceded under this agreement totaled \$22.2 million as of December 31, 2013. On January 1, 2014, the quota-share rate increased to 60% for all business in force in these same states and for new and renewal business. On June 30, 2014, the reinsurance agreement was terminated, resulting in the return of \$51.7 million of unearned premiums, net of \$14.5 million of ceding commissions. Written premiums ceded under the agreement totaled \$95.9 million as of December 31, 2014. In March 2015, two of the quota share reinsurers commuted their participation on this agreement, effectively reducing the quota share rate to 20.4%.

On July 31, 2015, the remaining two reinsurers commuted their participation on this agreement, reducing the effective ceding percentage to zero.

NOTES TO FINANCIAL STATEMENTS

(7) Effective June 30, 2014, a new reinsurance agreement with five third-party reinsurance companies was put in place to cede 85% of all business in force in these same states and for new and renewal business through June 30, 2015. Written premiums ceded under this agreement totaled \$201.9 million through December 31, 2014. In March 2015, one of the quota share reinsurers commuted their participation on this agreement, reducing the effective ceding percentage for the first quarter of 2015 to 70.6% as of March 31, 2015. A return of \$27.6 million of unearned ceded premiums, net of \$7.7 million of ceding commissions, resulted from the commutation. In April 2015, another quota share reinsurer commuted their participation on this agreement, further reducing the effective ceding percentage to 64.6%. A return of \$5.1 million of ceded premiums, net of \$1.4 million of ceding commissions, resulted from this commutation. Written premiums ceded under this agreement totaled \$268.4 million through June 30, 2015. This reinsurance agreement was extended into July 2015.

On July 1, 2015, one of the quota share reinsurers terminated its participation on this agreement, reducing the effective ceding percentage to 24%. A return of \$14.6 million of ceded premiums, net of \$4.1 million of ceding commissions, resulted from this termination. This reinsurer will commute its participation on this agreement on October 14, 2015.

On July 31, 2015, two of the other quota share reinsurers commuted their participation on this agreement, reducing the effective ceding percentage to zero. A return of \$28.7 million of ceded premiums, net of \$8.0 million of ceding commissions, resulted from this commutation.

(8) Under the reinsurance agreement with Vesta Insurance Group (VIG), including primarily Vesta Fire Insurance Corporation (VFIC), AIC had the right, under certain circumstances, to require VFIC to provide a letter of credit or establish a trust account to collateralize gross amounts due from VFIC under the reinsurance agreement. In March 2015, AIC received a notice of determination from the VFIC Special Deputy Receiver on multiple proofs of claim for an aggregate amount of \$15.3 million for various reinsurance balances with VFIC. As part of the notice of determination, AIC entered into a settlement agreement and release with the VFIC Special Deputy Receiver. AIC received \$15.3 million in settlement proceeds in May 2015.

(9) In July 2015, the Company entered into a reinsurance agreement with third-party reinsurance companies which provide \$7.0 million in excess of the first \$3.0 million of losses coverage for catastrophic events that may involve multiple insured losses.

(10) At December 31, 2015, \$0.2 million was included in reserves for losses and loss adjustment expenses that represented the amounts owed by AIC under reinsurance agreements with the VIG-affiliated companies, including Hawaiian Insurance and Guaranty Company, Ltd (Hawaiian). AIC established a trust account to collateralize this payable, which currently holds \$10.7 million (including accrued interest) in securities (the AIC Trust). On December 3, 2012, the Company received a full release from Hawaiian for all claims against the AIC Trust. On December 28, 2012, the Special Deputy Receiver (SDR) in Texas authorized a reduction of \$5.0 million from the AIC Trust. SDR drew down the AIC Trust \$0.4 million through December 2014, and the SDR in Hawaii had cumulative withdrawals from the AIC Trust of \$1.7 million through December 31, 2014.

D. Uncollectible Reinsurance

The Company has no uncollectible reinsurance balance.

E. Commutation of Ceded Reinsurance:

The Company has commuted certain reinsurance agreements during the reporting period as follows:

On January 1, 2015, the Company has commuted the Quota-Share Reinsurance Agreement entered into on December 31, 2013 for \$22.2 million.

On March 24, 2015, the Company has commuted the Quota-Share Reinsurance Agreement entered into on September 1, 2011 for \$1.6 million.

On March 31, 2015, the Company has commuted the Quota-Share Reinsurance Agreement entered into on December 31, 2013 for \$3.0 million.

On April 1, 2015, the Company has commuted the Quota-Share Reinsurance Agreement entered into on June 30, 2014 for \$2.9 million.

On June 30, 2015, the Company has commuted the Quota-Share Reinsurance Agreement entered into on March 31, 2013 for \$3.8 million.

On July 31, 2015, the Company has commuted the Quota-Share Reinsurance Agreement entered into on December 31, 2013 for (\$309 thousand).

On July 31, 2015, the Company has commuted the Quota-Share Reinsurance Agreement entered into on June 30, 2014 for \$24.6 million.

On October 14, 2015, the Company has commuted the Quota-Share Reinsurance Agreement entered into on June 30, 2014 for \$4.2 million.

The Company has reported in its operations in the current year as a result of commutation of reinsurance with the companies listed below, amounts that are reflected as:

(1) Losses incurred	(\$1,886,018)
(2) Loss adjustment expenses incurred	-
(3) Premiums earned	-
(4) Other	-
(5) <u>Company</u>	<u>Amount</u>
Third Point Reinsurance Company Ltd	(\$1,196,504)
Greenlight Reinsurance Ltd	(\$ 689,514)

NOTES TO FINANCIAL STATEMENTS

F. Retroactive Reinsurance

The Company has no retroactive reinsurance treaties.

G. Reinsurance Accounted for as a Deposit

The Company does not have any reinsurance accounted for as a deposit.

H. The Transfer of Property and Casualty Run-off Agreements

The Company does not have run-off agreement.

I. Certified Reinsurer Rating Downgraded or Status Subject to Revocation

The Company is not involved with any certified reinsurer whose rating was downgraded or status subject to revocation.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

The Company does not have retroactively rated contracts or contracts subject to redetermination.

25. Change in Incurred Losses and Loss Adjustment Expenses

The following table represents the rollforward of unpaid loss and loss adjustment expenses (LAE) as of December 31, 2015 for payments and changes in incurred amounts:

<i>(Dollars in thousands)</i>	<u>Dec 31, 2015</u>
Net unpaid losses and loss expenses, beginning of year	46,346
Losses and loss expenses incurred related to:	
Current year	162,080
Prior years	<u>29,042</u>
Total losses and loss expenses incurred, net of reinsurance	191,123
Paid losses and loss expenses related to:	
Current year	81,405
Prior years	<u>39,623</u>
Total losses and loss expenses paid, net of reinsurance	121,028
Net unpaid losses and loss expenses, end of period	<u><u>116,441</u></u>

The percentage of net losses and loss adjustment expense to net premiums earned (the net loss ratio) was 106.2% for the year. This period included \$ 29.0 million of unfavorable prior period development primarily related to Louisiana, Texas and California losses from 2014 and 2013 which was primarily due to increases in estimated severity of liability claims. Excluding prior period development, the current period loss ratio was 90.0%.

The use of quota-share reinsurance overstates the net loss ratio. Loss adjustment expenses included all of the business subject to the quota-share treaties with ceding commission income booked as an offset to selling, general and administrative expenses. Excluding the impact of the prior period development and the quota-share, the net loss ratio for the current accident year was 79.9%.

26. Intercompany Pooling Arrangements

The Company has no intercompany pooling agreement.

27. Structured Settlements

The Company has no structured settlements.

28. Health Care Receivables

The Company has no health care receivables.

29. Participating Policies

The Company has no participating policies.

30. Premium Deficiency Reserves

The Company recorded a premium deficiency reserve of \$487,159 during the current year. The Company considered anticipated investment income when evaluating the need for premium deficiency reserves.

31. High Deductibles

The Company has no high deductibles.

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

The Company does not discount liabilities for unpaid losses or unpaid loss adjustment expenses.

NOTES TO FINANCIAL STATEMENTS

33. Asbestos/Environmental Reserves

A. Asbestos Reserves

The Company's exposure to asbestos-related illnesses and other environmental claims arises from facilities where hazardous substances have been deposited, stored, treated, disposed or otherwise placed. Reserves for asbestos-related illnesses and other environmental claims cannot be estimated with traditional loss reserving techniques. Case reserves (and reserves for cost of related) have been established when sufficient information has been developed to indicate the involvement of a specific insurance policy. In addition, incurred but not reported reserves have been established to cover additional exposure in both known and unasserted claims, if required.

The following tables provide a reconciliation of the beginning and ending asbestos and environmental reserve balances for each of the five most recent years.

1. Asbestos, Direct	2011	2012	2013	2014	2015
a. Beginning reserves	5,025,000	5,025,000	5,000,000	4,991,367	1,143,000
b. Incurred Loss & LAE	24,854	(259)	2,383	(3,840,312)	(44,278)
c. Cal. year payments for Loss & LAE	24,854	24,741	11,016	8,055	15,361
d. Ending reserves	5,025,000	5,000,000	4,991,367	1,143,000	1,083,361

2. Asbestos, Assumed Reinsurance	2011	2012	2013	2014	2015
a. Beginning reserves	-	-	-	-	-
b. Incurred Loss & LAE	-	-	-	-	-
c. Cal. year payments for Loss & LAE	-	-	-	-	-
d. Ending reserves	-	-	-	-	-

3. Asbestos, Net of Ceded Reins.	2011	2012	2013	2014	2015
a. Beginning reserves	-	-	-	-	1,143,000
b. Incurred Loss & LAE	-	-	-	1,143,000	(44,278)
c. Cal. year payments for Loss & LAE	-	-	-	-	15,361
d. Ending reserves	-	-	-	1,143,000	1,083,361

B. State the amount of the ending reserves for Bulk + IBNR included in A (Loss & LAE)

(1) Direct Basis:	\$ 1,083,361
(2) Assumed Reinsurance Basis:	0
(3) Net of Ceded Reinsurance Basis:	\$ 1,083,361

C. State the amount of ending reserves for loss adjustment expenses included in A (Case, Bulk + IBNR)

(1) Direct Basis:	\$ 1,083,361
(2) Assumed Reinsurance Basis:	0
(3) Net of Ceded Reinsurance Basis:	\$ 1,083,361

D. Environmental Reserves

The Company's exposure to environmental claims arose from the sale of commercial multiple peril and other liability policies.

The exposure to environmental claims, which may also be referred to as "pollution", "hazardous waste" or "environmental impairment liability" claims arose from facilities where hazardous substances have been deposited, stored, treated, disposed or otherwise placed. Liability may arise from owners and operators of such facilities and from generators and transporters of hazardous substances.

The Company establishes full case reserves for all reported environmental claims. Reserves for losses incurred but not reported (IBNR) include a provision for development of reserves on reported losses. The Company's IBNR reserves are established based on a review of a number of actuarial analyses including market share based estimates, average cost models, and multiplying payments by an industry average survival ratio.

1. Environmental, Direct	2011	2012	2013	2014	2015
a. Beginning reserves	1,019,681	70,000	7,845	7,845	-
b. Incurred Loss & LAE	(949,168)	(60,472)	-	(5,701)	593
c. Cal. year payments for Loss & LAE	513	1,684	-	2,144	593
d. Ending reserves	70,000	7,845	7,845	-	-

2. Environmental, Assumed Reins.	2011	2012	2013	2014	2015
a. Beginning reserves	-	-	-	-	-
b. Incurred Loss & LAE	-	-	-	-	-
c. Cal. year payments for Loss & LAE	-	-	-	-	-
d. Ending reserves	-	-	-	-	-

NOTES TO FINANCIAL STATEMENTS

3. Environmental, Net of Ceded Reins.	2011	2012	2013	2014	2015
a. Beginning reserves	-	-	-	-	-
b. Incurred Loss & LAE	-	-	-	-	-
c. Cal. year payments for Loss & LAE	-	-	-	-	-
d. Ending reserves	-	-	-	-	-

E. State the amount of the ending reserves for Bulk + IBNR included in D (Loss & 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 + IBNR)

- (1) Direct Basis: -
- (2) Assumed Reinsurance Basis: -
- (3) Net of Ceded Reinsurance Basis: -

34. Subscriber Savings Accounts

The Company is not a reciprocal insurer.

35. Multiple Peril Crop Insurance

The Company has no multiple peril crop insurance.

36. Financial Guaranty Insurance

The Company is not a financial guaranty insurer.

GENERAL INTERROGATORIES

**PART 1 - COMMON INTERROGATORIES
GENERAL**

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []
If yes, complete Schedule Y, Parts 1, 1A and 2
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] N/A []
- 1.3 State Regulating? Illinois
- 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 [] No [X]
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2013
- 3.2 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. 12/31/2013
- 3.3 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). 01/21/2015
- 3.4 By what department or departments?
Illinois Department of Insurance.
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [X] No [] N/A []
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [] N/A []
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.11 sales of new business? Yes [X] No []
4.12 renewals? Yes [X] No []
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.21 sales of new business? Yes [X] No []
4.22 renewals? Yes [X] No []
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of the 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

1 Nationality	2 Type of Entity

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY

GENERAL INTERROGATORIES

- 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 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 FDIC	6 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Kerber, Eck & Braeckel, LLP
1000 Myers Building 1 West Old State Capital Plaza
Springfield, IL 62701-1268
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [] No [X]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption:
.....
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes [] No [X]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption:
.....
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [] No [] N/A [X]
- 10.6 If the response to 10.5 is no or n/a, please explain
The Company has no audit committee and is under the control of a court appointed receiver.
11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
David M. Shepherd, FCAS, Consultant with Merlino & Associates.
3274 Medlock Bridge Road NW, Suite B, Norcross, GA 30092
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [X] No []
- 12.11 Name of real estate holding company Affirmative Real Estate Investment, LLC.
- 12.12 Number of parcels involved 1
- 12.13 Total book/adjusted carrying value \$ 6,651,077
- 12.2 If, yes provide explanation:
Prior to March 2013, the company and its subsidiary, USAgencies Casualty Insurance Company, Inc. (CIC) co-owned an investment in real estate that consisted of an ownership interest in a commercial office complex under long-term lease with a branch of the Federal government. In March 2013, the company received approval from the Illinois Department of Insurance to contribute its ownership in this real estate, at cost, to 1500 Main, LLC, an affiliate owned by Affirmative Real Estate Investment LLC, (AREI) in exchange for an interest in AREI. CIC owns the remaining interest in AREI.
- 13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
.....
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []
- 13.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []
- 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []
- 14.1 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.
- 14.11 If the response to 14.1 is No, please explain:
.....
- 14.2 Has the code of ethics for senior managers been amended? Yes [] No [X]
- 14.21 If the response to 14.2 is yes, provide information related to amendment(s).
.....
- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]
- 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).
.....

GENERAL INTERROGATORIES

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [] No [X]
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [] No [X]
17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [] No [X]
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? Yes [] No [X]

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.11 To directors or other officers.....\$
 - 20.12 To stockholders not officers.....\$
 - 20.13 Trustees, supreme or grand (Fraternal Only)\$
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers.....\$
 - 20.22 To stockholders not officers.....\$
 - 20.23 Trustees, supreme or grand (Fraternal Only)\$
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others.....\$
 - 21.22 Borrowed from others.....\$
 - 21.23 Leased from others\$
 - 21.24 Other\$
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment \$
 - 22.22 Amount paid as expenses\$
 - 22.23 Other amounts paid\$
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:\$

INVESTMENT

- 24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03)..... Yes [X] No []
- 24.02 If no, give full and complete information relating thereto
.....
- 24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
.....
- 24.04 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [] No [] N/A [X]
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs.\$
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs.\$
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [] No [] N/A [X]
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [] No [] N/A [X]
- 24.09 Does the reporting entity or the reporting entity 's securities lending agent utilize the Master Securities lending Agreement (MSLA) to conduct securities lending? Yes [] No [] N/A [X]

**ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY
GENERAL INTERROGATORIES**

24.10 For the reporting entity's security lending program state the amount of the following as December 31 of the current year:

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2\$
 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2\$
 24.103 Total payable for securities lending reported on the liability page\$

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03) Yes [X] No []

25.2 If yes, state the amount thereof at December 31 of the current year:

25.21 Subject to repurchase agreements\$
 25.22 Subject to reverse repurchase agreements\$
 25.23 Subject to dollar repurchase agreements\$
 25.24 Subject to reverse dollar repurchase agreements\$
 25.25 Placed under option agreements\$
 25.26 Letter stock or securities restricted as to sale - excluding FHLB Capital Stock\$
 25.27 FHLB Capital Stock\$
 25.28 On deposit with states\$3,912,450
 25.29 On deposit with other regulatory bodies\$
 25.30 Pledged as collateral - excluding collateral pledged to an FHLB\$5,432,982
 25.31 Pledged as collateral to FHLB - including assets backing funding agreements\$
 25.32 Other\$

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A [X]
 If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

27.2 If yes, state the amount thereof at December 31 of the current year\$

28. Excluding items in Schedule E - Part 3 - Special Deposits, 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 Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

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

1 Name of Custodian(s)	2 Custodian's Address
Comerica Bank & Trust, NA	411 W. Lafayette Blvd., Detroit, MI 48226

28.02 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)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [] No [X]

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

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

28.05 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 Number(s)	2 Name	3 Address
8174	UBS Financial Services, Inc.	299 Park Avenue, 25th Floor, New York, NY 10171
17079	Comerica Bank & Trust, NA	411 W. Lafayette Blvd., Detroit, MI 48226

**ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY
GENERAL INTERROGATORIES**

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? Yes [] No [X]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
29.2999 - Total		

29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	39,326,931	39,004,600	(322,331)
30.2 Preferred stocks			
30.3 Totals	39,326,931	39,004,600	(322,331)

30.4 Describe the sources or methods utilized in determining the fair values:
UBS unit prices were used to determine fair value, if the prices were available. For other bonds, the fair values were obtained from the SVO. .

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [X] No []

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No []

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
.....

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed? Yes [X] No []

32.2 If no, list exceptions:
.....

GENERAL INTERROGATORIES

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?\$ 212,500

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Property Casualty Insurers Association	62,464
National Insurance Crime Bureau	69,378

34.1 Amount of payments for legal expenses, if any?\$

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

1 Name	2 Amount Paid
.....

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?\$

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

1 Name	2 Amount Paid
.....

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]

1.2 If yes, indicate premium earned on U. S. business only. \$ _____

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ _____
 1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ _____

1.5 Indicate total incurred claims on all Medicare Supplement Insurance. \$ _____

1.6 Individual policies:

	Most current three years:	
1.61 Total premium earned		\$
1.62 Total incurred claims		\$
1.63 Number of covered lives .....		.....
All years prior to most current three years		
1.64 Total premium earned		\$
1.65 Total incurred claims		\$
1.66 Number of covered lives .....		.....

1.7 Group policies:

	Most current three years:	
1.71 Total premium earned		\$
1.72 Total incurred claims		\$
1.73 Number of covered lives .....		.....
All years prior to most current three years		
1.74 Total premium earned		\$
1.75 Total incurred claims		\$
1.76 Number of covered lives .....		.....

2. Health Test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator		
2.2 Premium Denominator	180,043,142	96,786,700
2.3 Premium Ratio (2.1/2.2)	0.000	0.000
2.4 Reserve Numerator		
2.5 Reserve Denominator	162,888,905	70,136,012
2.6 Reserve Ratio (2.4/2.5)	0.000	0.000

3.1 Does the reporting entity issue both participating and non-participating policies? Yes [] No [X]

3.2 If yes, state the amount of calendar year premiums written on:

3.21 Participating policies	\$
3.22 Non-participating policies	\$

4. For mutual reporting Entities and Reciprocal Exchanges Only:

4.1 Does the reporting entity issue assessable policies? Yes [] No []

4.2 Does the reporting entity issue non-assessable policies? Yes [] No []

4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? %

4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ _____

5. For Reciprocal Exchanges Only:

5.1 Does the Exchange appoint local agents? Yes [] No []

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation.....	Yes []	No []	N/A []
5.22 As a direct expense of the exchange.....	Yes []	No []	N/A []

5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [] No []

5.5 If yes, give full information

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss?
The Company has no current year direct or assumed workers' compensation premium and has no net exposure to prior year loss development.
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process.
The Company does not have any specific method of estimating probable maximum loss and we do not use consulting firms or computer models to aggregate probable maximum insurance loss. The Company is a writer of non-standard automobile business in strategically targeted states, in which we sell predominately state mandated liability limits and typically insure older, less valuable vehicles through first party coverages. The Companies uses Cat Mapping, performed by Guy Carpenter, to determine the probable maximum insurance loss from a catastrophe. The risks are comprehensive automobile policies with the majority of the exposure concentrated in Louisiana, Alabama, Texas and California. The largest exposure was in the state of Michigan where the PIP exposure is statutorily required to be unlimited. The Company purchased excess of loss reinsurance to limit our exposure to no more than \$100,000 for PIP losses per claimant. This treaty expired on a run-off basis as of July 2011. We ceased writing in Michigan and the last policy expired in January 2012.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
The Company has a catastrophe reinsurance program to protect itself from excessive losses.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [X] No []
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss.
- 7.1 Has this reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss ratio cap, an aggregate limit or any similar provisions)? Yes [X] No []
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions: 1
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [X] No []
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [] No [X]
- 8.2 If yes, give full information
.....
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [] No [X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [] No [X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
(a) The entity does not utilize reinsurance; or, Yes [] No [X]
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [] No [X]
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [] No [X]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [X] No [] N/A []

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? Yes [] No [X]
- 11.2 If yes, give full information
.....
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- 12.11 Unpaid losses\$
- 12.12 Unpaid underwriting expenses (including loss adjustment expenses)\$
- 12.2 Of the amount on Line 15.3, Page 2, state the amount which is secured by letters of credit, collateral, and other funds\$
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [] No [] N/A [X]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- 12.41 From %
- 12.42 To %
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [] No [X]
- 12.6 If yes, state the amount thereof at December 31 of the current year:
- 12.61 Letters of credit\$
- 12.62 Collateral and other funds\$
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation):\$ 100,000
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [X] No []
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount: 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [X] No []
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
The allocation of premium and losses is based on the subscribing reinsurers' participation on a treaty by treaty basis.
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [X] No []
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [] No []
- 14.5 If the answer to 14.4 is no, please explain:
.....
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [] No [X]
- 15.2 If yes, give full information
.....
- 16.1 Does the reporting entity write any warranty business? Yes [] No [X]
If yes, disclose the following information for each of the following types of warranty coverage:

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11 Home					
16.12 Products					
16.13 Automobile					
16.14 Other*					

* Disclose type of coverage:
.....

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5? Yes [] No [X]

Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F - Part 5. Provide the following information for this exemption:

17.11 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5 \$
 17.12 Unfunded portion of Interrogatory 17.11 \$
 17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11...\$
 17.14 Case reserves portion of Interrogatory 17.11 \$
 17.15 Incurred but not reported portion of Interrogatory 17.11 \$
 17.16 Unearned premium portion of Interrogatory 17.11 \$
 17.17 Contingent commission portion of Interrogatory 17.11 \$

Provide the following information for all other amounts included in Schedule F - P art 3 and excluded from Schedule F - Part 5, not included above.

17.18 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5 \$
 17.19 Unfunded portion of Interrogatory 17.18 \$
 17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18...\$
 17.21 Case reserves portion of Interrogatory 17.18 \$
 17.22 Incurred but not reported portion of Interrogatory 17.18 \$
 17.23 Unearned premium portion of Interrogatory 17.18 \$
 17.24 Contingent commission portion of Interrogatory 17.18 \$

18.1 Do you act as a custodian for health savings accounts? Yes [] No [X]

18.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$

18.3 Do you act as an administrator for health savings accounts? Yes [] No [X]

18.4 If yes, please provide the balance of funds administered as of the reporting date. \$

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY

FIVE-YEAR HISTORICAL DATA

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

	1 2015	2 2014	3 2013	4 2012	5 2011
Gross Premiums Written (Page 8, Part 1B Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	156,160,232	220,191,397	197,509,405	162,139,200	157,298,541
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	80,830,624	110,712,142	94,336,104	74,940,190	69,725,535
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6. Total (Line 35)	236,990,856	330,903,539	291,845,509	237,079,390	227,024,076
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	134,763,563	68,696,923	88,100,324	117,493,572	97,637,420
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	70,643,132	33,059,686	40,546,417	53,046,844	43,526,837
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12. Total (Line 35)	205,406,695	101,756,609	128,646,741	170,540,416	141,164,257
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(82,050,820)	(60,935,926)	(22,873,525)	(30,448,092)	(28,538,618)
14. Net investment gain or (loss) (Line 11)	378,222	391,946	1,548,009	3,799,233	12,230,318
15. Total other income (Line 15)	225,469	248,072	430,657	672,327	(519,255)
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)		(9,043,401)	(9,551,595)	(5,190,548)	(5,110,756)
18. Net income (Line 20)	(81,447,129)	(51,252,507)	(11,343,264)	(20,785,984)	(11,716,799)
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	139,980,399	188,142,900	219,203,460	203,315,962	259,955,063
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	10,229,353	23,091,983	30,013,398	27,680,246	27,705,759
20.2 Deferred and not yet due (Line 15.2)	12,345,795	27,794,177	24,014,728	22,061,768	15,069,879
20.3 Accrued retrospective premiums (Line 15.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 26)	170,349,822	163,878,043	172,912,169	155,200,526	190,823,586
22. Losses (Page 3, Line 1)	107,555,138	35,434,233	49,612,550	60,815,683	87,083,000
23. Loss adjustment expenses (Page 3, Line 3)	8,885,564	10,911,660	11,429,538	10,842,927	18,076,687
24. Unearned premiums (Page 3, Line 9)	40,547,978	15,184,425	10,214,516	47,549,366	20,744,585
25. Capital paid up (Page 3, Lines 30 & 31)	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
26. Surplus as regards policyholders (Page 3, Line 37)	(30,369,425)	24,264,857	46,291,290	48,115,435	69,131,477
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	(18,006,412)	(56,326,422)	(12,585,949)	(66,428,107)	(85,161,261)
Risk-Based Capital Analysis					
28. Total adjusted capital	(30,369,425)	24,264,857	46,291,290	48,115,435	69,131,477
29. Authorized control level risk-based capital	26,817,385	18,715,741	15,249,996	21,398,159	25,218,066
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Line divided by Page 2, Line 12, Col. 3) x100.0					
30. Bonds (Line 1)	20.3	27.2	34.4	28.4	46.4
31. Stocks (Lines 2.1 & 2.2)	32.8	41.2	26.9	27.6	24.8
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)				6.4	6.9
34. Cash, cash equivalents and short-term investments (Line 5)	41.1	25.6	35.4	26.6	12.7
35. Contract loans (Line 6)					
36. Derivatives (Line 7)					
37. Other invested assets (Line 8)	5.8	6.0	3.3	11.0	9.1
38. Receivables for securities (Line 9)					
39. Securities lending reinvested collateral assets (Line 10)					
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds (Schedule D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Schedule D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Schedule D, Summary, Line 24, Col. 1)	36,787,539	36,503,107	34,938,112	33,463,796	47,252,627
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated				13,300,000	14,500,000
48. Total of above Lines 42 to 47	36,787,539	36,503,107	34,938,112	46,763,796	61,752,627
49. Total Investment in Parent included in Lines 42 to 47 above					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	(121.1)	150.4	75.5	97.2	89.3

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2015	2 2014	3 2013	4 2012	5 2011
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)	602,933	2,021,810	1,474,316	1,071,508	(5,777,990)
52. Dividends to stockholders (Line 35)					
53. Change in surplus as regards policyholders for the year (Line 38)	(54,634,285)	(22,026,433)	(1,824,145)	(21,016,042)	(15,987,900)
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	172,745,263	171,497,198	141,869,585	136,836,236	160,887,151
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	65,913,211	70,794,139	57,282,937	33,770,676	42,761,598
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					4,041
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
59. Total (Line 35)	238,658,475	242,291,337	199,152,522	170,606,912	203,652,790
Net Losses Paid (Page 9, Part 2, Col. 4)					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	51,320,796	79,763,170	94,319,683	96,830,954	129,315,015
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	46,120,269	23,663,070	37,912,869	21,178,668	28,419,954
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
65. Total (Line 35)	97,441,065	103,426,240	132,232,552	118,009,622	157,734,969
Operating Percentages (Page 4) (Line divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	94.2	92.2	72.9	63.8	65.3
68. Loss expenses incurred (Line 3)	12.0	27.3	16.1	14.0	12.6
69. Other underwriting expenses incurred (Line 4)	39.4	43.4	24.7	43.4	38.3
70. Net underwriting gain (loss) (Line 8)	(45.6)	(63.0)	(13.8)	(21.2)	(16.2)
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	34.4	41.1	31.6	36.2	48.2
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	106.2	119.5	89.1	77.8	77.9
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	(676.4)	419.4	277.9	354.4	204.2
One Year Loss Development (000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P - Part 2 - Summary, Line 12, Col. 11)	24,091	24,506	10,876	3,345	7,263
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100.0)	99.3	52.9	22.6	4.8	9.0
Two Year Loss Development (000 omitted)					
76. Development in estimated losses and loss expenses incurred two years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	30,341	23,298	10,929	11,687	15,401
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0)	65.5	48.4	15.8	13.7	14.0

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [] No []
 If no, please explain:

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY
SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES
SCHEDULE P - PART 1 - SUMMARY

(\$000 OMITTED)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments						10 Salvage and Subrogation Received	11 Total Net Paid Cols (4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported Direct and Assumed
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments				
				4	5	6	7	8	9			
1. Prior.....	XXX	XXX	XXX	160	118	38	22	(121)	(124)	6	61	XXX
2. 2006.....	290,602	2,493	288,109	156,108	1,282	7,840	1	28,171	255	4,080	190,580	XXX
3. 2007.....	400,274	2,307	397,966	246,049	1,603	12,855		31,825	182	6,657	288,943	XXX
4. 2008.....	374,987	7,122	367,865	239,623	5,358	11,154		34,083	36	7,161	279,466	XXX
5. 2009.....	376,320	310	376,010	259,706	177	9,025		25,934	12	7,678	294,476	XXX
6. 2010.....	375,138	31,912	343,226	286,604	23,675	9,591	418	32,917	484	9,517	304,535	XXX
7. 2011.....	259,282	82,733	176,549	178,018	56,294	5,518	1,430	23,186	1,023	5,222	147,975	XXX
8. 2012.....	222,321	78,584	143,737	149,779	52,628	3,088		17,303	4	3,452	117,538	XXX
9. 2013.....	284,427	118,445	165,982	209,591	85,112	3,012		19,597	3	10,276	147,086	XXX
10. 2014.....	328,226	231,440	96,787	229,283	163,028	975		20,062	2	12,301	87,289	XXX
11. 2015.....	278,713	98,669	180,043	138,569	71,344	104		14,075	(1)	5,493	81,405	XXX
12. Totals	XXX	XXX	XXX	2,093,490	460,619	63,199	1,871	247,032	1,875	71,842	1,939,355	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13	14	15	16	17	18	19	20					
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded					
1. Prior.....	1,687	1,687	1,975	131	45	45		1,040	(43)		2,928	XXX	
2. 2006.....	34		1,013	(13)				37			1,096	XXX	
3. 2007.....	327		55					137			519	XXX	
4. 2008.....	358		11					39			408	XXX	
5. 2009.....	344		(8)	41				115			410	XXX	
6. 2010.....	672		63	44				382			1,072	XXX	
7. 2011.....	236	50	39	84				100	(69)		310	XXX	
8. 2012.....	752		584	(23)				71			1,429	XXX	
9. 2013.....	2,948		2,403	27				370	4		5,691	XXX	
10. 2014.....	9,854		10,775					1,272			21,902	XXX	
11. 2015.....	31,407		44,055					5,214			80,676	XXX	
12. Totals	48,619	1,737	60,963	290	45	45		8,778	(108)		116,441	XXX	

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26	27	28	29	30	31	32	33		35	36
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense		Losses Unpaid	Loss Expenses Unpaid
1. Prior.....	XXX	XXX	XXX	XXX	XXX	XXX			XXX	1,845	1,083
2. 2006.....	193,201	1,525	191,676	66.5	61.2	66.5				1,059	37
3. 2007.....	291,247	1,785	289,463	72.8	77.3	72.7				382	137
4. 2008.....	285,269	5,394	279,875	76.1	75.7	76.1				369	39
5. 2009.....	295,115	229	294,886	78.4	74.0	78.4				295	115
6. 2010.....	330,227	24,620	305,607	88.0	77.1	89.0				690	382
7. 2011.....	207,097	58,812	148,285	79.9	71.1	84.0				141	169
8. 2012.....	171,576	52,609	118,967	77.2	66.9	82.8				1,358	71
9. 2013.....	237,922	85,146	152,777	83.6	71.9	92.0				5,324	366
10. 2014.....	272,221	163,030	109,191	82.9	70.4	112.8				20,630	1,272
11. 2015.....	233,424	71,343	162,081	83.8	72.3	90.0				75,462	5,214
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX			XXX	107,555	8,886

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY

SCHEDULE P - PART 2 - SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1 2006	2 2007	3 2008	4 2009	5 2010	6 2011	7 2012	8 2013	9 2014	10 2015	11 One Year	12 Two Year
1. Prior.....	44,160	42,805	42,974	48,720	49,946	46,399	45,041	45,041	45,200	44,105	(1,096)	(936)
2. 2006.....	168,210	167,397	167,249	167,579	167,063	163,921	163,609	163,608	163,738	163,724	(14)	115
3. 2007.....	XXX	251,588	256,039	258,638	259,960	258,263	257,868	257,869	257,648	257,683	34	(186)
4. 2008.....	XXX	XXX	241,269	243,527	247,167	247,332	246,128	246,128	245,601	245,788	187	(340)
5. 2009.....	XXX	XXX	XXX	250,657	266,160	268,606	268,397	268,400	268,727	268,849	122	449
6. 2010.....	XXX	XXX	XXX	XXX	253,012	266,047	273,950	274,541	271,726	272,792	1,066	(1,749)
7. 2011.....	XXX	XXX	XXX	XXX	XXX	112,095	111,016	118,005	125,660	125,953	293	7,948
8. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	89,834	93,127	100,841	101,597	756	8,470
9. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	116,246	128,331	132,816	4,485	16,570
10. 2014.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	69,603	87,859	18,256	XXX
11. 2015.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	142,790	XXX	XXX
12. Totals											24,091	30,341

SCHEDULE P - PART 3 - SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1 2006	2 2007	3 2008	4 2009	5 2010	6 2011	7 2012	8 2013	9 2014	10 2015		
1. Prior.....	.000	21,865	31,811	37,105	41,085	42,106	42,219	42,403	42,203	42,260	XXX	XXX
2. 2006.....	80,505	135,606	151,736	158,271	160,976	162,232	162,458	162,552	162,630	162,664	XXX	XXX
3. 2007.....	XXX	142,329	228,593	245,577	253,785	255,542	256,268	256,820	257,134	257,300	XXX	XXX
4. 2008.....	XXX	XXX	140,856	217,839	237,343	241,556	243,205	244,267	245,216	245,420	XXX	XXX
5. 2009.....	XXX	XXX	XXX	155,890	243,521	258,782	264,363	267,150	268,069	268,554	XXX	XXX
6. 2010.....	XXX	XXX	XXX	XXX	163,528	233,545	256,412	267,139	270,655	272,102	XXX	XXX
7. 2011.....	XXX	XXX	XXX	XXX	XXX	71,429	109,998	121,666	124,825	125,812	XXX	XXX
8. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	54,855	90,461	98,009	100,239	XXX	XXX
9. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	75,661	118,576	127,491	XXX	XXX
10. 2014.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	48,497	67,230	XXX	XXX
11. 2015.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	67,329	XXX	XXX

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1 2006	2 2007	3 2008	4 2009	5 2010	6 2011	7 2012	8 2013	9 2014	10 2015
1. Prior.....	27,312	13,808	8,406	10,357	8,254	4,087	2,691	2,348	2,954	1,845
2. 2006.....	44,064	17,644	9,765	6,793	4,698	1,262	915	935	1,044	1,026
3. 2007.....	XXX	56,100	14,049	7,458	3,075	1,389	863	619	48	55
4. 2008.....	XXX	XXX	50,932	13,071	4,580	2,562	1,318	905	49	11
5. 2009.....	XXX	XXX	XXX	42,780	8,966	2,780	705	38	(33)	(49)
6. 2010.....	XXX	XXX	XXX	XXX	33,918	5,808	5,829	3,966	(117)	19
7. 2011.....	XXX	XXX	XXX	XXX	XXX	13,224	(7,920)	(5,758)	219	(45)
8. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	13,034	(1,688)	1,473	607
9. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	11,546	3,124	2,376
10. 2014.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	9,990	10,775
11. 2015.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	44,055

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Included in Column 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	L	18,235,157	20,614,748	13,104,587	14,672,245	6,156,317	1,267,775	
2. Alaska	AK	N							
3. Arizona	AZ	L	4,160	7,218			86,960	1,310	
4. Arkansas	AR	L							
5. California	CA	L	56,917,007	67,933,555	64,527,036	71,206,857	27,097,264	9,475,524	
6. Colorado	CO	N							
7. Connecticut	CT	L			70,165	29,447	(175,979)		
8. Delaware	DE	N							
9. District of Columbia	DC	N							
10. Florida	FL	L			11,312	(29,045)			
11. Georgia	GA	L	12,409	17,682	25,133	23,569	92,008	1,022	
12. Hawaii	HI	N							
13. Idaho	ID	L							
14. Illinois	IL	L	8,023,100	10,498,085	8,630,984	8,522,355	5,172,040	499,509	
15. Indiana	IN	L	3,291,905	4,566,896	4,576,047	4,946,934	2,783,849	252,733	
16. Iowa	IA	L							
17. Kansas	KS	L							
18. Kentucky	KY	L			102,605		1,973,249		
19. Louisiana	LA	L	5,108,409	8,776,512	13,273,490	13,406,206	4,092,308	248,968	
20. Maine	ME	N							
21. Maryland	MD	N							
22. Massachusetts	MA	N							
23. Michigan	MI	Q							
24. Minnesota	MN	N							
25. Mississippi	MS	L							
26. Missouri	MO	L	901,642	1,572,627	1,536,147	1,346,974	1,002,594	82,986	
27. Montana	MT	N							
28. Nebraska	NE	L							
29. Nevada	NV	L							
30. New Hampshire	NH	N							
31. New Jersey	NJ	N							
32. New Mexico	NM	L			(1,130)	(5,936)	167		
33. New York	NY	Q							
34. North Carolina	NC	L							
35. North Dakota	ND	L							
36. Ohio	OH	L					(20)		
37. Oklahoma	OK	L							
38. Oregon	OR	L							
39. Pennsylvania	PA	L							
40. Rhode Island	RI	L							
41. South Carolina	SC	L			132,442	86,859	28,717		
42. South Dakota	SD	L							
43. Tennessee	TN	L			(27,469)		6,740		
44. Texas	TX	L	73,985,500	80,258,521	60,790,012	70,755,787	31,106,654	8,584,109	
45. Utah	UT	L							
46. Vermont	VT	N							
47. Virginia	VA	L							
48. Washington	WA	L							
49. West Virginia	WV	L							
50. Wisconsin	WI	L			15,466	15,466			
51. Wyoming	WY	N							
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	N							
55. U.S. Virgin Islands	VI	N							
56. Northern Mariana Islands	MP	N							
57. Canada	CAN	N							
58. Aggregate other alien	OT	XXX							
59. Totals	(a)	35	166,479,290	194,245,845	166,766,828	184,977,717	79,422,869	20,413,936	
DETAILS OF WRITE-INS									
58001.		XXX							
58002.		XXX							
58003.		XXX							
58998. Summary of remaining write-ins for Line 58 from overflow page		XXX							
58999. Totals (Lines 58001 through 58003 plus 58998)(Line 58 above)		XXX							

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

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

The Premiums are allocated to those states where the insured risks are located.

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

**STATEMENT AS OF DECEMBER 31, 2015 OF THE AFFIRMATIVE INSURANCE COMPANY
SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART**

1. Affirmative Insurance Company was ordered into rehabilitation in Illinois on September 16, 2015.
2. Affirmative Insurance Company of Michigan, a subsidiary of the Company, was ordered into rehabilitation in Michigan on October 29, 2015.
3. Affirmative Casualty Insurance Company, a subsidiary of the Company, was ordered into rehabilitation in Louisiana on September 17, 2015.
4. Affirmative Direct Insurance Company, a down-stream subsidiary of the Company, was ordered into rehabilitation in Louisiana on September 17, 2015.
5. Affirmative Insurance Holdings, Inc., the parent of the Company, and certain of its subsidiaries filed voluntary petitions for relief under chapter 11 in the United States Bankruptcy Court for the District of Delaware on October 14, 2015.

Affirmative Insurance Group	Texas	56-2347246	3596
Affirmative Insurance Company	Illinois	34-1385465	42609
Affirmative Insurance Company of Michigan	Michigan	20-4352159	12569
Affirmative Casualty Insurance Company	Louisiana	72-1301527	10295
Affirmative Direct Insurance Company	New York	13-3571448	10413
Affirmative Real Estate Investment, LLC	Louisiana	46-2046285	
1500 Main, LLC	Louisiana	46-2035429	

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE AFFIRMATIVE INSURANCE COMPANY

OVERFLOW PAGE FOR WRITE-INS

Additional Write-ins for Assets Line 25

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
2504.				
2505.				
2506.				
2597. Summary of remaining write-ins for Line 25 from overflow page				

Additional Write-ins for Liabilities Line 25

	1 Current Year	2 Prior Year
2504. Premium Deficiency Reserve	487,159	
2505.		
2506.		
2507.		
2597. Summary of remaining write-ins for Line 25 from overflow page	487,159	

Additional Write-ins for Exhibit of Nonadmitted Assets Line 25

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
2504. Prepaid Expense	3,747		(3,747)
2597. Summary of remaining write-ins for Line 25 from overflow page	3,747		(3,747)

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