

- Exhibit 2B Surplus Study shall contain a written response to each item below in the format prescribed in Appendix B, File 4 – Exhibit 2B Description.

1. Provide a general discussion regarding the adequacy of surplus reported on Annual Statement, page 3 (Liabilities, Surplus and Other Funds), line 35, Surplus as regards policyholders, as of the last year-end.

The company historically has maintained its ratio of net written premiums to statutory surplus below the industry average. The lower the ratio, the stronger a property casualty insurer's security for policyholders its capacity to support business growth. In 2004 the parent transferred equity securities to the property casualty subsidiary. The transfer accounted for most of the reduction in the ratio in the past 3 years.

2. Identify and describe any material events or known material trends, favorable or unfavorable, in the insurer's surplus account in the past five years. This description should include any significant changes in the surplus ratios shown on Exhibit A. If a material unfavorable trend exists, indicate the courses of remedial actions already taken or that are available to the insurer and the effects or potential effects of each. Identify the materiality standard used to respond to this item and provide the basis for this standard.

The company has experienced no material events or trends with regard to surplus in the past 5 years except for a significant growth in surplus during the year 2004. The significant growth in surplus during 2004 is attributable to growth in unrealized gains as a result of the transfer of equities securities from the parent.