

THE COMMONWEALTH COURT OF PENNSYLVANIA

M. DIANE KOKEN,
Insurance Commissioner of the
Commonwealth of Pennsylvania,
in her Official Capacity as Liquidator of
Reliance Insurance Company,

Plaintiff

v.

RELIANCE INSURANCE COMPANY,

Defendant

No. 269 M.D. 2001

RECEIVED AND FILED
COMMONWEALTH COURT
OF PENNSYLVANIA

2001 JUN 19 P 3 25

**In re Southwest Airlines Company
Retrospective Premium Obligation**

M. DIANE KOKEN,
Insurance Commissioner of the
Commonwealth of Pennsylvania,
in her Official Capacity as Liquidator of
Reliance Insurance Company,

Petitioner

v.

SOUTHWEST AIRLINES COMPANY,

Respondent.

**LIQUIDATOR'S REPLY TO NEW MATTER
OF RESPONDENT SOUTHWEST AIRLINES COMPANY**

Petitioner M. Diane Koken ("Liquidator" or "Commissioner"), Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Liquidator of Reliance Insurance Company ("Reliance"), hereby responds to the New Matter of Respondent, Southwest

Airlines Company, filed in Response to the Liquidator's Petition to Declare that Premiums Owed Under Retrospectively Rated Policies Are Assets of the Reliance Estate, and to Compel Southwest to Pay Premiums, as follows:

47. This Paragraph is one of incorporation to which no answer is required. To the extent that this Paragraph is deemed to allege, by incorporation, allegations in Southwest's answers to Paragraphs 1 through 46 of the Liquidator's Petition, such allegations are denied.

48. The averment in this Paragraph is denied as a conclusion of law to which no answer is required.

49. The averment in this Paragraph is denied as a conclusion of law to which no answer is required. It is further denied that any pre- or post-liquidation conduct of the Liquidator or Reliance bars the Liquidator's claim.

50. The averment in this Paragraph is denied as a conclusion of law to which no answer is required. It is further denied that any pre- or post-liquidation conduct of the Liquidator or Reliance bars the Liquidator's claim.

51. The averment in this Paragraph is denied as a conclusion of law to which no answer is required. It is further denied that the Liquidator's construction of the Southwest policy agreements or the relevant law is an abuse of discretion.

52. The averment in this Paragraph is denied as a conclusion of law to which no answer is required. It is further denied that the Liquidator abused her discretion in calculating the retrospective premium owed to Reliance by Southwest. To the contrary, the retrospective premium amount owed to Reliance by Southwest was calculated pursuant to the retrospective premium formula set forth in the Southwest policies, and is required to be paid to the Reliance estate pursuant to 40 P.S. § 221.35.

53. The averment in this Paragraph is denied as a conclusion of law to which no answer is required. It is further denied that the Liquidator abused her discretion in failing to reduce the amount of Southwest's LOC. To the contrary, a reduction in Southwest's LOC is not appropriate because Southwest has failed to pay retrospective premium owed to Reliance.

54. Denied. To the contrary, the amount of retrospective premium due is calculated pursuant to the retrospective premium formula set forth in the Southwest policies. Southwest's incurred losses are a component of that formula, but they do not operate to reduce the amount of retrospective premium under the policies. Although prior to Reliance's Liquidation, Southwest would reimburse its TPA directly for losses paid under the policies, take a credit or setoff for the reimbursement amount paid to the TPA against the retrospective premium due to Reliance, then pay the net amount, if any, of retrospective premium due to Reliance, that setoff arrangement is expressly prohibited by 40 P.S. § 221.32 upon the Liquidation of Reliance.

55. Denied. To the contrary, at all times, Reliance and Southwest calculated the amount of applicable retrospective premium pursuant to the policy retrospective premium formula, under which Southwest's incurred losses were a component of the formula, but did not operate to reduce the applicable retrospective premium under the policies. Prior to the Liquidation of Reliance, Southwest received a credit against the applicable retrospective premium for losses and expenses it directly reimbursed to its TPA, and paid Reliance the net amount of applicable retrospective premium less that credit. A copy of the Reliance retrospective premium adjustment billing to Southwest dated October 30, 2000 is attached hereto as Exhibit A. For example, page 6 of the attached October 30, 2000 billing is the Revised 6th Retrospective Premium Adjustment for the July 1, 1993-July 1, 1994 policy period. In that adjustment, the applicable retrospective premium of \$3,615,264 is first determined and indicated

on Line 20, and then a credit of \$3,410,188 is applied on Line 21 for the losses and expenses paid directly by Southwest. *See* Exhibit A. This pre-Liquidation credit or setoff arrangement is expressly prohibited by 40 P.S. § 221.32 upon the Liquidation of Reliance.

56. Denied. To the contrary, Southwest is not entitled to a reduction in its LOC because Southwest has failed to pay retrospective premium owed to Reliance. Pursuant to the Pennsylvania Insurance Department Act, 40 P.S. § 221.1 – 221.63 (“the Act”), including, *inter alia*, Sections 221.32 and 221.35, the Liquidator is both entitled and obligated to collect the full amount of retrospective premium due from Southwest.

57. The averments in this Paragraph are denied as conclusion of laws to which no answer is required. It is further denied that Southwest has not breached any of the policy agreements or that the Liquidator cannot recover against Southwest. The Liquidator’s answers to Paragraphs 53 and 56 above are incorporated herein by reference as if set forth at length.

WHEREFORE, for the foregoing reasons, the Liquidator respectfully asks that this Court grant its Petition and enter an Order, in the form attached thereto, providing the requested relief.

BLANK ROME LLP

By:



JEROME R. RICHTER
ANN B. LAUPHEIMER
SHEILA E. BRANYAN
One Logan Square
Philadelphia, PA 19103-6998
(215) 569-5500

Attorneys for M. Diane Koken,
Insurance Commissioner of the
Commonwealth of Pennsylvania, in her
official capacity as Liquidator of
Reliance Insurance Company


Dated: January 4, 2006

VERIFICATION

I, David S. Brietling, have been retained by M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, and am responsible for the on-site insurance and financial operations of Reliance Insurance Company (in Liquidation) as Liquidation Chief Operating Officer. I am also responsible for coordinating the activities of the Pennsylvania Insurance Department's Reliance liquidation team. I am authorized by Joseph DiMemmo, Deputy Insurance Commissioner of the Pennsylvania Insurance Department, Office of Liquidations, Rehabilitations and Special Funds, to make this verification on behalf of the Liquidator of Reliance Insurance Company. I hereby verify that the facts set forth in the foregoing Reply of the Liquidator to the New Matter of Respondent Southwest Airlines Company are true and correct to the best of my knowledge, information and belief.

I understand that this Verification is made subject to the penalties of 18 P.S. § 4904 relating to unsworn falsification to authorities.

Date: December 29, 2005



David S. Brietling
Liquidation Chief Operating Officer

Exhibit A



Reliance National
A Reliance Group Holdings Company

October 30, 2000

Ms. Bonnie Brunskill
Willis Corroon Aerospace
One River Way
Suite 900
Houston, TX 77056

ACCOUNT: Southwest Airlines
POLICY YR: 7/1/92 - 7/1/93
7/1/93 - 7/1/94
7/1/94 - 7/1/95
7/1/95 - 7/1/96
7/1/96 - 7/1/97
7/1/97 - 12/31/97
12/31/97 - 12/31/98

GROSS DUE: \$1,238,845.00
COMMISSION DUE (PRODUCER) OR RN: \$0.00
GRAND TOTAL: \$1,238,845.00

This bill cancels and supercedes bill dated 8/23/00

Dear Ms. Brunskill:

Enclosed please find the billing for the retro adjustment(s), along with supporting documentation for the above captioned account.

Payment is due and payable in our office as indicated on the attached bill.

Please send remittances to the following:

Via Check:
Casualty Risk Services
c/o Reliance National
P.O. Box 96876
Chicago, Illinois 60693

Via Wire:
The Chase Manhattan Bank
Funds Transfer Services
4 New York Plaza, 15th Fl.
New York, New York 10004

ABA # 021-000-021
For Credit to: Reliance National
A/C # 144-0-68776
Reference: Policy #, Insured Name, CRS Contact
Fax Notification: Jayne Strombosky
Fax # (212) 858-9886

If you have any questions regarding the retro adjustment, please contact me at (212) 858 - 9658.
If you have any billing inquiries, please contact Cecilia Herrera at (212) 858 - 8780.

Sincerely,

Joseph Zavaglia
Retro Analyst

cc: Rich Lipp
Cecilia Herrera
Lidia Feliciano

Reliance National - Casualty Risk Services

Account Southwest Airlines
 Bill RET1636

<u>Effective Date</u> <u>Policy</u>	<u>LOB</u>	<u>Description</u>	<u>Gross Due</u>	<u>Commission</u>	<u>Net</u>
<u>7/1/92 - 7/1/93</u>					
NWA 0103786-00	WC	7th Retro Adjustment	\$1,214,578	\$0	\$1,214,578
Total for	<u>7/1/92 - 7/1/93</u>		\$1,214,578	\$0	\$1,214,578
<u>7/1/93 - 7/1/94</u>					
NWA 0103787-01	WC	Revised 6th Retro Adjustment	\$205,076	\$0	\$205,076
Total for	<u>7/1/93 - 7/1/94</u>		\$205,076	\$0	\$205,076
<u>7/1/94 - 7/1/95</u>					
NWA 0103787-02	WC	Revised 5th Retro Adjustment	\$400,513	\$0	\$400,513
Total for	<u>7/1/94 - 7/1/95</u>		\$400,513	\$0	\$400,513
<u>7/1/95 - 7/1/96</u>					
NWA 0103787-03	WC	Revised 4th Retro Adjustment	\$435,445	\$0	\$435,445
NWA 0103788-03	WC	Deductible Premium Adj.	\$49,212	\$0	\$49,212
Total for	<u>7/1/95 - 7/1/96</u>		\$484,657	\$0	\$484,657
<u>7/1/96 - 7/1/97</u>					
NWA 0103787-04	WC	3rd Retro Adjustment	(\$40,506)	\$0	(\$40,506)
NWA 0103788-04	WC	Deductible Premium Adj.	(\$2,878)	\$0	(\$2,878)
Total for	<u>7/1/96 - 7/1/97</u>		(\$43,384)	\$0	(\$43,384)
<u>7/1/97 - 12/31/97</u>					
NWA 0103787-05	WC	3rd Retro Adjustment	(\$77,282)	\$0	(\$77,282)
NWA 0103788-05	WC	Deductible Premium Adj.	\$34,474	\$0	\$34,474
Total for	<u>7/1/97 - 12/31/97</u>		(\$42,808)	\$0	(\$42,808)
<u>12/31/97 - 12/31/98</u>					
NWA 0103787-06	WC	1st Retro Adjustment	\$126,349	\$0	\$126,349
NWA 0103788-06	WC	Deductible Premium Adj.	\$108,442	\$0	\$108,442
Total for	<u>12/31/97 - 12/31/98</u>		\$234,791	\$0	\$234,791

**RELIANCE NATIONAL RISK MANAGEMENT SERVICES
RETROSPECTIVE PREMIUM ADJUSTMENT
INCURRED LOSS RETRO PROGRAM**

INSURED:	SOUTHWEST AIRLINES COMPANY
POLICY PERIOD:	07/01/92-07/01/93
ADJUSTMENT #:	7th
VALUATION DATE:	12/31/99
CALCULATION DATE:	1/14/00

I. RETRO ADJUSTMENT RECONCILIATION:

1 . MINIMUM PREMIUM FACTOR:	NONE
2 . MAXIMUM PREMIUM FACTOR:	1.7500 * 1.75 of standard, including deductible standard prem.
3 . RETRO LOSS LIMITATION:	500,000

	TOTALS	WC RETRO NWA 0103787-00 0103786-00	WC DEDUCTIBLE NWA 0103788-00
4 . LINE OF BUSINESS			
5 . STATE			
6a . POLICY SYMBOL			
6b . POLICY #			
7 W.C. PAYROLL (IF APPLICABLE)			
8 STANDARD PREMIUM	11,183,012	3,067,838	8,115,174
9a TOTAL INCURRED LOSSES	3,994,965	3,994,965	
9b LIMITED INCURRED LOSSES	3,994,965	3,994,965	
10 LOSS CONVERSION FACTOR		1.0000	
11 BASIC RATIO		INCL IN DED PREMIUM	
12 EXCESS LOSS PREMIUM FACTOR		INCL IN DED PREMIUM	
13 TAX / R.M.L. MULTIPLIER		1.0955	
14 BASIC PREMIUM	0	0	
15 EXCESS LOSS PREMIUM	0	0	
CONVERTED LOSSES (9b x 10)	3,994,965	3,994,965	
17 INDICATED RETRO PREM. (14 + 15 + 16) x (13)	4,376,484	4,376,484	
18 MINIMUM PREMIUM	0		
19 MAXIMUM PREMIUM (2 x 8)	19,570,271		
20 RETROSPECTIVE PREM. APPLICABLE	4,376,484	4,376,484	
21 PREMIUM PAID TO DATE	3,161,891	3,161,891	
22 RETRO AP OR (RP) DUE (20-21)	1,214,593	1,214,593	

PAID TO DATE	
Expenses paid thru 2nd ad,	283,800
Loss paid as of 4/30/96	2,878,091
	3,161,891

II. SURCHARGE RECONCILIATION:

23 . AUDITED SURCHARGES	28,928	5,088	23,840
24 . SURCHARGES PAID TO DATE	28,943	5,103	23,840
25 . SURCHARGE AP OR (RP) DUE (23-24)	(15)	(15)	0

III. NON-SUBJECT RECONCILIATION:

26 . AUDITED NON-SUBJECT PREMIUM	1,164,524	140	1,164,384 (FLAT)
27 . NON-SUBJECT PAID TO DATE	1,164,524	140	1,164,384
28 . NON-SUBJ. AP OR (RP) DUE (26-27)	0	0	0

IV. GRAND TOTALS:

29 . TOTAL AP OR (RP) DUE (22 + 25 + 28)	1,214,578	1,214,578	0
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RUN DATE 01-01-00
 HCB:101A-93

CLAIMS EXPERIENCE SUMMARY BY ACCOUNT - FISCAL YEAR
 ACCOUNT TOTALS

REPORT YEAR 07/01/1999 - 06/30/2000
 CURRENT PERIOD 12/01/1999 - 12/31/1999

PARENT ID 80998 SOUTHWEST AIRLINES CO.
 ACCOUNT 0809293 SOUTHWEST AIRLINES - CA ONLY

POLICY PERIOD	---NUMBER OF CLAIMS---		INDENITY	MEDICAL	INDENITY	MEDICAL	EXPENSE	TOTAL	RECOVERABLE /RECOVERED
	OPEN	CLOSED							
07-01-92	2	87	89	553,017.26	469,231.23	553,017.26	181,885.79	1,204,134.28	.00
06-30-93	0	165	165	248.69	.00	248.69	24.45	273.14	.00
	2	252	254	528,509.87	450,009.17	528,509.87	170,124.36	1,148,643.40	.00
				24,507.39	19,222.06	24,507.39	11,761.43	55,490.88	.00
ALL YEARS	2	87	89	553,017.26	469,231.23	553,017.26	181,885.79	1,204,134.28	.00
	0	165	165	248.69	.00	248.69	24.45	273.14	.00
	2	252	254	528,509.87	450,009.17	528,509.87	170,124.36	1,148,643.40	.00
				24,507.39	19,222.06	24,507.39	11,761.43	55,490.88	.00

CLAIM STATUS: C=CLOSED, O=OPEN, R=REOPENED, RC=REOPENED AND CLOSED THIS PERIOD
 OPEN CLAIMS ONLY: D=DENIED; E=LIFETIME MEDICAL; F=SETTLED; I=INVESTIGATION; L=LITIGATION; J=FRAUD POTENTIAL; N=NEH; S=SUBROGATION POTENTIAL; T=AUDI
 0809293IN SOUTHWEST AIRLINES - CA ONLY
 CLAIM TYPE: I=INDENITY, M=MEDICAL, R=RECORD ONLY

RUN DATE 01-01-00
 HCB0101A-M3

GALLES PLOJURNALU
 CLAIMS EXPERIENCE SUMMARY BY ACCOUNT - FISCAL YEAR
 ACCOUNT TOTALS

REPORT YEAR 07/01/1999 - 06/30/2000
 CURRENT PERIOD 12/01/1999 - 12/31/1999

PARENT ID 80998 SOUTHWEST AIRLINES CO.
 ACCOUNT 0709293 SOUTHWEST AIRLINES-AZ,AR,KS,MO,NH,OK ONLY

POLICY PERIOD	NUMBER OF CLAIMS		TOTAL	TOTAL INCURRED	PAID CURRENT PERIOD	TOTAL PAID TO DATE	REMAINING RESERVE	INDEMNITY	MEDICAL	EXPENSE	TOTAL	RECOVERABLE /RECOVERED
	OPEN	CLOSED										
07-01-92	9	228	237	1,000,057.40	3,874.61	801,419.14	198,638.26	1,408,393.41	1,408,393.41	382,379.87	2,790,830.68	.00
06-30-93	0	385	385	3,874.61	3,874.61	801,419.14	198,638.26	1,408,393.41	1,408,393.41	829.26	5,604.53	.00
	9	613	622							334,844.32	2,353,908.10	.00
										47,733.55	436,922.58	.00
ALL YEARS	9	228	237	1,000,057.40	3,874.61	801,419.14	198,638.26	1,408,393.41	1,408,393.41	382,379.87	2,790,830.68	.00
	0	385	385							829.26	5,604.53	.00
	9	613	622							334,844.32	2,353,908.10	.00
										47,733.55	436,922.58	.00

CLAIM STATUS: C=CLOSED, C=C=CLOSED THIS PERIOD; O=OPEN; R=REOPENED, RC=REOPENED AND CLOSED THIS PERIOD
 OPEN CLAIMS ONLY: D=DENIED; E=LIFETIME MEDICAL; F=SETTLED; I=INVESTIGATION; J=FRAUD POTENTIAL; M=HEM; S=SUBROGATION POTENTIAL; T=AUDIT
 0709293IN SOUTHWEST AIRLINES-AZ,AR,KS,MO,NH,OK ONLY CLAIM TYPE: I=INDEMNITY, M=MEDICAL, R=RECORD ONLY

**RELIANCE NATIONAL CASUALTY RISK SERVICES
RETROSPECTIVE PREMIUM ADJUSTMENT
INCURRED LOSS RETRO PROGRAM**

INSURED: SOUTHWEST AIRLINES COMPANY
POLICY PERIOD: 07/01/93-07/01/94
ADJUSTMENT #: Revised 6th
VALUATION DATE: 12/31/99
CALCULATION DATE: 8/23/00

I. RETRO ADJUSTMENT RECONCILIATION:

1 . MINIMUM PREMIUM FACTOR: None
2 . MAXIMUM PREMIUM FACTOR: 1.750
3 . RETRO LOSS LIMITATION: 500,000

4 . LINE OF BUSINESS		WC	WC
5 . STATE	TOTALS	Retro	Ded
6a . POLICY SYMBOL		NWA	NWA
6b . POLICY #		0103787-01	0103788-01
		0103786-01	

7 . W.C. PAYROLL (IF APPLICABLE)			
8 . STANDARD PREMIUM	11,171,943	4,171,547	
9a . TOTAL INCURRED LOSSES	3,300,104	3,300,104	
9b . LIMITED INCURRED LOSSES	3,300,104	3,300,104	
10 . LOSS CONVERSION FACTOR		1.0000	
11 . BASIC RATIO		Incl. In DED Premium	
12 . EXCESS LOSS PREMIUM FACTOR		Incl. In DED Premium	
13 . TAX / R.M.L. MULTIPLIER		1.0955	
14 . BASIC PREMIUM (8 x 11)	0	0	
15 . EXCESS LOSS PREMIUM (8 x 12)	0	0	
16 . CONVERTED LOSSES (9b x 10)	3,300,104	3,300,104	
17 . INDICATED RETRO PREM. (14+15+16) x (13)	3,615,264	3,615,264	
18 . MINIMUM PREMIUM (1 x 8)	0		
19 . MAXIMUM PREMIUM (2 x 8)	19,550,900		
20 . RETROSPECTIVE PREM. APPLICABLE	3,615,264	3,615,264	
21 . RETRO PREMIUM PAID TO DATE	3,410,188	3,410,188	→
22 . RETRO AP OR (RP) DUE (20-21)	205,076	205,076	

Paid to Date	
Expenses paid thru 5th Adj	287,720
Losses paid as of 4/30/00	3,122,468
	3,410,188

II. SURCHARGE RECONCILIATION:

23 . AUDITED SURCHARGES	27,538	9,843	17,695
24 . SURCHARGES PAID TO DATE	27,538	9,843	17,695
25 . SURCHARGE AP OR (RP) DUE (23-24)	0	0	0

III. NON-SUBJECT RECONCILIATION:

26 . AUDITED NON-SUBJECT PREMIUM	1,215,021	140	1,214,881
27 . NON-SUBJECT PAID TO DATE	1,215,021	140	1,214,881
28 . NON-SUBJ. AP OR (RP) DUE (26-27)	0	0	0

IV. GRAND TOTALS:

29 . TOTAL AP OR (RP) DUE (22+25+28)	205,076	205,076	0
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GAIES PLANNING
 CLAIMS EXPERIENCE SUMMARY BY ACCOUNT - FISCAL YEAR
 ACCOUNT TOTALS

RUN DATE 01-01-00
 MCR0101-W3

PARENT ID 80998 SOUTHWEST AIRLINES CO.
 ACCOUNT 0609394 SOUTHWEST AIRLINES - AZ, MO & OK ONLY

REPORT YEAR 07/01/1999 - 06/30/2000
 CURRENT PERIOD 12/01/1999 - 12/31/1999

POLICY PERIOD	NUMBER OF CLAIMS		TOTAL	TOTAL INCURRED PAID CURRENT PERIOD	TOTAL PAID TO DATE REMAINING RESERVE	INDERMITY	MEDICAL	EXPENSE	TOTAL	RECOVERABLE /RECOVERED
	OPEN	CLOSED								
07-01-93	5	254	259	818,771.59	907,137.67	327,452.29	2,053,361.55	895.52-		
06-30-94	0	305	305	2,954.06	370.80	900.14	4,225.00	.00		
	5	559	564	648,964.63	885,375.57	315,614.87	1,849,955.07	895.52-		
				169,806.96	21,762.10	11,837.42	203,406.48	.00		
ALL YEARS	5	254	259	818,771.59	907,137.67	327,452.29	2,053,361.55	895.52-		
	0	305	305	2,954.06	370.80	900.14	4,225.00	.00		
	5	559	564	648,964.63	885,375.57	315,614.87	1,849,955.07	895.52-		
				169,806.96	21,762.10	11,837.42	203,406.48	.00		

CLAIM STATUS: C=CLOSED, O=CLOSED THIS PERIOD; R=REOPENED, RC=REOPENED AND CLOSED THIS PERIOD
 OPEN CLAIMS ONLY: D=DERIVED; E=LIFETIME MEDICAL; F=SETTLED; I=INVESTIGATION; L=LITIGATION; J=FRAUD POTENTIAL; M=MEM; S=SUBROGATION POTENTIAL; T=AUDIT
 0609394IN SOUTHWEST AIRLINES - AZ, MO & OK ONLY
 CLAIM TYPE: I=INDERMITY, M=MEDICAL, R=RECORD ONLY

RUN-DATE 01-01-00
 WCB0101A-03

CLAIMS EXPERIENCE SUMMARY BY ACCOUNT - FISCAL YEAR
 ACCOUNT TOTALS

REPORT YEAR 07/01/1999 - 06/30/2000
 CURRENT PERIOD 12/01/1999 - 12/31/1999

PARENT ID 80998 SOUTHWEST AIRLINES CO.
 ACCOUNT 0809394 SOUTHWEST AIRLINES - CA ONLY

POLICY PERIOD	NUMBER OF CLAIMS		TOTAL	TOTAL INCURRED	PAID CURRENT PERIOD	TOTAL PAID TO DATE	REMAINING RESERVE	INDemnITY	MEDICAL	EXPENSE	TOTAL	RECOVERABLE /RECOVERED
	OPEN	CLOSED										
07-01-93	3	169	172	538,928.08	.00	528,200.28	10,727.80	482,612.81	153.00	226,096.79	1,247,637.68	.00
06-30-94	0	195	195	.00	528,200.28	14,775.42		467,837.39	14,775.42	220,136.93	1,216,174.60	.00
TOTAL	3	324	327	538,928.08	.00	528,200.28	10,727.80	482,612.81	153.00	226,096.79	1,247,637.68	.00
ALL YEARS	3	169	172	538,928.08	.00	528,200.28	10,727.80	467,837.39	14,775.42	220,136.93	1,216,174.60	.00
TOTAL	3	324	327	538,928.08	.00	528,200.28	10,727.80	467,837.39	14,775.42	5,959.86	31,463.08	.00

CLAIM STATUS: C=CLOSED, C=CLOSED THIS PERIOD; O=OPEN; R=REOPENED, RC=REOPENED AND CLOSED THIS PERIOD
 OPEN CLAIMS ONLY: D=DENIED; E=LIFETIME MEDICAL; F=SETTLED; I=INVESTIGATION; L=LITIGATION; J= FRAUD POTENTIAL; N=NEK; S=SUBROGATION POTENTIAL; T=AUDIT
 0809394IN SOUTHWEST AIRLINES - CA ONLY
 CLAIM TYPE: I=INDemnITY, M=MEDICAL, R=RECORD ONLY

**RELIANCE NATIONAL RISK MANAGEMENT SERVICES
RETROSPECTIVE PREMIUM ADJUSTMENT
AND DEDUCTIBLE PREMIUM RECONCILIATION
INCURRED LOSS RETRO PROGRAM**

INSURED:	SOUTHWEST AIRLINES COMPANY
POLICY PERIOD:	07/01/94-07/01/95
ADJUSTMENT #:	Revised 5th
VALUATION DATE:	12/31/99
CALCULATION DATE:	8/23/00

I. RETRO ADJUSTMENT RECONCILIATION:

1. MINIMUM PREMIUM FACTOR:	NONE	
2. MAXIMUM LOSS PROVISION:	\$24,961,000	(Subject to upward adjustment based on 10% increase in payroll of \$45,000,000. Rate of 4.58 per \$100 of payroll.)
3. RETRO LOSS LIMITATION:	Ground Exposure \$500,000	Air Exposure \$1,000,000

	TOTALS	Retro		Deductible	
		WC	A/S	WC	A/S
4. LINE OF BUSINESS					
5. STATE					
6a. POLICY SYMBOL					
6b. POLICY #		0103787-02		0103788-02	
		0103786-02			
7. AUDITED PAYROLL	542,558,556	197,070,534			
8. STANDARD PREMIUM	4,096,708	4,096,708			
9a. TOTAL INCURRED LOSSES	4,696,290	4,696,290			
9b. LIMITED INCURRED LOSSES	4,696,290	4,696,290			
10. LOSS CONVERSION FACTOR		1.0000			
11. BASIC RATIO (PER \$100 PAYROLL)		INCL IN DED PREMIUM			
12. E.L.P. FACTOR (PER \$100 PAYROLL)		INCL IN DED PREMIUM			
13. TAX / R.M.L. MULTIPLIER		1.0955			
14. BASIC PREMIUM	0	0			
15. EXCESS LOSS PREMIUM	0	0			
16. CONVERTED LOSSES (9b x 10)	4,696,290	4,696,290			
17. INDICATED RETRO PREM. (14 + 15 + 16) x (13)	5,144,786	5,144,786			
18. MINIMUM PREMIUM	NONE				
19. MAXIMUM PREMIUM (see above)	24,961,000				
20. RETROSPECTIVE PREM. APPLICABLE	5,144,786	5,144,786			
Retro Premium Paid to Date	4,744,273	4,744,273			
24. RETRO EXPENSE AP OR (RP) (22-23)	400,513	400,513			

Paid to Date	
Expenses paid through 4/	317,085
Losses paid as of 4/30/00	4,427,188
	4,744,273

II. SURCHARGE RECONCILIATION:

25. AUDITED SURCHARGES	160,397	4,318	156,079
26. SURCHARGES PAID TO DATE	160,397	4,318	156,079
27. SURCHARGE AP OR (RP) DUE (26-26)	0	0	0

III. NON-SUBJECT RECONCILIATION:

28. AUDITED NON-SUBJECT PREMIUM	1,293,640	140	1,293,500
29. NON-SUBJECT PAID TO DATE	1,293,640	140	1,293,500
30. NON-SUBJ. AP OR (RP) DUE (28-29)	0	0	0

IV. GRAND TOTALS:			
31. TOTAL AP OR (RP) DUE (24 + 27 + 30)	400,513	400,513	0

RUN DATE 01-01-00
 WCB0101A-H3

CLAIMS EXPERIENCE SUMMARY BY ACCOUNT - FISCAL YEAR
 ACCOUNT TOTALS

PARENT ID 80998 SOUTHWEST AIRLINES CO.
 ACCOUNT 070995 SOUTHWEST AIRLINES - AZ,MO,OK,ID & OR ONLY

REPORT YEAR 07/01/1999 - 06/30/2000
 CURRENT PERIOD 12/01/1999 - 12/31/1999

POLICY PERIOD	NUMBER OF CLAIMS		INDENITY	MEDICAL	EXPENSE	TOTAL	RECOVERABLE /RECOVERED
	OPEN	CLOSED					
07-01-94	7	321	838,123.13	1,173,919.25	302,867.03	2,314,909.51	6,770.98
06-30-95	1	311	1,288.84	776.16	172.86	2,237.86	.00
	8	632	716,520.23	1,139,188.89	288,361.66	2,144,070.78	6,770.98
			121,602.90	34,730.46	14,505.37	170,838.73	.00
ALL YEARS	7	321	838,123.13	1,173,919.25	302,867.03	2,314,909.51	6,770.98
	1	311	1,288.84	776.16	172.86	2,237.86	.00
	8	632	716,520.23	1,139,188.89	288,361.66	2,144,070.78	6,770.98
			121,602.90	34,730.46	14,505.37	170,838.73	.00

TOTAL INCURRED
 PAID CURRENT PERIOD
 TOTAL PAID TO DATE
 REMAINING RESERVE

CLAIM STATUS: C=CLOSED, O=OPEN, R=REOPENED, RC=REOPENED AND CLOSED THIS PERIOD
 OPEN CLAIMS ONLY: D=DENIED; E=LIFETIME MEDICAL; F=SETTLED; I=INVESTIGATION; J=FRAUD POTENTIAL; M=MEM; S=SUBROGATION POTENTIAL; T=AUDIT
 070995 SW AIRLINES - AZ,MO,OK, ID & OR ONLY CLAIM TYPE: I=INDENITY, M=MEDICAL, R=RECORD ONLY

RUN DATE 01-01-00
 'MCBC101A-H3

PARENT ID 80998 SOUTHWEST AIRLINES CO.
 ACCOUNT 0809495 SOUTHWEST AIRLINES - CA ONLY

CLAIMS EXPERIENCE SUMMARY BY ACCOUNT - FISCAL YEAR
 ACCOUNT TOTALS

REPORT YEAR 07/01/1999 - 06/30/2000
 CURRENT PERIOD 12/01/1999 - 12/31/1999

POLICY PERIOD	NUMBER OF CLAIMS		TOTAL	TOTAL INCURRED	PAID CURRENT PERIOD	TOTAL PAID TO DATE	REMAINING RESERVE	INDENITY	MEDICAL	EXPENSE	TOTAL	RECOVERABLE /RECOVERED
	OPEN	CLOSED										
07-01-94	8	247	255	1,127,502.95	1,816.03	1,075,266.41	54,649.15	900,475.91	340,172.16	2,388,151.02	.00	
06-30-95	0	226	226	11,932.90	845,806.76	54,649.15	900,475.91	1,816.03	867.24	14,616.17	.00	
ALL YEARS	8	473	481	1,075,266.41	845,806.76	54,649.15	900,475.91	1,816.03	341,683.66	2,262,756.83	.00	
	8	473	481	52,236.54	18,488.50	125,394.19	900,475.91	1,816.03	18,488.50	125,394.19	.00	

CLAIM STATUS: C-CLOSED, O-CLOSED THIS PERIOD; O-OPEN; R-REOPENED, RC-REOPENED AND CLOSED THIS PERIOD
 OPEN CLAIMS ONLY: D-DENIED; E-LIFETIME MEDICAL; F-SETTLED; I-INVESTIGATION; L-LITIGATION; J-FRAUD POTENTIAL; M-REM; S-SUBROGATION POTENTIAL; T-AUDIT
 CLAIM TYPE: I-INDENITY, M-MEDICAL, R-RECORD ONLY

**RELIANCE NATIONAL CASUALTY RISK SERVICES
RETROSPECTIVE PREMIUM ADJUSTMENT
INCURRED LOSS RETRO PROGRAM**

INSURED: Southwest Airlines
POLICY PERIOD: 7/1/95 - 7/1/96
ADJUSTMENT #: Revised Audit/1st - 4th
VALUATION DATE: 12/31/99
CALCULATION DATE: 8/23/00

I. RETRO ADJUSTMENT RECONCILIATION:

1 . MINIMUM PREMIUM FACTOR: (Basic x Tax Multiplier) + Texas Tax Multiplier
 2 . MAXIMUM PREMIUM FACTOR: Aggregate
 3 . RETRO LOSS LIMITATION: 500,000

	TOTALS	WC A/O NWA	WC CA NWA	WC TX NWA
4 . LINE OF BUSINESS				
5 . STATE				
6a . POLICY SYMBOL				
6b . POLICY #		0103787	0103786	0123293
7 . W.C. PAYROLL (IF APPLICABLE)				
8 . STANDARD PREMIUM	16,651,050	6,340,350	2,598,949	7,711,751
9a . TOTAL INCURRED LOSSES	9,067,597	2,762,705	1,890,974	4,413,918
9b . LIMITED INCURRED LOSSES	9,067,597	2,762,705	1,890,974	4,413,918
10 . LOSS CONVERSION FACTOR		1.0000	1.0000	1.0000
11 . BASIC RATIO		0.0240	0.0240	0.0240
12 . EXCESS LOSS PREMIUM FACTOR		Included	Included	Included
13 . TAX / R.M.L. MULTIPLIER		1.0460	1.0460	1.0337
14 . BASIC PREMIUM (8 x 11)	400,000	152,311	62,433	185,256
15 . EXCESS LOSS PREMIUM (8 x 12)	0	0	0	0
16 . CONVERTED LOSSES (9b x 10)	9,067,597	2,762,705	1,890,974	4,413,918
17 . INDICATED RETRO PREM. (14 + 15 + 16) x (13)	9,846,537	3,049,107	2,043,264	4,754,166
18 . MINIMUM PREMIUM (1 x 8) (See Above)				
19 . MAXIMUM PREMIUM (2 x 8) (See Above)				
20 . RETROSPECTIVE PREM. APPLICABLE	9,846,537	3,049,107	2,043,264	4,754,166
23 . RETRO PREMIUM PAID TO DATE	9,406,397	2,560,634	1,697,663	5,148,100
24 . RETRO EXPENSE AP OR (RP) [22-23]	440,140	488,473	345,601	(393,934)

Paid to Date	
Expenses Paid Thru 3rd Adj	814,736
Losses paid as of 4/30/00	8,591,661
	9,406,397

II. SURCHARGE RECONCILIATION:

		NWA 0103788	NWC 0113980
25 . AUDITED SURCHARGES	54,980	4,302	6,158
26 . SURCHARGES PAID TO DATE	60,079	4,438	6,164
27 . SURCHARGE AP OR (RP) DUE [25-26]	(5,099)	(136)	(6)

III. NON-SUBJECT RECONCILIATION:

		NWA 0103788	NWC 0113980
28 . AUDITED NON-SUBJECT PREMIUM	1,060,457	150	0
29 . NON-SUBJECT PAID TO DATE	1,010,841	150	0
30 . NON-SUBJ. AP OR (RP) DUE [28-29]	49,616	0	0

IV. GRAND TOTALS:

31 . TOTAL AP OR (RP) DUE [24 + 27 + 30]	484,657	488,337	345,595	(398,487)	49,212	0
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RUN DATE 01-01-00
MCBC401A-H3

PARENT ID 80998 SOUTHWEST AIRLINES CO.
ACCOUNT 0709596 SOUTHWEST AIRLINES - TX ONLY

CLAIMS EXPERIENCE SUMMARY BY ACCOUNT - FISCAL YEAR
ACCOUNT TOTALS

REPORT YEAR 07/01/1999 - 06/30/2000
CURRENT PERIOD 12/01/1999 - 12/31/1999

Texas Only

POLICY PERIOD	NUMBER OF CLAIMS		TOTAL	TOTAL INCURRED	PAID CURRENT PERIOD	TOTAL PAID TO DATE	REMAINING RESERVE	INDENITY	MEDICAL	EXPENSE	TOTAL	RECOVERABLE /RECOVERED
	OPEN	CLOSED										
07-01-95	5	429	434	1,905,384.63	2,417,264.52	1,905,384.63	2,417,264.52	2,417,264.52	2,417,264.52	91,269.09	4,413,918.24	.00
06-30-96	0	419	419	2,671.20	2,066.34	1,864,174.98	2,369,198.22	2,671.20	2,066.34	301.14	5,038.68	.00
	5	848	853	1,905,384.63	2,417,264.52	1,864,174.98	2,369,198.22	41,209.65	48,066.30	8,665.47	97,941.42	.00
ALL YEARS	5	429	434	1,905,384.63	2,417,264.52	1,864,174.98	2,369,198.22	41,209.65	48,066.30	91,269.09	4,413,918.24	.00
	0	419	419	2,671.20	2,066.34	1,864,174.98	2,369,198.22	2,671.20	2,066.34	301.14	5,038.68	.00
	5	848	853	1,905,384.63	2,417,264.52	1,864,174.98	2,369,198.22	41,209.65	48,066.30	8,665.47	97,941.42	.00

CLAIM STATUS: C=CLOSED, O=OPEN, R=REOPENED, RC=REOPENED AND CLOSED THIS PERIOD
 OPEN CLAIMS ONLY: D=DERIVED; E=LIFETIME MEDICAL; F=SETTLED; I=INVESTIGATION; J=FRAUD POTENTIAL; M=MEM; S=SUBROGATION POTENTIAL; T=AUDIT
 0709596 IN SOUTHWEST AIRLINES - TX ONLY
 CLAIM TYPE: I=INDENITY, M=MEDICAL, R=RECORD ONLY

RUN DATE 01-01-00
 MCB0101A-43

GATES WOODMALL
 CLAIMS EXPERIENCE SUMMARY BY ACCOUNT - FISCAL YEAR
 ACCOUNT TOTALS

REPORT YEAR 07/01/1999 - 06/30/2000
 CURRENT PERIOD 12/01/1999 - 12/31/1999

PARENT ID 80998 SOUTHWEST AIRLINES CO.
 ACCOUNT 0719996 SOUTHWEST AIRLINES - AZ, ID, IL, OK & OR ONLY

POLICY PERIOD	NUMBER OF CLAIMS		TOTAL	TOTAL INCURRED	INDENITY	MEDICAL	EXPENSE	TOTAL	RECOVERABLE /RECOVERED
	OPEN	CLOSED							
07-01-95	15	388	403	1,180,817.11	1,271,630.54	315,257.68	2,767,705.33	5,000.00	
06-30-96	0	371	371	1,311.80	498.85	411.95	1,224.90	5,000.00	
	15	759	774	1,041,639.61	1,212,660.38	297,261.85	2,951,557.84	5,000.00	
				139,181.50	58,970.16	17,995.83	216,147.49		
ALL YEARS	15	388	403	1,180,817.11	1,271,630.54	315,257.68	2,767,705.33	5,000.00	
	0	371	371	1,311.80	498.85	411.95	1,224.90	5,000.00	
	15	759	774	1,041,639.61	1,212,660.38	297,261.85	2,951,557.84	5,000.00	
				139,181.50	58,970.16	17,995.83	216,147.49		

CLAIM STATUS: C-CLOSED, O-CLOSED THIS PERIOD; O-OPEN; R-REOPENED, RC-REOPENED AND CLOSED THIS PERIOD
 OPEN CLAIMS ONLY: D-DENIED; E-LIFETIME MEDICAL; F-SETTLED; I-INVESTIGATION; L-LITIGATION; J-FRAUD POTENTIAL; M-MEM; S-SUBROGATION POTENTIAL; T-AUDIT
 0719996IN SOUTHWEST AIRLINES - AZ, ID, IL, OK & OR ONLY
 CLAIM TYPE: I-INDENITY, M-MEDICAL, R-RECORD ONLY

RUN DATE 01-01-00
 WCB0101A-N3

GATES McDONALD
 CLAIMS EXPERIENCE SUMMARY BY ACCOUNT - FISCAL YEAR
 ACCOUNT TOTALS

REPORT YEAR 07/01/1999 - 06/30/2000
 CURRENT PERIOD 12/01/1999 - 12/31/1999

PARENT ID 80998 SOUTHWEST AIRLINES CO.
 ACCOUNT 0809996 SOUTHWEST AIRLINES - CA ONLY

POLICY PERIOD	---NUMBER OF CLAIMS---		TOTAL	TOTAL INCURRED	INDENITY	MEDICAL	EXPENSE	TOTAL	RECOVERABLE /RECOVERED
	OPEN	CLOSED							
07-01-95	19	266	285	937,717.62	744,075.93	213,448.96	1,895,262.51	4,289.25	
06-30-96	0	271	271	15,786.64	276.89	605.78	16,669.31	.00	
	19	537	556	820,124.79	651,521.76	178,483.05	1,650,129.60	4,289.25	
				117,592.83	92,554.17	34,985.91	245,132.91	.00	
ALL YEARS	19	266	285	937,717.62	744,075.93	213,448.96	1,895,262.51	4,289.25	
	0	271	271	15,786.64	276.89	605.78	16,669.31	.00	
	19	537	556	820,124.79	651,521.76	178,483.05	1,650,129.60	4,289.25	
				117,592.83	92,554.17	34,985.91	245,132.91	.00	

CLAIM STATUS: C=CLOSED, O=CLOSED THIS PERIOD; O=OPEN; R=REOPENED, RC=REOPENED AND CLOSED THIS PERIOD
 OPEN CLAIMS ONLY: D=DENIED; E=LIFETIME MEDICAL; F=SETTLED; I=INVESTIGATION; L=LITIGATION; J=FRAUD POTENTIAL; M=MEM; S-SUBROGATION POTENTIAL; T=AUDIT
 0809996IN-SOUTHWEST AIRLINES - CA ONLY
 CLAIM TYPE: I=INDENITY, M=MEDICAL, R=RECORD ONLY

**BELANCE NATIONAL CASUALTY RISK SERVICES
RETROSPECTIVE PREMIUM ADJUSTMENT
PAID LOSS RETRO PROGRAM**

(Converts to an Incurred Loss Retro Program at the 4th Adjustment)

INSURED: Southwest Airlines

POLICY PERIOD: 7/1/96 - 12/31/97

ADJUSTMENT #: AUDIT#1 - 3rd

VALUATION DATE: 12/31/99 / 6/30/99 - For Extension

CALCULATION DATE: 1/14/00

(Basic x Tax Multiplier + Texas Tax
See Aggregate
500,000)

L. RETRO ADJUSTMENT RECONCILIATION:

1	MINIMUM PREMIUM FACTOR:				
2	MAXIMUM PREMIUM FACTOR:				
3	RETRO LOSS LIMITATION:				
4	LINE OF BUSINESS:				
5	STATE:	WC	WC	WC	WC
	POLICY PERIOD:	AZ OR	AZ OR	AZ OR	TX
6A	POLICY SYMBOL:	7/1/96 - 7/1/97	7/1/96 - 7/1/97	7/1/97 - 12/31/97	7/1/97 - 12/31/97
6B	POLICY I:	NWA	NWA	NWA	NWA
		0103787	0103787	0103787	0103787
7	W.C. PAYROLL (IF APPLICABLE):	N/A	N/A	N/A	N/A
8	STANDARD PREMIUM (IF APPLICABLE):	1,746,473	6,440,484	3,097,255	3,097,255
9	TOTAL INCURRED LOSSES:	1,746,473	6,440,484	3,097,255	3,097,255
10	LIMITED INCURRED LOSSES:	1,000	1,000	1,000	1,000
11	LOSS CONVERSION FACTOR:	Flat	Flat	Flat	Flat
12	BASK RATIO:	Included	Included	Included	Included
13	EXCESS LOSS PREMIUM FACTOR:	1.0610	1.0337	1.0680	1.0202
14	TAX / R.M.L. MULTIPLIER:	85,527	314,673	52,127	147,873
15	BASK PREMIUM (B x I):	Included	Included	Included	Included
16	EXCESS LOSS PREMIUM (B x I):	1,746,473	6,440,484	1,091,891	3,097,255
17	CONVERTED LOSSES (I x I):	1,943,476	6,982,806	1,271,747	3,310,680
18	INDICATED RETRO PREM. (I4 + I5 + I6 + I7):	1,943,476	6,982,806	1,271,747	3,310,680
19	MINIMUM PREMIUM (I x B) (See Above):	1,746,473	6,440,484	1,091,891	3,097,255
20	MAXIMUM PREMIUM (I x B) (See Above):	197,063	542,322	179,916	213,425
21	RETROSPECTIVE PREM. APPLICABLE:	854,406	2,456,000	487,011	1,174,476
22	LIMITED INCURRED LOSSES (From Above):	(637,343)	542,322	(637,069)	213,425
23	TOTAL RETRO EXPENSES (20-21):	4,886	98,071	2,667	91,721
24	EXPENSES PAID TO DATE EXCL. PG. LOSSES:	5,254,600	48,200	1,915,344	26,085,163
25	RETRO EXPENSE AP OR (PP) DUE (23-24):	(558)	54,871	752	65,636
26	NON-SUBJECT RECONCILIATION:				
27	AUDITED SURCHARGES:				
28	SURCHARGES PAID TO DATE:				
29	SURCHARGE AP OR (PP) DUE (28-29):				
30	NON-SUBJECT RECONCILIATION:				
31	AUDITED NON-SUBJECT PREMIUM:				
32	NON-SUBJECT PAID TO DATE:				
33	NON-SUBJ. AP OR (PP) DUE (32-33):				

34	RETRO EXPENSE AP OR (PP) DUE (23-24):				
35	NON-SUBJECT RECONCILIATION:				
36	AUDITED SURCHARGES:				
37	SURCHARGES PAID TO DATE:				
38	SURCHARGE AP OR (PP) DUE (28-29):				
39	NON-SUBJECT RECONCILIATION:				
40	AUDITED NON-SUBJECT PREMIUM:				
41	NON-SUBJECT PAID TO DATE:				
42	NON-SUBJ. AP OR (PP) DUE (32-33):				

43	TOTAL AP OR (PP) DUE (24 + 27 + 30):	(637,343)	98,719	(358,343)	279,061
44	TOTALS:				
45	TOTAL AP OR (PP) DUE (24 + 27 + 30):				

6064.0103788 6064.0103788
7/1/96 - 7/1/97 7/1/96 - 7/1/97
7/1/97 - 12/31/97 7/1/97 - 12/31/97

** Minimum Subordinate Premium Applied

RUN DATE 01-01-00
MEMC101A-M3

CLAIMS EXPERIENCE SUMMARY BY ACCOUNT - FISCAL YEAR
ACCOUNT TOTALS

PARENT ID 80998 SOUTHWEST AIRLINES CO.
ACCOUNT 0705852 SOUTHWEST AIRLINES - AZ, OR & TX ONLY

REPORT YEAR 07/01/1999 - 06/30/2000
CURRENT PERIOD 12/01/1999 - 12/31/1999

POLICY PERIOD	---NUMBER OF CLAIMS---		TOTAL	TOTAL INCURRED	PAID CURRENT PERIOD	TOTAL PAID TO DATE	REMAINING RESERVE	INDENITY	MEDICAL	EXPENSE	TOTAL	RECOVERABLE /RECOVERED
	OPEN	CLOSED										
07-01-96	34	810	844	4,454,243.90	3,218,021.04	8,313.15	88,710.32	1,963,808.11	3,316.98	527,253.14	8,199,518.08	12,620.90
06-30-97	1	759	760	3,305,762.20	3,129,310.72	88,710.32	148,481.70	8,292.94	491,044.47	8,614.37	20,244.50	.00
	35	1569	1604							36,208.67	273,400.69	12,620.90
07-01-97	20	447	477	1,860,145.30	1,575,103.91	94,506.72	103,662.81	2,840.86	326,867.18	3,965,779.20	17,252.92	.00
06-30-98	1	369	370	1,860,145.30	14,738.51	1,580,597.19	1,860,145.30	293,044.19	2,840.86	25,872.31	3,733,788.68	17,252.92
	31	816	847					33,820.99	293,044.19	3,733,788.68	231,990.52	.00
ALL YEARS	64	1257	1321	6,418,052.01	4,893,124.95	4,709,907.91	183,217.04	6,418,052.01	854,120.32	12,165,297.28	29,873.82	.00
	2	1128	1130	11,659,906.07	23,051.64	11,659,906.07	11,659,906.07	11,459.23	784,090.66	44,116.81	11,659,906.07	29,873.82
	66	2385	2451					252,144.51	70,029.66	505,391.21		.00

CP

CLAIM STATUS: C-CLOSED, O-CLOSED THIS PERIOD; O-OPEN; R-REOPENED, RC-REOPENED AND CLOSED THIS PERIOD
OPEN CLAIMS ONLY: D-DENIED; E-LIFETIME MEDICAL; F-SETTLED; I-INVESTIGATION; L-LITIGATION; J-FRAUD POTENTIAL; M-HIGH; S-SUMMATION POTENTIAL; T-AUDIT
0705852 IN SOUTHWEST AIRLINES - AZ, OR & TX ONLY
CLAIM TYPE: I-INDENITY, M-MEDICAL, R-RECORD ONLY

#73729-SOUTHWEST AIR
 SUMMARY BY STATE FOR 7/01/96 POLICY PERIOD
 AS OF 12/31/99

STATE	POLICY #	CLM CNT	PAID LOSS	O/S RES	INCURRED
2	NWA0103787	621	\$2,239,361.24	\$251,368.60	\$2,490,729.84
3	NWA0103787	1	\$0.00	\$0.00	\$0.00
4	NWA0103787	1	\$0.00	\$0.00	\$0.00
13	NWA0103787	1	\$6,834.58	\$0.00	\$6,834.58
36	NWA0103787	9	\$30,976.49	\$0.00	\$30,976.49
38	NWA0103787	1	\$8,235.04	\$0.00	\$8,235.04
42	NWA0103787	978	\$6,319,328.76	\$121,155.72	\$6,440,484.48
	TOTAL	1612	\$8,604,736.11	\$372,524.32	\$8,977,260.43

X split

RELIANCE NATIONAL CASUALTY RISK SERVICES
RETROSPECTIVE PREMIUM ADJUSTMENT
PAID LOSS RETRO PROGRAM

(Converts to an Incurred Loss Retro Program at the 4th Adjustment)

INSURED: Southwest Airlines
POLICY PERIOD: 12/31/97 - 1/1/99
ADJUSTMENT #: Audit/1st
VALUATION DATE: 6/30/99
CALCULATION DATE: 10/30/00

I. RETRO ADJUSTMENT RECONCILIATION:

1 . MINIMUM PREMIUM FACTOR:	Basic x TM + Texas Tax				
2 . MAXIMUM PREMIUM FACTOR:	See Aggregate				
3 . RETRO LOSS LIMITATION:	1,000,000				
4 . LINE OF BUSINESS		WC	WC	WC	XS
5 . STATE	TOTALS	AZ, OR	TX	DED States	
6a . POLICY SYMBOL		NWA	NWA	NWA	NXC
6b . POLICY #		0103787	0103787	0103788	0113980
7 . W.C. PAYROLL (IF APPLICABLE)					
8 . STANDARD PREMIUM	7,778,782	1,590,975	6,187,807		
9a . TOTAL INCURRED LOSSES	8,038,677	2,332,396	5,706,281		
9b . LIMITED INCURRED LOSSES	8,038,677	2,332,396	5,706,281		
10 . LOSS CONVERSION FACTOR		1.0000	1.0000		
11 . BASIC RATIO		Flat	Flat		
12 . EXCESS LOSS PREMIUM FACTOR		Included	Included		
13 . TAX / R.M.L. MULTIPLIER		1.0570	1.0337		
14 . BASIC PREMIUM (8 x 11)	347,000	70,972	276,029		
15	0	0	0		
16	8,038,677	2,332,396	5,706,281		
	8,724,274	2,540,360	6,183,914		
	434,779				
	8,724,274	2,540,360	6,183,914		
21	8,038,677	2,332,396	5,706,281		
	685,597	207,964	477,633		
23	559,248	0	559,248		
24 . RETRO EXPENSE AP OR (RP) [22-23]	126,349	207,964	(81,615)		
<u>II. SURCHARGE RECONCILIATION:</u>					
25 . AUDITED SURCHARGES	91,987	3,016	52,596	36,375	
26 . SURCHARGES PAID TO DATE	93,365	3,016	52,596	37,253	
27 . SURCHARGE AP OR (RP) DUE [25-26]	(1,378)	0	0	(1,378)	
<u>III. NON-SUBJECT RECONCILIATION:</u>					
28 . AUDITED NON-SUBJECT PREMIUM	920,140		140	905,000	15,000
29 . NON-SUBJECT PAID TO DATE	810,320		140	795,180	15,000
30 . NON-SUBJ. AP OR (RP) DUE [28-29]	109,820		0	109,820	0
<u>IV. GRAND TOTALS:</u>					
31 . TOTAL AP OR (RP) DUE [24+27+30]	234,791	207,964	(81,615)	108,442	0

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RELIANCE NATIONAL INS. CO.
OPEN/CLOSED CLAIMS REPORT FOR: SOUTHWEST AIRLINES
VALUED AS OF 6/30/99

PAGE

EFF YR	POLICY NUMBER	EFF DT	PREMIUM STATE	INSURED NAME	LOSS PAID	EXPENSE PAID	LOSS RESERVES	EXPENSE RESERVED	TOTAL INCURRED	% OF ALL STATES INCURRED
1.997	MWA0103787	1997/07/01	ARIZONA OREGON TEXAS	SOUTHWEST AIRLINES COMPANY SOUTHWEST AIRLINES COMPANY SOUTHWEST AIRLINES COMPANY	655,340.66 51,721.41 2,397,157.58	100,689.20 4,081.64 150,113.20	228,303.08 6,893.21 501,822.10	35,107.35 2,325.32 48,182.30	1,026,440.29 87,281.30 3,097,251.18	24.50 % 1.36 % 73.94 %
				POLICY/EFF DT: MWA0103787 1997/07/01	3,114,219.65	255,654.04	734,008.41	85,204.67	4,189,086.77	
				TOTAL						
	MWA0103787	1997/12/31	ARIZONA OREGON TEXAS	SOUTHWEST AIRLINES COMPANY SOUTHWEST AIRLINES COMPANY SOUTHWEST AIRLINES COMPANY	1,184,050.28 19,937.79 3,783,122.19	162,574.24 3,094.73 152,840.53	849,499.62 13,238.61 1,592,666.75	99,804.13 1,196.39 177,651.82	2,394,928.27 17,457.52 5,766,281.29	28.35 % .47 % 70.99 %
				POLICY/EFF DT: MWA0103787 1997/12/31	6,987,110.26	110,509.50	2,464,404.98	278,652.34	8,638,677.08	
				TOTAL						
				EFF YR: 1.997	9,101,329.91	376,163.54	3,188,413.3	363,857.01	12,227,763.85	
				TOTAL						

RTP TR00965881 ZAVAGLJ 01180

CERTIFICATE OF SERVICE

I, Sheila E. Branyan, hereby certify that on January 4, 2006, a copy of the foregoing Reply of the Liquidator to the New Matter of Respondent Southwest Airlines Company was served by First-Class Mail , postage prepaid, upon the following:

Paul M. Hummer, Esquire
Saul Ewing LLP
Centre Square West
1500 Market Street, 38th Floor
Philadelphia, PA 19102
Attorneys for Respondent Southwest Airlines Company

Matthew M. Haar, Esquire
Saul Ewing LLP
Penn National Insurance Plaza
2 N. Second Street, 7th Floor
Harrisburg, PA 17101

I further certify that on or about this day, pursuant to the Court's Order of April 1, 2004, service of the foregoing Petition was made on the attached Master Service List through the transmission of a Notice of Filing and through posting of a true and correct copy in PDF file format on the Reliance Documents website (www.reliancedocuments.com).

Dated: January 4, 2006


Sheila E. Branyan