

**ANNUAL STATEMENT**

**OF THE**

**AMERICAN FIRE AND CASUALTY COMPANY**

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**of** **FAIRFIELD**

**in the state of** **OHIO**

**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2012**

**PROPERTY AND CASUALTY**

**2012**



ANNUAL STATEMENT

For the Year Ended December 31, 2012
OF THE CONDITION AND AFFAIRS OF THE

American Fire and Casualty Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) NAIC Company Code 24066 Employer's ID Number 59-0141790
Organized under the Laws of New Hampshire, State of Domicile or Port of Entry New Hampshire
Country of Domicile United States of America
Incorporated/Organized January 1, 1906 Commenced Business January 3, 1933
Statutory Home Office 62 Maple Avenue, Keene, NH, US 03431
Main Administrative Office 175 Berkeley Street, Boston, MA, US 02116
Mail Address 175 Berkeley Street, Boston, MA, US 02116
Primary Location of Books and Records 175 Berkeley Street, Boston, MA, US 02116
Internet Web Site Address www.LibertyMutualGroup.com
Statutory Statement Contact Pamela Heenan, 617-357-9500 x44689

OFFICERS

Chairman of the Board

James Paul Condrin, III

Table with 2 columns: Name, Title. Includes James Paul Condrin, III (President and Chief Executive Officer), Dexter Robert Legg (Secretary and Vice President), and Laurance Henry Soyer Yahia # (Treasurer and Vice President).

VICE-PRESIDENTS

Table with 4 columns: Name, Title, Name, Title. Lists John Derek Doyle #, Anthony Alexander Fontanes, Kathryn Mary Winn #, Michael Joseph Fallon #, and Christopher Locke Peirce # with their respective titles.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Lists Kristen Maria Bessette #, Michael Henry Hughes #, James Paul Condrin, III, Dexter Robert Legg, John Derek Doyle, Kathryn Mary Winn #, and Michael Joseph Fallon.

State of Massachusetts

County of Suffolk ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated...

Signature lines for James Paul Condrin, III, Dexter Robert Legg, and Laurance Henry Soyer Yahia #, including printed names and titles.

Subscribed and sworn to (or affirmed) before me on this 22nd day of January, 2013, by

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

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	127,462,289		127,462,289	120,609,853
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 (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 0, Schedule E - Part 1), cash equivalents (\$ 0, Schedule E - Part 2), and short-term investments (\$ 3,671,844, Schedule DA)	3,671,844		3,671,844	4,393,879
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				1,020,000
10. Securities lending reinvested collateral assets (Schedule DL)	941,261		941,261	1,530,020
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	132,075,394		132,075,394	127,553,752
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	1,060,320		1,060,320	1,108,780
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	2,219,864	312,704	1,907,160	2,404,306
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 153,368 earned but unbilled premiums)	19,259,908	15,337	19,244,571	18,092,691
15.3 Accrued retrospective premiums	454	45	409	27,706
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	10,521,910		10,521,910	9,966,619
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				
18.2 Net deferred tax asset	4,412,000	2,616,591	1,795,409	3,372,396
19. Guaranty funds receivable or on deposit	56,742		56,742	72,140
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	10,273,516		10,273,516	10,326,705
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	606,047	78,138	527,909	513,007
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	180,486,155	3,022,815	177,463,340	173,438,102
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	180,486,155	3,022,815	177,463,340	173,438,102

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Cash Surrender Value Life Insurance	363,530		363,530	354,376
2502. Equities and deposits in pools and associations	162,467		162,467	157,171
2503. Other assets	80,050	78,138	1,912	1,460
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	606,047	78,138	527,909	513,007

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	53,048,985	54,086,229
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	3,596,045	4,037,077
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	12,132,027	11,959,430
4. Commissions payable, contingent commissions and other similar charges	1,939,374	1,683,922
5. Other expenses (excluding taxes, licenses and fees)	993,452	942,855
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	421,472	445,161
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	1,391,335	147,785
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 75,017,773 and including warranty reserves of \$ 0 and accrued accident and health experience rating refunds including \$ 0 for medical loss ratio rebate per the Public Health Service Act)	31,471,563	30,234,732
10. Advance premium	235,191	206,385
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	8,425	8,279
12. Ceded reinsurance premiums payable (net of ceding commissions)	10,758,290	10,639,517
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	79,074	59,853
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 8)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	2,070,743	2,136,444
19. Payable to parent, subsidiaries and affiliates	10,976,817	9,450,797
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending	941,261	1,530,020
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	912,618	996,858
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	130,976,672	128,565,344
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	130,976,672	128,565,344
29. Aggregate write-ins for special surplus funds	105,283	611,090
30. Common capital stock	3,500,001	3,500,001
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	13,648,270	13,648,270
35. Unassigned funds (surplus)	29,233,114	27,113,397
36. Less treasury stock, at cost:		
36.1 0 shares common (value included in Line 30 \$ 0)		
36.2 0 shares preferred (value included in Line 31 \$ 0)		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	46,486,668	44,872,758
38. Totals (Page 2, Line 28, Col. 3)	177,463,340	173,438,102

DETAILS OF WRITE-IN LINES		
2501. Retroactive reinsurance reserves	496,249	532,230
2502. Other liabilities	385,984	432,308
2503. Amounts held under uninsured plans	30,385	32,320
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	912,618	996,858
2901. Special surplus from retroactive reinsurance	105,283	126,135
2902. SSAP 10R incremental change		484,955
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	105,283	611,090
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

## STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	64,418,573	62,827,443
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	34,957,990	38,870,113
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	7,984,140	7,590,028
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	21,072,912	20,255,411
5. Aggregate write-ins for underwriting deductions		(6,422)
6. Total underwriting deductions (Lines 2 through 5)	64,015,042	66,709,130
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	403,531	(3,881,687)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	4,143,470	4,199,579
10. Net realized capital gains (losses) less capital gains tax of \$ 77,241 (Exhibit of Capital Gains (Losses))	143,447	
11. Net investment gain (loss) (Lines 9 + 10)	4,286,917	4,199,579
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 983 amount charged off \$ 171,092)	(170,108)	(140,429)
13. Finance and service charges not included in premiums	550,948	530,450
14. Aggregate write-ins for miscellaneous income	(103,917)	(142,891)
15. Total other income (Lines 12 through 14)	276,923	247,130
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	4,967,371	565,022
17. Dividends to policyholders	154,485	126,170
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)	4,812,886	438,852
19. Federal and foreign income taxes incurred	1,605,759	58,000
20. Net income (Line 18 minus Line 19) (to Line 22)	3,207,127	380,852
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	44,872,758	44,355,987
22. Net income (from Line 20)	3,207,127	380,852
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0		
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	74,000	1,070,820
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(1,182,262)	(896,317)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		48,079
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		
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	(484,955)	(86,663)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	1,613,910	516,771
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	46,486,668	44,872,758

<b>DETAILS OF WRITE-IN LINES</b>		
0501. Private passenger auto escrow		(6,422)
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		(6,422)
1401. Retroactive reinsurance gain/(loss)	211,773	(12,808)
1402. Other income/(expense)	(315,690)	(130,083)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(103,917)	(142,891)
3701. SSAP 10R incremental change	(484,955)	(86,663)
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(484,955)	(86,663)

## CASH FLOW

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	65,104,275	63,375,918
2. Net investment income	4,899,957	4,793,792
3. Miscellaneous income	288,914	246,282
4. Total (Lines 1 through 3)	70,293,146	68,415,992
5. Benefit and loss related payments	37,057,255	37,130,724
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	28,602,094	27,358,379
8. Dividends paid to policyholders	154,339	123,515
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	439,450	(1,410,598)
10. Total (Lines 5 through 9)	66,253,138	63,202,020
11. Net cash from operations (Line 4 minus Line 10)	4,040,008	5,213,972
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	29,706,521	20,442,682
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	10,549,338	11,458,126
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	1,020,000	(1,020,000)
12.8 Total investment proceeds (Lines 12.1 to 12.7)	41,275,859	30,880,808
13. Cost of investments acquired (long-term only):		
13.1 Bonds	37,046,297	25,285,690
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	9,960,579	10,112,498
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	47,006,876	35,398,188
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(5,731,017)	(4,517,380)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
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)	968,974	(4,085,371)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	968,974	(4,085,371)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(722,035)	(3,388,779)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	4,393,879	7,782,658
19.2 End of year (Line 18 plus Line 19.1)	3,671,844	4,393,879

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

20.0001		
20.0002		
20.0003		

## 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	1,289,095	638,930	676,972	1,251,053
2. Allied lines	1,138,688	546,110	621,542	1,063,256
3. Farmowners multiple peril	530,268	250,926	268,713	512,481
4. Homeowners multiple peril	11,315,866	5,330,335	6,054,327	10,591,874
5. Commercial multiple peril	11,103,372	5,613,774	5,425,503	11,291,643
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	1,054,303	488,924	500,264	1,042,963
10. Financial guaranty				
11.1 Medical professional liability—occurrence	4,402	1,747	1,540	4,609
11.2 Medical professional liability—claims-made	393	275	106	562
12. Earthquake	213,810	109,197	108,615	214,392
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	4,775,626	2,061,719	1,657,336	5,180,009
17.1 Other liability—occurrence	3,197,440	1,568,201	1,547,197	3,218,444
17.2 Other liability—claims-made	136,323	61,290	57,919	139,694
17.3 Excess workers' compensation				
18.1 Products liability—occurrence	83,924	39,635	42,280	81,279
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	12,125,225	4,721,334	5,346,746	11,499,813
19.3,19.4 Commercial auto liability	4,609,304	2,368,038	2,204,948	4,772,394
21. Auto physical damage	9,616,893	3,813,272	4,305,422	9,124,743
22. Aircraft (all perils)				
23. Fidelity	36,919	31,547	30,094	38,372
24. Surety	4,271,374	2,607,688	2,493,895	4,385,167
26. Burglary and theft	1,745	840	857	1,728
27. Boiler and machinery	4,318	355	575	4,098
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	65,509,288	30,254,137	31,344,851	64,418,574

DETAILS OF WRITE-IN LINES				
3401.				
3402.				
3403.				
3498. Sum of remaining write-ins for Line 34 from overflow page				
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)				

## 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	676,972				676,972
2. Allied lines	621,541				621,541
3. Farmowners multiple peril	268,697	15			268,712
4. Homeowners multiple peril	6,054,327				6,054,327
5. Commercial multiple peril	5,461,188	170	(35,855)		5,425,503
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	500,243	21			500,264
10. Financial guaranty					
11.1 Medical professional liability—occurrence	1,540				1,540
11.2 Medical professional liability—claims-made	106				106
12. Earthquake	108,615				108,615
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	1,750,665	18	(92,893)	(454)	1,657,336
17.1 Other liability—occurrence	1,534,856	7,335	5,006		1,547,197
17.2 Other liability—claims-made	61,054	259	(3,394)		57,919
17.3 Excess workers' compensation					
18.1 Products liability—occurrence	41,399	3	878		42,280
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	5,346,746				5,346,746
19.3,19.4 Commercial auto liability	2,204,639	309			2,204,948
21. Auto physical damage	4,305,374	49			4,305,423
22. Aircraft (all perils)					
23. Fidelity	11,256	18,838			30,094
24. Surety	1,768,153	725,743			2,493,896
26. Burglary and theft	857				857
27. Boiler and machinery	575				575
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	30,718,803	752,760	(126,258)	(454)	31,344,851
36. Accrued retrospective premiums based on experience					454
37. Earned but unbilled premiums					126,259
38. Balance (Sum of Lines 35 through 37)					31,471,564

DETAILS OF WRITE-IN LINES					
3401.					
3402.					
3403.					
3498. Sum of remaining write-ins for Line 34 from overflow page					
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)					

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



## 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	473,115	1,289,095		473,115		1,289,095
2. Allied lines	447,910	1,138,688		447,910		1,138,688
3. Farmowners multiple peril		530,268				530,268
4. Homeowners multiple peril	10,098,804	11,315,866		10,098,804		11,315,866
5. Commercial multiple peril	61,558,744	11,103,372		61,558,744		11,103,372
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	512,638	1,054,303		512,638		1,054,303
10. Financial guaranty						
11.1 Medical professional liability--occurrence		4,402				4,402
11.2 Medical professional liability--claims-made		393				393
12. Earthquake	144,733	213,810		144,733		213,810
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	21,476,673	4,775,626		21,476,673		4,775,626
17.1 Other liability—occurrence	8,826,361	3,197,440		8,826,361		3,197,440
17.2 Other liability—claims-made	2,352	136,323		2,352		136,323
17.3 Excess workers' compensation						
18.1 Products liability—occurrence	1,067,421	83,924		1,067,421		83,924
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	7,749,163	12,125,225		7,749,163		12,125,225
19.3,19.4 Commercial auto liability	27,261,206	4,609,304		27,261,206		4,609,304
21. Auto physical damage	11,946,862	9,616,893		11,946,862		9,616,893
22. Aircraft (all perils)						
23. Fidelity		36,919				36,919
24. Surety	4,052,365	4,271,374		4,052,365		4,271,374
26. Burglary and theft		1,745				1,745
27. Boiler and machinery	28,747	4,318		28,747		4,318
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-nonproportional assumed property	X X X					
32. Reinsurance-nonproportional assumed liability	X X X					
33. Reinsurance-nonproportional assumed financial lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	155,647,094	65,509,288		155,647,094		65,509,288

DETAILS OF WRITE-IN LINES						
3401.						
3402.						
3403.						
3498. Sum of remaining write-ins for Line 34 from overflow page						
3499. Totals (Lines 3401 through 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 \$ 0

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 0



## 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 from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire		156,916		156,916	(1,609)	45,997	(1,609)	202,913	20,646
2. Allied lines	49,500	105,134	49,500	105,134	518	38,517	518	143,651	29,667
3. Farmowners multiple peril		86,965		86,965		7,490		94,455	33,407
4. Homeowners multiple peril	2,861,601	1,769,123	2,861,601	1,769,123	1,428,033	897,100	1,428,033	2,666,223	502,290
5. Commercial multiple peril	38,869,543	6,708,666	38,869,543	6,708,666	22,715,834	4,084,471	22,715,834	10,793,137	4,495,368
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine		63,713		63,713	4,476	(7,347)	4,476	56,366	12,784
10. Financial guaranty									
11.1 Medical professional liability—occurrence		2,572		2,572		15,297		17,869	9,208
11.2 Medical professional liability—claims-made		300		300		3,076		3,376	744
12. Earthquake					(67)	(1,249)	(67)	(1,249)	92
13. Group accident and health								(a)	(15)
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health		55,946		55,946		214,504		270,450	32,024
16. Workers' compensation	77,410,670	10,994,345	77,410,670	10,994,345	42,376,685	7,305,367	42,376,685	18,299,712	2,137,345
17.1 Other liability—occurrence	8,716,802	2,006,818	8,716,802	2,006,818	8,896,437	3,441,261	8,896,437	5,448,079	1,277,350
17.2 Other liability—claims-made		115,315		115,315		82,318		197,633	103,108
17.3 Excess workers' compensation									2
18.1 Products liability—occurrence	177,145	156,119	177,145	156,119	708,423	42,483	708,423	198,602	57,377
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	8,483,049	6,735,256	8,483,049	6,735,256	759,260	995,096	759,260	7,730,352	1,818,788
19.3,19.4 Commercial auto liability	25,433,905	3,688,208	25,433,905	3,688,208	13,511,030	2,316,821	13,511,030	6,005,029	843,561
21. Auto physical damage	754,595	151,052	754,595	151,052	162,505	139,436	162,505	290,488	146,013
22. Aircraft (all perils)		2,083		2,083		14		2,097	89
23. Fidelity		(44)		(44)		10,924		10,880	4,993
24. Surety	149,628	(530,849)	149,628	(530,849)	1,626,180	980,829	1,626,180	449,980	606,436
26. Burglary and theft						11		11	82
27. Boiler and machinery					121	133	121	133	265
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-nonproportional assumed property	X X X				X X X				
32. Reinsurance-nonproportional assumed liability	X X X				X X X	168,797		168,797	404
33. Reinsurance-nonproportional assumed financial lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	162,906,438	32,267,638	162,906,438	32,267,638	92,187,826	20,781,346	92,187,826	53,048,984	12,132,028

DETAILS OF WRITE-IN LINES									
3401.									
3402.									
3403.									
3498. Sum of remaining write-ins for Line 34 from overflow page									
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)									

(a) Including \$ 0 for present value of life indemnity claims.

## 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	14,824,750			14,824,750
1.2 Reinsurance assumed	3,086,176			3,086,176
1.3 Reinsurance ceded	14,824,750			14,824,750
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	3,086,176			3,086,176
2. Commission and brokerage:				
2.1 Direct, excluding contingent		21,541,346		21,541,346
2.2 Reinsurance assumed, excluding contingent		9,771,672		9,771,672
2.3 Reinsurance ceded, excluding contingent		21,541,346		21,541,346
2.4 Contingent—direct		48,044		48,044
2.5 Contingent—reinsurance assumed		1,189,445		1,189,445
2.6 Contingent—reinsurance ceded		48,044		48,044
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)		10,961,117		10,961,117
3. Allowances to manager and agents	468	2,498		2,966
4. Advertising	33,116	362,627	244	395,987
5. Boards, bureaus and associations	25,243	121,856	12	147,111
6. Surveys and underwriting reports	833	422,281	4,264	427,378
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	2,972,525	3,553,335	154,783	6,680,643
8.2 Payroll taxes	68,642	354,150	1,002	423,794
9. Employee relations and welfare	506,461	1,724,509	7,536	2,238,506
10. Insurance	130,497	48,352	3,568	182,417
11. Directors' fees	9	47		56
12. Travel and travel items	213,122	282,207	5,824	501,153
13. Rent and rent items	112,613	379,539	1,852	494,004
14. Equipment	101,634	256,891	2,652	361,177
15. Cost or depreciation of EDP equipment and software	18,228	234,411	5,269	257,908
16. Printing and stationery	44,540	56,835	440	101,815
17. Postage, telephone and telegraph, exchange and express	264,399	205,955	5,032	475,386
18. Legal and auditing	11,640	36,477	13,586	61,703
19. Totals (Lines 3 to 18)	4,503,970	8,041,970	206,064	12,752,004
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 13,271		1,383,796		1,383,796
20.2 Insurance department licenses and fees		203,283		203,283
20.3 Gross guaranty association assessments		7,305		7,305
20.4 All other (excluding federal and foreign income and real estate)		153,228		153,228
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		1,747,612		1,747,612
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	393,993	322,218	44,843	761,054
25. Total expenses incurred	7,984,139	21,072,917	250,907	(a) 29,307,963
26. Less unpaid expenses—current year	12,132,027	3,354,298		15,486,325
27. Add unpaid expenses—prior year	11,959,430	3,071,938		15,031,368
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)	7,811,542	20,790,557	250,907	28,853,006

DETAILS OF WRITE-IN LINES				
2401. Other expenses	393,993	322,218	44,843	761,054
2402.				
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	393,993	322,218	44,843	761,054

(a) Includes management fees of \$ 716,994 to affiliates and \$ 0 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 1,328,971	1,270,157
1.1 Bonds exempt from U.S. tax	(a) 407,855	408,188
1.2 Other bonds (unaffiliated)	(a) 2,685,641	2,695,744
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) 5,769	5,686
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	14,602	14,602
10. Total gross investment income	4,442,838	4,394,377
11. Investment expenses		(g) 250,907
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)		250,907
17. Net investment income (Line 10 minus Line 16)		4,143,470

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	14,602	14,602
0902.		
0903.		
0998. Summary of remaining write-ins for Line 09 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)	14,602	14,602
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		

- (a) Includes \$ 46,867 accrual of discount less \$ 754,894 amortization of premium and less \$ 39,812 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

## EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax	(12,374)		(12,374)		
1.2 Other bonds (unaffiliated)	233,061		233,061		
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	220,687		220,687		

DETAILS OF WRITE-IN LINES					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 09 from overflow page					
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)					

## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 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	312,704	310,641	(2,063)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	15,337	3,758	(11,579)
15.3 Accrued retrospective premiums	45	3,075	3,030
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			
18.2 Net deferred tax asset	2,616,591	965,604	(1,650,987)
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	78,138	72,520	(5,618)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	3,022,815	1,355,598	(1,667,217)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	3,022,815	1,355,598	(1,667,217)

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Other assets	78,138	72,520	(5,618)
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	78,138	72,520	(5,618)

## NOTES TO FINANCIAL STATEMENTS

### **Note 1 - Summary of Significant Accounting Policies**

#### A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of New Hampshire, the accompanying financial statements of American Fire and Casualty Company (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

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

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. It also requires estimates in the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

#### C. Accounting Policies

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

In addition, the Company applies the following accounting policies, where applicable:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
3. Common stocks are carried at fair value, except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1C(7).
4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).
5. Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. Investments in SCA companies are carried in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88*, and the SVO Manual.
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
9. Derivative Securities, refer to Note 8.
10. Investment income is anticipated as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*. Refer to Note 30.
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, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2012.
13. The Company has no pharmaceutical rebate receivables.

### **Note 2 - Accounting Changes and Correction of Errors**

Effective January 1, 2012, the Company adopted SSAP No. 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10* ("SSAP No. 101"). There was no cumulative effect adjustment resulting from the adoption of SSAP No. 101.

### **Note 3 - Business Combinations and Goodwill**

#### A. Statutory Purchase Method

The Company did not enter into any statutory purchases during the year.

## NOTES TO FINANCIAL STATEMENTS

### B. Statutory Mergers

The Company did not enter into any statutory mergers during the year.

### C. Impairment Loss

The Company did not recognize an impairment loss during the period.

### **Note 4 - Discontinued Operations**

The Company has no discontinued operations.

### **Note 5 - Investments**

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

The Company does not invest in mortgage loans.

#### B. Troubled Debt Restructuring for Creditors

Not applicable

#### C. Reverse Mortgages

The Company has no reverse mortgages.

#### D. Loan Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
2. All Loan Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2012 as of December 31, 2012: None
3. Each Loan Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2012: None
4. All impaired Loan Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2012: None
5. The Company reviews fixed income securities for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to: (a) the extent of the decline in fair value below book value, (b) the duration of the decline, (c) significant adverse changes in the financial condition or near term prospects of the investment or issuer, (d) significant change in the business climate or credit ratings of the issuer, (e) general market conditions and volatility, (f) industry factors, and (g) the past impairment of the security holding or the issuer. If the Company believes a decline in the value of a particular investment is temporary, the decline is recorded as an unrealized loss in policyholders' surplus. If the decline is believed to be "other-than-temporary," and the Company believes it will not be able to collect all cash flows due on its fixed income securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment.

#### E. Repurchase Agreements and Securities Lending

1. The Company has not entered into any repurchase agreements during the year. Refer to Note 17B for the policy on requiring collateral related to securities lending.
2. The Company has not pledged any of its assets as collateral as of December 31, 2012.
3. Aggregate Amount of Contractually open cash collateral positions:

	<u>Fair Value</u>
a. Aggregate Amount Cash Collateral Received	
1. Repurchase Agreement	
(a) Open	\$ -
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	-
(g) Securities Received	-
(h) Total Collateral Received	\$ -
2. Securities Lending	
(a) Open	\$ 941,261
(b) 30 Days or Less	-
(c) 31 to 60 Days	-



## NOTES TO FINANCIAL STATEMENTS

	-	
(d) 61 to 90 Days	-	
(e) Greater Than 90 Days	-	
(f) Sub-Total	941,261	
(g) Securities Received	-	
(h) Total Collateral Received	\$ 941,261	
3. Dollar Repurchase Agreement		
(a) Open	\$ -	
(b) 30 Days or Less	-	
(c) 31 to 60 Days	-	
(d) 61 to 90 Days	-	
(e) Greater Than 90 Days	-	
(f) Sub-Total	-	
(g) Securities Received	-	
(h) Total Collateral Received	\$ -	
b. The aggregate fair value of all securities acquired from the sale, trade or use of the accepted collateral (reinvested collateral)	\$ 941,261	
c. All collateral is received in the form of cash and/or securities equal to or in excess of 102% of the loaned value and are maintained in a separate custody account. Cash collateral is reinvested into short-term investments as outlined in the terms of the investment agreement. Per the terms of the investment agreement the company has the right and ability to redeem any eligible securities on short notice.		
4. Securities Lending Transactions Administered by an Affiliated Agent		
The Company's security lending transactions are not administered by an affiliate agent.		
5. Collateral Reinvestment		
a. Aggregate Amount Cash Collateral Reinvested		
	<u>Amortized Cost</u>	<u>Fair Value</u>
1. Repurchase Agreement		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	-	-
(c) 31 to 60 Days	-	-
(d) 61 to 90 Days	-	-
(e) 91 to 120 Days	-	-
(f) 121 to 180 Days	-	-
(g) 181 to 365 Days	-	-
(h) 1 to 2 Years	-	-
(i) 2 to 3 Years	-	-
(j) Greater Than 3 Years	-	-
(k) Sub-Total	-	-
(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$ -	\$ -
2. Securities Lending		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	144,512	144,512
(c) 31 to 60 Days	367,864	367,860
(d) 61 to 90 Days	429,079	428,889
(e) 91 to 120 Days	-	-
(f) 121 to 180 Days	-	-
(g) 181 to 365 Days	-	-
(h) 1 to 2 Years	-	-
(i) 2 to 3 Years	-	-
(j) Greater Than 3 Years	-	-
(k) Sub-Total	941,455	941,261
(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$ 941,455	\$ 941,261
3. Dollar Repurchase Agreement		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	-	-
(c) 31 to 60 Days	-	-
(d) 61 to 90 Days	-	-

## NOTES TO FINANCIAL STATEMENTS

(e) 91 to 120 Days	-	-
(f) 121 to 180 Days	-	-
(g) 181 to 365 Days	-	-
(h) 1 to 2 Years	-	-
(i) 2 to 3 Years	-	-
(j) Greater Than 3 Years	-	-
(k) Sub-Total	-	-
(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$ -	\$ -

- b. The reporting entity's sources of cash that it uses to return the cash collateral is dependent on the liquidity of the current market conditions. Under current conditions, the reporting entity could liquidate all or a portion of its cash collateral reinvestment securities in order to meet the collateral calls that could come due under a worst-case scenario.

### F. Real Estate

The Company does not own real estate.

### G. Investments in Low-Income Housing Tax Credits

The Company does not hold investments in low-income housing tax credits.

### **Note 6 - Joint Ventures, Partnerships & Limited Liability Companies**

#### A. Investments in joint ventures, partnerships and limited liability companies that exceed 10% of its admitted assets

The Company has no investments in joint ventures, partnerships, or limited liability companies.

#### B. Impairments on joint ventures, partnerships or limited liability companies

The Company does not own any investments in joint ventures, partnerships, and limited liability companies.

### **Note 7 - Investment Income**

#### A. Accrued Investment Income

The Company does not admit investment income due and accrued if amounts are over 90 days past due (over 180 days for mortgage loans in default).

#### B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2012.

### **Note 8 - Derivative Instruments**

The Company's investment activities do not include derivatives. However, the Company may acquire derivatives as additions to bond, common stock, or preferred stock investments. These derivatives are ancillary to the overall investment and are immaterial to the underlying investment portfolio.

### **Note 9 - Income Taxes**

#### A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

1.

	12/31/2012		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
(a) Gross Deferred Tax Assets	\$ 4,648,000	\$ -	\$ 4,648,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	4,648,000	-	4,648,000
(d) Deferred Tax Assets Nonadmitted	2,616,591	-	2,616,591
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	2,031,409	-	2,031,409
(f) Deferred Tax Liabilities	144,650	91,350	236,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 1,886,759	\$ (91,350)	\$ 1,795,409

## NOTES TO FINANCIAL STATEMENTS

	12/31/2011		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 4,620,000	\$ -	\$ 4,620,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	4,620,000	-	4,620,000
(d) Deferred Tax Assets Nonadmitted	965,604	-	965,604
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	3,654,396	-	3,654,396
(f) Deferred Tax Liabilities	192,750	89,250	282,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 3,461,646	\$ (89,250)	\$ 3,372,396

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ 28,000	\$ -	\$ 28,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	28,000	-	28,000
(d) Deferred Tax Assets Nonadmitted	1,650,987	-	1,650,987
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	(1,622,987)	-	(1,622,987)
(f) Deferred Tax Liabilities	(48,100)	2,100	(46,000)
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ (1,574,887)	\$ (2,100)	\$ (1,576,987)

2.

	12/31/2012		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
<b>Admission Calculation Components SSAP No. 101</b>			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ 1,795,409	\$ -	\$ 1,795,409
(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.	-	-	6,994,100
(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	144,650	91,350	236,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 1,940,059	\$ 91,350	\$ 2,031,409

	12/31/2011		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
<b>Admission Calculation Components SSAP No. 101</b>			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ 83,925	\$ -	\$ 83,925
(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)	3,288,471	-	3,288,471
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	3,288,471	-	3,288,471
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	-	-	6,048,230
(c) Adjusted Gross Deferred Tax Assets (Excluding The	192,750	89,250	282,000

## NOTES TO FINANCIAL STATEMENTS

Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities			
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 3,565,146	\$ 89,250	\$ 3,654,396

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
<b>Admission Calculation Components SSAP No. 101</b>			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ 1,711,484	\$ -	\$ 1,711,484
(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)	(3,288,471)	-	(3,288,471)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	(3,288,471)	-	(3,288,471)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	-	-	945,870
(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	(48,100)	2,100	(46,000)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ (1,625,087)	\$ 2,100	\$ (1,622,987)

3.

	2012	2011
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	770.17%	725.72%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	44,691,259	41,500,362

4.

	12/31/2012			12/31/2011			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Ordinary Percent	Capital Percent	(Col 1+2) Total Percent	Ordinary Percent	Capital Percent	(Col 4+5) Total Percent	(Col 1-4) Ordinary	(Col 2-5) Capital Percent	(Col 7+8) Total Percent
Impact of Tax-Planning Strategies									
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0%	0%	0%	0%	0%	0%	0%	0%	0%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	0%	0%	0%	0%	0%	0%	0%	0%	0%

(c) Does the Company's tax-planning strategies include the use of reinsurance: Yes \_\_\_ No X

B. The Company does not have any DTLs described in SSAP No. 101 Income Taxes, a Replacement of SSAP No. 10R and SSAP No. 10, paragraph 23.

C. Current income taxes incurred consist of the following major components:

	(1)	(2)	(3)
	12/31/2012	12/31/2011	(Col 1-2) Change
<b>1. Current Income Tax</b>			
(a) Federal	\$ 1,605,759	\$ 58,000	\$ 1,547,759
(b) Foreign	-	-	-
(c) Subtotal	1,605,759	58,000	1,547,759
(d) Federal income tax on net capital gains	77,241	-	77,241
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	\$ 1,683,000	\$ 58,000	\$ 1,625,000
<b>2. Deferred Tax Assets:</b>			
(a) Ordinary			
(1) Discounting of unpaid losses	\$1,743,000	\$ 1,830,000	\$ (87,000)
(2) Unearned premium reserve	2,216,000	2,131,000	85,000

## NOTES TO FINANCIAL STATEMENTS

(3) Policyholder reserves	-	-	-
(4) Investments	38,000	-	38,000
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	138,000	195,000	(57,000)
(8) Compensation and benefits accrual	107,000	119,000	(12,000)
(9) Pension accrual	-	-	-
(10) Receivables – nonadmitted	142,000	137,000	5,000
(11) Net operating loss carry-forward	-	-	-
(12) Tax credit carry-forward	-	-	-
(13) Other (including items <5% of total ordinary tax assets)	264,000	208,000	56,000
(99) Subtotal	4,648,000	4,620,000	28,000
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	2,616,591	965,604	1,650,987
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	2,031,409	3,654,396	(1,622,987)
(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)	2,031,409	3,654,396	(1,622,987)
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	54,000	52,000	2,000
(2) Fixed assets	11,000	66,000	(55,000)
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total capital tax liabilities)	79,650	74,750	4,900
(99) Subtotal	144,650	192,750	(48,100)
(b) Capital:			
(1) Investments	91,350	89,250	2,100
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	91,350	89,250	2,100
(c) Deferred tax liabilities (3a99 + 3b99)	236,000	282,000	(46,000)
4. Net deferred tax assets/liabilities (2i – 3c)	\$ 1,795,409	\$ 3,372,396	\$ (1,576,987)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax exempt interest, unearned premium reserves, discounting of unpaid losses and LAE reserves, and the allowance for doubtful accounts.

E. The Company has no net operating loss carry-forwards available to offset future net income subject to Federal income tax.

The Company has no alternative minimum tax credit carry-forwards.

The amount of Federal income taxes incurred and available for recoupment in the event of future losses are none from the current year and none from the preceding year.

The Company does not have deposits admitted under Section 6603 of the Internal Revenue Code.

F. The Company's Federal income tax return is consolidated with the following entities:

AMBCO Capital Corporation  
 America First Insurance Company  
 America First Lloyd's Insurance Company

Liberty Mutual Insurance Company  
 Liberty Mutual Personal Insurance Company  
 Liberty Northwest Insurance Corporation

## NOTES TO FINANCIAL STATEMENTS

American Economy Insurance Company	Liberty Personal Insurance Company
American Fire and Casualty Company	Liberty RE (Bermuda) Limited
American States Insurance Company	Liberty Sponsored Insurance (Vermont), Inc.
American States Insurance Company of Texas	Liberty Surplus Insurance Corporation
American States Lloyds Insurance Company	LIH-RE of America Corporation
American States Preferred Insurance Company	LIU Specialty Insurance Agency Inc.
Barrier Ridge LLC	LM General Insurance Company
Berkeley Holding Company Associates, Inc.	LM Insurance Corporation
Berkeley Management Corporation	LM Property & Casualty Insurance Company
Bridgefield Casualty Insurance Company	LMHC Massachusetts Holdings Inc.
Bridgefield Employers Insurance Company	LRE Properties, Inc.
Capitol Court Corporation	Mid-American Fire & Casualty Company
Cascade Disability Management, Inc.	North Pacific Insurance Company
Colorado Casualty Insurance Company	Ocasco Budget, Inc.
Commercial Aviation Insurance, Inc.	OCI Printing, Inc.
Consolidated Insurance Company	Ohio Casualty Corporation
Copley Venture Capital, Inc.	Ohio Security Insurance Company
Diversified Settlements, Inc.	Open Seas Solutions, Inc.
Emerald City Insurance Agency, Inc.	Oregon Automobile Insurance Company
Employers Insurance Company of Wausau	Peerless Indemnity Insurance Company
Excelsior Insurance Company	Peerless Insurance Company
F.B. Beattie & Co., Inc.	Pilot Insurance Services, Inc.
First National Insurance Company of America	Rianoc Research Corporation
First State Agency Inc.	S.C. Bellevue, Inc.
General America Corporation	SAFECARE Company, Inc.
General America Corporation of Texas	Safeco Corporation
General Insurance Company of America	Safeco General Agency, Inc.
Golden Eagle Insurance Corporation	Safeco Insurance Company of America
Gulf States AIF, Inc.	Safeco Insurance Company of Illinois
Hawkeye-Security Insurance Company	Safeco Insurance Company of Indiana
Heritage-Summit HealthCare, Inc.	Safeco Insurance Company of Oregon
Indiana Insurance Company	Safeco Lloyds Insurance Company
Insurance Company of Illinois	Safeco National Insurance Company
LEXCO Limited	Safeco Properties, Inc.
Liberty-USA Corporation	Safeco Surplus Lines Insurance Company
Liberty Assignment Corporation	San Diego Insurance Company
Liberty Energy Canada, Inc.	SCIT, Inc.
Liberty Financial Services, Inc.	St. James Insurance Company Ltd.
Liberty Hospitality Group, Inc.	Summit Consulting, Inc.
Liberty Insurance Corporation	Summit Consulting, Inc. of Louisiana
Liberty Insurance Holdings, Inc.	Summit Holding Southeast, Inc.
Liberty Insurance Underwriters Inc.	The First Liberty Insurance Corporation
Liberty International Europe Inc.	The Midwestern Indemnity Company
Liberty International Holdings Inc.	The National Corporation
Liberty Life Assurance Company of Boston	The Netherlands Insurance Company
Liberty Life Holdings Inc.	The Ohio Casualty Insurance Company
Liberty Lloyds of Texas Insurance Company	Wausau Business Insurance Company
Liberty Management Services, Inc.	Wausau General Insurance Company
Liberty Mexico Holdings Inc.	Wausau Underwriters Insurance Company
Liberty Mutual Agency Corporation	West American Insurance Company
Liberty Mutual Fire Insurance Company	Winmar Company, Inc.
Liberty Mutual Group Asset Management Inc.	Winmar of the Desert, Inc.
Liberty Mutual Group Inc.	Winmar Oregon, Inc.
Liberty Mutual Holding Company Inc.	Winmar-Metro, Inc.

The method of federal income tax allocation is subject to a written agreement. Allocation is based upon separate return calculations with credit applied for losses as appropriate. The Company has the enforceable right to recoup prior year payments in the event of future losses.

- G. The Company does not expect the Federal and Foreign income tax loss contingencies, as determined in accordance with SSAP No. 5R, Liabilities, Contingencies and Impairments of Assets, with the modifications provided in SSAP No. 101, Income Taxes – A Replacement of SSAP No. 10R and SSAP No. 10, to significantly increase within twelve months of the reporting date.

### **Note 10 - Information Concerning Parent, Subsidiaries and Affiliates**

- A. All of the outstanding shares of capital stock of the Company are held by The Ohio Casualty Insurance Company (“OCIC”), a New Hampshire insurance company. OCIC is wholly owned by Ohio Casualty Corporation, an Ohio insurance holding company. Ohio Casualty Corporation is owned by Liberty Mutual Insurance Company (“LMIC” 78%), a Massachusetts

## NOTES TO FINANCIAL STATEMENTS

insurance company; Liberty Mutual Fire Insurance Company (“LMFIC” 6%), a Wisconsin insurance company; Employers Insurance Company of Wausau (“EICOW” 8%), a Wisconsin insurance company; and Peerless Insurance Company (“PIC” 8%), a New Hampshire insurance company. The ultimate parent of LMIC, LMFIC, EICOW and PIC is Liberty Mutual Holding Company Inc. (“LMHC”), a Massachusetts company.

- B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.
- C. There have been no material transactions with the Company’s affiliates during 2012.
- D. At December 31, 2012, the Company reported a net \$703,301 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.
- E. The Company has not made any guarantees or initiated any undertakings, written or otherwise, for the benefit of affiliates or other related parties.
- F. Refer to Note 26 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

The Company is a party to a management services agreement (the “Agreement”) with Peerless Insurance Company (“PIC”). The Agreement allows PIC to provide services related to common management function including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resource services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

The Company is a party to an investment management agreement and a cash management agreement with Liberty Mutual Group Asset Management Inc. (LMGAM”). Under these agreements, LMGAM provides services to the Company.

The Company is party to a Federal Tax Sharing Agreement between LMHC and affiliates. Refer to Note 9F.

- G. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- H. The Company does not own investments in subsidiary, controlled or affiliated entities.
- I. The Company does not own any investments in subsidiary, controlled or affiliated entities, as such no impairments were recognized.
- J. The Company does not hold any investments in foreign insurance subsidiaries.
- K. The Company does not hold any investments in downstream non-insurance holding companies.

### **Note 11 - Debt**

- A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

- B. Federal Home Loan Bank Agreements

The Company has not entered into any agreements with the Federal Home Loan Bank.

### **Note 12 - Retirement Plans, Deferred Compensation, Compensated Absences, Post Employment Benefits and Other Postretirement Benefit Plans**

The Company does not have any direct employees and therefore, does not have any direct obligations for a defined benefit plan, deferred compensation arrangements, compensated absences or other post retirement benefit plans. Services for the operation of the Company are provided under provisions of the management services agreements, as described in Note 10F.

### **Note 13 - Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations**

1. The Company has 2,000,000 shares authorized, and 1,666,667 shares issued and outstanding as of December 31, 2012. All shares have a stated par value of \$3.
2. Preferred Stock  
Not applicable
3. There are no dividend restrictions.
4. The Company did not pay any dividends to its parent during 2012.
5. The maximum amount of dividends that can be paid by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is 10% of surplus. The maximum dividend payout that may be made without prior approval in 2013 is \$4,648,667.
6. As of December 31, 2012, the Company has pre-tax restricted surplus of \$105,283 resulting from retroactive reinsurance contracts.
7. The Company had no advances to surplus.

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## NOTES TO FINANCIAL STATEMENTS

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8. The Company does not hold stock for special purposes.
9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2012.
10. The portion of unassigned funds (surplus) represented by cumulative net unrealized gains and (losses) is \$0.
11. Surplus Notes  
Not applicable
12. Quasi-reorganization (dollar impact)  
Not applicable
13. Quasi-reorganization (effective date)  
Not applicable

**Note 14 - Contingencies**

## A. Contingent Commitments

Refer to Note 10E.

## B. Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments and premium-based assessments are presumed probable when the premium on which the assessments are expected to be based are written. In the case of loss-based assessments, the event that obligates the entity is an entity incurring the losses on which the assessments are expected to be based.

The Company has accrued a liability for guaranty funds and other assessments of \$208,341 that is offset by future premium tax credits of \$27,419. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2013. During 2012 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

Reconciliation of paid and accrued premium tax offsets and policy surcharges at prior year-end to current year-end:

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$ 31,481
b. Decreases current year:	
Premium tax offset applied	4,062
c. Increases current year:	
Premium tax offset increase	-
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$ 27,419

## C. Gain Contingencies

Not applicable

## D. Claims related extra contractual obligations and bad faith losses stemming from lawsuits

The Company did not have claims related extra contractual obligation losses or bad faith losses stemming from lawsuits in the current period.

## E. Product Warranties

The Company does not write product warranty business.

## F. All Other Contingencies

Lawsuits arise against the Company in the normal course of business. Contingent liabilities arising from litigation, income taxes, and other matters are not considered material in relation to the financial position of the Company.

As disclosed in Note 9 F, the Company is a member of a controlled group for federal income tax purposes, and that group includes LMGI. LMGI is the plan sponsor of the Liberty Mutual Retirement Benefit Plan, a qualified plan under federal law. Pursuant to federal law, if LMGI has not made the minimum required contributions with respect to the Liberty Mutual Retirement Benefit Plan, the Company, jointly and severally with all other members of the controlled group, would be contingently liable to make such contributions.



## NOTES TO FINANCIAL STATEMENTS

### **Note 15 - Leases**

#### A. Lessee Leasing Arrangements

1. The Company leases office space, plant and equipment under various non-cancelable operating lease arrangements.

The Company's minimum lease obligations under these agreements are as follows:

Year Ending December 31,	<u>Operating Leases</u>
2013	\$ 258,991
2014	248,220
2015	194,784
2016	172,032
2017	125,196
2018 & thereafter	68,010
Total	\$ 1,067,233

The amount of liability the Company recognized in its financial statements for lease agreements for which it is no longer using the leased property benefits is \$81,331.

2. The Company is not involved in any material sales-leaseback transactions.

#### B. Leasing as a Significant Part of Lessor's Business Activities

Leasing is not a significant part of the Company's business activities.

### **Note 16 - Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk**

The Company is not exposed to financial instruments with off-balance sheet risk or concentration of credit risk.

### **Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

#### A. Transfers of Receivables Reported as Sales

The Company did not have any transfers of receivables reported as sales during the year.

#### B. Transfers and Servicing of Financial Assets

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income and mortgage backed securities are loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. The Company does not participate in term loans; therefore, the Company does not have contractual collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities, such as Treasuries and Agency Bonds. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 102% of the market value of the loaned securities. Additionally, the lending agent indemnifies the Company against borrower defaults. Cash collateral is carried as an asset with an offsetting liability on the balance sheet, as the collateral is unrestricted and the Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company.

At December 31, 2012 the total fair value of securities on loan was \$922,855, with corresponding collateral value of \$941,261 of which \$941,261 represents cash collateral.

#### C. Wash Sales

The Company did not have any wash sale transactions during the year.

### **Note 18 - Gain or Loss from Uninsured Accident and Health Plans and the Uninsured Portion of Partially Insured Plans**

#### A. Administrative Services Only (ASO) Plans

Not applicable

#### B. Administrative Services Contract (ASC) Plans

In 2008, certain members of the PIC Amended and Restated Reinsurance Pooling Agreement (refer to Note 26) agreed to become participating insurers of the California Earthquake Authority ("CEA"), a publicly-managed, privately funded organization that provides residential earthquake insurance in California. As participating insurers of the CEA, the companies act as third party administrators and perform certain administrative services on behalf of the CEA, including

## NOTES TO FINANCIAL STATEMENTS

underwriting, policy issuance, premium collection, and claims payment. The CEA reimburses the companies for commissions and claims paid on behalf of the CEA. The companies also receive an administrative fee equal to 3.43% of premium and 9% of claims paid. These administrative fees are subject to the inter-company pooling agreement. In 2012, the Company recorded net CEA administrative fees of \$6,569.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

**Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

The Company has no direct premiums written or produced through managing general agents or third party administrators.

**Note 20 - Fair Value Measurements**

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

Pursuant to the guidance in SSAP No. 100, *Fair Value Measurements*, the Company carries no assets or liabilities on its balance sheet measured at fair value.

B. Other Fair Value Disclosures

Not applicable

C. Aggregate Fair Value of All Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Cash, Cash Equivalents, and Short Term	\$3,671,844	\$3,671,844	\$3,671,844	\$ -	\$ -	\$ -
Bonds	135,309,648	127,462,289	26,664,971	108,644,677	-	-
Preferred Stock	-	-	-	-	-	-
Common Stock	-	-	-	-	-	-
Securities Lending	941,261	941,261	-	941,261	-	-
Mortgage Loans	-	-	-	-	-	-
Surplus Notes	-	-	-	-	-	-
Total	\$139,922,753	\$132,075,394	\$30,336,815	\$109,585,938	\$ -	\$ -

C. Not Practicable to Estimate Fair Value

Not applicable.

**Note 21 - Other Items**

A. Extraordinary Items

The Company has no extraordinary items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

1) Assets in the amount of \$26,723,100 and \$24,601,330 as of December 31, 2012 and 2011, respectively, were on deposit with government authorities or trustees as required by law.

2) Interrogatory 6.1

The Company cedes 100% of its business to Peerless Insurance Company, the lead company in the Peerless Pool. Peerless Insurance Company purchases external catastrophe reinsurance coverage.

Interrogatory 6.2

The Company cedes 100% of its business to Peerless Insurance Company, the lead company in the Peerless Pool. Peerless Insurance Company purchases external catastrophe reinsurance coverage.

Interrogatory 6.3

The Company cedes 100% of its business to Peerless Insurance Company, the lead company in the Peerless Pool. Peerless Insurance Company purchases external catastrophe reinsurance coverage.

D. The Company routinely assesses the collectability of its premium receivable balances. The Company does not believe that amounts in excess of non-admitted amounts are material.

## NOTES TO FINANCIAL STATEMENTS

### E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

### F. State Transferable and Non-transferable Tax Credits

The Company does not hold state transferable and/or non-transferable tax credits

### G. Subprime-Mortgage-Related Risk Exposure

1. The Company has not purchased securities characterized by the market as subprime. The Company reviews such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities.
2. The Company does not have any direct exposure through investments in sub-prime mortgage loans.
3. The Company does not have any direct exposure through other investments.
4. The Company does not have any underwriting exposure to sub-prime mortgage risk.

### **Note 22 - Events Subsequent**

- A. The Company evaluated subsequent events through February 20, 2013, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2011 that would require disclosure.

### **Note 23 - Reinsurance**

#### A. Unsecured Reinsurance Recoverable

Excluding amounts arising pursuant to the Intercompany Reinsurance Agreement, as described in Note 26, there are no unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholder's surplus.

#### B. Reinsurance Recoverable in Dispute

There are no reinsurance recoverables in dispute from an individual reinsurer which exceeds 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.

#### C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2012.

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net</u>	
	<u>Premium Reserve</u>	<u>Commission Equity</u>	<u>Premium Reserve</u>	<u>Commission Equity</u>	<u>Premium Reserve</u>	<u>Commission Equity</u>
a. Affiliates	31,471,563	4,720,734	75,017,773	11,252,666	(43,546,210)	(6,531,932)
b. All Other	-	-	-	-	-	-
c. TOTAL	31,471,563	4,720,734	75,017,773	11,252,666	(43,546,210)	(6,531,932)
d. Direct Unearned Premium Reserve \$ 75,017,773						

2. Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2012 are as follows:

	Direct	Assumed	Ceded	Net
a. Contingent Commission	\$ -	\$1,920,107	\$ -	\$1,920,107
b. Sliding Scale Adjustments	-	-	-	-
c. Other Profit Commission Arrangements	-	-	-	-
d. TOTAL	\$ -	\$1,920,107	\$ -	\$1,920,107

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

#### D. Uncollectible Reinsurance

The Company did not write off any uncollectible balances in the current year.

#### E. Commutation of Ceded Reinsurance

The Company did not commute any reinsurance treaties in the current year.

## NOTES TO FINANCIAL STATEMENTS

### F. Retroactive Reinsurance

The Company's retroactive reinsurance is a result of the Intercompany Reinsurance Agreement as described in Note 26.

	<u>Reported Company</u>	
	As:	
	<u>Assumed</u>	<u>Ceded</u>
a. Reserves Transferred:		
1. Initial Reserves	\$2,848,900	\$ -
2. Adjustments – Prior Year (s)	(2,316,669)	-
3. Adjustments – Current Year	(35,981)	-
4. Current Total	\$496,249	\$ -
b. Consideration Paid or Received:		
1. Initial Consideration	\$2,344,334	\$ -
2. Adjustments – Prior Year (s)	89,358	-
3. Adjustments – Current Year	-	-
4. Current Total	\$2,433,692	\$ -
c. Paid Losses Reimbursed or Recovered:		
1. Prior Year (s)	\$2,926,668	\$ -
2. Current Year	56,408	-
3. Current Total	\$2,983,076	\$ -
d. Special Surplus from the Retroactive Reinsurance:		
1. Initial Surplus Gain or Loss	\$(592,397)	\$ -
2. Adjustments – Prior Year (s)	(520,641)	-
3. Adjustments – Current Year	(20,427)	-
4. Current Year Restricted Surplus	105,283	-
5. Cumulative Total Transferred to Unassigned Funds	\$(1,238,749)	\$ -
e. All cedents and reinsurers involved in all transactions included in summary totals above:		
<u>Company</u>	<u>Assumed Amount</u>	<u>Ceded Amount</u>
Peerless Insurance Company	\$496,249	\$ -
Total	\$496,249	\$ -

- f. List total Paid Loss/LAE amounts recoverable and amounts more than 90 days overdue, and collateral held as respects amounts recoverable from unauthorized reinsurers:

There are no reinsurance contracts covering losses that have occurred prior to the inception of the contract that have not been accounted for in conformity with the NAIC Accounting Practices and Procedures Manual.

### G. Reinsurance Accounted for as a Deposit

The Company has not entered into any reinsurance agreements that have been accounted for as deposits as of December 31, 2012.

### H. Disclosures for the Transfer of Property and Casualty Run-off Agreements

The Company has not entered into any agreements which have been approved by their domiciliary regulator and have qualified pursuant to SSAP No. 62R, *Property and Casualty Reinsurance* to receive P&C Run-off Accounting Treatment.

### I. Certified Reinsurers Downgraded or Status Subject to Revocation

1. Reporting Entity Ceding to Certified Reinsurer Downgraded or Status Subject to Revocation

The Company has not entered into any reinsurance contracts with Certified Reinsurers.

2. Reporting Entity's Certified Reinsurer Rating Downgraded or Status Subject to Revocation

The Company is not a Certified Reinsurer.

## NOTES TO FINANCIAL STATEMENTS

### **Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination**

- A. The Company estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing case-base loss development with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium.
- B. Accrued retrospective premiums are recorded as a component of written premiums.
- C. For detail of net premium written subject to retrospective rating features refer to Schedule P, Part 7A.
- D. Medical Loss Ratio Rebates

The Company does not recognize a liability for medical loss ratio rebates pursuant to the Public Health Service Act, as the Company does not write direct comprehensive major medical health business.

- E. Ten Percent of the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss adjustment expense reserves), or collateral as permitted by SSAP No. 66, *Retrospectively Rated Contracts*, has been nonadmitted.

a. Total accrued retro premium	\$ 454
b. Unsecured amount	
c. Less: Nonadmitted amount (10%)	45
d. Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are non-admitted	
e. Admitted amount (a) - (c) - (d)	\$ 409

### **Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses**

Incurred loss and loss adjustment expense attributable to insured events on prior years has decreased through the fourth quarter of 2012. This decrease was primarily the result of an updated reserve analysis and improving loss trends in the Nonproportional Assumed Liability, Commercial Multiple Peril, Other Liability Occurrence, Fidelity/Surety, Homeowners and Farmowners lines. This increase was partially offset by deteriorating loss trends in the Workers' Compensation, Commercial Auto and Truck Liability lines. Prior estimates are revised as additional information becomes known regarding individual claims.

### **Note 26 - Intercompany Pooling Arrangements**

The Company is a member of the PIC Amended and Restated Reinsurance Pooling Agreement consisting of the following affiliated companies:

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Peerless Insurance Company ("PIC")	24198	25.20%	All Lines
Affiliated Pool Companies:	The Ohio Casualty Insurance Company ("OCIC")	24074	20.40%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	15.20%	All Lines
	General Insurance Company of America ("GICA")	24732	9.20%	All Lines
	American States Insurance Company ("ASIC")	19704	7.60%	All Lines
	American Economy Insurance Company ("AEIC")	19690	5.60%	All Lines
	Indiana Insurance Company ("IIC")	22659	4.80%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	3.00%	All Lines
	Peerless Indemnity Insurance Company ("PIIC")	18333	3.00%	All Lines
	Safeco Insurance Company of Illinois ("SICIL")	39012	2.00%	All Lines
	The Netherlands Insurance Company ("NIC")	24171	1.80%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.80%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.80%	All Lines
	American Fire and Casualty Company ("AFCIC")	24066	0.60%	All Lines
	America First Insurance Company ("AFIC")	12696	0.00%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines
	American States Lloyds Insurance Company ("ASLCO")	31933	0.00%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.00%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.00%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%	All Lines
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%	All Lines

## NOTES TO FINANCIAL STATEMENTS

	The Midwestern Indemnity Company ("MWIC")	23515	0.00%	All Lines
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%	All Lines
	National Insurance Association ("NIA")	27944	0.00%	All Lines
	Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%	All Lines
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%	All Lines
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%	All Lines
	Safeco National Insurance Company ("SNIC")	24759	0.00%	All Lines
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%	All Lines
	West American Insurance Company ("WAIC")	44393	0.00%	All Lines
			100.0%	
100%	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%	All Lines
Quota	North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
Share	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
Affiliated Companies:	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	All Lines

Under the terms of the Reinsurance Agreements, the sequence of transactions is as follows:

- (a) Each Affiliated Pool Company cedes its net underwriting activity to the Lead Company. Each 100% Quota Share Affiliated Company cedes its net underwriting activity to the Lead Company.
- (b) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (c) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- (d) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement that have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- (e) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- (f) The write-off of uncollectible reinsurance is pooled and the Provision for Reinsurance is recognized by the entity placing the outbound external reinsurance
- (g) Amounts due (to)/from affiliated entities participating in the PIC Amended and Restated Reinsurance Pooling Agreement as of December 31, 2011:

Affiliate:	Amount:
Peerless Insurance Company	\$ (795,255)

Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2013, the Peerless Amended and Restated Reinsurance Pooling Agreement (the PIC Pool) was terminated and concurrently the participants in the PIC Pool became participants in the Liberty Mutual Second Amended and Restated Inter-Company Reinsurance Agreement (The Liberty Pool).

Effective January 1, 2013, Liberty County Mutual Insurance Company cancelled its 100% Quota Share Reinsurance Agreement with Liberty Mutual Insurance Company, the lead company in the Liberty Pool and became a participant in the Liberty Pool.

Effective January 1, 2013, Liberty Northwest Insurance Corporation, North Pacific Insurance Company, Oregon Automobile Insurance Company and Liberty Mutual Mid-Atlantic Insurance Company cancelled its 100% Quota Share Reinsurance Agreements with Peerless Insurance Company, the Lead Company in the PIC Pool, and became participants in the Liberty Pool.

Effective January 1, 2013, the Liberty Pool structure is as follows:

		NAIC Company	Pooling <u>Percentage</u>	Line of <u>Business</u>
<b>Lead Company:</b>	Liberty Mutual Insurance Company ("LMIC")	23043	50.0%	All Lines
<b>Affiliated Pool Companies:</b>	Peerless Insurance Company ("PIC")	24198	20.0%	All Lines
	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	8.00%	All Lines
	The Ohio Casualty Insurance Company ("OCIC")	24074	8.00%	All Lines

## NOTES TO FINANCIAL STATEMENTS

Safeco Insurance Company of America ("SICOA")	24740	6.0%	All Lines
American Economy Insurance Company ("AEIC")	19690	0.0%	All Lines
America First Insurance Company ("AFIC")	12696	0.0%	All Lines
America Fire and Casualty Company ("AFCIC")	24066	0.0%	All Lines
America First Lloyd's Insurance Company ("AFLIC")	11526	0.0%	All Lines
American States Insurance Company ("ASIC")	19704	0.0%	All Lines
American States Insurance Company of Texas ("ASICT")	19712	0.0%	All Lines
American States Lloyd's Insurance Company ("ASLCO")	31933	0.0%	All Lines
American States Preferred Insurance Company ("ASPCO")	37214	0.0%	All Lines
Colorado Casualty Insurance Company ("CCIC")	41785	0.0%	All Lines
Consolidated Insurance Company ("CIC")	22640	0.0%	All Lines
Excelsior Insurance Company ("EIC")	11045	0.0%	All Lines
First National Insurance Company of America ("FNICA")	24724	0.0%	All Lines
The First Liberty Insurance Corporation ("FST")	33588	0.0%	All Lines
General Insurance Company of America ("GICA")	24732	0.0%	All Lines
Golden Eagle Insurance Corporation ("GEIC")	10836	0.0%	All Lines
Hawkeye-Security Insurance Company ("HSIC")	36919	0.0%	All Lines
Insurance Company of Illinois ("ICIL")	26700	0.0%	All Lines
Indiana Insurance Company ("IIC")	22659	0.0%	All Lines
Liberty Insurance Corporation ("LIC")	42404	0.0%	All Lines
Liberty Insurance Underwriters, Inc. ("LIU")	19917	0.0%	All Lines
Liberty County Mutual Insurance Company ("LCMIC")	19544	0.0%	All Lines
LM General Insurance Company ("LMGIC")	36447	0.0%	All Lines
Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.0%	All Lines
LM Insurance Corporation ("LMC")	33600	0.0%	All Lines
Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.0%	All Lines
Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.0%	All Lines
Liberty Northwest Insurance Corporation ("LNW")	41939	0.0%	All Lines
Liberty Personal Insurance Company (LPIC")	11746	0.0%	All Lines
Liberty Surplus Insurance Corporation ("LSI")	10725	0.0%	All Lines
Mid-American Fire & Casualty Company ("MAFCC")	23507	0.0%	All Lines
Montgomery Mutual Insurance Company ("MMIC")	14613	0.0%	All Lines
The Midwestern Indemnity Company ("MWIC")	23515	0.0%	All Lines
National Insurance Association ("NIA")	27944	0.0%	All Lines
The Netherlands Insurance Company ("NIC")	24171	0.0%	All Lines
North Pacific Insurance Company ("NPIC")	23892	0.0%	All Lines
Ohio Security Insurance Company ("OSIC")	24082	0.0%	All Lines
Oregon Automobile Insurance Company ("OAIC")	23922	0.0%	All Lines
Peerless Indemnity Insurance Company ("PIIC")	18333	0.0%	All Lines
Safeco Insurance Company of Illinois ("SICIL")	39012	0.0%	All Lines
Safeco Insurance Company of Indiana ("SICIN")	11215	0.0%	All Lines
Safeco Insurance Company of Oregon ("SICOR")	11071	0.0%	All Lines
Safeco Lloyds Insurance Company ("SLICO")	11070	0.0%	All Lines
Safeco National Insurance Company ("SNIC")	24759	0.0%	All Lines
Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.0%	All Lines
Wausau Business Insurance Company ("WBIC")	26069	0.0%	All Lines
Wausau General Insurance Company ("WGIC")	26425	0.0%	All Lines
Wausau Underwriters Insurance Company ("WUIC")	26042	0.0%	All Lines
West American Insurance Company ("WAIC")	44393	0.0%	All Lines
		100.00%	
<b>100% Quota Share Affiliated Companies:</b>			
Bridgefield Employers Insurance Company ("BEIC")	10701	0.0%	All Lines
Bridgefield Casualty Insurance Company ("BCIC")	10335	0.0%	All Lines
LM Property and Casualty Insurance Company ("LMPAC")	32352	0.0%	All Lines

### Note 27 - Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of \$688,070 after applying Intercompany Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$688,070 as of December 31, 2012.
- B. The Company does not have material structured settlements from life insurers for which the Company has not obtained a release of liability from the claimant.

## NOTES TO FINANCIAL STATEMENTS

### **Note 28 - Health Care Receivables**

Not applicable

### **Note 29 - Participating Policies**

Not applicable

### **Note 30 - Premium Deficiency Reserves**

1. Liability carried for premium deficiency reserves	\$ -
2. Date of the most recent evaluation of this liability	12/31/2012
3. Was anticipated investment income utilized in the calculation?	Yes

### **Note 31 - High Dollar Deductible Policies**

Not applicable

### **Note 32 - Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses**

For workers Compensation the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by their respective states at an annual discount rate of 4.0%.

A. The amount of tabular discount for case and IBNR reserves is as follows:

Schedule P Lines of Business	Tabular Discount Included in Schedule P, Part 1*	
	1 Case	2 IBNR
1. Homeowners/Farmowners	-	-
2. Private Passenger Auto Liability/Medical	-	-
3. Commercial Auto/Truck Liability/Medical	-	-
4. Workers' Compensation	\$ 434,806	\$ 302,154
5. Commercial Multiple Peril	-	-
6. Medical Professional Liability – occurrence	-	-
7. Medical Professional Liability – claims-made	-	-
8. Special Liability	-	-
9. Other Liability - occurrence	-	-
10. Other Liability – claims-made	-	-
11. Special Property	-	-
12. Auto Physical Damage	-	-
13. Fidelity, Surety	-	-
14. Other (including Credit, Accident & Health)	-	-
15. International	-	-
16. Reinsurance Nonproportional Assumed Property	-	-
17. Reinsurance Nonproportional Assumed Liability	-	-
18. Reinsurance Nonproportional Assumed Financial Lines	-	-
19. Products Liability – occurrence	-	-
20. Products Liability – claims-made	-	-
21. Financial Guaranty/Mortgage Guaranty	-	-
22. Warranty	-	-
23. Total	\$ 434,806	\$ 302,154

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

B. Nontabular Discount:

Not applicable

### **Note 33 - Asbestos/Environmental Reserves**

The Company has exposure to asbestos and environmental claims that emanate principally from general liability policies written prior to the mid-1980's. In establishing the Company's asbestos and environmental reserves, the Company estimates case reserves for anticipated losses and bulk reserves for claim adjustment expenses and incurred but not reported claims reserves ("IBNR"). The Company maintained casualty excess of loss reinsurance during the relevant periods. The reserves are reported net of cessions to reinsurers and include any reserves reported by ceding reinsurers on assumed reinsurance contracts.

#### **Factors Contributing to Uncertainty in Establishing Adequate Reserves**

The process of establishing reserves for asbestos and environmental claims is subject to greater uncertainty than the establishment of reserves for liabilities relating to other types of insurance claims. A number of factors contribute to this greater uncertainty surrounding the establishment of asbestos and environmental reserves, including, without limitation: (i) the lack of available and reliable historical claims data as an indicator of future loss development, (ii) the long waiting periods between exposure and manifestation of any bodily injury or property damage, (iii) the difficulty in identifying the



## NOTES TO FINANCIAL STATEMENTS

source of asbestos or environmental contamination, (iv) the difficulty in properly allocating liability for asbestos or environmental damage, (v) the uncertainty as to the number and identity of insureds with potential exposure, (vi) the cost to resolve claims, and (vii) the collectability of reinsurance.

The uncertainties associated with establishing reserves for asbestos and environmental claims and claim adjustment expenses are compounded by the differing, and at times inconsistent, court rulings on environmental and asbestos coverage issues involving: (i) the differing interpretations of various insurance policy provisions and whether asbestos and environmental losses are or were ever intended to be covered, (ii) when the loss occurred and what policies provide coverage, (iii) whether there is an insured obligation to defend, (iv) whether a compensable loss or injury has occurred, (v) how policy limits are determined, (vi) how policy exclusions are applied and interpreted, (vii) the impact of entities seeking bankruptcy protection as a result of asbestos-related liabilities, (viii) whether clean-up costs are covered as insured property damage, and (ix) applicable coverage defenses or determinations, if any, including the determination as to whether or not an asbestos claim is a products/completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim. The uncertainties cannot be reasonably estimated, but could have a material impact on the Company's future operating results and financial condition.

In the third quarter of 2011, the Company completed asbestos ground-up and aggregate environmental reserve studies. These studies were completed by a multi-disciplinary team of internal claims, legal, reinsurance and actuarial personnel, and included all major business segments of the Company's direct, assumed, and ceded asbestos and environmental unpaid claim liabilities. As part of the internal review, policyholders with the largest direct asbestos unpaid claim liabilities were individually evaluated using the Company's proprietary stochastic ground-up model, which is consistent with published actuarial methods of asbestos reserving. Among the factors reviewed in depth by the team of specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, injury type, jurisdiction and legal defenses. Reinsurance recoveries for these policyholders were then separately evaluated by the Company's reinsurance and actuarial personnel. Asbestos and environmental unpaid claim liabilities for all other policyholders were evaluated using aggregate methods that utilized information and experience specific to these policyholders. The studies resulted in an increase to reserves.

### Uncertainty Regarding Reserving Methodologies

As a result of the significant uncertainty inherent in determining a company's asbestos and environmental liabilities and establishing related reserves, the amount of reserves required to adequately fund the Company's asbestos and environmental claims cannot be accurately estimated using conventional reserving methodologies based on historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment. In that regard, the estimation of asbestos claims and associated liabilities and the analysis of environmental claims considered prevailing applicable law and certain inconsistencies of court decisions as to coverage, plaintiffs' expanded theories of liability, and the risks inherent in major litigation and other uncertainties, the Company believes that in future periods it is possible that the outcome of the continued uncertainties regarding asbestos and environmental related claims could result in an aggregate liability that differs from current reserves by an amount that could be material to the Company's future operating results and financial condition.

### Effect of Uncertainty in Reserving For Asbestos and Environmental Claims on Company's Financial Condition

The methods of determining estimates for reported and unreported losses and establishing resulting reserves and related reinsurance recoverables are periodically reviewed and updated, and adjustments resulting from this review are reflected in income currently.

The following tables summarize the activity for the Company's asbestos and environmental claims and claim adjustment expenses, a component of the Company's unpaid claims and claim adjustment expenses, for the years ended December 31, 2012, 2011, 2010, 2009, and 2008:

### **Asbestos:**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Direct Basis</b>					
Beginning Reserves	970,641	1,004,294	939,601	845,521	616,060
Incurred losses and LAE	147,992	12,826	(78)	(170,251)	(27,676)
Calendar year payments	114,339	77,519	94,002	59,211	55,277
Ending Reserves	1,004,294	939,601	845,521	616,060	533,108
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	798,033	683,111	951,649	830,335	920,820
Incurred losses and LAE	(27,116)	337,676	(335)	147,217	26,789
Calendar year payments	87,806	69,139	120,979	56,731	70,925
Ending Reserves	683,111	951,649	830,335	920,820	876,684
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	1,433,141	1,374,823	1,618,838	1,423,916	1,244,527
Incurred losses and LAE	72,253	381,258	762	(10,681)	(38,412)
Calendar year payments	130,571	137,243	195,684	168,709	36,637
Ending Reserves	1,374,823	1,618,838	1,423,916	1,244,527	1,169,478

## NOTES TO FINANCIAL STATEMENTS

**Ending Reserves for Bulk + IBNR included above (Loss & LAE)**

Direct Basis	206,663
Assumed Reinsurance Basis	538,511
Net of Ceded Reinsurance Basis	639,274

**Ending Reserves for LAE included above (Case, Bulk & IBNR)**

Direct Basis	152,577
Assumed Reinsurance Basis	18,730
Net of Ceded Reinsurance Basis	114,588

**Environmental:**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Direct Basis</b>					
Beginning Reserves	1,115,601	953,081	811,867	726,711	768,343
Incurred losses and LAE	24,563	(41,371)	(4,342)	146,061	(5,483)
Calendar year payments	187,083	99,843	80,814	104,429	85,148
Ending Reserves	953,081	811,867	726,711	768,343	677,712

**Assumed Reinsurance Basis**

Beginning Reserves	214,197	205,965	148,259	135,668	104,186
Incurred losses and LAE	12	(52,492)	2,729	(14,575)	17,767
Calendar year payments	8,244	5,214	15,319	16,907	18,829
Ending Reserves	205,965	148,259	135,668	104,186	103,124

**Net of Ceded Reinsurance Basis**

Beginning Reserves	1,227,309	1,046,725	837,359	745,631	803,514
Incurred losses and LAE	(21,611)	(110,611)	467	(90)	179,400
Calendar year payments	158,973	98,756	92,194	(57,973)	278,094
Ending Reserves	1,046,725	837,359	745,631	803,514	704,821

**Ending Reserves for Bulk + IBNR included above (Loss & LAE)**

Direct Basis	279,819
Assumed Reinsurance Basis	64,036
Net of Ceded Reinsurance Basis	290,026

**Ending Reserves for LAE included above (Case, Bulk & IBNR)**

Direct Basis	125,151
Assumed Reinsurance Basis	5,145
Net of Ceded Reinsurance Basis	112,822

**Note 34 - Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 35 - Multiple Peril Crop Insurance**

Not applicable

**Note 36 - Financial Guaranty Insurance**

Not applicable

# 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  No
- 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  No  N/A
- 1.3 State Regulating? New Hampshire
- 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
- 2.2 If yes, date of change: 10/01/2012
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2008
- 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. 12/31/2008
- 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). 05/28/2010
- 3.4 By what department or departments?  
 Ohio 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  No  N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  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  No
- 4.12 renewals? Yes  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  No
- 4.22 renewals? Yes  No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No
- 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
.....	.....	.....
.....	.....	.....

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes  No

## GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....  
 .....  
 .....

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]

7.2 If yes,

7.21 State the percentage of foreign control. \_\_\_\_\_ 0.00 %  
 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity
.....	.....

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 the names and locations (city and state of the main office) of any affiliates regulated by a federal financial 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?

Ernst & Young, LLP  
 200 Clarendon Street  
 Boston, MA 02116  
 .....

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 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 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]

10.4 If response to 10.3 is yes, provide information related to this exemption:

.....  
 .....  
 .....

## GENERAL INTERROGATORIES

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes  No  N/A

10.6 If the response to 10.5 is no or n/a, please explain:

.....  
 .....  
 .....

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?

Kristen M. Bessette, FCAS, MAAA  
 175 Berkeley Street Boston, MA 02116  
 Sr. Vice President & Chief Actuary

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes  No

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

	0
\$	0

12.2 If yes, provide explanation:

.....  
 .....  
 .....

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?

- 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.

Yes  No

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

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

During Q1 and Q3, 2012, Liberty Mutual Insurance Group published certain non-material changes to its Code of Business Ethics and Conduct designed to clarify existing Code provisions.

.....  
 .....

## GENERAL INTERROGATORIES

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).

.....  
 .....  
 .....

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 [X] No [ ]

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
53201186	The Palmetto Bank	Failure to pay and expiring	125,000
61100606	Synovus Bank	Failure to pay and expiring	276,000
61121122	Metro Bank	Failure to pay and expiring	570,912

## 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 thereof? Yes [X] No [ ]

17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No [ ]

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 or is likely to conflict with the official duties of such person? Yes [X] No [ ]

## 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	\$ <u>0</u>
20.12 To stockholders not officers	\$ <u>0</u>
20.13 Trustees, supreme or grand (Fraternal only)	\$ <u>0</u>

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	\$ <u>0</u>
20.22 To stockholders not officers	\$ <u>0</u>
20.23 Trustees, supreme or grand (Fraternal only)	\$ <u>0</u>

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	\$ <u>0</u>
21.22 Borrowed from others	\$ <u>0</u>
21.23 Leased from others	\$ <u>0</u>
21.24 Other	\$ <u>0</u>

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]

## GENERAL INTERROGATORIES

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment	\$	0
22.22 Amount paid as expenses	\$	0
22.23 Other amounts paid	\$	0

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

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

## 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  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):  
 Please reference Note 17B  
 .....  
 .....

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

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ 941,261

24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$ 0

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

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes  No  N/A

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

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

24.101	Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$	941,261
24.102	Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$	941,261
24.103	Total payable for securities lending reported on the liability page	\$	941,261

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  No

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

25.21	Subject to repurchase agreements	\$	0
25.22	Subject to reverse repurchase agreements	\$	0
25.23	Subject to dollar repurchase agreements	\$	0
25.24	Subject to reverse dollar repurchase agreements	\$	0
25.25	Pledged as collateral	\$	0
25.26	Placed under option agreements	\$	0
25.27	Letter stock or securities restricted as to sale	\$	0
25.28	On deposit with state or other regulatory body	\$	26,723,100
25.29	Other	\$	0

## GENERAL INTERROGATORIES

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	.....	0
.....	.....	0
.....	.....	0

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. \$ \_\_\_\_\_ 0

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
JP Morgan Chase	1 Chase Manhattan Plaza, New York, NY 10005
.....	.....

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, broker/dealers or individuals acting on behalf of broker/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
N/A	Liberty Mutual Group Asset Managemen	175 Berkeley Street Boston, MA 02116
.....	.....	.....

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]



## GENERAL INTERROGATORIES

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
		0
		0
		0
29.2999 TOTAL		0

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
		0	
		0	
		0	

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	131,134,133	138,981,493	7,847,360
30.2 Preferred stocks	0	0	0
30.3 Totals	131,134,133	138,981,493	7,847,360

30.4 Describe the sources or methods utilized in determining the fair values:

The primary source is published unit prices from the NAIC Securities Valuation Office. The secondary source is the pricing vendor, Interactive Data Corporation, followed by backfill from Bloomberg and Markit. Lastly, management determines fair value based on quoted market prices of similar financial instruments or by using industry recognized valuation techniques.

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 [ ] No [X]

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 [ ] 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 Securities Valuation Office been followed?

Yes [X] No [ ]

32.2 If no, list exceptions:

.....  
 .....  
 .....

### OTHER

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

\$ \_\_\_\_\_ 0

## GENERAL INTERROGATORIES

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
0 .....	\$ ..... 0
0 .....	\$ ..... 0
	\$ ..... 0

34.1 Amount of payments for legal expenses, if any? \$ 10,795

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
0 .....	\$ ..... 0
	\$ ..... 0
	\$ ..... 0

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 1,433

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
0 .....	\$ ..... 0
	\$ ..... 0
	\$ ..... 0

# GENERAL INTERROGATORIES

## PART 2 – PROPERTY & 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. \$ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0

1.31 Reason for excluding  
0

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ 0

1.62 Total incurred claims \$ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned \$ 0

1.65 Total incurred claims \$ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ 0

1.72 Total incurred claims \$ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned \$ 0

1.75 Total incurred claims \$ 0

1.76 Number of covered lives 0

2. Health Test:

	1		2	
	Current Year		Prior Year	
2.1 Premium Numerator	\$ <u>0</u>		\$ <u>0</u>	
2.2 Premium Denominator	\$ <u>64,418,573</u>		\$ <u>62,827,443</u>	
2.3 Premium Ratio (2.1/2.2)	<u>0.00</u>		<u>0.00</u>	
2.4 Reserve Numerator	\$ <u>302,459</u>		\$ <u>315,621</u>	
2.5 Reserve Denominator	\$ <u>100,225,926</u>		\$ <u>100,317,467</u>	
2.6 Reserve Ratio (2.4/2.5)	<u>0.00</u>		<u>0.00</u>	

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

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

3.21 Participating policies \$ 1,820,547

3.22 Non-participating policies \$ 153,826,546

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? 0 %

4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ 0

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents? Yes [ ] No [X]

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation Yes [ ] No [ ] N/A [X]

5.22 As a direct expense of the exchange Yes [ ] No [ ] N/A [X]

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 [X]

5.5 If yes, give full information

.....

.....

.....

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 loss:  
See Note 21C2

.....

.....

.....

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 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:  
See Note 21C2  
.....  
.....
- 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?  
See Note 21C2  
.....  
.....
- 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 [ ] No [X]
- 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  
Refer to Note 21C  
.....  
.....
- 7.1 Has the 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 cap, an aggregate limit or any similar provisions)? Yes [ ] No [X]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. \_\_\_\_\_ 0
- 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 [ ] 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 31 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 [X] No [ ]

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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  No  N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes  No
- 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   |  | \$ | 2,033,409 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) |  | \$ | 192,856   |
- 12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 454
- 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
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- |            |  |  |        |
|------------|--|--|--------|
| 12.41 From |  |  | 0.00 % |
| 12.42 To   |  |  | 9.00 % |
- 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
- 12.6 If yes, state the amount thereof at December 31 of current year:
- |                                  |  |    |           |
|----------------------------------|--|----|-----------|
| 12.61 Letters of Credit          |  | \$ | 4,461,773 |
| 12.62 Collateral and other funds |  | \$ | 853,741   |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 1,926,000
- 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  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  No
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
 .....  
 .....
- 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  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:  
 0  
 .....  
 .....
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes  No
- 15.2 If yes, give full information  
 .....  
 .....
- 16.1 Does the reporting entity write any warranty business? Yes  No   
 If yes, disclose the following information for each of the following types of warranty coverage:

		1		2		3		4		5
		Direct Losses Incurred		Direct Losses Unpaid		Direct Written Premium		Direct Premium Unearned		Direct Premium Earned
16.11 Home	\$	0	\$	0	\$	0	\$	0	\$	0
16.12 Products	\$	0	\$	0	\$	0	\$	0	\$	0
16.13 Automobile	\$	0	\$	0	\$	0	\$	0	\$	0
16.14 Other*	\$	0	\$	0	\$	0	\$	0	\$	0

\* Disclose type of coverage: \_\_\_\_\_

**GENERAL INTERROGATORIES****PART 2 – PROPERTY & 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	\$ 0
17.12 Unfunded portion of Interrogatory 17.11	\$ 0
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$ 0
17.14 Case reserves portion of Interrogatory 17.11	\$ 0
17.15 Incurred but not reported portion of Interrogatory 17.11	\$ 0
17.16 Unearned premium portion of Interrogatory 17.11	\$ 0
17.17 Contingent commission portion of Interrogatory 17.11	\$ 0

Provide the following information for all other amounts included in Schedule F – Part 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	\$ 0
17.19 Unfunded portion of Interrogatory 17.18	\$ 0
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$ 0
17.21 Case reserves portion of Interrogatory 17.18	\$ 0
17.22 Incurred but not reported portion of Interrogatory 17.18	\$ 0
17.23 Unearned premium portion of Interrogatory 17.18	\$ 0
17.24 Contingent commission portion of Interrogatory 17.18	\$ 0

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.

\$ 0

18.3 Do you act as an administrator for health savings accounts?

Yes [ ] No [X]

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

\$ 0

**FIVE – YEAR HISTORICAL DATA**

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

	1	2	3	4	5
	2012	2011	2010	2009	2008
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
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)	91,315,813	89,431,454	93,218,544	100,841,461	120,535,300
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	26,839,792	26,569,624	28,051,828	30,705,014	31,285,924
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	94,640,119	89,220,000	95,771,615	99,678,782	116,464,513
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	8,360,658	6,602,719	6,706,345	7,087,960	8,255,687
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)				1	
6. Total (Line 35)	221,156,382	211,823,797	223,748,332	238,313,218	276,541,424
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
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)	24,932,637	25,178,242	25,804,487	28,661,379	39,478,417
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	13,314,534	12,412,795	12,405,818	13,302,248	11,247,162
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	22,953,824	21,715,551	20,663,454	18,994,709	28,137,038
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	4,308,293	4,493,346	4,383,283	4,891,558	5,869,099
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)				1	
12. Total (Line 35)	65,509,288	63,799,934	63,257,042	65,849,895	84,731,716
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	403,531	(3,881,687)	(889,309)	2,639,998	1,785,873
14. Net investment gain (loss) (Line 11)	4,286,917	4,199,579	4,734,346	5,414,634	5,888,812
15. Total other income (Line 15)	276,923	247,130	(491,198)	(107,569)	(844,389)
16. Dividends to policyholders (Line 17)	154,485	126,170	(21,146)	268,950	390,474
17. Federal and foreign income taxes incurred (Line 19)	1,605,759	58,000	734,750	2,750,937	6,478,560
18. Net income (Line 20)	3,207,127	380,852	2,640,235	4,927,176	(38,738)
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	177,463,340	173,438,102	173,018,676	165,385,565	157,231,383
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	1,907,160	2,404,306	2,153,867	2,377,159	2,063,477
20.2 Deferred and not yet due (Line 15.2)	19,244,571	18,092,691	17,322,522	16,878,992	15,926,912
20.3 Accrued retrospective premiums (Line 15.3)	409	27,706	54,965	97,978	306,525
21. Total liabilities excluding protected cell business (Page 3, Line 26)	130,976,672	128,565,344	128,662,689	123,552,504	121,454,258
22. Losses (Page 3, Line 1)	53,048,985	54,086,229	53,583,274	56,401,789	59,102,119
23. Loss adjustment expenses (Page 3, Line 3)	12,132,027	11,959,430	11,959,061	13,428,273	13,533,773
24. Unearned premiums (Page 3, Line 9)	31,471,563	30,234,732	29,118,946	27,606,805	25,294,731
25. Capital paid up (Page 3, Lines 30 & 31)	3,500,001	3,500,001	3,500,001	3,374,043	3,374,043
26. Surplus as regards policyholders (Page 3, Line 37)	46,486,668	44,872,758	44,355,987	41,833,061	35,777,125
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	4,040,008	5,213,972	(7,936,199)	8,060,890	88,931,433
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	46,486,668	44,872,758	44,355,987	41,833,061	35,777,125
29. Authorized control level risk-based capital	5,802,756	5,718,502	5,716,015	5,833,995	5,802,527
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	96.5	94.6	91.6	92.0	87.4
31. Stocks (Lines 2.1 & 2.2)				1.0	0.8
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	2.8	3.4	6.1	7.0	11.8
35. Contract loans (Line 6)					
36. Derivatives (Line 7)				X X X	X X X
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)		0.8			
39. Securities lending reinvested collateral assets (Line 10)	0.7	1.2	2.3	X X X	X X X
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
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					
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					
48. Total of above Lines 42 to 47					
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)					

## FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2012	2011	2010	2009	2008
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24)			17,258	139,133	(130,530)
52. Dividends to stockholders (Line 35)					(3,568,807)
53. Change in surplus as regards policyholders for the year (Line 38)	1,613,910	516,771	2,522,926	6,055,936	89,051
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
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)	58,356,115	60,096,120	62,895,399	66,700,817	22,687,435
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	14,483,154	17,729,888	16,119,073	19,405,558	15,845,829
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	58,038,983	72,314,321	58,532,372	51,398,164	41,565,137
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	8,245,878	11,489,100	1,291,515	965,770	(784,028)
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	42,461	47,313	128,466	(1,115,953)	(7,387)
59. Total (Line 35)	139,166,591	161,676,742	138,966,825	137,354,356	79,306,986
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
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)	14,189,999	15,241,243	19,127,604	17,351,097	(28,833,158)
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	7,019,412	7,043,708	6,357,225	6,261,568	3,620,346
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	13,061,292	14,902,277	11,012,679	11,391,290	(1,776,424)
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,682,068	1,132,618	867,367	691,446	(782,453)
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	42,461	47,313	128,466	(1,115,953)	(7,387)
65. Total (Line 35)	35,995,232	38,367,159	37,493,341	34,579,448	(27,779,076)
<b>Operating Percentages (Page 4)</b> (Item 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)	54.3	61.9	56.0	50.7	52.4
68. Loss expenses incurred (Line 3)	12.4	12.1	11.8	11.9	10.8
69. Other underwriting expenses incurred (Line 4)	32.7	32.2	33.6	33.2	33.8
70. Net underwriting gain (loss) (Line 8)	0.6	(6.2)	(1.4)	4.2	3.0
<b>Other Percentages</b>					
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)	31.7	31.4	33.6	31.9	24.9
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	66.7	73.9	67.8	62.6	63.2
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)	140.9	142.2	142.6	157.4	236.8
<b>One Year Loss Development (000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(2,514)	(1,691)	(718)	(4,629)	(5,329)
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)	(5.6)	(3.8)	(1.7)	(12.9)	(14.9)
<b>Two Year Loss Development (000 omitted)</b>					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(3,226)	(1,519)	(3,691)	(6,669)	(9,200)
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)	(7.3)	(3.6)	(10.3)	(18.7)	(24.3)

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 [X]

If no, please explain:

Not applicable



**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								12 Number of Claims Reported Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4	5	6	7	8	9			
				Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	X X X	X X X	X X X	801	515	190	43	45	(67)	36	545	X X X
2. 2003	59,719	4,988	54,731	29,320	2,570	2,078	151	4,384	208	1,832	32,853	X X X
3. 2004	64,268	3,546	60,722	30,108	1,234	1,925	68	4,299	92	2,295	34,938	X X X
4. 2005	66,953	2,712	64,241	30,964	1,277	2,038	75	4,520	71	2,182	36,099	X X X
5. 2006	66,864	2,986	63,878	31,461	762	2,053	85	4,616	102	1,912	37,181	X X X
6. 2007	68,246	3,333	64,913	31,698	706	2,111	72	4,576	64	2,127	37,543	X X X
7. 2008	68,112	2,532	65,580	35,386	1,100	2,097	84	5,114	53	1,854	41,360	X X X
8. 2009	63,904	3,997	59,907	29,106	1,805	1,579	91	4,543	39	1,744	33,293	X X X
9. 2010	63,162	1,277	61,885	28,138	191	1,210	7	4,855	9	2,043	33,996	X X X
10. 2011	63,989	1,161	62,828	29,762	97	817	9	4,440	8	2,531	34,905	X X X
11. 2012	65,595	1,177	64,418	19,534	53	283	3	3,719		1,442	23,480	X X X
12. Totals	X X X	X X X	X X X	296,278	10,310	16,381	688	45,111	579	19,998	346,193	X X X

	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		Other Unpaid				
	13	14	15	16	17	18	19	20	21	22			
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	8,047	2,124	3,210	531	267	28	583	79	694		311	10,039	X X X
2. 2003	408	67	203	49	11		53	4	41		45	596	X X X
3. 2004	563	126	226	54	14		60	5	57		66	735	X X X
4. 2005	634	45	288	65	16		104	5	73		96	1,000	X X X
5. 2006	643	135	425	81	21		155	12	85		324	1,101	X X X
6. 2007	1,227	65	645	94	32		196	17	115		121	2,039	X X X
7. 2008	1,704	141	779	125	44		405	25	168		339	2,809	X X X
8. 2009	2,760	103	1,286	144	64	1	668	30	295	2	275	4,793	X X X
9. 2010	4,120	28	1,997	191	75		1,235	43	465	3	429	7,627	X X X
10. 2011	6,206	32	3,896	186	111	3	1,649	24	843	4	978	12,456	X X X
11. 2012	8,846	26	9,465	118	101		2,217	10	1,525	12	1,714	21,988	X X X
12. Totals	35,158	2,892	22,420	1,638	756	32	7,325	254	4,361	21	4,698	65,183	X X X

	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	X X X	X X X	X X X	X X X	X X X	X X X			X X X	8,602	1,437
2. 2003	36,498	3,049	33,449	61.116	61.127	61.115			0.600	495	101
3. 2004	37,252	1,579	35,673	57.964	44.529	58.748			0.600	609	126
4. 2005	38,637	1,538	37,099	57.708	56.711	57.750			0.600	812	188
5. 2006	39,459	1,177	38,282	59.014	39.417	59.930			0.600	852	249
6. 2007	40,600	1,018	39,582	59.491	30.543	60.977			0.600	1,713	326
7. 2008	45,697	1,528	44,169	67.091	60.348	67.351			0.600	2,217	592
8. 2009	40,301	2,215	38,086	63.065	55.417	63.575			0.600	3,799	994
9. 2010	42,095	472	41,623	66.646	36.962	67.259			0.600	5,898	1,729
10. 2011	47,724	363	47,361	74.582	31.266	75.382			0.600	9,884	2,572
11. 2012	45,690	222	45,468	69.655	18.862	70.583			0.600	18,167	3,821
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	53,048	12,135

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.

**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	2	3	4	5	6	7	8	9	10	11	12	
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year	
1. Prior	34,593	34,657	35,046	35,358	35,495	34,551	36,347	37,096	37,568	37,365	(203)	269	
2. 2003	31,108	30,538	29,777	29,624	29,828	29,599	29,490	29,371	29,345	29,262	(83)	(109)	
3. 2004	X X X	34,985	34,136	33,692	32,226	32,030	31,660	31,575	31,503	31,448	(55)	(127)	
4. 2005	X X X	X X X	36,508	35,119	33,382	33,170	32,766	32,678	32,579	32,607	28	(71)	
5. 2006	X X X	X X X	X X X	35,929	35,196	34,277	33,511	33,621	33,678	33,720	42	99	
6. 2007	X X X	X X X	X X X	X X X	38,511	37,490	35,146	35,127	35,031	34,995	(36)	(132)	
7. 2008	X X X	X X X	X X X	X X X	X X X	41,683	39,788	39,632	39,168	38,977	(191)	(655)	
8. 2009	X X X	X X X	X X X	X X X	X X X	X X X	35,584	34,462	33,871	33,326	(545)	(1,136)	
9. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	37,714	36,842	36,350	(492)	(1,364)	
10. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	43,099	42,120	(979)	X X X	
11. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	40,255	X X X	X X X	
											12. Totals	(2,514)	(3,226)

**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	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
1. Prior	000	8,979	14,947	18,624	21,068	23,000	24,193	25,578	27,182	27,616	X X X	X X X
2. 2003	14,525	20,916	23,980	25,979	27,329	27,918	28,273	28,464	28,595	28,678	X X X	X X X
3. 2004	X X X	15,070	22,632	26,159	28,254	29,491	30,103	30,396	30,609	30,732	X X X	X X X
4. 2005	X X X	X X X	15,428	22,908	26,489	28,817	30,275	30,981	31,347	31,650	X X X	X X X
5. 2006	X X X	X X X	X X X	15,712	23,344	26,667	29,350	31,007	32,016	32,667	X X X	X X X
6. 2007	X X X	X X X	X X X	X X X	16,327	24,252	27,893	30,531	32,175	33,031	X X X	X X X
7. 2008	X X X	X X X	X X X	X X X	X X X	18,931	27,994	31,941	34,577	36,299	X X X	X X X
8. 2009	X X X	X X X	X X X	X X X	X X X	X X X	15,813	22,919	26,349	28,790	X X X	X X X
9. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	17,368	25,400	29,149	X X X	X X X
10. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	21,877	30,473	X X X	X X X
11. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	19,761	X X X	X X X

**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	2	3	4	5	6	7	8	9	10
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Prior	14,446	10,104	7,899	6,879	5,653	5,213	5,556	5,460	4,329	3,587
2. 2003	8,699	4,332	2,477	1,716	1,249	915	622	394	327	233
3. 2004	X X X	10,922	5,435	3,589	1,935	1,423	770	565	422	265
4. 2005	X X X	X X X	12,200	6,067	3,068	1,902	1,083	747	543	353
5. 2006	X X X	X X X	X X X	11,004	5,540	3,378	1,627	924	622	523
6. 2007	X X X	X X X	X X X	X X X	11,377	5,935	2,796	1,521	933	769
7. 2008	X X X	X X X	X X X	X X X	X X X	12,371	5,443	3,247	1,823	1,071
8. 2009	X X X	X X X	X X X	X X X	X X X	X X X	10,844	5,491	3,210	1,815
9. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	10,708	5,073	3,034
10. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	11,081	5,365
11. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	11,574

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN Allocated By States and Territories

States, Etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
		2	3						
	Active Status	Direct Premiums Written	Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	L	1,414,321	1,713,086		4,373,663	2,189,255	3,427,753	4,570
2. Alaska	AK	L	3,594,784	3,413,798		295,973	392,640	883,259	11,616
3. Arizona	AZ	L	1,146,407	1,077,042		255,407	244,269	819,391	3,704
4. Arkansas	AR	L	361,969	362,661		28,804	(96,238)	239,828	1,170
5. California	CA	L	6,899,850	5,840,075		8,500,504	5,928,189	25,157,046	22,296
6. Colorado	CO	L	674,653	595,221		211,068	205,065	414,709	2,180
7. Connecticut	CT	L	3,226,084	4,217,689		6,574,119	3,541,748	12,103,960	10,425
8. Delaware	DE	L	255,471	266,370		43,683	108,182	1,622,356	826
9. District of Columbia	DC	L	308,704	308,125		118,137	142,544	785,388	998
10. Florida	FL	L	5,339,223	6,079,347		5,213,807	3,704,796	10,825,177	17,253
11. Georgia	GA	L	3,516,370	3,144,494		1,053,804	1,212,388	2,094,477	11,363
12. Hawaii	HI	N							
13. Idaho	ID	L	1,693,248	1,412,928		800,778	722,369	712,769	5,472
14. Illinois	IL	L	3,427,755	3,405,037		1,573,112	1,641,507	5,444,934	11,076
15. Indiana	IN	L	2,390,287	2,370,834		497,330	485,952	781,429	7,724
16. Iowa	IA	L	621,348	711,088		221,789	419,211	1,443,699	2,008
17. Kansas	KS	L	518,708	460,222		524,474	174,507	301,695	1,676
18. Kentucky	KY	L	13,755,449	10,666,822		7,410,052	8,957,500	10,825,812	44,449
19. Louisiana	LA	L	1,947,185	1,250,057		1,024,959	1,436,600	2,302,689	6,292
20. Maine	ME	L	45,371	7,665					147
21. Maryland	MD	L	6,248,959	6,456,047		3,940,776	2,809,248	14,279,194	20,193
22. Massachusetts	MA	L	1,216,195	1,194,990		1,964,385	641,619	1,809,744	3,930
23. Michigan	MI	L	1,986,964	1,764,872		1,043,273	567,469	2,067,063	6,421
24. Minnesota	MN	L	592,479	586,257		729,762	951,692	1,472,585	1,915
25. Mississippi	MS	L	2,050,591	2,094,543		1,581,812	988,227	3,048,116	6,626
26. Missouri	MO	L	1,807,026	1,566,328		905,930	1,609,788	2,379,396	5,839
27. Montana	MT	L	1,271,041	1,195,421		366,710	1,276,022	1,289,110	4,107
28. Nebraska	NE	L	358,284	339,288	1,525	(9,362)	45,547	173,846	1,158
29. Nevada	NV	L	121,235	104,338		5,408	(1,680)	22,078	392
30. New Hampshire	NH	L	24,190	4,213					78
31. New Jersey	NJ	L	10,561,084	11,246,020	102,959	12,449,995	15,252,011	29,512,667	34,127
32. New Mexico	NM	L	994,034	932,447		385,328	407,646	794,518	3,212
33. New York	NY	L	2,846,424	3,359,519		2,405,470	2,261,080	8,578,462	9,198
34. North Carolina	NC	L	5,152,236	6,153,097		3,199,794	2,575,312	7,960,827	16,649
35. North Dakota	ND	L	117,173	79,366		28,808	50,029	34,988	379
36. Ohio	OH	L	5,923,765	6,265,844		3,520,135	2,739,395	4,300,664	19,142
37. Oklahoma	OK	L	3,359,652	3,395,675		2,030,224	2,241,368	2,219,598	10,856
38. Oregon	OR	L	7,757,770	7,245,274		1,911,659	2,417,582	4,373,939	25,068
39. Pennsylvania	PA	L	16,230,686	16,523,705		12,333,694	13,238,526	53,593,032	52,448
40. Rhode Island	RI	L	24,760	21,137		12,745	11,395	1,686	80
41. South Carolina	SC	L	3,031,615	3,024,188		1,796,806	2,004,658	4,100,204	9,796
42. South Dakota	SD	L	247,032	198,699		10,585	72,847	93,705	798
43. Tennessee	TN	L	3,032,027	2,696,218		1,803,887	1,920,112	3,862,383	9,798
44. Texas	TX	L	4,234,278	2,917,047		1,508,718	1,799,087	3,951,698	13,683
45. Utah	UT	L	887,828	973,461		390,574	2,234,603	2,793,245	2,869
46. Vermont	VT	L	53,063	6,754		711	4,501	3,790	171
47. Virginia	VA	L	2,884,609	2,413,432	41,106	1,478,399	1,211,816	4,537,633	9,321
48. Washington	WA	L	17,797,796	16,218,108		6,571,168	11,594,582	14,549,453	57,512
49. West Virginia	WV	L	1,395,536	1,446,759		943,135	1,855,834	1,612,187	4,510
50. Wisconsin	WI	L	1,867,677	1,799,361	28,890	1,007,921	371,657	1,386,977	6,035
51. Wyoming	WY	L	433,897	383,593		131,453	94,797	105,116	1,402
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	X X X							
59. Totals	(a) 50		155,647,093	149,908,562	174,480	103,171,366	104,657,254	255,094,275	502,958

DETAILS OF WRITE-INS									
58001.		X X X							
58002.		X X X							
58003.		X X X							
58998.	Summary of remaining write-ins for Line 58 from overflow page	X X X							
58999.	Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	X X X							

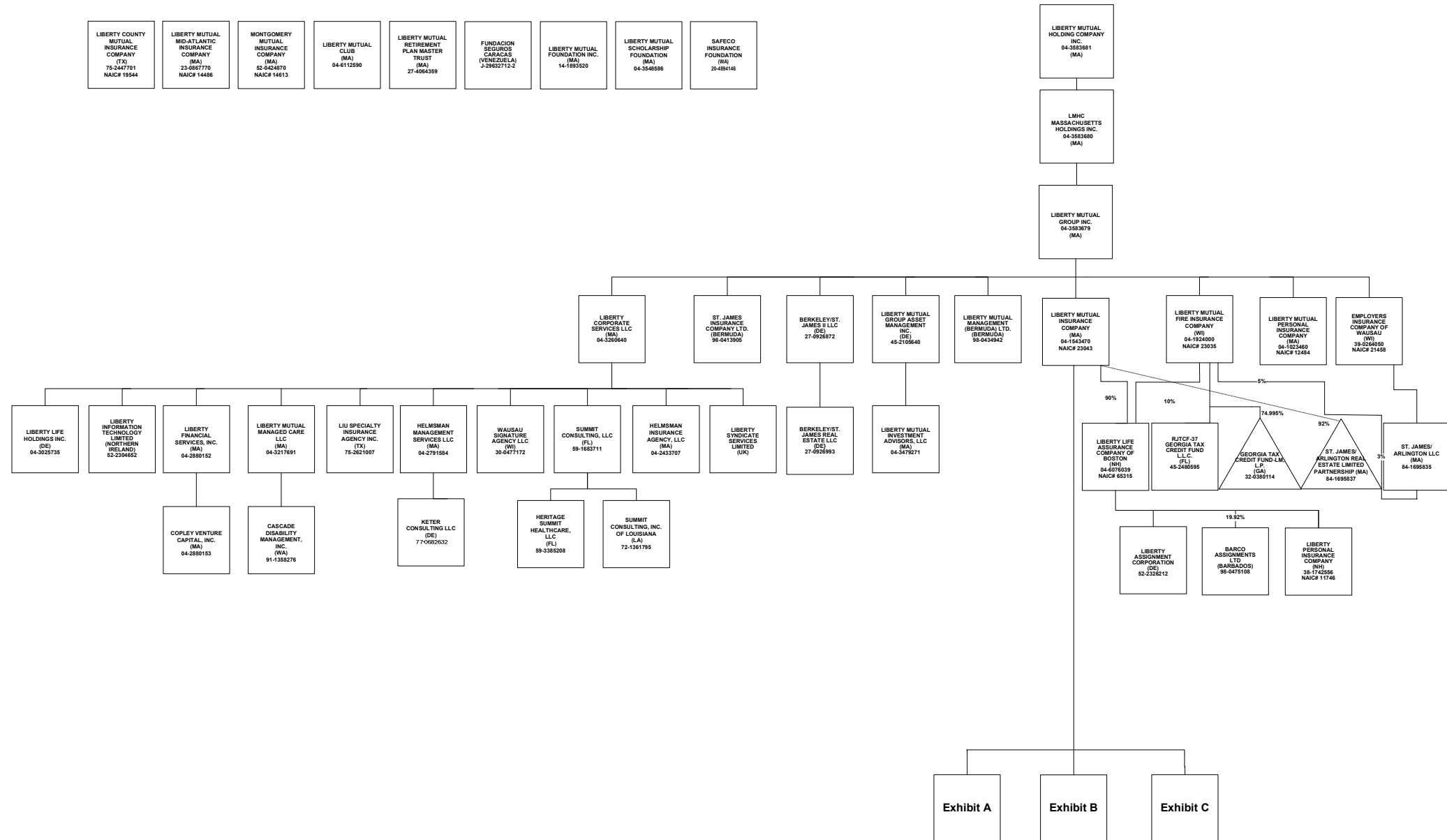
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

Explanation of basis of allocation of premiums by states, etc.	
*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery	*Location of Court or Obligor - Surety
*States employee's main work place - Worker's Compensation	*Address of Assured - Other Accident and Health
*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage	*Location of Properties covered - Burglary and Theft
*Principal Location of business or location of coverage - Liability other than Auto, Fidelity, Warranty	*Principal Location of Assured - Ocean Marine, Credit
*Point of origin of shipment or principal location of assured - Inland Marine	*Primary residence of Assured - Aircraft (all perils)
*State in which employees regularly work - Group Accident and Health	

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

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

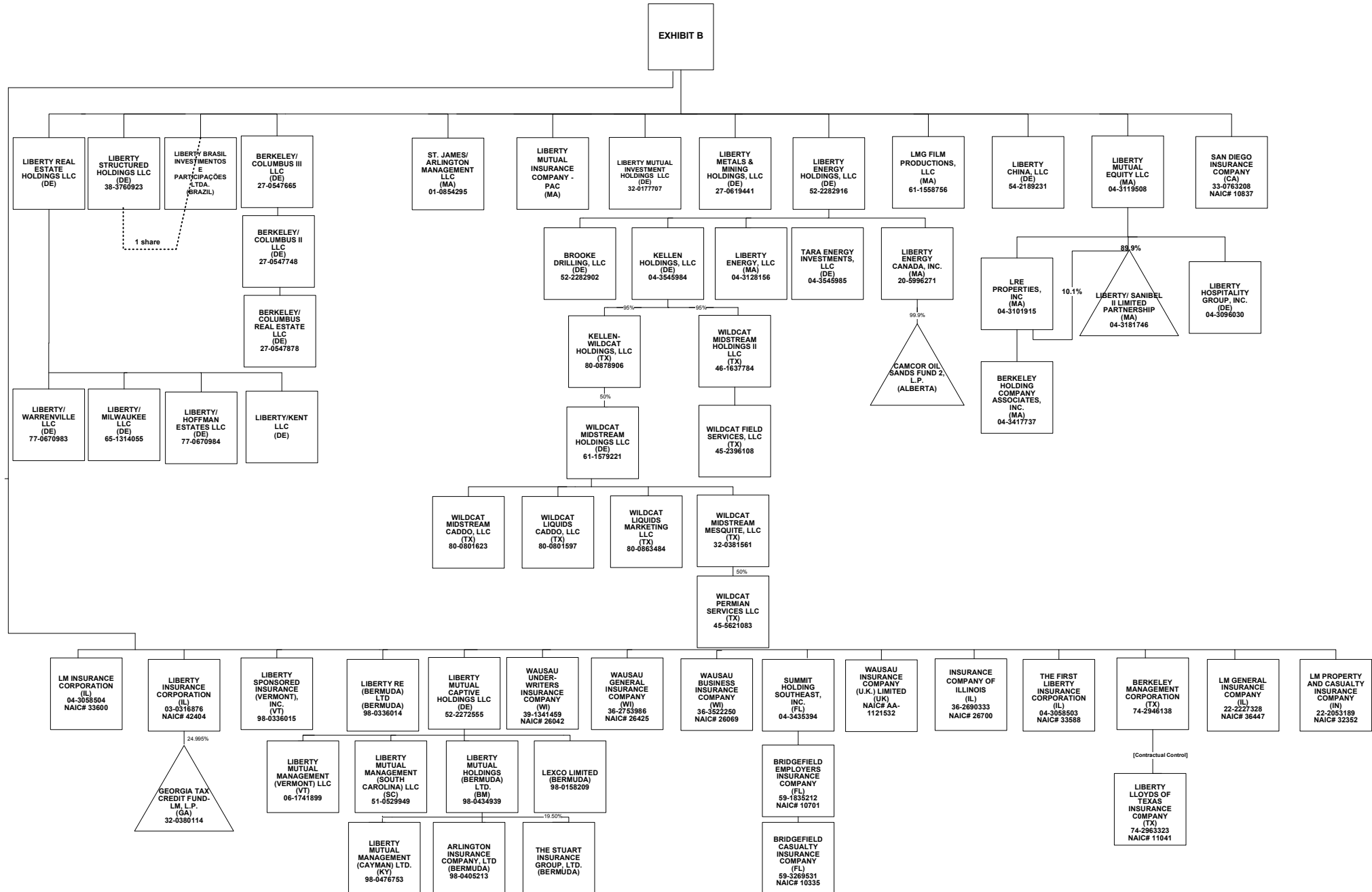
## PART 1 - ORGANIZATIONAL CHART





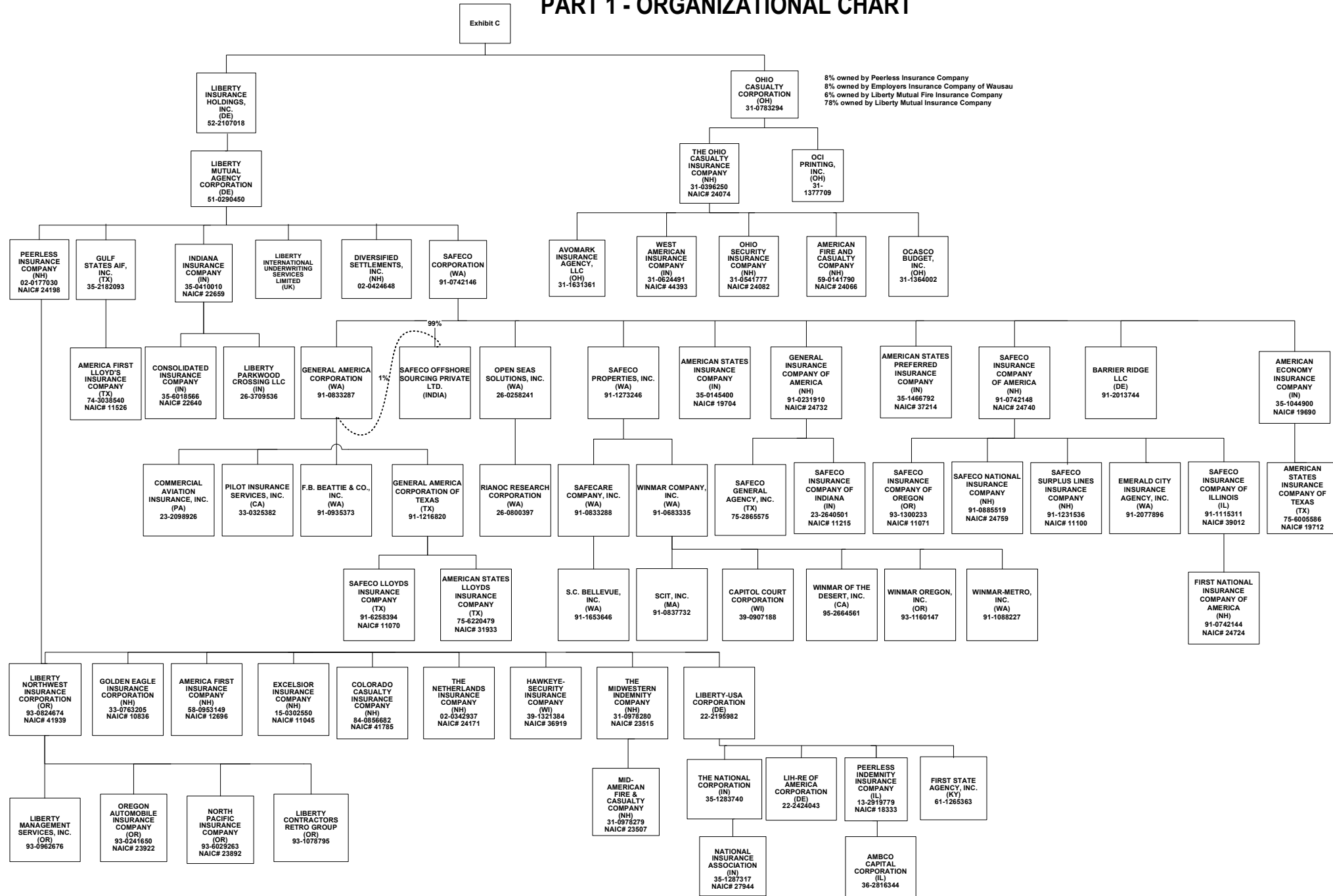
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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

## PART 1 - ORGANIZATIONAL CHART



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**OVERFLOW PAGE FOR WRITE-INS**

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