

ANNUAL STATEMENT

OF THE

EMPLOYERS INSURANCE COMPANY OF WAUSAU

of WAUSAU

in the state of WISCONSIN

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2013

PROPERTY AND CASUALTY

2013



21458201320100100

ANNUAL STATEMENT

For the Year Ended December 31, 2013
OF THE CONDITION AND AFFAIRS OF THE

Employers Insurance Company of Wausau

NAIC Group Code 0111 0111 **NAIC Company Code** 21458 **Employer's ID Number** 39-0264050
(Current Period) (Prior Period)

Organized under the Laws of Wisconsin, **State of Domicile or Port of Entry** Wisconsin

Country of Domicile United States of America

Incorporated/Organized August 21, 1911 **Commenced Business** September 1, 1911

Statutory Home Office 2000 Westwood Drive, Wausau, WI, US 54401
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 175 Berkeley Street
(Street and Number)
Boston, MA, US 02116 617-357-9500
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 175 Berkeley Street, Boston, MA, US 02116
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 175 Berkeley Street Boston, MA, US 02116 617-357-9500
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.LibertyMutualGroup.com

Statutory Statement Contact James Deegan 617-357-9500 x45424
(Name) (Area Code) (Telephone Number) (Extension)
Statutory.Compliance@LibertyMutual.com 617-574-5955
(E-Mail Address) (Fax Number)

OFFICERS

Chairman of the Board
James Paul Condrin, III

	Name	Title
1.	<u>James Paul Condrin, III</u>	<u>President and Chief Executive Officer</u>
2.	<u>Dexter Robert Legg</u>	<u>Vice President and Secretary</u>
3.	<u>Laurance Henry Soyer Yahia</u>	<u>Vice President and Treasurer</u>

VICE-PRESIDENTS

Name	Title	Name	Title
<u>John Derek Doyle</u>	<u>Vice President and Comptroller</u>	<u>Michael Joseph Fallon</u>	<u>Vice President and Chief Financial Officer</u>
<u>Anthony Alexander Fontanes</u>	<u>Vice President and Chief Investment Officer</u>	<u>Kathryn Mary Winn</u>	<u>Vice President and General Counsel</u>

DIRECTORS OR TRUSTEES

<u>Kristen Maria Bessette</u>	<u>James Paul Condrin, III</u>	<u>John Derek Doyle</u>	<u>Michael Joseph Fallon</u>
<u>Michael Henry Hughes</u>	<u>Dexter Robert Legg</u>	<u>Kathryn Mary Winn</u>	

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, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

_____ (Signature) James Paul Condrin, III _____ (Printed Name) 1. President and Chief Executive Officer _____ (Title)	_____ (Signature) Dexter Robert Legg _____ (Printed Name) 2. Vice President and Secretary _____ (Title)	_____ (Signature) Laurance Henry Soyer Yahia _____ (Printed Name) 3. Vice President and Treasurer _____ (Title)
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Subscribed and sworn to (or affirmed) before me on this
27th day of January, 2014, by

- a. Is this an original filing? 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)	3,636,393,655		3,636,393,655	2,358,824,894
2. Stocks (Schedule D):				
2.1 Preferred stocks	44,538,910		44,538,910	39,534,440
2.2 Common stocks	228,772,332		228,772,332	191,984,846
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	137,128,154		137,128,154	95,048,253
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	15,517,950		15,517,950	17,197,963
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 3,803,141, Schedule E - Part 1), cash equivalents (\$ 11,605,430, Schedule E - Part 2), and short-term investments (\$ 46,836,203, Schedule DA)	62,244,774		62,244,774	94,959,510
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	276,146,640		276,146,640	262,914,579
9. Receivables for securities	4,262,617		4,262,617	12,478,340
10. Securities lending reinvested collateral assets (Schedule DL)	34,352,944		34,352,944	28,304,650
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	4,439,357,976		4,439,357,976	3,101,247,475
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	35,368,015		35,368,015	25,537,658
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	157,180,569	6,553,441	150,627,128	111,383,558
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 3,433,632 earned but unbilled premiums)	621,035,199	511,373	620,523,826	376,618,041
15.3 Accrued retrospective premiums	41,835,834	4,176,781	37,659,053	23,531,657
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	68,548,397		68,548,397	92,911,628
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	30,141	30,141		38,605
18.1 Current federal and foreign income tax recoverable and interest thereon				18,793,659
18.2 Net deferred tax asset	170,208,000	27,249,017	142,958,983	110,103,111
19. Guaranty funds receivable or on deposit	1,717,902		1,717,902	1,525,479
20. Electronic data processing equipment and software	293,940		293,940	82,871
21. Furniture and equipment, including health care delivery assets (\$ 0)	62,888	62,888		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	12,576,362		12,576,362	474,755
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	92,081,597	1,935,849	90,145,748	78,459,769
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	5,640,296,820	40,519,490	5,599,777,330	3,940,708,266
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	5,640,296,820	40,519,490	5,599,777,330	3,940,708,266

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	60,940,182		60,940,182	51,505,955
2502. Amounts receivable under high deductible policies	15,621,590	154	15,621,436	17,355,562
2503. Equities and deposits in pools and associations	11,546,386		11,546,386	8,185,047
2598. Summary of remaining write-ins for Line 25 from overflow page	3,973,439	1,935,695	2,037,744	1,413,205
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	92,081,597	1,935,849	90,145,748	78,459,769

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	2,279,464,676	1,533,247,982
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	178,079,543	130,430,776
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	489,340,086	315,686,461
4. Commissions payable, contingent commissions and other similar charges	43,093,356	10,596,989
5. Other expenses (excluding taxes, licenses and fees)	63,768,283	41,331,311
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	22,625,071	19,115,386
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	30,590,675	
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 \$ 155,330,549 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)	950,468,970	455,841,915
10. Advance premium	7,057,581	4,319,712
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	196,198	266,169
12. Ceded reinsurance premiums payable (net of ceding commissions)	26,381,408	69,126,133
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	4,491,475	5,488,314
14. Amounts withheld or retained by company for account of others	7,898,449	7,259,381
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 8)	1,782,423	1,483,879
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	66,588,376	39,551,182
19. Payable to parent, subsidiaries and affiliates	8,458,157	41,526,337
20. Derivatives		2,297,356
21. Payable for securities	2,713,056	9,082,360
22. Payable for securities lending	34,352,944	28,304,650
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	98,690,879	(3,982,389)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	4,316,041,606	2,710,973,904
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	4,316,041,606	2,710,973,904
29. Aggregate write-ins for special surplus funds	8,909,896	65,541,626
30. Common capital stock	5,000,000	5,000,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	340,000,000	340,000,000
35. Unassigned funds (surplus)	929,825,828	819,192,736
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)	1,283,735,724	1,229,734,362
38. Totals (Page 2, Line 28, Col. 3)	5,599,777,330	3,940,708,266

DETAILS OF WRITE-IN LINES		
2501. Amounts held under uninsured plans	60,292,522	62,704,873
2502. Other liabilities	41,543,806	34,103,453
2503. Retroactive reinsurance reserves	(3,145,449)	(100,790,715)
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	98,690,879	(3,982,389)
2901. Special surplus from retroactive reinsurance	8,909,896	65,541,626
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	8,909,896	65,541,626
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
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	1,948,596,324	986,338,044
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	1,152,772,781	715,627,547
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	279,293,399	175,397,299
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	627,302,740	312,859,367
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	2,059,368,920	1,203,884,213
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(110,772,596)	(217,546,169)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	194,706,458	111,049,313
10. Net realized capital gains (losses) less capital gains tax of \$ 3,101,165 (Exhibit of Capital Gains (Losses))	5,759,307	19,314,323
11. Net investment gain (loss) (Lines 9 + 10)	200,465,765	130,363,636
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 369,363 amount charged off \$ 6,794,283)	(6,424,920)	(3,587,723)
13. Finance and service charges not included in premiums	10,709,824	3,207,520
14. Aggregate write-ins for miscellaneous income	(3,724,288)	(3,496,040)
15. Total other income (Lines 12 through 14)	560,616	(3,876,243)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	90,253,785	(91,058,776)
17. Dividends to policyholders	3,082,309	1,968,278
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)	87,171,476	(93,027,054)
19. Federal and foreign income taxes incurred	38,279,835	(45,334,020)
20. Net income (Line 18 minus Line 19) (to Line 22)	48,891,641	(47,693,034)
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	1,229,734,362	1,228,804,949
22. Net income (from Line 20)	48,891,641	(47,693,034)
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 2,192,091	(26,131,817)	16,457,016
25. Change in net unrealized foreign exchange capital gain (loss)	(4,714,923)	2,932,520
26. Change in net deferred income tax	37,286,091	27,438,426
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(6,447,413)	38,635,640
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	(298,544)	(1,021,027)
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
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	5,416,327	(35,820,128)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	54,001,362	929,413
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	1,283,735,724	1,229,734,362

DETAILS OF WRITE-IN LINES		
0501.		
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)		
1401. Retroactive reinsurance gain/(loss)	53,704	(2,477,215)
1402. Other income/(expense)	(3,777,992)	(1,018,825)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(3,724,288)	(3,496,040)
3701. Other changes in surplus	5,416,327	
3702. SSAP 10R incremental change		(35,820,128)
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	5,416,327	(35,820,128)

CASH FLOW

	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	2,101,730,656	983,530,027
2. Net investment income	197,454,142	120,032,512
3. Miscellaneous income	(4,086,983)	(11,497,597)
4. Total (Lines 1 through 3)	2,295,097,815	1,092,064,942
5. Benefit and loss related payments	302,903,167	615,771,145
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	672,766,997	456,805,153
8. Dividends paid to policyholders	3,152,280	2,206,855
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(8,003,334)	(17,510,677)
10. Total (Lines 5 through 9)	970,819,110	1,057,272,476
11. Net cash from operations (Line 4 minus Line 10)	1,324,278,705	34,792,466
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	446,883,082	628,063,321
12.2 Stocks	31,238,366	323,067
12.3 Mortgage loans	10,145,655	4,286,166
12.4 Real estate		
12.5 Other invested assets	428,629,819	263,908,803
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	5,141,652	(12,710,920)
12.8 Total investment proceeds (Lines 12.1 to 12.7)	922,038,574	883,870,437
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,734,849,373	629,313,925
13.2 Stocks	105,928,717	4,243,368
13.3 Mortgage loans	52,316,158	28,281,760
13.4 Real estate	446,985	203,609
13.5 Other invested assets	428,746,617	197,371,281
13.6 Miscellaneous applications	6,369,305	(4,551,421)
13.7 Total investments acquired (Lines 13.1 to 13.6)	2,328,657,155	854,862,522
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)	(1,406,618,581)	29,007,915
Cash from Financing and Miscellaneous Sources		
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)	49,625,140	(24,118,796)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	49,625,140	(24,118,796)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(32,714,736)	39,681,585
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	94,959,510	55,277,925
19.2 End of year (Line 18 plus Line 19.1)	62,244,774	94,959,510

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

20.0001	13.1 Cost of Investment Acquired - Bonds	978,332,177	
20.0002	13.2 Cost of Investment Acquired - Stocks	63,485,602	
20.0003	13.3 Cost of Investment Acquired - Mortgage Loans	28,495,326	
20.0004	13.5 Cost of Investment Acquired - Other Invested Assets	279,574	813,758
20.0005	12.4 - Proceeds from investments sold, matured or repaid - Mortgage loans	279,574	813,758
20.0006	12.5 - Proceeds from investments sold, matured or repaid - Other invested assets	210,262,658	

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	59,416,289	12,727,373	23,704,854	48,438,808
2. Allied lines	36,973,778	5,747,187	14,843,729	27,877,236
3. Farmowners multiple peril	11,018,763	13,612	3,782,626	7,249,749
4. Homeowners multiple peril	455,878,664	95,067,409	211,255,129	339,690,944
5. Commercial multiple peril	243,641,320	12,595,573	86,211,731	170,025,162
6. Mortgage guaranty				
8. Ocean marine	7,058,166	1,786,761	3,269,085	5,575,842
9. Inland marine	62,383,258	4,567,417	11,837,663	55,113,012
10. Financial guaranty				
11.1 Medical professional liability—occurrence	3,793,249	1,655,115	1,896,934	3,551,430
11.2 Medical professional liability—claims-made	805,607	123,739	311,564	617,782
12. Earthquake	9,143,731	1,994,618	3,692,035	7,446,314
13. Group accident and health	82,843			82,843
14. Credit accident and health (group and individual)				
15. Other accident and health	432,129	4,798	31,803	405,124
16. Workers' compensation	268,662,677	15,744,372	10,679,352	273,727,697
17.1 Other liability—occurrence	156,310,365	31,604,001	55,428,085	132,486,281
17.2 Other liability—claims-made	37,476,869	13,617,263	18,423,918	32,670,214
17.3 Excess workers' compensation	4,132,526	3,202,747	1,860,535	5,474,738
18.1 Products liability—occurrence	12,258,712	6,718,432	7,341,297	11,635,847
18.2 Products liability—claims-made	1,084,276	107,402	396,002	795,676
19.1,19.2 Private passenger auto liability	507,433,701	119,260,809	210,767,006	415,927,504
19.3,19.4 Commercial auto liability	121,354,745	15,323,484	43,050,200	93,628,029
21. Auto physical damage	305,362,715	82,893,129	156,847,583	231,408,261
22. Aircraft (all perils)	3,417,121	735,530	870,030	3,282,621
23. Fidelity	2,290,896	441,556	1,052,496	1,679,956
24. Surety	92,992,197	443,906	35,726,776	57,709,327
26. Burglary and theft	109,419	15,790	45,487	79,722
27. Boiler and machinery	2,846,418	1,093,003	1,275,698	2,663,723
28. Credit	175,457	76,319	73,159	178,617
29. International				
30. Warranty	102,724	445,674	409,238	139,160
31. Reinsurance-nonproportional assumed property	18,722,220	1,990,424	1,967,457	18,745,187
32. Reinsurance-nonproportional assumed liability	1,778,760	326,432	295,963	1,809,229
33. Reinsurance-nonproportional assumed financial lines	13,952			13,952
34. Aggregate write-ins for other lines of business				
35. TOTALS	2,427,153,547	430,323,875	907,347,435	1,950,129,987

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	23,294,117	410,737			23,704,854
2. Allied lines	14,748,371	95,358			14,843,729
3. Farmowners multiple peril	3,782,626				3,782,626
4. Homeowners multiple peril	211,255,129				211,255,129
5. Commercial multiple peril	86,398,688	397,554	(589,017)	4,506	86,211,731
6. Mortgage guaranty					
8. Ocean marine	3,034,459	234,626			3,269,085
9. Inland marine	9,610,645	2,227,018			11,837,663
10. Financial guaranty					
11.1 Medical professional liability—occurrence	1,872,473	24,460			1,896,933
11.2 Medical professional liability—claims-made	311,564				311,564
12. Earthquake	3,652,957	39,078			3,692,035
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	31,803				31,803
16. Workers' compensation	53,280,438	141,668	(1,234,612)	(41,508,140)	10,679,354
17.1 Other liability—occurrence	52,074,447	3,394,313	15,708	(56,383)	55,428,085
17.2 Other liability—claims-made	15,537,855	2,912,624	(26,561)		18,423,918
17.3 Excess workers' compensation	1,835,254	25,280			1,860,534
18.1 Products liability—occurrence	4,347,168	2,867,489	(5,895)	132,535	7,341,297
18.2 Products liability—claims-made	395,954	48			396,002
19.1,19.2 Private passenger auto liability	210,763,176	3,830			210,767,006
19.3,19.4 Commercial auto liability	42,691,364	212,514		146,321	43,050,199
21. Auto physical damage	156,754,662	92,920			156,847,582
22. Aircraft (all perils)	870,030				870,030
23. Fidelity	776,965	275,531			1,052,496
24. Surety	25,248,108	10,478,669			35,726,777
26. Burglary and theft	44,927	560			45,487
27. Boiler and machinery	1,241,050	34,648			1,275,698
28. Credit	73,159				73,159
29. International					
30. Warranty		409,238			409,238
31. Reinsurance-nonproportional assumed property	1,967,457				1,967,457
32. Reinsurance-nonproportional assumed liability	295,963				295,963
33. Reinsurance-nonproportional assumed financial lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	926,190,809	24,278,163	(1,840,377)	(41,281,161)	907,347,434
36. Accrued retrospective premiums based on experience					41,281,161
37. Earned but unbilled premiums					1,840,377
38. Balance (Sum of Lines 35 through 37)					950,468,972

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	307,432	59,521,714	10,079	395,705	27,232	59,416,288
2. Allied lines	280,813	37,094,998	18,735	419,897	871	36,973,778
3. Farmowners multiple peril		11,018,763				11,018,763
4. Homeowners multiple peril	615,180	455,878,664	7,695	410,939	211,936	455,878,664
5. Commercial multiple peril	8,665,256	278,656,003		43,643,548	36,391	243,641,320
6. Mortgage guaranty						
8. Ocean marine		7,058,166				7,058,166
9. Inland marine	41,719	62,497,446		155,907		62,383,258
10. Financial guaranty						
11.1 Medical professional liability--occurrence		3,793,249				3,793,249
11.2 Medical professional liability--claims-made		805,607				805,607
12. Earthquake	29,993	9,375,522		261,731	53	9,143,731
13. Group accident and health	2,100	82,843		2,100		82,843
14. Credit accident and health (group and individual)						
15. Other accident and health		432,129				432,129
16. Workers' compensation	199,233,562	479,302,181	28,303,940	419,981,119	18,195,884	268,662,680
17.1 Other liability—occurrence	22,135,820	208,107,372	13	72,627,893	1,304,948	156,310,364
17.2 Other liability—claims-made	383,729	37,476,869		383,729		37,476,869
17.3 Excess workers' compensation		4,132,526				4,132,526
18.1 Products liability—occurrence	1,722,103	20,011,776		9,475,167		12,258,712
18.2 Products liability—claims-made		1,084,276				1,084,276
19.1,19.2 Private passenger auto liability		507,433,701				507,433,701
19.3,19.4 Commercial auto liability	19,011,684	160,339,271	569,145	57,818,214	747,141	121,354,745
21. Auto physical damage	5,659,435	314,200,275	6,382	14,420,091	83,286	305,362,715
22. Aircraft (all perils)		3,417,121				3,417,121
23. Fidelity	216,203	2,811,519		736,826		2,290,896
24. Surety	136,874	92,992,287		136,964		92,992,197
26. Burglary and theft	147,750	527,465		565,799		109,416
27. Boiler and machinery	11,525	2,856,656		21,763		2,846,418
28. Credit		175,457				175,457
29. International						
30. Warranty		102,724				102,724
31. Reinsurance-nonproportional assumed property	X X X	18,722,220				18,722,220
32. Reinsurance-nonproportional assumed liability	X X X	1,778,760	(74,149)		(74,149)	1,778,760
33. Reinsurance-nonproportional assumed financial lines	X X X	13,952				13,952
34. Aggregate write-ins for other lines of business						
35. TOTALS	258,601,178	2,781,701,512	28,841,840	621,457,392	20,533,593	2,427,153,545

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 [X] No []

If yes: 1. The amount of such installment premiums \$ 188,574,200

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 189,050,249

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	24,060	12,102,845	45,281	12,081,624	1,147,754	6,607,650	1,269,782	18,567,246	1,536,741
2. Allied lines	13,241	5,508,884	18,397	5,503,728	213,662	2,782,451	266,127	8,233,714	1,281,505
3. Farmowners multiple peril		1,317,347		1,317,347		93,896		1,411,243	481,618
4. Homeowners multiple peril	147,846	41,409,829	149,760	41,407,915	(10,320)	26,507,518	(9,403)	67,914,516	16,238,955
5. Commercial multiple peril	13,724,631	151,392,833	63,419,605	101,697,859	17,423,964	106,555,910	54,660,014	171,017,719	68,263,045
6. Mortgage guaranty									
8. Ocean marine		3,350,333		3,350,333	20,570	2,141,957	20,570	5,492,290	842,338
9. Inland marine		3,513,883	4,921	3,508,962	73,596	5,224,109	41,608	8,765,059	1,173,658
10. Financial guaranty									
11.1 Medical professional liability—occurrence		250,090		250,090		4,647,786		4,897,876	290,092
11.2 Medical professional liability—claims-made		95,412		95,412		474,898		570,310	193,190
12. Earthquake		79,504		79,504		289,895	202,151	167,248	75,738
13. Group accident and health	2,741,260	185,768	2,741,260	185,768		49,216		(a) 234,984	14,183
14. Credit accident and health (group and individual)									
15. Other accident and health		731,547		731,547		895,926		(a) 1,627,473	416,242
16. Workers' compensation	764,745,130	1,461,901,462	1,662,900,229	563,746,363	357,304,005	1,214,266,810	1,033,974,669	1,101,342,509	154,975,590
17.1 Other liability—occurrence	65,307,648	169,942,688	131,477,499	103,772,837	244,414,257	204,209,477	276,561,918	275,834,653	88,756,839
17.2 Other liability—claims-made	219,286	10,092,921	219,286	10,092,921	1,961,471	39,070,242	1,961,471	49,163,163	14,614,958
17.3 Excess workers' compensation	10,730,290	17,761,893	10,730,290	17,761,893	2,285,577	26,527,564	2,288,625	44,286,409	4,324,435
18.1 Products liability—occurrence	97,628,753	17,567,575	106,788,711	8,407,617	169,581,154	51,011,667	193,155,263	35,845,175	20,814,914
18.2 Products liability—claims-made	700,803	59,472	700,803	59,472	66,484	2,634,999	66,484	2,694,471	1,445,947
19.1,19.2 Private passenger auto liability	206	192,328,350	317	192,328,239		99,503,357		291,831,596	74,870,462
19.3,19.4 Commercial auto liability	91,854,038	170,818,145	191,293,734	71,378,449	7,082,208	78,256,133	40,906,222	115,810,568	19,981,506
21. Auto physical damage		797,833	(19)	797,852	149,900	9,134,546	3,742,087	6,340,211	6,226,307
22. Aircraft (all perils)		1,840,972		1,840,972	57,787	2,167,227	57,787	4,008,199	1,411,326
23. Fidelity	8,821	741,138	363,977	385,982	22,517	1,934,660	20,141	2,323,018	366,333
24. Surety	74,612	(164,855)	74,612	(164,855)	(9,534,806)	10,942,075	(9,534,806)	10,777,220	8,295,605
26. Burglary and theft	1,550	39,913	32,838	8,625	(170,091)	19,059	(159,609)	17,202	21,223
27. Boiler and machinery		542,616		542,616	38,863	267,869	40,026	809,322	75,502
28. Credit						318,394		318,394	
29. International									
30. Warranty						105,349		105,349	48,998
31. Reinsurance-nonproportional assumed property	X X X	8,466,632		8,466,632	X X X	10,970,775		19,437,407	219,625
32. Reinsurance-nonproportional assumed liability	X X X	114,461,371	106,991,763	7,469,608	X X X	345,037,196	323,229,288	29,277,516	2,080,726
33. Reinsurance-nonproportional assumed financial lines	X X X	340,999		340,999	X X X	1,612		342,611	2,484
34. Aggregate write-ins for other lines of business									
35. TOTALS	1,047,922,175	2,387,477,400	2,277,953,264	1,157,446,311	792,128,552	2,252,650,223	1,922,760,415	2,279,464,671	489,340,085

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	204,331,634			204,331,634
1.2 Reinsurance assumed	205,990,220			205,990,220
1.3 Reinsurance ceded	273,812,085			273,812,085
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	136,509,769			136,509,769
2. Commission and brokerage:				
2.1 Direct, excluding contingent		22,067,342		22,067,342
2.2 Reinsurance assumed, excluding contingent		148,089,638		148,089,638
2.3 Reinsurance ceded, excluding contingent		61,855,526		61,855,526
2.4 Contingent—direct		(1,398,562)		(1,398,562)
2.5 Contingent—reinsurance assumed		27,112,243		27,112,243
2.6 Contingent—reinsurance ceded		(5,474,685)		(5,474,685)
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)		139,489,820		139,489,820
3. Allowances to manager and agents		22,671,287		22,671,287
4. Advertising	878,722	32,976,105	5,676	33,860,503
5. Boards, bureaus and associations	402,586	3,536,343	259	3,939,188
6. Surveys and underwriting reports	9,127	8,228,124	33,676	8,270,927
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	87,716,343	172,689,539	5,667,992	266,073,874
8.2 Payroll taxes	3,693,177	15,276,991	24,375	18,994,543
9. Employee relations and welfare	17,702,769	70,145,137	272,386	88,120,292
10. Insurance	3,952,796	936,707	66,421	4,955,924
11. Directors' fees	40	922		962
12. Travel and travel items	6,020,227	12,828,782	206,230	19,055,239
13. Rent and rent items	4,328,883	17,582,773	71,954	21,983,610
14. Equipment	2,030,679	8,477,849	205,545	10,714,073
15. Cost or depreciation of EDP equipment and software	2,988,744	11,514,004	204,241	14,706,989
16. Printing and stationery	706,459	2,578,566	20,594	3,305,619
17. Postage, telephone and telegraph, exchange and express	2,725,886	10,197,101	272,912	13,195,899
18. Legal and auditing	480,752	2,507,060	992,959	3,980,771
19. Totals (Lines 3 to 18)	133,637,190	392,147,290	8,045,220	533,829,700
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 401,955		56,288,501		56,288,501
20.2 Insurance department licenses and fees		4,536,358		4,536,358
20.3 Gross guaranty association assessments		554,672		554,672
20.4 All other (excluding federal and foreign income and real estate)		4,493,782		4,493,782
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		65,873,313		65,873,313
21. Real estate expenses			2,909,868	2,909,868
22. Real estate taxes			810,245	810,245
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	9,146,440	29,792,320	2,142,539	41,081,299
25. Total expenses incurred	279,293,399	627,302,743	13,907,872	(a) 920,504,014
26. Less unpaid expenses—current year	489,340,086	128,657,824	828,886	618,826,796
27. Add unpaid expenses—prior year	315,686,461	70,274,730	768,956	386,730,147
28. Amounts receivable relating to uninsured plans, prior year		38,605		38,605
29. Amounts receivable relating to uninsured plans, current year		(9,881)		(9,881)
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	105,639,774	568,871,163	13,847,942	688,358,879

DETAILS OF WRITE-IN LINES				
2401. Other expenses	9,146,440	29,792,320	2,142,539	41,081,299
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)	9,146,440	29,792,320	2,142,539	41,081,299

(a) Includes management fees of \$ 279,918,435 to affiliates and \$ 23,097,981 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 11,976,514	12,997,447
1.1 Bonds exempt from U.S. tax	(a) 38,376,730	42,066,608
1.2 Other bonds (unaffiliated)	(a) 73,683,103	78,553,167
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 2,356,033	2,429,158
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	1,227,044	1,273,009
2.21 Common stocks of affiliates	44,322,967	44,322,967
3. Mortgage loans	(c) 7,688,943	7,869,686
4. Real estate	(d) 6,569,600	6,569,600
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 1,379,930	1,370,695
7. Derivative instruments	(f) 65,847	42,104
8. Other invested assets	13,069,763	13,069,763
9. Aggregate write-ins for investment income	177,157	177,157
10. Total gross investment income	200,893,631	210,741,361
11. Investment expenses		(g) 13,907,873
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 32
14. Depreciation on real estate and other invested assets		(i) 2,126,998
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		16,034,903
17. Net investment income (Line 10 minus Line 16)		194,706,458

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	177,157	177,157
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)	177,157	177,157
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 \$ 1,818,954 accrual of discount less \$ 12,222,888 amortization of premium and less \$ 8,165,695 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 \$ 33,455 paid for accrued interest on purchases.
- (d) Includes \$ 6,312,541 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 1,772 accrual of discount less \$ 80,455 amortization of premium and less \$ 722,904 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 \$ 2,126,998 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	(22,958)		(22,958)		
1.1 Bonds exempt from U.S. tax	175,714		175,714	(16,126)	
1.2 Other bonds (unaffiliated)	3,003,181	(3,113)	3,000,068	221,574	(3,351,868)
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)				(5,341,730)	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	3,642,047	(280,498)	3,361,549	13,428,366	
2.21 Common stocks of affiliates				(44,346,580)	
3. Mortgage loans	(303,240)		(303,240)	212,638	
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					57
7. Derivative instruments	(3,074,172)		(3,074,172)	2,297,356	
8. Other invested assets	11,331,701	(5,608,189)	5,723,512	9,604,775	1,539,922
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	14,752,273	(5,891,800)	8,860,473	(23,939,727)	(1,811,889)

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	6,553,441	3,042,123	(3,511,318)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	511,373	214,244	(297,129)
15.3 Accrued retrospective premiums	4,176,781	2,607,566	(1,569,215)
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	30,141	19,022	(11,119)
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	27,249,017	25,010,889	(2,238,128)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets	62,888		(62,888)
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	1,935,849	3,202,336	1,266,487
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	40,519,490	34,096,180	(6,423,310)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	40,519,490	34,096,180	(6,423,310)

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	1,935,695	3,202,312	1,266,617
2502. Amounts receivable under high deductible policies	154	24	(130)
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,935,849	3,202,336	1,266,487

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 Wisconsin, the accompanying financial statements of Employers Insurance Company of Wausau (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

Effective December 31, 1998, the Company entered into a reinsurance treaty with Nationwide Indemnity Company, with Nationwide Mutual Insurance Company as guarantor of the recoverables ceded under the treaty. The Wisconsin Insurance Commissioner has issued a Permitted Practice Decision allowing the guarantee to be used as credit for reinsurance collateral, reducing the provision for reinsurance by \$37,912,600.

	State of Domicile	2012	2013
<u>SURPLUS</u>			
EICOW state basis (Page 3, Line 37, Columns 1 & 2)	WI	\$ 1,229,734,362	\$ 1,283,735,724
Credit for Reinsurance from Unauthorized Insurers		27,138,400	37,912,600
NAIC SAP		\$ 1,202,595,962	\$ 1,245,823,124

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. 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, *Investment in Subsidiaries, Controlled Entities and Affiliates*, 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.

NOTES TO FINANCIAL STATEMENTS

12. Effective January 1, 2013 the Company changed the predefined thresholds in its capitalization policy for internally developed software. The change was to bring the thresholds for internally developed software in line with industry standards. The Company's capitalization policy, including the predefined thresholds, for all other asset classes did not change.
13. The Company has no pharmaceutical rebate receivables.

Note 2 - Accounting Changes and Correction of Errors

Effective January 1, 2013 the Company Adopted SSAP No. 92, Postretirement Benefits Other Than Pensions, a Replacement of SSAP No. 14 and SSAP No. 102, Accounting for Pensions, a Replacement of SSAP No. 89. Also effective January 1, 2013, the Company adopted Ref #2013-02, Accounting for Deferred Compensation and Post Retirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements. The Company elected the transition option for recognizing the surplus impact of adopting SSAP No. 92, SSAP No. 102 and Ref #2013-02. The cumulative effect of adopting SSAP No. 92, SSAP No. 102 and Ref #2013-02 is reported in the capital and surplus account and is not considered material.

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

On August 24, 2007, the Company and three affiliates (Liberty Mutual Fire Insurance Company ("LMFIC"), a Wisconsin insurance company; Peerless Insurance Company ("PIC"), a New Hampshire insurance company; and Liberty Mutual Insurance Company ("LMIC"), a Massachusetts insurance company) acquired all of the issued and outstanding voting shares of Ohio Casualty Corporation, a non-insurance holding company, which is the upstream parent of four property casualty insurance companies. The Company directly acquired an 8% ownership interest in Ohio Casualty Corporation, while the affiliates account for the remaining 92% (LMFIC 6%, PIC 8%, and LMIC 78%). The transaction was accounted for as a statutory purchase and the cost was \$222,400,560, resulting in goodwill in the amount of \$117,712,240. Goodwill amortization relating to the purchase of Ohio Casualty Corporation was \$11,771,227 for year ended December 31, 2013; goodwill is being amortized over ten years.

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

1. The maximum and minimum lending rates for mortgage loans during 2013 were:

Farm mortgages	N/A
Residential mortgages	N/A
Commercial mortgages	3.625% and 6.875%
Mezzanine	N/A

2. The maximum percentage of any one loan to the value of security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages was: 77 %

	<u>2013</u>	<u>2012</u>
3. Taxes, assessments and any amounts advanced and not included in the mortgage loan total	\$ 44,176	\$ 61,122

4. Age Analysis of Mortgage Loans

-	<u>Residential</u>		<u>Commercial</u>		-	-
<u>Farm</u>	<u>Insured</u>	<u>All Other</u>	<u>Insured</u>	<u>All Other</u>	<u>Mezzanine</u>	<u>Total</u>

a. Current Year

1. Recorded Investment (All)

<u>(a) Current</u>	\$ -	\$ -	\$ -	\$ -	\$137,181,736	\$ -	\$137,181,736
<u>(b) 30-59 Days Past Due</u>	-	-	-	-	46,054	-	46,054
<u>(c) 60-89 Days Past Due</u>	-	-	-	-	88,261	-	88,261
<u>(d) 90-179 Days Past Due</u>	-	-	-	-	90,620	-	90,620
<u>(e) 180+ Days Past Due</u>	-	-	-	-	34,013	-	34,013

NOTES TO FINANCIAL STATEMENTS

2. Accruing Interest 90-179 Days Past Due

(a) <u>Recorded Investment</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) <u>Interest Accrued</u>	-	-	-	-	-	-	-

3. Accruing Interest 180+ Days Past Due

(a) <u>Recorded Investment</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) <u>Interest Accrued</u>	-	-	-	-	-	-	-

4. Interest Reduced

(a) <u>Recorded Investment</u>	\$ -	\$ -	\$ -	\$ -	\$12,294,125	\$ -	\$12,294,125
(b) <u>Number of Loans</u>	-	-	-	-	135	-	135
(c) <u>Percent Reduced</u>	-%	-%	-%	-%	1.611%	-%	1.611%

b. Prior Year

1. Recorded Investment (All)

(a) <u>Current</u>	\$ -	\$ -	\$ -	\$ -	\$95,213,961	\$ -	\$95,213,961
(b) <u>30-59 Days Past Due</u>	-	-	-	-	68,250	-	68,250
(c) <u>60-89 Days Past Due</u>	-	-	-	-	-	-	-
(d) <u>90-179 Days Past Due</u>	-	-	-	-	70,617	-	70,617
(e) <u>180+ Days Past Due</u>	-	-	-	-	220,521	-	220,521

2. Accruing Interest 90-179 Days Past Due

(a) <u>Recorded Investment</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) <u>Interest Accrued</u>	-	-	-	-	-	-	-

3. Accruing Interest 180+ Days Past Due

(a) <u>Recorded Investment</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) <u>Interest Accrued</u>	-	-	-	-	-	-	-

4. Interest Reduced

(a) <u>Recorded Investment</u>	\$ -	\$ -	\$ -	\$ -	\$709,289	\$ -	\$709,289
(b) <u>Number of Loans</u>	-	-	-	-	5	-	5
(c) <u>Percent Reduced</u>	-%	-%	-%	-%	1.268%	-%	1.268%

5. Investment in Impaired Loans With or Without Allowance for Credit Losses:

<u>Farm</u>	<u>Residential</u>		<u>Commercial</u>		<u>Mezzanine</u>	<u>Total</u>
	<u>Insured</u>	<u>All Other</u>	<u>Insured</u>	<u>All Other</u>		

a. Current Year

1. With Allowance for Credit Losses	\$-	\$-	\$-	\$-	\$ 625,734	\$-	\$ 625,734
2. No Allowance for Credit Losses	-	-	-	-	285,205	-	285,205

b. Prior Year

1. With Allowance for Credit Losses	\$-	\$-	\$-	\$-	\$ 738,763	\$-	\$ 738,763
2. No Allowance for Credit Losses	-	-	-	-	132,004	-	132,004

6. Investment in Impaired Loans - Average Recorded Investment, Interest Income Recognized, Recorded Investment on Nonaccrual Status and Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting:

<u>Farm</u>	<u>Residential</u>		<u>Commercial</u>		<u>Mezzanine</u>	<u>Total</u>
	<u>Insured</u>	<u>All Other</u>	<u>Insured</u>	<u>All Other</u>		

a. Current Year

1. Average Recorded Investment	\$-	\$-	\$-	\$-	\$967,016	\$-	\$967,016
2. Interest Income Recognized	-	-	-	-	49,724	-	49,724

NOTES TO FINANCIAL STATEMENTS

3. Recorded Investments on Nonaccrual Status	-	-	-	-	217,305	-	217,305
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	38,441	-	38,441
b. Prior Year							
1. Average Recorded Investment	\$-	\$-	\$-	\$-	\$924,790	\$-	\$924,790
2. Interest Income Recognized	-	-	-	-	40,769	-	40,769
3. Recorded Investments on Nonaccrual Status	-	-	-	-	428,325	-	428,325
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	38,980	-	38,980

	2013	2012
7. Allowance for credit losses:		
a. Balance at beginning of period	\$ 525,167	\$ 521,125
b. Additions charged to operations	121,537	295,492
c. Direct write-downs charged against the allowances	334,175	291,450
d. Recoveries of amounts previously charged off	-	-
e. Balance at end of period	312,529	525,167

8. The Company recognizes interest income on its impaired loans upon receipt.

B. Debt Restructuring

	2013	2012
1. The total recorded investment in restructured loans, as of year end	\$1,240,324	\$1,224,599
2. The realized capital losses related to these loans	\$-	\$-
3. Total contractual commitments to extend credit to debtors owing receivables whose terms have been modified in troubled debt restructurings	\$-	\$-
4. The Company accrues interest income on impaired loans to the extent it is deemed collectible (delinquent less than 90 days) and the loan continues to perform under its original or restructured contractual terms. Interest income on non-performing loans is generally recognized on a cash basis.		

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 2013 as of December 31, 2013: None
3. Each Loan Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2013:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than-temporary impairment	Amortized cost after other-than-temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
59023XAB2	30,180	28,790	1,391	28,790	28,819	12/31/2013
59023XAB2	37,384	35,662	1,723	35,662	35,698	12/31/2013

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, 2013:

a. The aggregate amount of unrealized losses:		
1. Less than 12 Months	\$	14,196,903
2. 12 Months or Longer	\$	6,059,880
b. The aggregate related fair value of securities with unrealized losses:		
3. Less than 12 Months	\$	419,504,451
4. 12 Months or Longer	\$	107,323,166

NOTES TO FINANCIAL STATEMENTS

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.
2. The Company has not pledged any of its assets as collateral as of December 31, 2013.
3. Aggregate Amount of Contractually open cash collateral positions:

a. Aggregate Amount Cash Collateral Received

	<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) Greater Than 90 Days	-
(f) Sub-Total	-
(g) Securities Received	-
(h) Total Collateral Received	\$ -
2. Securities Lending	
(a) Open	\$ 34,352,944
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	34,352,944
(g) Securities Received	4,935,965
(h) Total Collateral Received	\$ 39,288,909
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)

	\$ 34,352,944
--	---------------

- 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.

NOTES TO FINANCIAL STATEMENTS

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	13,778,324	13,776,068
(c) 31 to 60 Days	11,590,095	11,590,095
(d) 61 to 90 Days	8,986,783	8,986,781
(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	34,355,202	34,352,944
(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$ 34,355,202	\$ 34,352,944
3. Dollar 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	\$ -	\$ -

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.

6. The securities collateral currently not listed on the balance sheet, which has been pledged to the Company against a borrowed position is not restricted from use in the event the Company wanted to use it.
7. The Company's securities lending program is an open transaction (not contract based), and as such, the Company can recall the security lent at any time.

F. Real Estate

1. The Company did not recognize any impairments on real estate during the year.
2. The Company has not sold or classified real estate investments as held for sale.
3. The Company has not experienced any changes to a plan of sale for investment in real estate.
4. The Company does not engage in retail land sale operations.
5. The Company does not hold real estate investments with participating mortgage loan features.

NOTES TO FINANCIAL STATEMENTS

G. Investments in Low Income Housing Tax Credits

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

H. Restricted Assets

1. Restricted Assets (Including Pledged)

Restricted Asset Category	Gross Restricted							8	Percentage	
	Current Year					6	7		9	10
	1	2	3	4	5					
	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase / (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
a. Subject to contractual obligation for which liability is not shown	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
b. Collateral held under security lending agreements	34,352,944	-	-	-	\$34,352,944	\$28,304,650	\$6,048,294	\$34,352,944	1%	1%
c. Subject to repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
d. Subject to reverse repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
e. Subjects to dollar repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
f. Subject to dollar reverse repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
g. Placed under option contracts	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
h. Letter stock or securities restricted as to sale	2,410,700	-	-	-	\$2,410,700	\$1,832,100	\$578,600	\$2,410,700	0%	0%
i. On deposit with states	195,306,896	-	-	-	\$195,306,896	\$195,260,763	\$46,133	\$195,306,896	3%	3%
j. On deposit with other regulatory bodies	37,518,397	-	-	-	\$37,518,397	\$60,296,063	\$(22,777,666)	\$37,518,397	1%	1%
k. Pledged as collateral not captured in other categories	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
l. Other restricted assets	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
m. Total Restricted Assets	\$269,588,937	\$-	\$-	\$-	\$269,588,937	\$285,693,576	\$(16,104,639)	\$269,588,937	5%	5%

(a) Subset of column 1

(b) Subset of column 3

2. Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, Are reported in the Aggregate)

Not Applicable

3. Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, Are reported in the Aggregate)

Not Applicable

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

A. Investments in joint ventures, partnerships and limited liability companies

The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of its admitted assets.

NOTES TO FINANCIAL STATEMENTS

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

The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the assets leads to impairment losses being recognized by management. The Company realized impairment losses of \$5,608,189 during the year.

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, 2013.

Note 8 - Derivative Instruments

The Company has a Derivative Use Policy, which was approved in 2011 by the state of New York Insurance Department. Pursuant to the policy, the Company may enter into derivative transactions. The Company may also acquire derivatives as additions to bond, common stock, or preferred stock investments. These derivatives are ancillary to the overall investment and immaterial to the underlying investment portfolio.

Beginning in July 2012, the Company, as part of its risk management program, diversification, and economic hedging strategies, entered into total return swap agreements with net notional amounts totaling 57,233,334. In December 2012, one position with notional amounts totaling 21,300,000 matured, the loss associated with this matured position was \$1,377,205. The remaining contracts expired at various points during 2013, with the last contract expiring in September 2013. The Company reported a realized loss of \$3,074,172 in 2013.

Note 9 - Income Taxes

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

1.

	12/31/2013		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
(a) Gross Deferred Tax Assets	\$ 199,390,050	\$ 20,552,700	\$ 219,942,750
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	199,390,050	20,552,700	219,942,750
(d) Deferred Tax Assets Nonadmitted	12,385,843	14,863,174	27,249,017
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	187,004,207	5,689,526	192,693,733
(f) Deferred Tax Liabilities	44,896,939	4,837,811	49,734,750
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 142,107,268	\$ 851,715	\$ 142,958,983

	12/31/2012		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 149,305,800	\$ 21,991,200	\$ 171,297,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	149,305,800	21,991,200	171,297,000
(d) Deferred Tax Assets Nonadmitted	4,029,592	20,981,296	25,010,888
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	145,276,208	1,009,904	146,286,112
(f) Deferred Tax Liabilities	36,110,830	72,170	36,183,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 109,165,378	\$ 937,734	\$ 110,103,112

NOTES TO FINANCIAL STATEMENTS

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ 50,084,250	\$ (1,438,500)	\$ 48,645,750
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	50,084,250	(1,438,500)	48,645,750
(d) Deferred Tax Assets Nonadmitted	8,356,251	(6,118,122)	2,238,129
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	41,727,999	4,679,622	46,407,621
(f) Deferred Tax Liabilities	8,786,109	4,765,641	13,551,750
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 32,941,890	\$ (86,019)	\$ 32,855,871

2.

	12/31/2013		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ 41,293,785	\$ 851,715	\$ 42,145,500
(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)	100,813,483	-	100,813,483
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	100,813,483	-	100,813,483
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			164,583,600
(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	44,896,939	4,837,811	49,734,750
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 187,004,207	\$ 5,689,526	\$ 192,693,733

	12/31/2012		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ -	\$ -	\$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	109,165,378	937,734	110,103,112
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	109,165,378	937,734	110,103,112
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			155,155,907
(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	36,110,830	72,170	36,183,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 145,276,208	\$ 1,009,904	\$ 146,286,112

NOTES TO FINANCIAL STATEMENTS

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ 41,293,785	\$ 851,715	\$ 42,145,500
(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)	(8,351,895)	(937,734)	(9,289,629)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	(8,351,895)	(937,734)	(9,289,629)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			9,427,693
(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	8,786,109	4,765,641	13,551,750
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 41,727,999	\$ 4,679,622	\$ 46,407,621

3.

	2013	2012
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	379.01%	516.11%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	1,140,776,741	1,119,631,251

4.

	12/31/2013		12/31/2012		Change	
	(1) Ordinary	(2) Capital	(3) Ordinary	(4) Capital	(5) (Col 1-3) Ordinary	(6) (Col 2-4) Capital
Impact of Tax-Planning Strategies						
(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.						
1. Adjusted Gross DTAs amount from Note 9A1 (c)	\$ 199,390,050	\$ 20,552,700	\$ 149,305,800	\$ 21,991,200	\$ 50,084,250	\$ (1,438,500)
2. Percentage of adjusted gross DTAs by tax character to the impact of tax planning strategies.	0%	0%	0%	0%	0%	0%
3. Net Admitted Adjusted Gross DTAs amount from Note 9A1 (e)	\$ 187,004,207	\$ 5,689,526	\$ 145,276,208	\$ 1,009,904	\$ 41,727,999	\$ 4,679,622
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies.	0%	0%	0%	0%	0%	0%

(b) 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) 12/31/2013	(2) 12/31/2012	(3) (Col 1-2) Change
1. Current Income Tax			
(a) Federal	\$ 38,325,931	\$ (45,334,020)	\$ 83,659,951
(b) Foreign	(46,096)	-	(46,096)
(c) Subtotal	38,279,835	(45,334,020)	83,613,855
(d) Federal income tax on net capital gains	3,101,165	10,400,020	(7,298,855)
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	\$ 41,381,000	\$ (34,934,000)	\$ 76,315,000

NOTES TO FINANCIAL STATEMENTS

2. Deferred Tax Assets:			
(a) Ordinary			
(1) Discounting of unpaid losses	\$ 58,514,000	\$ 46,706,000	\$ 11,808,000
(2) Unearned premium reserve	71,122,000	36,960,000	34,162,000
(3) Policyholder reserves	-	-	-
(4) Investments	2,600,000	2,324,000	276,000
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	415,000	-	415,000
(8) Compensation and benefits accrual	4,711,000	5,590,000	(879,000)
(9) Pension accrual	233,000	-	233,000
(10) Receivables – nonadmitted	4,645,000	3,180,000	1,465,000
(11) Net operating loss carry-forward	43,498,000	41,639,000	1,859,000
(12) Tax credit carry-forward	4,486,000	4,054,000	432,000
(13) Other (including items <5% of total ordinary tax assets)	9,166,050	8,852,800	313,250
(99) Subtotal	199,390,050	149,305,800	50,084,250
(b) Statutory valuation allowance adjustment			
(c) Nonadmitted	12,385,843	4,029,592	8,356,251
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)			
(e) Capital			
(1) Investments	20,552,700	21,991,200	(1,438,500)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	20,552,700	21,991,200	(1,438,500)
(f) Statutory valuation allowance adjustment			
(g) Nonadmitted	14,863,174	20,981,296	(6,118,122)
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)			
(i) Admitted deferred tax assets (2d + 2h)	192,693,733	146,286,112	46,407,621
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	30,870,000	23,893,000	6,977,000
(2) Fixed assets	10,076,000	10,255,000	(179,000)
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total capital tax liabilities)	3,950,939	1,962,830	1,988,109
(99) Subtotal	44,896,939	36,110,830	8,786,109
(b) Capital:			
(1) Investments	4,837,811	72,170	4,765,641
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	4,837,811	72,170	4,765,641
(c) Deferred tax liabilities (3a99 + 3b99)			
	49,734,750	36,183,000	13,551,750
4. Net deferred tax assets/liabilities (2i – 3c)			
	\$ 142,958,983	\$ 110,103,112	\$ 32,855,871

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 investments in partnerships.

NOTES TO FINANCIAL STATEMENTS

E. The Company has net operating loss carry-forwards which expire as follows:

Year Generated	Amount	Expiration
2011	\$ 65,073,000	2031
2012	\$ 59,207,000	2032

The Company has general business credit carry-forwards which expire as follows:

Year Generated	Amount	Expiration
2010	\$3,000	2030
2011	\$363,000	2031
2012	\$66,000	2032

The Company has alternative minimum tax credit carry-forwards of \$4,054,000. The alternative minimum tax credit carry-forward does not expire.

The amount of Federal income taxes incurred and available for recoupment in the event of future losses is \$45,728,000 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	Liberty Mutual Insurance Company
America First Insurance Company	Liberty Mutual Personal Insurance Company
America First Lloyd's Insurance Company	Liberty Northwest Insurance Corporation
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 and 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, LLC	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, LLC
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 Association
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

NOTES TO FINANCIAL STATEMENTS

Liberty Mutual Fire Insurance Company
 Liberty Mutual Group Asset Management Inc.
 Liberty Mutual Group Inc.
 Liberty Mutual Holding Company Inc.

Winmar Company, Inc.
 Winmar of the Desert, Inc.
 Winmar Oregon, 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 Liberty Mutual Group Inc. ("LMGI"), a Massachusetts company. The ultimate parent of LMGI 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. For the year ended December 31, 2013, the Company had the following capital transactions with its parent and subsidiaries:
1. Received return of capital distributions of \$5,292,865
 2. Contributed capital in the amount of \$233,287,916
 3. Received dividends in the amount of \$57,217,135

- D. At December 31, 2013, the Company reported a net \$4,118,205 due from affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.

During March, EICOW purchased membership units of Liberty Mutual Investment Holdings LLC ("LMIH") from Liberty Mutual Fire Insurance Company ("LMFIC") and Liberty Mutual Insurance Company ("LMIC") for \$11,333,025 and \$1,305,439, respectively.

- 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 Inter-Company Reinsurance Agreement.

The Company is a party to a management services agreement (the "Agreement") with Liberty Mutual Insurance Company ("LMIC"). Under the Agreement, LMIC may provide the Company with office space, supplies, equipment, telephone and wire services, the use of computers and similar machines and services of personnel employed by LMIC and LMGI. Services provided include, but are not limited to, risk underwriting, claims processing, claims adjustments, policyholder services, contract management and administration. LMIC is reimbursed for the cost of all services which it provides under the Agreement.

The Company is a party to an investment management agreement and a cash management agreement with Liberty Mutual Group Asset Management Inc. ("LMGAM"), an investment management agreement with Liberty Mutual Investment Advisors LLC ("LMIA"), and an investment services agreement with LMGAM (with respect to the Canadian Branch). Under these agreements, LMGAM and LMIA provide services to the Company.

The Company is a party to an investment management agreement and a cash management agreement with Liberty Mutual Group Asset Management Inc. ("LMGAM"), an investment management agreement with Liberty Mutual Investment Advisors LLC ("LMIA"), and an investment services agreement with LMGAM (with respect to the Canadian Branch). Under these agreements, LMGAM and LMIA provide services to the Company.

The Company is party to revolving credit agreements under which the Company may lend funds to the following SCA companies for the purpose of accommodating fluctuations in daily cash flow and to promote efficient management of investments:

Company	Credit Line
Liberty Mutual Group Inc.	\$150,000,000
Liberty Mutual Insurance Company	\$150,000,000

There were no outstanding loans as of December 31, 2013.

The Company is party to revolving credit agreements under which the Company may borrow funds from the following SCA companies for the purpose of accommodating fluctuations in daily cash flow and to promote efficient management of investments:

Company	Credit Line
Liberty Mutual Group Inc.	\$150,000,000
Liberty Mutual Insurance Company	\$150,000,000

NOTES TO FINANCIAL STATEMENTS

There were no outstanding borrowings as of December 31, 2013.

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

The Company paid \$7,956,628 under the LMHC Tax Sharing Agreement and paid \$9,685,768 under the LMGAM and LMIA investment management agreements. Pursuant to the Inter-Company Reinsurance Agreement with LMIC (Refer to Note 26), the expenses incurred under the Liberty Mutual service agreement are allocated to the Company in accordance with the Company's "Pool" participation percentage.

- G. The Company is a member of a holding company structure as illustrated in Schedule Y Part 1.
- H. 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.
- I. The Company does not own investments in subsidiary, controlled or affiliated companies that exceed 10% of its admitted assets.
- J. The Company did not recognize any impairment write down for its investments in subsidiary, controlled, or affiliated entities during the statement period.
- K. The Company does not hold any investments in foreign insurance subsidiaries.
- L. The Company utilizes the look-through approach for the valuation of the following downstream non-insurance holding companies:

Carrying Value:

St. James/Arlington LLC	\$12,222,465
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The Company has limited the value of its investment in downstream non-insurance holding companies to the value contained in the audited financial statements of the entities owned by these companies, including adjustments required by SSAP No. 97 of SCA entities. All liabilities, commitments, contingencies, guarantees or obligations of the downstream non-insurance holding company, which are required to be recorded as liabilities, commitments, contingencies, guarantees or obligations under applicable accounting guidance, are reflected in the Company's determination of the carrying value of the investment in the downstream non-insurance holding company.

Note 11 - Debt

- a. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

- b. Federal Home Loan Bank Agreements

The Company is a member of the Federal Home Loan Bank of Chicago. There were no outstanding borrowings as of December 31, 2013.

	<u>Current Year</u>	<u>Prior Year</u>
(2) <u>FHLB stock purchased/owned as part of the agreement</u>	\$2,410,700	\$1,832,100
(3) <u>Collateral pledged to the FHLB</u>	-	-
(4) <u>Borrowing capacity currently available</u>	\$1,000,000,000	\$1,000,000,000
(5) <u>Agreement assets and liabilities</u>	N/A	N/A
<u>General Account:</u>		
<u>a. Assets</u>	-	-
<u>b. Liabilities</u>	-	-
<u>Separate Account:</u>		
<u>c. Assets</u>	-	-
<u>d. Liabilities</u>	-	-

* Borrowing capacity is based on LMHC Board authorized amount

Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences 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 pension, defined contribution pension, postretirement welfare, deferred compensation, compensated absences or postemployment benefit plans. Services for the operation of the Company are provided under provisions of the management services agreements as described in Note 10 F.

NOTES TO FINANCIAL STATEMENTS

Note 13 - Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

1. The Company has 5,000,000 common shares authorized, issued and outstanding as of December 31, 2013. All shares have a stated par value of \$1.

The Company has 5,000,000 preferred shares authorized, but no shares issued and outstanding as of December 31, 2013. All shares have a stated par value of \$0.01.

2. Preferred Stock

Not applicable

3. There are no dividend restrictions.

4. The Company did not pay any dividends to its parent during 2013.

5. The maximum amount of dividends that can be paid by Wisconsin-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the lesser of (a) 10% of surplus, or the greater of (b) or (c); (b) net income for calendar year preceding date of dividend less realized gains for that calendar year, or (c) the aggregate of net income for three calendar years preceding the date of dividend less realized gains for those calendar years less dividends paid/credited within the first two of the preceding three calendar years. The maximum dividend payout that may be made without prior approval in 2014 is \$43,132,336.

6. As of December 31, 2013, the Company has pre-tax restricted surplus of \$8,909,896 resulting from retroactive reinsurance contracts.

7. The Company had no advances to surplus.

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 2013.

10. The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is \$(73,361,827) after applicable deferred taxes of \$(2,264,261).

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 \$13,296,816 that is offset by future premium tax credits of \$982,798. 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 2013 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	\$ 1,519,726
b. Decreases current year:	
Premium tax offset applied	604,691
c. Increases current year:	
Premium tax offset increase	<u>67,763</u>
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	<u><u>\$ 982,798</u></u>

NOTES TO FINANCIAL STATEMENTS

C. Gain Contingencies

Not applicable

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

The Company paid the following amounts in the reporting period to settle claims related extra contractual obligations or bad faith claims stemming from lawsuits.

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$68,525

Number of claims where amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits during the reporting period.

(a) 0-25 Claims	(b) 26-50 Claims	(c) 51-100 Claims	(d) 101-500 Claims	(e) More than 500 Claims
X				

Indicate whether claim count information is disclosed per claim or per claimant.

(f) Per Claim [X] (g) Per Claimant []

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.

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

Note 15 - Leases

A. Lessee Leasing Arrangements

- 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	\$ 9,081,000
2014	9,181,496
2015	7,381,357
2016	4,140,895
2017	2,971,174
2018 & thereafter	23,713,588
Total	<u>\$ 56,469,511</u>

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 \$781,286.

- 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.

NOTES TO FINANCIAL STATEMENTS

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, 2013 the total fair value of securities on loan was \$38,334,118, with corresponding collateral value of \$39,288,908 of which \$34,352,944 represents cash collateral that was reinvested.

C. Wash Sales

- 1) The Company did not have any wash sale transactions during the year.
- 2) Not applicable.

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

Not applicable

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

1. Fair Value Measurements by Levels 1, 2 and 3

Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company primarily uses the market approach which generally utilizes market transaction data for identical or similar instruments.

The hierarchy level assigned to each security in the Company's portfolio is based on the Company's assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. The highest priority is given to Level 1 measurements and the lowest priority to Level 3 measurements. Securities are classified based on the lowest level of input that is significant to the fair value measurement. The Company recognizes transfers between levels at the end of each reporting period. The three hierarchy levels are defined as follows:

- Level 1 — Valuations based on unadjusted observable quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 — Valuations based on directly or indirectly observable inputs (other than Level 1 prices) at the measurement date, such as quoted prices in active markets or prices in markets that are not active for similar assets or liabilities or other inputs that are observable.
- Level 3 — Valuations based on inputs that are unobservable and reflect the Company's own assumptions about the assumptions that market participants might use.

The following table summarizes the Company's assets and liabilities that are measured at fair value at December 31, 2013:

NOTES TO FINANCIAL STATEMENTS

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	\$ -	\$47,480,370	\$750,865	\$48,231,235
Non-Issuer Obligations	-	2,565,242	-	2,565,242
Total Bonds	\$ -	\$50,045,612	\$750,865	\$50,796,477
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	\$ -	\$41,754,910	\$ -	\$41,754,910
Total Preferred Stocks	\$ -	\$41,754,910	\$ -	\$41,754,910
Common Stocks				
Industrial and Miscellaneous	\$70,693,178	\$ -	\$2,410,700	\$73,103,878
Total Common Stocks	\$70,693,178	\$ -	\$2,410,700	\$73,103,878
Total assets at fair value	\$70,693,178	\$91,800,522	\$3,161,565	\$165,655,265
Liabilities at fair value				
Derivative Liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities at fair value	\$ -	\$ -	\$ -	\$ -

The Company did not have significant transfers between Levels 1 and 2 during the period ended December 31, 2013.

2. Rollforward of Level 3 Items

The following tables set forth the fair values of assets basis classified as Level 3 within the fair value hierarchy

1	2	3	4	5	6	7	8	9	10	11
	Balance at 12/31/2012	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at 12/31/2013
Bonds	\$ -	\$750,978	(\$5,250,117)	\$ -	(\$3,316)	\$5,253,320	\$ -	\$ -	\$ -	\$750,865
Preferred Stock	-	-	-	-	-	-	-	-	-	-
Common Stock	1,832,100	-	-	-	-	578,600	-	-	-	2,410,700
Total	\$1,832,100	\$750,978	(\$5,250,117)	\$ -	(\$3,316)	\$5,831,920	\$ -	\$ -	\$ -	\$3,161,565

3. Policy on Transfers Into and Out of Level 3

The Company holds NAIC designated 3-6 securities at the lower of cost or market as defined by SSAP No. 26. Market fluctuations cause securities to change from being held at cost to fair value or vice versa. These changes result in a transfer in or out of Level 3. In addition, the Company also transfers securities in or out of level 3 as a result of re-evaluation of the observability of pricing inputs.

4. Inputs and Techniques Used for Fair Value

Fixed Maturities

At each valuation date, the Company uses various valuation techniques to estimate the fair value of its fixed maturities portfolio. The primary method for valuing the Company's securities is through independent third-party valuation service providers. For positions where valuations are not available from independent third-party valuation service providers, the Company utilizes broker quotes and internal pricing methods to determine fair values. The Company obtains a single non-binding price quote from a broker familiar with the security who, similar to the Company's valuation service providers, may consider transactions or activity in similar securities, as applicable, among other information. The brokers providing price quotes are generally from the brokerage divisions of leading financial institutions with market making, underwriting and distribution expertise regarding the security subject to valuation. The evaluation and prioritization of these valuation sources is systematic and predetermined resulting in a single quote or price for each financial instrument. The following describes the techniques generally used to determine the fair value of the Company's fixed maturities by asset class:

U.S. government and agency

U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. As the fair values of the Company's U.S. Treasury securities are based on unadjusted market prices, they are classified within Level 1. The fair value of U.S. government agency securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, reported trades, bids, offers and credit spreads. Accordingly, the fair value of U.S. government agency securities is classified within Level 2.

NOTES TO FINANCIAL STATEMENTS

Mortgage-Backed Securities

The Company's portfolio of residential mortgage-backed securities ("MBS") and commercial MBS are originated by both agencies and non-agencies, the majority of which are pass-through securities issued by U.S. government agencies. The fair value of MBS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of MBS is primarily classified within Level 2.

Asset-Backed Securities

Asset-backed securities ("ABS") include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, credit card receivables, and collateralized loan obligation securities originated by a variety of financial institutions. The fair value of ABS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of ABS is primarily classified within Level 2.

Municipals

The Company's municipal portfolio comprises bonds issued by U.S. domiciled state and municipal entities. The fair value of municipal securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades and credit spreads. Accordingly, the fair value of municipal securities is primarily classified within Level 2.

Corporate debt and other

Corporate debt securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair value of corporate and other securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, new issuances, issuer ratings, reported trades of identical or comparable securities, bids, offers and credit spreads. Accordingly, the fair value of corporate and other securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Foreign government securities

Foreign government securities comprise bonds issued by foreign governments and their agencies along with supranational organizations. The fair value of foreign government securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades of identical or comparable securities and credit spreads. Accordingly, the fair value of foreign government securities is primarily classified within Level 2.

Equity Securities

Equity securities include common and preferred stocks. Common stocks with fair values based on quoted market prices in active markets are classified in Level 1. Common stocks with fair values determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active are classified in Level 2. The fair value of preferred stock is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active. Accordingly, the fair value of preferred stock is primarily classified within Level 2.

Other Investments

Other investments include primarily international loans, foreign cash deposits and equity investments in privately held businesses. International loans and cash deposits are primarily valued using quoted prices for similar instruments in active markets; these assets are categorized as Level 2 of the fair value hierarchy. Equity investments in privately held businesses are valued using internal management estimates; they are categorized as Level 3 of the hierarchy. Limited partnership investments, which represent the remainder of the other investment balance on the consolidated balance sheet, are not subject to these disclosures and therefore are excluded from the above table.

5. Derivative Fair Values

Not applicable

B. Other Fair Value Disclosures

Not applicable

NOTES TO FINANCIAL STATEMENTS

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	62,244,774	\$62,244,774	\$62,244,774	\$ -	\$ -	\$ -
Bonds	3,691,818,132	3,636,393,655	27,919,079	3,635,100,070	28,798,983	-
Preferred Stock	44,697,314	44,538,910		44,697,310	4	-
Common Stock	73,103,878	228,772,332	70,693,178		2,410,700	-
Securities Lending	1,605,136	34,352,944		1,605,136		-
Mortgage Loans	143,920,571	137,128,154			143,920,571	-
Surplus Notes	2,190,500	2,158,583		2,190,500		-
Total	\$4,019,580,305	\$4,145,589,352	\$160,857,031	\$3,683,593,016	\$175,130,258	\$ -

D. 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) Florida Special Disability Trust Fund

- a) The Company did not take a credit in the determination of its loss reserves in 2013 and 2012.
- b) The Company reported loss recoveries from the Special Disability Trust Fund of \$0 in 2013 and \$917,275 in 2012.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$93,120 in 2013 and \$109,483 in 2012.

- 2) Assets in the amount of \$232,825,293 and \$255,556,825 as of December 31, 2013 and 2012, respectively, were on deposit with government authorities or trustees as required by law.

3) Interrogatory 6.1

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

Interrogatory 6.2

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

Interrogatory 6.3

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

D. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

E. State Transferable and Non-transferable Tax Credits

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

F. Subprime-Mortgage-Related Risk Exposure

1. The Company has not purchased securities characterized by the market as subprime. The Company looks at such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities. The Company's only exposure to subprime was inherited through past acquisitions of insurance companies.
2. The Company does not have any direct exposure through investments in subprime mortgage loans.
3. The Company has direct exposure through their investment in residential mortgage-backed securities.

NOTES TO FINANCIAL STATEMENTS

<u>Actual Cost</u>	<u>Book Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Other-Than-Temporary Impairments Recognized</u>
\$ 876,826	\$ 865,197	\$ 825,199	\$ 3,113

4. The Company does not have any underwriting exposure to sub-prime mortgage risk.

G. Offsetting and Netting of Assets and Liabilities

Not applicable.

H. Joint and Several Liabilities

The Company is not a participant in any joint and several liability arrangements.

Note 22 - Events Subsequent

A. The Company evaluated subsequent events through February 24, 2014, the date the annual statement was available to be issued.

There were no events subsequent to December 31, 2013 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, the following are the unsecured reinsurance recoverables or ceded unearned premium of an individual reinsurer which exceed 3% of policyholder's surplus.

Reinsurer	NAIC No.	Federal ID No.	Recoverable Amount
Nationwide Group:			
Nationwide Indemnity Co	13838	31-1399201	
Farmland Mutual Insurance Co	11991	42-0618271	
Nationwide Mutual Insurance Co	10070	31-4177100	
National Casualty Co	23787	38-0865250	
Total Nationwide Group (NAIC code: 140)			\$1,420,743,000
U.S. Aircraft Insurance Group		AA-9995043	136,411,000
National Workers' Compensation Reins Pool		AA-9992118	105,970,000
Swiss Re Group:			
Swiss Reinsurance America Corp	25364	13-1675535	
Westport Insurance Corp	39845	48-0921045	
Swiss Re Life & Health America Inc	82627	06-0839705	
Total Swiss Re Group (NAIC code: 181)			90,229,000
Minnesota WCRA		AA-9991423	83,653,000
Michigan Catastrophic Claims Association		AA-9991159	74,955,000
Lloyds Underwriters		AA-1122000	46,519,000
Total			\$1,958,480,000

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, 2013.

	<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	\$1,023,642,356	\$74,594,170	\$151,533,247	\$6,298,432	\$872,109,109	\$68,295,737
b. All Other	7,954,769	446,466	3,797,303	78,683	4,157,466	367,783
c. TOTAL	\$1,031,597,125	\$75,040,636	\$155,330,549	\$6,377,115	\$876,266,576	\$68,663,521
d. Direct Unearned Premium Reserve	\$74,202,394					

NOTES TO FINANCIAL STATEMENTS

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, 2013 are as follows:

	Direct	Assumed	Ceded	Net
a. Contingent Commission	\$ -	\$33,416,000	\$-	\$33,416,000
b. Sliding Scale Adjustments	-	-	-	-
c. Other Profit Commission Arrangements	-	-	-	-
d. TOTAL	\$ -	\$33,416,000	\$-	\$33,416,000

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 commuted several ceded reinsurance treaties in the current year with the reinsurers listed below. The net effect of all commutations was an increase in Net Income of \$21,938. This amount is shown below by Income Statement classification and by reinsurer.

a. Losses incurred	\$ (16,908)
b. Loss adjustment expenses incurred	2,970
c. Premiums earned	-
d. Other	(8,000)
e. <u>Company</u>	<u>Amount</u>
N.I. LTD	\$(8,000)
NATIONAL TOOLING INS LTD	\$(13,938)

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	\$(84,974,840)	
2. Adjustments – Prior Year (s)	(9,183,092)	
3. Adjustments – Current Year	91,012,483	
4. Current Total	\$(3,145,449)	
b. Consideration Paid or Received:		
1. Initial Consideration	\$(12,658,883)	
2. Adjustments – Prior Year (s)	(4,349,457)	
3. Adjustments – Current Year	(37,377)	
4. Current Total	\$(17,045,717)	
c. Paid Losses Reimbursed or Recovered:		
1. Prior Year (s)	\$14,203,903	
2. Current Year	(91,099,890)	
3. Current Total	\$(76,895,987)	
d. Special Surplus from the Retroactive Reinsurance:		
1. Initial Surplus Gain or Loss	\$75,158,610	
2. Adjustments – Prior Year (s)	(12,212,921)	
3. Adjustments – Current Year	50,030	
4. Current Year Restricted Surplus	8,909,896	
5. Cumulative Total Transferred to Unassigned Funds	\$54,085,823	
e. All cedents and reinsurers involved in all transactions included in summary totals above:		
	<u>Assumed Amount</u>	<u>Ceded Amount</u>
<u>Company</u>		
Liberty Mutual Insurance Company, 23043	\$(3,145,449)	\$(251,689)
All Other	-	251,689
Total	\$(3,145,449)	\$-

- f. There are no Paid Loss/LAE amounts recoverable or amounts recoverable from unauthorized reinsurers.

NOTES TO FINANCIAL STATEMENTS

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, 2013.

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

The Company does not transact business with Certified Reinsurers.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

- A. Accrued retrospective premiums reported in Line 15.3 of the assets page have been determined based upon loss experience on business subject to such experience rating adjustment.
- B. The Company records accrued retrospective premium as an adjustment to earned premium.
- C. For detail of net premium written subject to retrospective rating features refer to Schedule P, Part 7A.
- D. Medical loss ratio rebates required pursuant to the Public Health Service Act.

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	\$ 41,835,834
b.	Unsecured amount	-
c.	Less: Nonadmitted amount (10%)	4,176,781
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	-
e.	Admitted amount (a) - (c) - (d)	\$ 37,659,053

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributable to insured events on prior year's has increased through the fourth quarter 2013. The increase was primarily the result of an updated reserve analysis, with the largest increases in Workers' Compensation, Private Passenger Auto Liability, and Surety lines. Other Liability Occurrence and Products Liability Occurrence also increased as a result of strengthening the asbestos and environmental reserves (Refer to Note 33). These increases were partially offset by decreases in reserve estimates for Homeowners, primarily driven by favorable development of catastrophic losses and Other Liability-Claims Made and Commercial Multiple Peril 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 Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement consisting of the following affiliated companies:

		NAIC Company <u>Number</u>	Pooling <u>Percentage</u>	Line of <u>Business</u>
Lead				
Company:	Liberty Mutual Insurance Company ("LMIC")	23043	50.00%	All Lines
Affiliated	Peerless Insurance Company ("PIC")	24198	20.00%	All Lines
Pool	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
Companies:	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	8.00%	All Lines
	The Ohio Casualty Insurance Company ("OCIC")	24074	8.00%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	6.00%	All Lines
	American Economy Insurance Company ("AEIC")	19690	0.00%	All Lines
	America First Insurance Company ("AFIC")	12696	0.00%	All Lines
	America Fire and Casualty Company ("AFCIC")	24066	0.00%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%	All Lines
	American States Insurance Company ("ASIC")	19704	0.00%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines

NOTES TO FINANCIAL STATEMENTS

	American States Lloyd's Insurance Company ("ASLCO")	31933	0.00%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	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
	First National Insurance Company of America ("FNICA")	24724	0.00%	All Lines
	The First Liberty Insurance Corporation ("FST")	33588	0.00%	All Lines
	General Insurance Company of America ("GICA")	24732	0.00%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	0.00%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.00%	All Lines
	Indiana Insurance Company ("IIC")	22659	0.00%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. ("LIU")	19917	0.00%	All Lines
	Liberty County Mutual Insurance Company ("LCMIC")	19544	0.00%	All Lines
	LM General Insurance Company ("LMGIC")	36447	0.00%	All Lines
	Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.00%	All Lines
	LM Insurance Corporation ("LMC")	33600	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	All Lines
	Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.00%	All Lines
	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%	All Lines
	Liberty Personal Insurance Company (LPIC)	11746	0.00%	All Lines
	Liberty Surplus Insurance Corporation ("LSI")	10725	0.00%	All Lines
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%	All Lines
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%	All Lines
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%	All Lines
	National Insurance Association ("NIA")	27944	0.00%	All Lines
	The Netherlands Insurance Company ("NIC")	24171	0.00%	All Lines
	North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
	Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
	Peerless Indemnity Insurance Company ("PIIC")	18333	0.00%	All Lines
	Safeco Insurance Company of Illinois ("SICIL")	39012	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
	Wausau Business Insurance Company ("WBIC")	26069	0.00%	All Lines
	Wausau General Insurance Company ("WGIC")	26425	0.00%	All Lines
	Wausau Underwriters Insurance Company ("WUIC")	26042	0.00%	All Lines
	West American Insurance Company ("WAIC")	44393	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Bridgefield Employers Insurance Company ("BEIC")	10701	0.00%	All Lines
	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.00%	All Lines
	LM Property and Casualty Insurance Company ("LMPAC")	32352	0.00%	All Lines

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

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (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.

NOTES TO FINANCIAL STATEMENTS

- (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 Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement as of December 31, 2013:

Affiliate:	Amount:
Liberty Mutual Insurance Company	35,808,733

Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2013, the participants of the Peerless Amended and Restated Reinsurance Pooling Agreement (the PIC Pool) were added to the Liberty Mutual Intercompany Reinsurance Agreement (Liberty Pool). The Liberty Mutual Intercompany Reinsurance Agreement was renamed the Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement. Also effective January 1, 2013 the Peerless Amended and Restated Reinsurance Pooling Agreement was terminated.

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.

Note 27 - Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$48,247,220 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 \$48,247,220 as of December 31, 2013.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

Life Insurance Company and Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$ 23,863,049

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	12/31/2013
3. Was anticipated investment income utilized in the calculation?	Yes

Note 31 - High Dollar Deductible Policies

As of December 31, 2013, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$ 468,786,514 and the amount billed and recoverable on paid claims was \$ 15,621,436.

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%. Asbestos structured settlements are discounted at 4.5%.

NOTES TO FINANCIAL STATEMENTS

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	49,190,280	64,164,702
5. Commercial Multiple Peril	-	-
6. Medical Professional Liability – occurrence	-	-
7. Medical Professional Liability – claims-made	-	-
8. Special Liability	-	-
9. Other Liability - occurrence	374,132	-
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	49,564,412	64,164,702

* 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 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 last few years the Company, as well as the industry generally, has seen decreases in the number of asbestos claims being filed. This turn to a more favorable trend is due to a number of factors. Screening activity used by some lawyers to find new plaintiffs utilized questionable practices discovered in the Federal Silica Multi District Litigation. Court decisions in several key states (e.g., Mississippi) have been favorable to defendants. Most importantly, several states have enacted and sustained legislation in the past few years that contain medical criteria provisions aimed at reducing the number of lawsuits filed by unimpaired plaintiffs and providing prompt and fair compensation to those who meet the criteria.

In the third quarter of 2013, 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

NOTES TO FINANCIAL STATEMENTS

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 of \$22 million including: a \$9 million final contingent payment triggered on a large settlement; \$8 million of other asbestos reserves, primarily associated with increased defense costs; and \$5 million of pollution 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 a 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, 2013, 2012, 2011, 2010, and 2009.

Asbestos:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Direct Basis					
Beginning Reserves	138,444,338	160,643,694	120,248,900	126,800,683	124,526,615
Incurring losses and LAE	44,114,035	6,148,205	32,292,700	19,120,890	33,166,850
Calendar year payments	21,914,680	46,542,998	25,740,918	21,394,958	17,752,467
Ending Reserves	<u>160,643,694</u>	<u>120,248,900</u>	<u>126,800,683</u>	<u>124,526,615</u>	<u>139,940,998</u>
Assumed Reinsurance Basis					
Beginning Reserves	62,751,180	51,083,512	49,281,342	49,849,952	46,005,483
Incurring losses and LAE	(7,718,201)	3,895,261	3,550,638	1,206,625	5,973,155
Calendar year payments	3,949,468	5,697,430	2,982,029	5,051,093	2,397,409
Ending Reserves	<u>51,083,512</u>	<u>49,281,342</u>	<u>49,849,952</u>	<u>46,005,483</u>	<u>49,581,228</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	71,079,521	92,534,117	65,141,045	77,419,217	71,211,927
Incurring losses and LAE	36,727,574	(8,563,615)	26,139,071	11,933,792	18,841,927
Calendar year payments	15,272,978	18,829,457	13,860,899	18,141,083	10,275,966
Ending Reserves	<u>92,534,117</u>	<u>65,141,045</u>	<u>77,419,217</u>	<u>71,211,927</u>	<u>79,777,888</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					82,771,345
Assumed Reinsurance Basis					37,011,714
Net of Ceded Reinsurance Basis					46,964,130
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					71,633,880
Assumed Reinsurance Basis					2,126,508
Net of Ceded Reinsurance Basis					30,629,694

NOTES TO FINANCIAL STATEMENTS

Environmental:	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Direct Basis					
Beginning Reserves	42,567,106	35,348,000	33,173,659	33,979,449	33,611,427
Incurring losses and LAE	1,700,676	3,097,407	6,906,478	4,882,826	7,618,359
Calendar year payments	8,919,782	5,271,748	6,100,687	5,250,848	5,352,142
Ending Reserves	<u>35,348,000</u>	<u>33,173,659</u>	<u>33,979,449</u>	<u>33,611,427</u>	<u>35,877,644</u>
Assumed Reinsurance Basis					
Beginning Reserves	6,005,472	6,196,904	5,067,017	4,744,181	5,199,147
Incurring losses and LAE	675,030	(7,804)	559,752	(1,451,360)	347,586
Calendar year payments	483,598	1,122,082	882,589	(1,906,326)	413,710
Ending Reserves	<u>6,196,904</u>	<u>5,067,017</u>	<u>4,744,181</u>	<u>5,199,147</u>	<u>5,133,023</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	38,883,308	32,260,451	28,432,740	27,759,585	24,679,816
Incurring losses and LAE	(1,475,041)	(220,519)	1,118,732	(153,785)	4,880,537
Calendar year payments	5,147,815	3,607,192	1,791,887	2,925,984	3,721,672
Ending Reserves	<u>32,260,451</u>	<u>28,432,740</u>	<u>27,759,585</u>	<u>24,679,816</u>	<u>25,838,682</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					21,743,481
Assumed Reinsurance Basis					3,556,466
Net of Ceded Reinsurance Basis					13,848,769
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					12,546,413
Assumed Reinsurance Basis					753,974
Net of Ceded Reinsurance Basis					5,864,559

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

If yes, complete Schedule Y, Parts 1, 1A and 2.

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes No N/A

1.3 State Regulating? _____ Wisconsin _____

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: _____

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. _____ 12/31/2009 _____

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. _____ 12/31/2009 _____

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). _____ 05/25/2011 _____

3.4 By what department or departments?
 State of Wisconsin Office of the Commissioner 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?

Stephanie Neyenhouse FCAS, MAAA
 175 Berkeley Street, Boston, MA 02116
 Vice President and Chief Actuary, Liberty Mutual Group Inc.

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	St. James/Arlington Real Estate
12.12 Number of parcels involved	2
12.13 Total book/adjusted carrying value	\$ 12,222,465

12.2 If yes, provide explanation:

Employers Insurance Company of Wausau directly owns 100% of St. James/Arlington LLC and indirectly owns 3% of St. James/Arlington Real Estate LP via it's ownership in St. James/Arlington LLC.

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).

Effective May 6, 2013, Liberty made significant revisions to the format and contents of its Code to make this easier for employees to read and understand. These revisions did not change the core requirements and policies in the Code.

.....

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 [] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
0			0
0			0
0			0

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		\$	0
20.12 To stockholders not officers		\$	0
20.13 Trustees, supreme or grand (Fraternal only)		\$	0

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

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		\$	0
21.22 Borrowed from others		\$	0
21.23 Leased from others		\$	0
21.24 Other		\$	0

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]

22.2 If answer is yes:

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

GENERAL INTERROGATORIES

- 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. \$ 39,288,909

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 \$ 34,352,944
- 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$ 34,352,944
- 24.103 Total payable for securities lending reported on the liability page \$ 34,352,944

- 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 | \$ <u>0</u> |
| | 25.22 Subject to reverse repurchase agreements | \$ <u>0</u> |
| | 25.23 Subject to dollar repurchase agreements | \$ <u>0</u> |
| | 25.24 Subject to reverse dollar repurchase agreements | \$ <u>0</u> |
| | 25.25 Pledged as collateral | \$ <u>0</u> |
| | 25.26 Placed under option agreements | \$ <u>0</u> |
| | 25.27 Letter stock or securities restricted as to sale | \$ <u>2,410,700</u> |
| | 25.28 On deposit with state or other regulatory body | \$ <u>232,825,293</u> |
| | 25.29 Other | \$ <u>0</u> |

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
FHLB CAPITAL STOCK	FEDERAL HOME LOAN BANK CHICAGO	2,410,700
		0
		0

GENERAL INTERROGATORIES

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

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

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

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 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
Royal Trust	77 King Street West, Toronto, Ontario M5W 1 P9
Bank of New York Mellon	601 Travis Street, Houston, TX 77002

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

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
N/A	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116
N/A	StanCorp	1100 SW Sixth Avenue, Portland, OR 097204

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

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

GENERAL INTERROGATORIES

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	3,683,229,858	3,738,697,991	55,468,133
30.2 Preferred stocks	44,538,910	44,697,314	158,404
30.3 Totals	3,727,768,768	3,783,395,305	55,626,537

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? \$ 4,544,968

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

34.1 Amount of payments for legal expenses, if any? \$ 4,303,207

GENERAL INTERROGATORIES

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

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

\$ 167,763

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

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

.....

.....

.....

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	\$ 487,966		\$ 107,696	
2.2 Premium Denominator	\$ 1,948,596,324		\$ 986,338,044	
2.3 Premium Ratio (2.1/2.2)	<u>0.00</u>		<u>0.00</u>	
2.4 Reserve Numerator	\$ 2,324,686		\$ 361,888	
2.5 Reserve Denominator	\$ 3,897,353,275		\$ 2,435,207,135	
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 \$ 6,317,871

3.22 Non-participating policies \$ 252,283,308

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?
N/A

.....

.....

.....

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 21C3

.....

.....

.....

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 21C3
.....
.....
- 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 21C3
.....
.....
- 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
The Company cedes 100% of its business to Liberty Mutual Insurance Company, the lead company in the Liberty Mutual Pool. Liberty Mutual Insurance Company purchases external catastrophe reinsurance coverage.
.....
.....
- 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 [X] No []
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. _____ 1
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [] No [X]
- 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 [] No [X]

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		\$	<u>27,622,044</u>
12.12 Unpaid underwriting expenses (including loss adjustment expenses)		\$	<u>11,073,567</u>

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? \$ 4,285,057

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			<u>4.00 %</u>
12.42 To			<u>7.00 %</u>

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		\$	<u>488,600,710</u>
12.62 Collateral and other funds		\$	<u>148,369,256</u>

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 60,000,000

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:

Premiums and recoverables were allocated pursuant to the intercompany pooling agreement.

.....

.....

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:

N/A

.....

.....

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	\$ <u> 0</u>
17.12 Unfunded portion of Interrogatory 17.11	\$ <u> 0</u>
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$ <u> 0</u>
17.14 Case reserves portion of Interrogatory 17.11	\$ <u> 0</u>
17.15 Incurred but not reported portion of Interrogatory 17.11	\$ <u> 0</u>
17.16 Unearned premium portion of Interrogatory 17.11	\$ <u> 0</u>
17.17 Contingent commission portion of Interrogatory 17.11	\$ <u> 0</u>

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	\$ <u> 0</u>
17.19 Unfunded portion of Interrogatory 17.18	\$ <u> 0</u>
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$ <u> 0</u>
17.21 Case reserves portion of Interrogatory 17.18	\$ <u> 0</u>
17.22 Incurred but not reported portion of Interrogatory 17.18	\$ <u> 0</u>
17.23 Unearned premium portion of Interrogatory 17.18	\$ <u> 0</u>
17.24 Contingent commission portion of Interrogatory 17.18	\$ <u> 0</u>

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
	2013	2012	2011	2010	2009
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,693,846,824	1,651,706,867	1,639,812,883	1,730,587,256	1,671,402,098
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	489,719,758	223,255,090	192,642,155	159,339,461	153,896,732
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	768,185,029	309,595,963	274,957,634	252,891,127	200,256,601
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	96,952,136	2,589,692	1,285,402	1,184,371	1,164,772
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	20,440,783	25,540,053	21,299,985	21,198,511	19,882,742
6. Total (Line 35)	3,069,144,530	2,212,687,665	2,129,998,059	2,165,200,726	2,046,602,945
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,113,312,729	632,063,604	572,158,223	548,653,650	473,034,981
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	473,389,186	192,961,622	160,753,015	131,670,738	130,217,775
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	723,860,452	191,699,510	160,789,996	141,676,547	99,120,718
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	96,076,246	2,223,757	1,065,783	993,170	1,016,830
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	20,514,932	25,536,001	21,141,523	21,194,495	19,622,878
12. Total (Line 35)	2,427,153,545	1,044,484,494	915,908,540	844,188,600	723,013,182
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(110,772,596)	(217,546,169)	(149,734,051)	(66,959,852)	(88,144,551)
14. Net investment gain (loss) (Line 11)	200,465,765	130,363,636	126,313,495	177,273,226	94,113,880
15. Total other income (Line 15)	560,616	(3,876,243)	(21,318,700)	(8,452,056)	(12,717,686)
16. Dividends to policyholders (Line 17)	3,082,309	1,968,278	3,254,366	5,035,828	1,851,061
17. Federal and foreign income taxes incurred (Line 19)	38,279,835	(45,334,020)	(15,145,335)	(12,452,536)	(44,824,523)
18. Net income (Line 20)	48,891,641	(47,693,034)	(32,848,287)	109,278,026	36,225,105
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	5,599,777,330	3,940,708,266	3,795,737,568	3,682,403,162	3,333,261,422
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	150,627,128	111,383,558	104,335,824	92,632,496	104,375,332
20.2 Deferred and not yet due (Line 15.2)	620,523,826	376,618,041	341,416,351	288,214,516	264,962,269
20.3 Accrued retrospective premiums (Line 15.3)	37,659,053	23,531,657	32,774,037	45,821,935	35,178,754
21. Total liabilities excluding protected cell business (Page 3, Line 26)	4,316,041,606	2,710,973,904	2,566,932,619	2,371,862,040	2,257,975,420
22. Losses (Page 3, Line 1)	2,279,464,676	1,533,247,982	1,420,296,014	1,395,263,766	1,341,941,115
23. Loss adjustment expenses (Page 3, Line 3)	489,340,086	315,686,461	294,381,982	279,620,381	271,490,026
24. Unearned premiums (Page 3, Line 9)	950,468,970	455,841,915	407,857,552	379,678,164	351,257,899
25. Capital paid up (Page 3, Lines 30 & 31)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
26. Surplus as regards policyholders (Page 3, Line 37)	1,283,735,724	1,229,734,362	1,228,804,949	1,310,541,122	1,075,286,002
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	1,324,278,705	34,792,466	(15,984,409)	208,966,111	(391,137,096)
Risk-Based Capital Analysis					
28. Total adjusted capital	1,283,735,724	1,229,734,362	1,228,804,949	1,310,541,122	1,075,286,002
29. Authorized control level risk-based capital	300,988,708	216,936,062	197,375,116	195,266,163	230,123,596
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	81.9	76.1	77.2	76.8	65.6
31. Stocks (Lines 2.1 & 2.2)	6.2	7.5	7.2	8.5	18.8
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	3.1	3.1	2.3	2.5	2.9
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.4	0.6	0.6	0.7	0.8
34. Cash, cash equivalents and short-term investments (Line 5)	1.4	3.1	1.8	2.6	4.3
35. Contract loans (Line 6)					
36. Derivatives (Line 7)					X X X
37. Other invested assets (Line 8)	6.2	8.5	8.3	7.7	7.5
38. Receivables for securities (Line 9)	0.1	0.4	0.0	0.1	0.1
39. Securities lending reinvested collateral assets (Line 10)	0.8	0.9	2.5	1.2	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
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					33,315,029
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	155,668,454	188,419,645	184,561,056	197,819,597	425,229,925
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	237,954,627	12,628,893	12,849,322	13,987,153	13,553,366
48. Total of above Lines 42 to 47	393,623,081	201,048,538	197,410,378	211,806,750	472,098,320
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)	30.7	16.3			

FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2013	2012	2011	2010	2009
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)	(26,131,817)	16,457,016	(6,791,541)	119,152,800	58,256,372
52. Dividends to stockholders (Line 35)			(50,000,000)		
53. Change in surplus as regards policyholders for the year (Line 38)	54,001,362	929,413	(81,736,173)	235,255,120	125,835,750
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	979,042,715	1,384,151,981	1,373,491,931	1,282,914,379	1,495,172,418
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	217,037,158	142,757,245	118,899,207	97,870,869	119,259,855
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	140,840,565	173,352,463	160,721,952	132,790,692	165,732,136
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	6,783,428	1,573,123	534,027	1,961,763	2,111,753
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	27,085,582	36,325,950	40,792,041	78,969,086	54,112,068
59. Total (Line 35)	1,370,789,448	1,738,160,762	1,694,439,158	1,594,506,789	1,836,388,230
Net Losses Paid (Page 9, Part 2, Col. 4)					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	106,485,931	377,371,110	387,050,649	312,889,378	619,914,772
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	196,033,650	117,010,315	93,901,180	79,133,548	107,040,308
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	84,543,690	99,138,954	98,012,127	81,252,759	104,869,058
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	6,132,249	173,461	482,405	1,066,522	671,573
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	8,756,804	9,590,205	8,783,697	15,265,200	15,704,578
65. Total (Line 35)	401,952,324	603,284,045	588,230,058	489,607,407	848,200,289
Operating Percentages (Page 4) (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)	59.2	72.6	70.3	65.1	65.8
68. Loss expenses incurred (Line 3)	14.3	17.8	19.8	17.9	19.5
69. Other underwriting expenses incurred (Line 4)	32.2	31.7	27.1	25.1	25.8
70. Net underwriting gain (loss) (Line 8)	(5.7)	(22.1)	(17.2)	(8.1)	(11.1)
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 12 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	25.8	30.3	28.1	25.6	30.1
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	73.5	90.3	90.1	83.0	85.3
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)	189.1	84.9	74.5	64.4	67.2
One Year Loss Development (000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	65,218	48,673	41,883	(9,540)	19,291
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)	5.3	4.0	3.2	(0.9)	2.0
Two Year Loss Development (000 omitted)					
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)	70,321	77,521	20,816	(8,848)	(4,012)
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)	5.7	5.9	1.9	(0.9)	(0.3)

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 []

If no, please explain:

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

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 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	64,985	24,960	19,916	7,167	3,534	425	809	55,883	X X X
2. 2004	1,882,284	306,666	1,575,618	926,210	150,549	68,909	9,370	130,326	4,494	62,733	961,032	X X X
3. 2005	1,948,322	274,704	1,673,618	1,037,914	201,680	72,996	10,472	133,204	5,184	59,546	1,026,778	X X X
4. 2006	2,036,109	288,304	1,747,805	964,816	115,262	74,860	8,094	140,076	6,342	56,310	1,050,054	X X X
5. 2007	2,105,921	310,413	1,795,508	1,040,748	147,496	79,242	8,556	142,184	6,782	66,437	1,099,340	X X X
6. 2008	2,164,667	354,941	1,809,726	1,209,163	184,579	85,544	8,795	159,735	5,944	60,414	1,255,124	X X X
7. 2009	2,044,982	410,096	1,634,886	1,034,500	185,690	69,730	7,399	148,507	1,565	56,891	1,058,083	X X X
8. 2010	2,045,862	361,165	1,684,697	1,046,217	173,260	63,753	5,562	154,811	502	63,828	1,085,457	X X X
9. 2011	2,149,761	425,079	1,724,682	1,086,588	207,376	51,347	7,387	151,445	435	75,013	1,074,182	X X X
10. 2012	2,316,123	456,956	1,859,167	1,006,124	213,262	33,953	4,664	151,184	49	72,780	973,286	X X X
11. 2013	2,436,697	488,101	1,948,596	679,083	176,275	11,579	1,155	119,640	42	38,729	632,830	X X X
12. Totals	X X X	X X X	X X X	10,096,348	1,780,389	631,829	78,621	1,434,646	31,764	613,490	10,272,049	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 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded			
1. Prior	485,912	170,046	227,009	126,379	26,632	18,632	99,269	44,698	20,361	40	6,334	499,388	X X X
2. 2004	26,380	9,054	34,547	10,332	592	201	7,400	713	1,414		1,141	50,033	X X X
3. 2005	27,924	8,969	34,091	14,693	584	154	6,159	744	1,617		1,423	45,815	X X X
4. 2006	29,004	7,373	49,260	12,780	978	336	6,504	1,253	1,817	2	5,627	65,819	X X X
5. 2007	46,800	8,253	51,574	11,846	1,759	632	10,118	1,347	1,838		1,721	90,011	X X X
6. 2008	60,679	11,856	73,874	15,093	2,424	474	17,878	2,934	3,404	20	5,936	127,882	X X X
7. 2009	69,523	9,749	83,430	17,247	2,989	583	24,649	2,843	5,439	(3)	3,088	155,611	X X X
8. 2010	104,445	14,500	98,055	15,412	3,909	746	29,891	3,033	8,675	38	4,338	211,246	X X X
9. 2011	147,809	16,438	149,937	26,903	6,084	1,193	46,867	4,812	14,672	3	9,225	316,020	X X X
10. 2012	210,714	23,987	239,346	35,971	6,191	1,024	69,454	6,381	20,745	14	23,105	479,073	X X X
11. 2013	259,956	31,475	433,020	65,468	4,280	494	76,799	5,192	56,521	40	35,005	727,907	X X X
12. Totals	1,469,146	311,700	1,474,143	352,124	56,422	24,469	394,988	73,950	136,503	154	96,943	2,768,805	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 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 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	416,496	82,892
2. 2004	1,195,778	184,713	1,011,065	63,528	60,233	64,169			8.000	41,541	8,492
3. 2005	1,314,489	241,896	1,072,593	67,468	88,057	64,088			8.000	38,353	7,462
4. 2006	1,267,315	151,442	1,115,873	62,242	52,529	63,844			8.000	58,111	7,708
5. 2007	1,374,263	184,912	1,189,351	65,257	59,570	66,240			8.000	78,275	11,736
6. 2008	1,612,701	229,695	1,383,006	74,501	64,714	76,421			8.000	107,604	20,278
7. 2009	1,438,767	225,073	1,213,694	70,356	54,883	74,237			8.000	125,957	29,654
8. 2010	1,509,756	213,053	1,296,703	73,796	58,990	76,970			8.000	172,588	38,658
9. 2011	1,654,749	264,547	1,390,202	76,974	62,235	80,606			8.000	254,405	61,615
10. 2012	1,737,711	285,352	1,452,359	75,027	62,446	78,119			8.000	390,102	88,971
11. 2013	1,640,878	280,141	1,360,737	67,340	57,394	69,832			8.000	596,033	131,874
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,279,465	489,340

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
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	One Year	Two Year
1. Prior	1,451,729	1,527,605	1,611,202	1,681,999	1,666,027	1,725,122	1,731,589	1,771,128	1,779,725	1,802,434	22,709	31,306
2. 2004	987,522	938,795	919,625	902,703	899,035	893,295	894,790	892,562	891,628	888,432	(3,196)	(4,130)
3. 2005	X X X	1,053,866	1,007,866	970,581	959,972	954,525	951,689	949,782	949,027	948,175	(852)	(1,607)
4. 2006	X X X	X X X	1,058,630	1,022,970	999,857	987,377	984,174	983,252	985,848	985,815	(33)	2,563
5. 2007	X X X	X X X	X X X	1,132,860	1,104,520	1,057,868	1,056,164	1,051,762	1,057,030	1,057,451	421	5,689
6. 2008	X X X	X X X	X X X	X X X	1,263,107	1,231,928	1,215,953	1,215,830	1,220,488	1,233,369	12,881	17,539
7. 2009	X X X	X X X	X X X	X X X	X X X	1,083,820	1,080,334	1,069,800	1,059,838	1,067,064	7,226	(2,736)
8. 2010	X X X	X X X	X X X	X X X	X X X	X X X	1,125,185	1,124,582	1,129,874	1,141,611	11,737	17,029
9. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,226,813	1,226,660	1,231,481	4,821	4,668
10. 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	1,275,777	1,285,281	9,504	X X X
11. 2013	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	1,188,342	X X X	X X X
12. Totals											65,218	70,321

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
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		
1. Prior	000	332,816	568,996	743,456	876,548	975,472	1,072,380	1,153,911	1,214,102	1,266,876	X X X	X X X
2. 2004	379,918	578,204	671,924	737,248	778,542	802,167	815,565	824,324	830,835	835,200	X X X	X X X
3. 2005	X X X	412,136	622,857	726,565	794,948	839,730	865,191	879,310	890,992	898,759	X X X	X X X
4. 2006	X X X	X X X	411,025	621,774	727,556	805,037	854,359	884,871	904,688	916,319	X X X	X X X
5. 2007	X X X	X X X	X X X	424,853	656,635	773,338	855,634	910,112	944,023	963,938	X X X	X X X
6. 2008	X X X	X X X	X X X	X X X	505,694	778,417	910,269	1,001,927	1,063,798	1,101,334	X X X	X X X
7. 2009	X X X	X X X	X X X	X X X	X X X	427,350	651,917	770,296	854,396	911,141	X X X	X X X
8. 2010	X X X	X X X	X X X	X X X	X X X	X X X	470,156	715,940	840,737	931,148	X X X	X X X
9. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	553,715	789,957	923,172	X X X	X X X
10. 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	544,389	822,151	X X X	X X X
11. 2013	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	513,232	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
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1. Prior	449,437	355,955	334,297	315,499	262,550	273,410	210,710	205,235	169,635	174,902
2. 2004	384,671	205,848	136,775	94,644	74,811	56,927	50,349	44,880	39,481	33,770
3. 2005	X X X	418,670	219,903	133,188	90,109	64,977	49,388	42,036	32,950	28,565
4. 2006	X X X	X X X	413,543	230,540	150,243	99,299	71,108	56,716	50,486	45,704
5. 2007	X X X	X X X	X X X	436,588	252,891	150,871	102,688	73,869	61,996	52,147
6. 2008	X X X	X X X	X X X	X X X	462,977	253,891	163,736	113,686	82,345	79,841
7. 2009	X X X	X X X	X X X	X X X	X X X	415,147	248,966	164,170	110,343	92,455
8. 2010	X X X	X X X	X X X	X X X	X X X	X X X	405,885	226,526	153,735	115,619
9. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	408,352	248,474	171,250
10. 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	469,664	270,472
11. 2013	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	442,495

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

States, Etc.	Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		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)
		2	3						
		Direct Premiums Written	Direct Premiums Earned						
1. Alabama	AL	L	3,763,388	3,838,926	(33,151)	3,679,623	1,066,653	23,737,235	
2. Alaska	AK	L	4,917,275	5,128,129	3,040	4,385,052	8,402,604	43,765,491	
3. Arizona	AZ	L	2,818,210	2,704,156	(3,439)	1,984,308	1,451,104	15,512,826	
4. Arkansas	AR	L	2,626,521	2,413,741	588	1,301,470	636,720	7,262,072	
5. California	CA	L	22,676,854	22,843,855	(58,595)	26,375,975	24,180,528	153,129,882	
6. Colorado	CO	L	2,808,383	3,005,823	(22,154)	3,986,802	3,022,060	14,883,796	
7. Connecticut	CT	L	4,422,213	4,727,380	(9,639)	3,126,018	4,305,250	33,669,354	
8. Delaware	DE	L	798,745	3,064,530	(4,939)	883,169	1,346,162	7,406,764	
9. District of Columbia	DC	L	1,180,594	994,465	(36)	1,815,456	2,107,503	6,905,190	
10. Florida	FL	L	10,718,508	10,711,824	(23,767)	8,575,590	(26,694)	48,298,868	
11. Georgia	GA	L	7,743,549	6,854,799	(50,653)	6,330,104	14,066,628	47,590,541	
12. Hawaii	HI	L	552,322	808,929	(2,459)	972,338	765,626	5,655,696	
13. Idaho	ID	L	1,345,326	3,655,053	606,275	3,576,593	1,459,053	14,368,800	
14. Illinois	IL	L	20,541,160	16,402,416	1,438	8,489,705	11,730,356	69,731,599	
15. Indiana	IN	L	3,446,670	4,821,323	(40,213)	5,154,115	5,674,016	24,919,821	
16. Iowa	IA	L	1,492,185	2,005,211	(6,623)	1,517,458	955,399	8,850,995	
17. Kansas	KS	L	2,114,374	2,371,888	(10,196)	9,145,978	10,232,289	21,537,555	
18. Kentucky	KY	L	2,960,370	3,304,084	17,437	4,920,268	1,440,540	52,102,899	
19. Louisiana	LA	L	4,374,767	3,686,256	(198,852)	5,324,776	2,443,482	17,292,980	
20. Maine	ME	L	731,260	709,913	(137,805)	1,471,717	785,708	6,690,393	
21. Maryland	MD	L	2,118,703	1,941,852	(7,745)	4,112,699	3,278,558	17,049,502	
22. Massachusetts	MA	L	8,960,321	7,562,819	(915)	11,533,387	10,083,683	82,345,250	
23. Michigan	MI	L	4,980,330	5,199,739	(6,464)	10,447,664	3,086,794	129,760,588	
24. Minnesota	MN	L	6,187,334	6,309,782	93,650	9,880,709	1,703,800	87,798,509	
25. Mississippi	MS	L	2,560,041	2,792,907	(10,018)	1,655,463	587,770	8,754,870	
26. Missouri	MO	L	4,755,315	4,124,464	(18,137)	2,849,844	4,437,105	26,717,653	
27. Montana	MT	L	847,668	1,266,914	(28,050)	547,687	308,238	6,322,751	
28. Nebraska	NE	L	3,205,189	2,408,939	(5,390)	2,359,347	885,526	10,952,930	
29. Nevada	NV	L	2,226,666	2,384,868	(5)	1,980,843	3,217,357	7,020,794	
30. New Hampshire	NH	L	1,041,295	883,032	(7,396)	385,298	136,867	10,730,408	
31. New Jersey	NJ	L	9,726,316	8,923,213	25,063	11,909,347	5,319,141	95,318,475	
32. New Mexico	NM	L	855,220	853,723	(1,001)	572,422	872,449	6,013,635	
33. New York	NY	L	21,959,862	19,826,503	(1,387,151)	19,954,173	20,898,375	186,490,508	
34. North Carolina	NC	L	5,075,826	4,962,483	(9,855)	3,988,618	2,463,257	22,516,146	
35. North Dakota	ND	L	227,887	203,365		767,308	(1,398,432)	349,542	
36. Ohio	OH	L	1,154,138	1,311,976	(179)	900,207	(6,786,125)	3,041,226	
37. Oklahoma	OK	L	5,539,193	5,570,395	(6,310)	6,579,920	5,303,228	20,074,982	
38. Oregon	OR	L	1,375,935	1,267,503	(961)	2,686,106	1,202,746	17,527,925	
39. Pennsylvania	PA	L	11,325,945	11,623,732	(45,244)	10,500,309	12,925,847	103,862,670	
40. Rhode Island	RI	L	908,923	799,743	(510)	733,729	703,899	6,683,825	
41. South Carolina	SC	L	4,177,257	4,186,288	955	4,877,570	4,363,464	19,829,075	
42. South Dakota	SD	L	881,379	872,031	(8)	1,074,226	(2,348,224)	11,614,801	
43. Tennessee	TN	L	7,518,119	7,995,920	(7,579)	5,725,394	5,724,314	28,680,519	
44. Texas	TX	L	15,468,723	14,852,259	(37,923)	9,652,574	11,519,813	79,283,857	
45. Utah	UT	L	818,846	869,685	(48,594)	1,356,545	347,773	9,764,849	
46. Vermont	VT	L	789,038	585,527	(14,936)	656,088	369,200	2,705,719	
47. Virginia	VA	L	4,250,866	3,945,751	(73,836)	2,696,160	3,185,085	25,018,204	
48. Washington	WA	L	1,501,330	801,985	(12,767)	1,137,154	1,079,367	5,371,231	
49. West Virginia	WV	L	1,853,892	2,200,001	(699)	937,207	1,499,505	3,719,301	
50. Wisconsin	WI	L	24,211,875	27,686,953	575,001	39,749,639	32,900,309	176,772,593	
51. Wyoming	WY	L	51,154	76,546	(8)	18,461	(38,558)	502,246	
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	L	1,438	995	(256)		(1,307)	9,349	
55. U.S. Virgin Islands	VI	L	12,241	18,736			4,122	6,020	
56. Northern Mariana Islands	MP	N							
57. Canada	CAN	L	292	292		10,730	153,119	2,356,805	
58. Aggregate Other Alien	OT	X X X	(53)	(412,799)	(74)	242	(140,115)	1,771,228	
59. Totals	(a) 53		258,601,178	257,950,823	(1,011,085)	275,253,585	223,892,937	1,840,050,743	

DETAILS OF WRITE-INS									
58001. ZZZ OTHER ALIEN	X X X	(53)	(412,799)	(74)	242	(140,115)	1,771,228		
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	(53)	(412,799)	(74)	242	(140,115)	1,771,228		

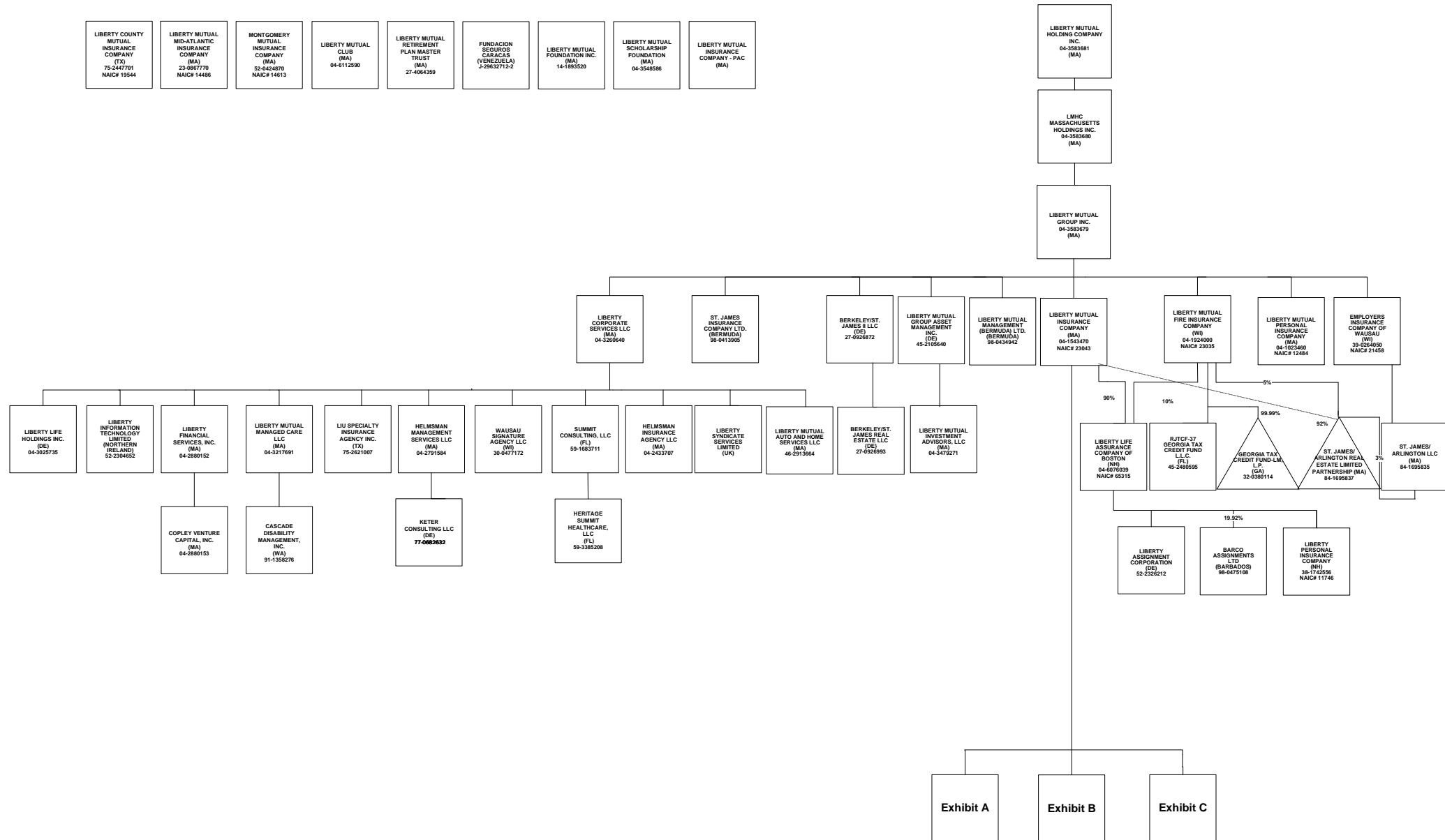
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business 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
- *States employee's main work place - Worker's Compensation
- *Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage
- *Principal Location of business or location of coverage - Liability other than Auto, Fidelity, Warranty
- *Point of origin of shipment or principal location of assured - Inland Marine
- *State in which employees regularly work - Group Accident and Health
- *Location of Court or Obligor - Surety
- *Address of Assured - Other Accident and Health
- *Location of Properties covered - Burglary and Theft
- *Principal Location of Assured - Ocean Marine, Credit
- *Primary residence of Assured - Aircraft (all perils)

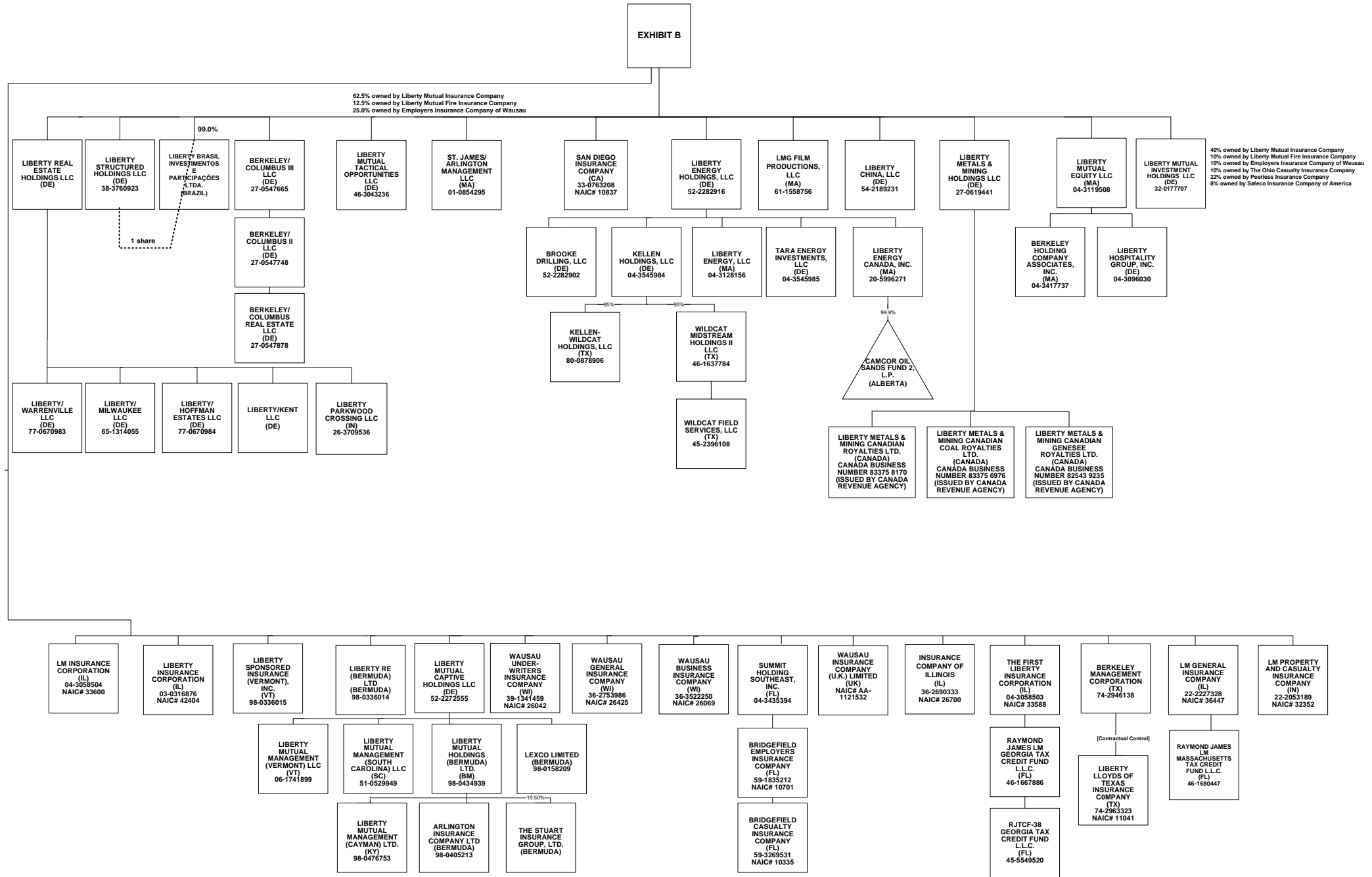
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



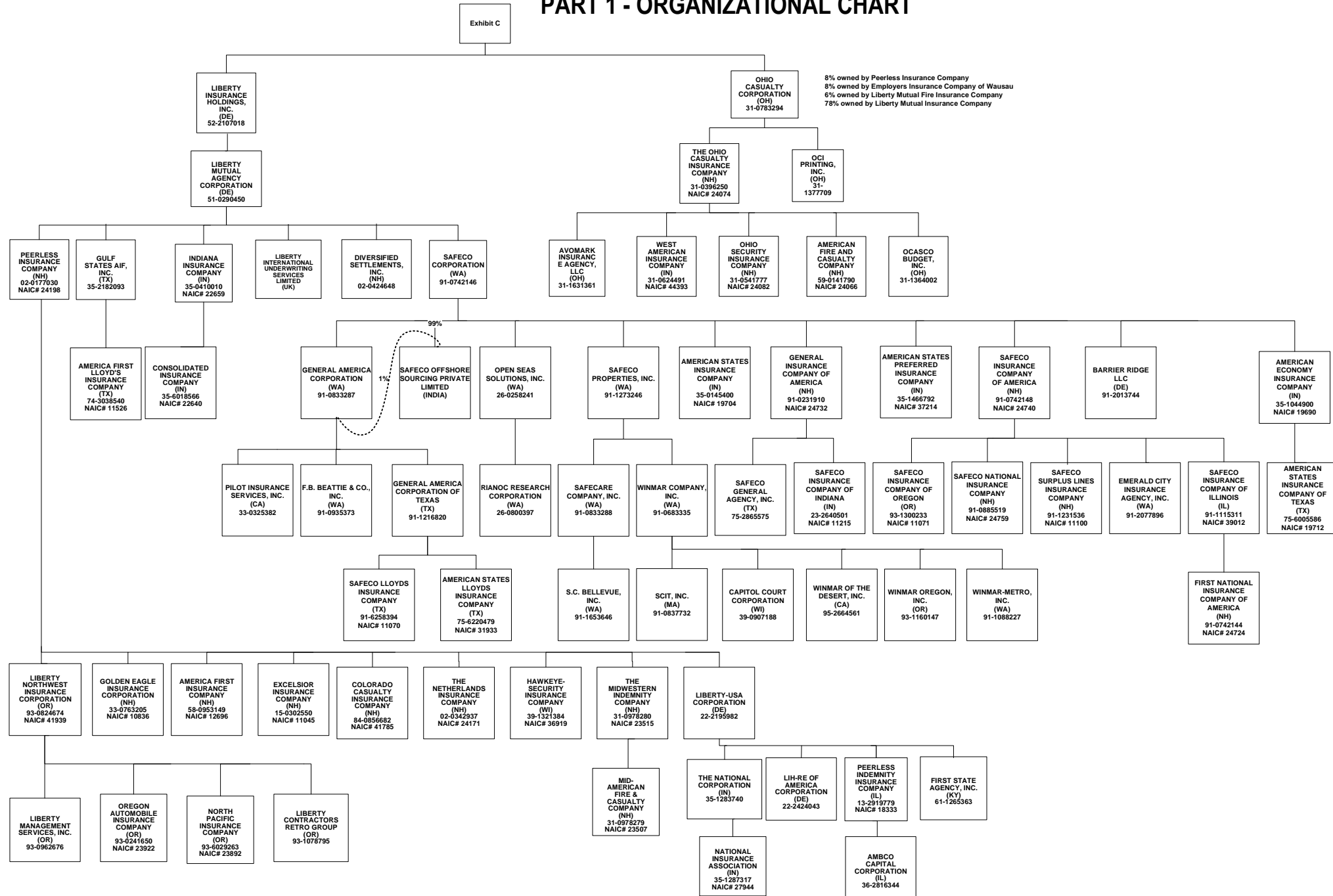
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS				
2504. Other assets	3,973,439	1,935,695	2,037,744	1,413,205
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	3,973,439	1,935,695	2,037,744	1,413,205

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