ANNUAL STATEMENT

OF THE

FIRST NATIONAL INSURANCE COMPANY OF AMERICA

of KEENE

in the state of NEW HAMPSHIRE

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2012

PROPERTY AND CASUALTY

2012

24724201220100100

ANNUAL STATEMENT

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

First National Insurance Company of America

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) **NAIC Company Code** 24724 **Employer's ID Number** 91-0742144

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

Country of Domicile United States of America

Incorporated/Organized October 10, 1928 **Commenced Business** November 1, 1928

Statutory Home Office 62 Maple Avenue (Street and Number) , Keene, NH, US 03431 (City or Town, State, Country and Zip Code)

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

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

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

Internet Web Site Address WWW.SAFECO.COM

Statutory Statement Contact Pamela Heenan (Name) 617-357-9500 x44689 (Area Code) (Telephone Number) (Extension)
Statutory.Compliance@LibertyMutual.com (E-Mail Address) 617-574-5955 (Fax Number)

OFFICERS

Chairman of the Board

Timothy Michael Sweeney

	Name	Title
1.	Timothy Michael Sweeney #	President and Chief Executive Officer
2.	Dexter Robert Legg	Vice President and Secretary
3.	Laurance Henry Soyer Yahia #	Vice President and Treasurer

VICE-PRESIDENTS

Name	Title	Name	Title
Margaret Dillon #	Vice President and Chief Financial Officer	John Derek Doyle #	Vice President and Comptroller
Anthony Alexander Fontanes	Vice President and Chief Investment Officer	Elizabeth Julia Morahan #	Vice President and General Counsel
Christopher Locke Peirce #	Executive Vice President		

DIRECTORS OR TRUSTEES

Margaret Dillon #	John Derek Doyle	Paul Ivanovskis #	Dexter Robert Legg
Stephen Joseph McAnena #	Elizabeth Julia Morahan #	Timothy Michael Sweeney #	

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)	(Signature)	(Signature)
Timothy Michael Sweeney #	Dexter Robert Legg	Laurance Henry Soyer Yahia #
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President and Chief Executive Officer	Vice President and Secretary	Vice President and Treasurer
(Title)	(Title)	(Title)

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

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

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	151,706,214		151,706,214	149,196,407
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	14,012		14,012	12,430
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ 0 encumbrances)				
4.2 Properties held for the production of income (less $ 0 encumbrances)				
4.3 Properties held for sale (less $ 0 encumbrances)				
5. Cash ($ 0, Schedule E - Part 1), cash equivalents ($ 0, Schedule E - Part 2), and short-term investments ($ 9,554,149, Schedule DA)	9,554,149		9,554,149	5,374,632
6. Contract loans (including $ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities	414,804		414,804	397,384
10. Securities lending reinvested collateral assets (Schedule DL)	10,238,192		10,238,192	763,830
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	171,927,371		171,927,371	155,744,683
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	1,233,225		1,233,225	1,344,941
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	2,959,819	416,939	2,542,880	3,205,742
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 204,490 earned but unbilled premiums)	25,679,878	20,449	25,659,429	24,123,587
15.3 Accrued retrospective premiums	606	61	545	36,941
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	13,136,777		13,136,777	18,390,493
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				197,364
18.2 Net deferred tax asset	6,161,000	4,172,551	1,988,449	4,583,942
19. Guaranty funds receivable or on deposit	75,657		75,657	96,186
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets ($ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	11,501,533		11,501,533	3,231,549
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	808,165	104,186	703,979	684,355
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	233,484,031	4,714,186	228,769,845	211,639,783
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	233,484,031	4,714,186	228,769,845	211,639,783

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	484,707		484,707	472,501
2502. Equities and deposits in pools and associations	216,622		216,622	209,561
2503. Other assets	106,836	104,186	2,650	2,293
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	808,165	104,186	703,979	684,355

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	70,731,981	72,114,971
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	4,794,727	5,382,769
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	16,176,036	15,945,906
4.	Commissions payable, contingent commissions and other similar charges	2,585,831	2,245,230
5.	Other expenses (excluding taxes, licenses and fees)	1,324,603	1,257,139
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	561,963	593,548
7.1	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))	1,625,924	
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 $ 154,547,859 and including warranty reserves of $ 0 and accrued accident and healthexperience rating refunds including $ 0 for medical loss ratio rebate per the Public Health Service Act)	41,962,084	40,312,976
10.	Advance premium	313,588	275,180
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders	11,233	11,039
12.	Ceded reinsurance premiums payable (net of ceding commissions)	24,652,710	21,680,781
13.	Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14.	Amounts withheld or retained by company for account of others	105,050	79,129
15.	Remittances and items not allocated		
16.	Provision for reinsurance (including $ 0 certified) (Schedule F, Part 8)		
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding	2,760,991	2,848,592
19.	Payable to parent, subsidiaries and affiliates	1,236,250	111,719
20.	Derivatives		
21.	Payable for securities		
22.	Payable for securities lending	10,238,192	763,830
23.	Liability for amounts held under uninsured plans		
24.	Capital notes $ 0 and interest thereon $ 0		
25.	Aggregate write-ins for liabilities	1,216,824	1,329,144
26.	Total liabilities excluding protected cell liabilities (Lines 1 through 25)	180,297,987	164,951,953
27.	Protected cell liabilities		
28.	Total liabilities (Lines 26 and 27)	180,297,987	164,951,953
29.	Aggregate write-ins for special surplus funds	140,378	979,557
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	581,836	581,836
35.	Unassigned funds (surplus)	42,749,644	40,126,437
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)	48,471,858	46,687,830
38.	Totals (Page 2, Line 28, Col. 3)	228,769,845	211,639,783

	DETAILS OF WRITE-IN LINES		
2501.	Retroactive reinsurance reserves	661,666	709,640
2502.	Other liabilities	514,645	576,411
2503.	Amounts held under uninsured plans	40,513	43,093
2598.	Summary of remaining write-ins for Line 25 from overflow page		
2599.	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,216,824	1,329,144
2901.	Special surplus from retroactive reinsurance	140,378	168,179
2902.	SSAP 10R incremental change		811,378
2903.			
2998.	Summary of remaining write-ins for Line 29 from overflow page		
2999.	Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	140,378	979,557
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 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 35, Column 4)	85,891,428	83,769,925
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	46,610,655	51,826,817
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	10,645,518	10,120,037
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	28,097,218	27,008,087
5.	Aggregate write-ins for underwriting deductions		(8,562)
6.	Total underwriting deductions (Lines 2 through 5)	85,353,391	88,946,379
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	538,037	(5,176,454)
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	5,276,685	5,010,027
10.	Net realized capital gains (losses) less capital gains tax of $ 65,557 (Exhibit of Capital Gains (Losses))	121,748	207,735
11.	Net investment gain (loss) (Lines 9 + 10)	5,398,433	5,217,762
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 1,311 amount charged off $ 228,122)	(226,811)	(187,238)
13.	Finance and service charges not included in premiums	734,597	707,267
14.	Aggregate write-ins for miscellaneous income	(138,624)	(268,631)
15.	Total other income (Lines 12 through 14)	369,162	251,398
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	6,305,632	292,706
17.	Dividends to policyholders	205,980	168,226
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)	6,099,652	124,480
19.	Federal and foreign income taxes incurred	1,686,443	(317,857)
20.	Net income (Line 18 minus Line 19) (to Line 22)	4,413,209	442,337
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	46,687,830	46,025,313
22.	Net income (from Line 20)	4,413,209	442,337
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ (4,217)	(7,831)	39,685
25.	Change in net unrealized foreign exchange capital gain (loss)		
26.	Change in net deferred income tax	(46,217)	1,241,769
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(1,763,755)	(1,095,655)
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29.	Change in surplus notes		
30.	Surplus (contributed to) withdrawn from protected cells		
31.	Cumulative effect of changes in accounting principles		64,105
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	(811,378)	(29,724)
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	1,784,028	662,517
39.	Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	48,471,858	46,687,830

	DETAILS OF WRITE-IN LINES		
0501.	Private passenger auto escrow		(8,562)
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)		(8,562)
1401.	Retroactive reinsurance gain/(loss)	282,364	(17,077)
1402.	Other income/(expense)	(420,988)	(251,554)
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(138,624)	(268,631)
3701.	SSAP 10R incremental change	(811,378)	(29,724)
3702.			
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page		
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(811,378)	(29,724)

CASH FLOW

		1 Current Year	2 Prior Year
	Cash from Operations		
1.	Premiums collected net of reinsurance	89,619,262	85,350,941
2.	Net investment income	5,638,434	5,683,844
3.	Miscellaneous income	385,442	223,587
4.	Total (Lines 1 through 3)	95,643,138	91,258,372
5.	Benefit and loss related payments	43,415,570	54,386,324
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	38,136,127	36,478,711
8.	Dividends paid to policyholders	205,785	164,687
9.	Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	(71,287)	248,257
10.	Total (Lines 5 through 9)	81,686,195	91,277,979
11.	Net cash from operations (Line 4 minus Line 10)	13,956,943	(19,607)
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	47,212,472	24,179,979
	12.2 Stocks		
	12.3 Mortgage loans		
	12.4 Real estate		
	12.5 Other invested assets	20,736,743	7,510,268
	12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
	12.7 Miscellaneous proceeds	(17,420)	(397,291)
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	67,931,795	31,292,956
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	49,798,636	28,229,832
	13.2 Stocks		
	13.3 Mortgage loans		
	13.4 Real estate		
	13.5 Other invested assets	30,211,105	8,050,648
	13.6 Miscellaneous applications		
	13.7 Total investments acquired (Lines 13.1 to 13.6)	80,009,741	36,280,480
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)	(12,077,946)	(4,987,524)
	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)	2,300,520	2,768,684
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	2,300,520	2,768,684
	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)	4,179,517	(2,238,447)
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	5,374,632	7,613,079
	19.2 End of year (Line 18 plus Line 19.1)	9,554,149	5,374,632

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

20.0001	12.1 - Proceeds from investments sold, matured or repaid - Bonds		
20.0002	12.2 - Proceeds from investments sold, matured or repaid - Stocks		
20.0003	16.5 - Dividends to stockholders		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	1,718,793	851,907	902,630	1,668,070
2. Allied lines	1,518,251	728,147	828,722	1,417,676
3. Farmowners multiple peril	707,024	334,569	358,284	683,309
4. Homeowners multiple peril	15,087,821	7,107,113	8,072,435	14,122,499
5. Commercial multiple peril	14,804,496	7,485,032	7,234,004	15,055,524
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	1,405,738	651,899	667,019	1,390,618
10. Financial guaranty				
11.1 Medical professional liability—occurrence	5,870	2,329	2,053	6,146
11.2 Medical professional liability—claims-made	525	366	141	750
12. Earthquake	285,080	145,595	144,820	285,855
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	6,367,501	2,748,958	2,209,781	6,906,678
17.1 Other liability—occurrence	4,263,253	2,090,934	2,062,928	4,291,259
17.2 Other liability—claims-made	181,763	81,720	77,225	186,258
17.3 Excess workers' compensation				
18.1 Products liability—occurrence	111,899	52,847	56,373	108,373
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	16,166,966	6,295,112	7,128,995	15,333,083
19.3,19.4 Commercial auto liability	6,145,738	3,157,384	2,939,931	6,363,191
21. Auto physical damage	12,822,524	5,084,362	5,740,563	12,166,323
22. Aircraft (all perils)				
23. Fidelity	49,225	42,063	40,125	51,163
24. Surety	5,695,165	3,476,917	3,325,193	5,846,889
26. Burglary and theft	2,327	1,120	1,142	2,305
27. Boiler and machinery	5,758	474	767	5,465
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-nonproportional assumed property				
32. Reinsurance-nonproportional assumed liability				
33. Reinsurance-nonproportional assumed financial lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	87,345,717	40,338,848	41,793,131	85,891,434

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	902,630				902,630
2. Allied lines	828,722	1			828,723
3. Farmowners multiple peril	358,263	21			358,284
4. Homeowners multiple peril	8,072,435				8,072,435
5. Commercial multiple peril	7,281,584	227	(47,807)		7,234,004
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	666,991	28			667,019
10. Financial guaranty					
11.1 Medical professional liability—occurrence	2,053				2,053
11.2 Medical professional liablity—claims-made	141				141
12. Earthquake	144,820				144,820
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	2,334,220	24	(123,858)	(606)	2,209,780
17.1 Other liability—occurrence	2,046,474	9,780	6,674		2,062,928
17.2 Other liability—claims-made	81,405	345	(4,525)		77,225
17.3 Excess workers' compensation					
18.1 Products liability—occurrence	55,199	4	1,171		56,374
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	7,128,995				7,128,995
19.3,19.4 Commercial auto liability	2,939,519	412			2,939,931
21. Auto physical damage	5,740,498	65			5,740,563
22. Aircraft (all perils)					
23. Fidelity	15,008	25,117			40,125
24. Surety	2,357,537	967,657			3,325,194
26. Burglary and theft	1,142				1,142
27. Boiler and machinery	767				767
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-nonproportional assumed property					
32. Reinsurance-nonproportional assumed liability					
33. Reinsurance-nonproportional assumed financial lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	40,958,403	1,003,681	(168,345)	(606)	41,793,133
36. Accrued retrospective premiums based on experience					606
37. Earned but unbilled premiums					168,345
38. Balance (Sum of Lines 35 through 37)					41,962,084

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 2 From Affiliates	Reinsurance Assumed 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	Reinsurance Ceded 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	2,145,193	1,718,793		2,145,193		1,718,793
2. Allied lines	2,375,310	1,518,251		2,375,310		1,518,251
3. Farmowners multiple peril		707,024				707,024
4. Homeowners multiple peril	65,917,737	15,087,821		65,917,737		15,087,821
5. Commercial multiple peril	35,650,147	14,804,496		35,650,147		14,804,496
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	2,386,725	1,405,738		2,386,725		1,405,738
10. Financial guaranty						
11.1 Medical professional liability--occurrence		5,870				5,870
11.2 Medical professional liability--claims-made		525				525
12. Earthquake	94,849	285,080		94,849		285,080
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	10,701,694	6,367,501		10,701,694		6,367,501
17.1 Other liability—occurrence	8,956,193	4,263,253		8,956,193		4,263,253
17.2 Other liability—claims-made	512,724	181,763		512,724		181,763
17.3 Excess workers' compensation						
18.1 Products liability—occurrence	823,578	111,899		823,578		111,899
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	109,499,036	16,166,966		109,499,036		16,166,966
19.3,19.4 Commercial auto liability	12,371,334	6,145,738		12,371,334		6,145,738
21. Auto physical damage	63,461,104	12,822,524		63,461,104		12,822,524
22. Aircraft (all perils)						
23. Fidelity	16,482	49,225		16,482		49,225
24. Surety	13,647,720	5,695,165		13,647,720		5,695,165
26. Burglary and theft	2,484	2,327		2,484		2,327
27. Boiler and machinery	78,255	5,758		78,255		5,758
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-nonproportional assumed property	X X X					
32. Reinsurance-nonproportional assumed liability	X X X					
33. Reinsurance-nonproportional assumed financial lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	328,640,565	87,345,717		328,640,565		87,345,717

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

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

If yes: 1. The amount of such installment premiums $ 0

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

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 – LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage 1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire	500,168	610,727	500,168	610,727	270,550	268,881	612,396	36.713
2. Allied lines	900,445	922,122	900,445	922,122	191,534	236,887	876,769	61.846
3. Farmowners multiple peril		366,925		366,925	125,940	135,291	357,574	52.330
4. Homeowners multiple peril	41,083,190	8,642,186	41,083,190	8,642,186	3,554,964	3,814,410	8,382,740	59.357
5. Commercial multiple peril	12,023,021	8,403,275	12,023,021	8,403,275	14,390,848	14,863,852	7,930,271	52.673
6. Mortgage guaranty								
8. Ocean marine						193	(193)	
9. Inland marine	1,220,736	462,646	1,220,736	462,646	75,155	81,458	456,343	32.816
10. Financial guaranty								
11.1 Medical professional liability—occurrence		646		646	23,826	21,542	2,930	47.673
11.2 Medical professional liability—claims-made					4,501	4,233	268	35.733
12. Earthquake					(1,659)	13	(1,672)	(0.585)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health		5,984		5,984	360,600	371,383	(4,799)	
16. Workers' compensation	9,216,655	4,935,668	9,216,655	4,935,668	24,399,592	23,581,564	5,753,696	83.306
17.1 Other liability—occurrence	2,229,415	1,195,728	2,229,415	1,195,728	7,264,105	6,858,275	1,601,558	37.321
17.2 Other liability—claims-made	7,657	62,085	7,657	62,085	263,510	286,754	38,841	20.853
17.3 Excess workers' compensation								
18.1 Products liability—occurrence	272,455	95,290	272,455	95,290	264,803	256,913	103,180	95.208
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability	42,471,688	8,682,338	42,471,688	8,682,338	10,307,136	10,727,589	8,261,885	53.883
19.3,19.4 Commercial auto liability	9,607,579	3,948,246	9,607,579	3,948,246	8,006,707	7,519,138	4,435,815	69.711
21. Auto physical damage	30,371,976	7,363,662	30,371,976	7,363,662	387,317	430,434	7,320,545	60.171
22. Aircraft (all perils)		2,721		2,721	2,796	3,705	1,812	
23. Fidelity	250	10,967	250	10,967	14,508	16,958	8,517	16.647
24. Surety	6,830,259	2,225,806	6,830,259	2,225,806	599,974	1,051,104	1,774,676	30.352
26. Burglary and theft		58		58	21	24	55	2.386
27. Boiler and machinery	2,403	(51)	2,403	(51)	187	(691)	827	15.133
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-nonproportional assumed property	XXX							
32. Reinsurance-nonproportional assumed liability	XXX	56,615		56,615	225,063	1,585,062	(1,303,384)	
33. Reinsurance-nonproportional assumed financial lines	XXX							
34. Aggregate write-ins for other lines of business								
35. TOTALS	156,737,897	47,993,644	156,737,897	47,993,644	70,731,978	72,114,972	46,610,650	54.267

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 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8	9
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire	120,242	209,221	120,242	209,221	38,227	61,329	38,227	270,550	27,529
2. Allied lines	170,476	140,179	170,476	140,179	30,055	51,356	30,055	191,535	39,556
3. Farmowners multiple peril		115,954		115,954		9,986		125,940	44,542
4. Homeowners multiple peril	19,113,675	2,358,831	19,113,676	2,358,830	2,535,950	1,196,134	2,535,950	3,554,964	669,719
5. Commercial multiple peril	18,166,425	8,944,887	18,166,425	8,944,887	11,911,437	5,445,961	11,911,437	14,390,848	5,993,824
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine	98,176	84,951	98,176	84,951	29,078	(9,796)	29,078	75,155	17,044
10. Financial guaranty									
11.1 Medical professional liablity—occurrence		3,430		3,430		20,396		23,826	12,278
11.2 Medical professional liablity—claims-made		400		400		4,101		4,501	992
12. Earthquake		6		6	(884)	(1,665)	(884)	(1,659)	123
13. Group accident and health								(a)	(20)
14. Credit accident and health (group and individual)									
15. Other accident and health		74,595		74,595		286,005		(a) 360,600	42,699
16. Workers' compensation	32,472,403	14,659,103	32,472,403	14,659,103	16,034,778	9,740,489	16,034,778	(a) 24,399,592	2,849,793
17.1 Other liability—occurrence	5,128,425	2,675,757	5,128,425	2,675,757	5,309,964	4,588,348	5,309,964	7,264,105	1,703,133
17.2 Other liability—claims-made		153,753		153,753	128,904	109,757	128,904	263,510	137,478
17.3 Excess workers' compensation									3
18.1 Products liability—occurrence	227,499	208,159	227,499	208,159	327,461	56,644	327,461	264,803	76,503
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	46,227,246	8,980,358	46,227,246	8,980,358	8,823,497	1,326,795	8,823,497	10,307,153	2,425,051
19.3,19.4 Commercial auto liability	10,164,440	4,917,612	10,164,440	4,917,612	6,433,589	3,089,095	6,433,589	8,006,707	1,124,747
21. Auto physical damage	142,824	201,403	142,824	201,403	741,878	185,914	741,878	387,317	194,685
22. Aircraft (all perils)		2,777		2,777		19		2,796	119
23. Fidelity	2,518	(58)	2,518	(58)	(5,347)	14,566	(5,347)	14,508	6,657
24. Surety	336,777	(707,798)	336,777	(707,798)	(2,612,544)	1,307,773	(2,612,544)	599,975	808,582
26. Burglary and theft						15		15	110
27. Boiler and machinery					201	177	201	177	353
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-nonproportional assumed property	XXX				XXX				
32. Reinsurance-nonproportional assumed liability	XXX				XXX	225,063		225,063	538
33. Reinsurance-nonproportional assumed financial lines	XXX				XXX				
34. Aggregate write-ins for other lines of business									
35. TOTALS	132,371,126	43,023,520	132,371,127	43,023,519	49,726,244	27,708,462	49,726,244	70,731,981	16,176,038

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 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	11,534,225			11,534,225
1.2 Reinsurance assumed	4,114,900			4,114,900
1.3 Reinsurance ceded	11,534,225			11,534,225
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	4,114,900			4,114,900
2. Commission and brokerage:				
2.1 Direct, excluding contingent		49,001,534		49,001,534
2.2 Reinsurance assumed, excluding contingent		13,028,895		13,028,895
2.3 Reinsurance ceded, excluding contingent		49,001,534		49,001,534
2.4 Contingent—direct		821,803		821,803
2.5 Contingent—reinsurance assumed		1,585,926		1,585,926
2.6 Contingent—reinsurance ceded		821,803		821,803
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)		14,614,821		14,614,821
3. Allowances to manager and agents	624	3,331		3,955
4. Advertising	44,155	483,503	304	527,962
5. Boards, bureaus and associations	33,658	162,475	15	196,148
6. Surveys and underwriting reports	1,111	563,042	5,298	569,451
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	3,963,366	4,737,780	192,331	8,893,477
8.2 Payroll taxes	91,523	472,200	1,245	564,968
9. Employee relations and welfare	675,282	2,299,345	9,364	2,983,991
10. Insurance	173,995	64,469	4,434	242,898
11. Directors' fees	12	63		75
12. Travel and travel items	284,163	376,276	7,236	667,675
13. Rent and rent items	150,151	506,052	2,301	658,504
14. Equipment	135,512	342,521	3,296	481,329
15. Cost or depreciation of EDP equipment and software	24,304	312,548	6,548	343,400
16. Printing and stationery	59,386	75,780	546	135,712
17. Postage, telephone and telegraph, exchange and express	352,533	274,607	6,252	633,392
18. Legal and auditing	15,520	48,636	16,881	81,037
19. Totals (Lines 3 to 18)	6,005,295	10,722,628	256,051	16,983,974
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 17,695		1,845,062		1,845,062
20.2 Insurance department licenses and fees		271,044		271,044
20.3 Gross guaranty association assessments		9,741		9,741
20.4 All other (excluding federal and foreign income and real estate)		204,304		204,304
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		2,330,151		2,330,151
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	525,324	429,624	55,721	1,010,669
25. Total expenses incurred	10,645,519	28,097,224	311,772	(a) 39,054,515
26. Less unpaid expenses—current year	16,176,036	4,472,397		20,648,433
27. Add unpaid expenses—prior year	15,945,906	4,095,917		20,041,823
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	10,415,389	27,720,744	311,772	38,447,905

DETAILS OF WRITE-IN LINES				
2401. Other expenses	525,324	429,624	55,721	1,010,669
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)	525,324	429,624	55,721	1,010,669

(a) Includes management fees of $ 933,223 to affiliates and $ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 1,342,404	1,399,620
1.1	Bonds exempt from U.S. tax	(a) 2,388,874	2,163,483
1.2	Other bonds (unaffiliated)	(a) 1,946,081	2,002,235
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)		
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 8,186	8,491
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	14,631	14,631
10.	Total gross investment income	5,700,176	5,588,460
11.	Investment expenses		(g) 311,774
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15)		311,774
17.	Net investment income (Line 10 minus Line 16)		5,276,686

	DETAILS OF WRITE-IN LINES		
0901.	Miscellaneous Income/(Expense)	14,631	14,631
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 09 from overflow page		
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)	14,631	14,631
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 $ 681,036 accrual of discount less $ 931,068 amortization of premium and less $ 83,395 paid for accrued interest on purchases.
(b) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued dividends on purchases.
(c) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.
(d) Includes $ 0 for company's occupancy of its own buildings; and excludes $ 0 interest on encumbrances.
(e) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.
(f) Includes $ 0 accrual of discount less $ 0 amortization of premium.
(g) Includes $ 0 investment expenses and $ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $ 0 interest on surplus notes and $ 0 interest on capital notes.
(i) Includes $ 0 depreciation on real estate and $ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	(10,755)		(10,755)		
1.1	Bonds exempt from U.S. tax	84,392		84,392		
1.2	Other bonds (unaffiliated)	129,215	(15,547)	113,668	(13,630)	
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)					
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)				1,582	
2.21	Common stocks of affiliates					
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments					
7.	Derivative instruments					
8.	Other invested assets					
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	202,852	(15,547)	187,305	(12,048)	

	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	416,939	414,187	(2,752)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	20,449	5,011	(15,438)
15.3 Accrued retrospective premiums	61	4,100	4,039
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	4,172,551	1,619,058	(2,553,493)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	104,186	96,694	(7,492)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	4,714,186	2,139,050	(2,575,136)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	4,714,186	2,139,050	(2,575,136)

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	104,186	96,694	(7,492)
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	104,186	96,694	(7,492)

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

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

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

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

C. Accounting Policies

Premiums are earned over the terms of the related policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro-rata methods. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

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

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).

2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.

3. Common stocks are carried at fair value, except that investments in stocks of subsidiaries, controlled and affiliated (“SCA”) companies are carried according to Note 1C(7).

4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).

5. Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.

6. Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.

7. Investments in SCA companies are carried in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88,* and the SVO Manual.

8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.

9. Derivative Securities, refer to Note 8.

10. Investment income is anticipated as a factor in the premium deficiency calculation, in accordance with SSAP No. 53*, Property Casualty Contracts - Premiums*. Refer to Note 30.

11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.

12. The Company did not change its capitalization policy in 2012.

13. The Company has no pharmaceutical rebate receivables.

Note 2 - Accounting Changes and Correction of Errors

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

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

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

NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

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

C. Impairment Loss

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

Note 4 - Discontinued Operations

The Company has no discontinued operations.

Note 5 - Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company does not invest in mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

Not applicable

D. Loan Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.

2. All Loan Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2012 as of December 31, 2012: None

3. Each Loan Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2012:

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	190,852	166,940	23,912	166,940	166,940	3/31/2009
59023XAB2	126,559	109,847	16,712	109,847	109,846	12/31/2009
59023XAB2	83,715	81,726	1,989	81,726	78,235	3/31/2010
59023XAB2	56,931	56,406	526	56,406	39,101	9/30/2011
59023XAB2	52,030	47,720	4,309	47,720	37,823	12/31/2011
59023XAB2	42,303	35,461	6,842	35,461	35,604	3/31/2012
59023XAB2	31,024	30,421	603	30,421	18,918	6/30/2012
59023XAB2	25,311	22,211	3,100	22,211	15,813	9/30/2012
59023XAB2	21,651	21,341	310	21,341	16,267	12/31/2012
61749BAB9	199,179	189,194	9,985	189,194	189,193	12/31/2009
61749BAB9	166,411	164,941	1,470	164,941	161,764	3/31/2010
61749BAB9	134,328	133,677	651	133,677	124,211	12/31/2010
61749BAB9	76,575	71,884	4,691	71,884	67,526	9/30/2012

4. All impaired Loan Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2012:

a. The aggregate amount of unrealized losses:

1.	Less than 12 Months	$	(5,249)
2.	12 Months or Longer	$	(33,562)

b. The aggregate related fair value of securities with unrealized losses:

1.	Less than 12 Months	$	16,092
2.	12 Months or Longer	$	325,895

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. Refer to Note 17B for the policy on requiring collateral related to securities lending.

2. The Company has not pledged any of its assets as collateral as of December 31, 2012.

3. Aggregate Amount of Contractually open cash collateral positions:

a. Aggregate Amount Cash Collateral Received

	Fair Value
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	$10,238,192
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	10,238,192
(g) Securities Received	2,590,341
(h) Total Collateral Received	$12,828,533
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)	$10,238,192

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

	Amortized Cost	Fair Value
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	1,571,872	1,571,872
(c) 31 to 60 Days	4,001,926	4,001,252
(d) 61 to 90 Days	4,667,139	4,665,068
(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	10,240,937	10,238,192
(l) Securities Received	-	-
(m) Total Collateral Reinvested	$10,240,937	$10,238,192
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.

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7 - Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2012.

Note 8 - Derivative Instruments

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

Note 9 - Income Taxes

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

1.

	12/31/2012		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
(a) Gross Deferred Tax Assets	$ 7,187,270	$ 44,730	$ 7,232,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	7,187,270	44,730	7,232,000
(d) Deferred Tax Assets Nonadmitted	4,172,551	-	4,172,551
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	3,014,719	44,730	3,059,449
(f) Deferred Tax Liabilities	762,300	308,700	1,071,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	$ 2,252,419	$ (263,970)	$ 1,988,449

	12/31/2011		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
(a) Gross Deferred Tax Assets	$ 7,252,587	$ 52,413	$ 7,305,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	7,252,587	52,413	7,305,000
(d) Deferred Tax Assets Nonadmitted	1,619,058	-	1,619,058
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	5,633,529	52,413	5,685,942
(f) Deferred Tax Liabilities	781,050	320,950	1,102,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	$ 4,852,479	$ (268,537)	$ 4,583,942

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
(a) Gross Deferred Tax Assets	$ (65,317)	$ (7,683)	$ (73,000)
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	(65,317)	(7,683)	(73,000)
(d) Deferred Tax Assets Nonadmitted	2,553,493	-	2,553,493
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	(2,618,810)	(7,683)	(2,626,493)
(f) Deferred Tax Liabilities	(18,750)	(12,250)	(31,000)
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	$ (2,600,060)	$ 4,567	$ (2,595,493)

NOTES TO FINANCIAL STATEMENTS

2.

	12/31/2012		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	$ 1,795,500	$ -	$ 1,795,500
(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)	192,949	-	192,949
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	192,949	-	192,949
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			7,282,175
(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	762,300	308,700	1,071,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	$ 2,750,749	$ 308,700	$ 3,059,449

	12/31/2011		
	(4) Ordinary	(5) Capital	(6) (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)	4,583,942	-	4,583,942
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	4,583,942	-	4,583,942
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			6,082,925
(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	781,050	320,950	1,102,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	$ 5,364,992	$ 320,950	$ 5,685,942

	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	$ 1,795,500	$ -	$ 1,795,500
(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)	(4,390,993)	-	(4,390,993)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	(4,390,993)	-	(4,390,993)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			1,199,250
(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	(18,750)	(12,250)	(31,000)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	$ (2,614,243)	$ (12,250)	$ (2,626,493)

NOTES TO FINANCIAL STATEMENTS

3.

	2012	2011
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	605.05%	554.91%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	46,483,409	42,103,888

4.

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

(c) Does the Company's tax-planning strategies include the use of reinsurance: Yes ___ No _X_

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

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

	(1) 12/31/2012	(2) 12/31/2011	(3) (Col 1-2) Change
1. Current Income Tax			
(a) Federal	$ 1,686,443	$ (317,857)	$ 2,004,300
(b) Foreign	-	-	-
(c) Subtotal	1,686,443	(317,857)	2,004,300
(d) Federal income tax on net capital gains	65,557	111,857	(46,300)
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	$ 1,752,000	$ (206,000)	$ 1,958,000
2. Deferred Tax Assets:			
(a) Ordinary			
(1) Discounting of unpaid losses	$ 2,405,000	$ 2,516,000	$ (111,000)
(2) Unearned premium reserve	2,954,000	2,841,000	113,000
(3) Policyholder reserves	-	-	-
(4) Investments	89,000	44,000	45,000
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	61,000	134,000	(73,000)
(8) Compensation and benefits accrual	536,000	558,000	(22,000)
(9) Pension accrual	102,000	162,000	(60,000)
(10) Receivables – nonadmitted	190,000	182,000	8,000
(11) Net operating loss carry-forward	438,000	507,000	(69,000)
(12) Tax credit carry-forward	16,000	16,000	-
(13) Other (including items <5% of total ordinary tax assets)	396,270	292,587	103,683
(99) Subtotal	7,187,270	7,252,587	(65,317)
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	4,172,551	1,619,058	2,553,493
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	3,014,719	5,633,529	(2,618,810)
(e) Capital			
(1) Investments	44,730	52,413	(7,683)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	44,730	52,413	(7,683)
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	-	-	-

NOTES TO FINANCIAL STATEMENTS

(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	44,730	52,413	(7,683)
(i) Admitted deferred tax assets (2d + 2h)	3,059,449	5,685,942	(2,626,493)
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	576,000	413,000	163,000
(2) Fixed assets	15,000	84,000	(69,000)
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total capital tax liabilities)	171,300	284,050	(112,750)
(99) Subtotal	762,300	781,050	(18,750)
(b) Capital:			
(1) Investments	308,700	320,950	(12,250)
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	308,700	320,950	(12,250)
(c) Deferred tax liabilities (3a99 + 3b99)	1,071,000	1,102,000	(31,000)
4. Net deferred tax assets/liabilities (2i – 3c)	$ 1,988,449	$ 4,583,942	$ (2,595,493)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax exempt income, discounting of unpaid losses and LAE reserves, limits on unearned premium reserves, allowance for doubtful accounts, and accrual of market discount on owned securities.

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

Year Generated	Amount	Expiration
2011	$ 1,251,000	2031

The Company has alternative minimum tax credit carry-forwards of $16,000. 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 are none from the current year and none from the preceding year.

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

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

AMBCO Capital Corporation
America First Insurance Company
America First Lloyd's Insurance Company
American Economy Insurance Company
American Fire and Casualty Company
American States Insurance Company
American States Insurance Company of Texas
American States Lloyds Insurance Company
American States Preferred Insurance Company
Barrier Ridge LLC
Berkeley Holding Company Associates, Inc.
Berkeley Management Corporation
Bridgefield Casualty Insurance Company
Bridgefield Employers Insurance Company
Capitol Court Corporation
Cascade Disability Management, Inc.
Colorado Casualty Insurance Company
Commercial Aviation Insurance, Inc.
Consolidated Insurance Company
Copley Venture Capital, Inc.
Diversified Settlements, Inc.
Emerald City Insurance Agency, Inc.
Employers Insurance Company of Wausau
Excelsior Insurance Company
Liberty Mutual Insurance Company
Liberty Mutual Personal Insurance Company
Liberty Northwest Insurance Corporation
Liberty Personal Insurance Company
Liberty RE (Bermuda) Limited
Liberty Sponsored Insurance (Vermont), Inc.
Liberty Surplus Insurance Corporation
LIH-RE of America Corporation
LIU Specialty Insurance Agency Inc.
LM General Insurance Company
LM Insurance Corporation
LM Property & Casualty Insurance Company
LMHC Massachusetts Holdings Inc.
LRE Properties, Inc.
Mid-American Fire & Casualty Company
North Pacific Insurance Company
Ocasco Budget, Inc.
OCI Printing, Inc.
Ohio Casualty Corporation
Ohio Security Insurance Company
Open Seas Solutions, Inc.
Oregon Automobile Insurance Company
Peerless Indemnity Insurance Company
Peerless Insurance Company

NOTES TO FINANCIAL STATEMENTS

F.B. Beattie & Co., Inc.
First National Insurance Company of America
First State Agency Inc.
General America Corporation
General America Corporation of Texas
General Insurance Company of America
Golden Eagle Insurance Corporation
Gulf States AIF, Inc.
Hawkeye-Security Insurance Company
Heritage-Summit HealthCare, LLC
Indiana Insurance Company
Insurance Company of Illinois
LEXCO Limited
Liberty-USA Corporation
Liberty Assignment Corporation
Liberty Energy Canada, Inc.
Liberty Financial Services, Inc.
Liberty Hospitality Group, Inc.
Liberty Insurance Corporation
Liberty Insurance Holdings, Inc.
Liberty Insurance Underwriters Inc.
Liberty International Europe Inc.
Liberty International Holdings Inc.
Liberty Life Assurance Company of Boston
Liberty Life Holdings Inc.
Liberty Lloyds of Texas Insurance Company
Liberty Management Services, Inc.
Liberty Mexico Holdings Inc.
Liberty Mutual Agency Corporation
Liberty Mutual Fire Insurance Company
Liberty Mutual Group Asset Management Inc.
Liberty Mutual Group Inc.
Liberty Mutual Holding Company Inc.
Pilot Insurance Services, Inc.
Rianoc Research Corporation
S.C. Bellevue, Inc.
SAFECARE Company, Inc.
Safeco Corporation
Safeco General Agency, Inc.
Safeco Insurance Company of America
Safeco Insurance Company of Illinois
Safeco Insurance Company of Indiana
Safeco Insurance Company of Oregon
Safeco Lloyds Insurance Company
Safeco National Insurance Company
Safeco Properties, Inc.
Safeco Surplus Lines Insurance Company
San Diego Insurance Company
SCIT, Inc.
St. James Insurance Company Ltd.
Summit Consulting, LLC
Summit Consulting, Inc. of Louisiana
Summit Holding Southeast, Inc.
The First Liberty Insurance Corporation
The Midwestern Indemnity Company
The National Corporation
The Netherlands Insurance Company
The Ohio Casualty Insurance Company
Wausau Business Insurance Company
Wausau General Insurance Company
Wausau Underwriters Insurance Company
West American Insurance Company
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 Safeco Insurance Company of Illinois ("SICIL"), an Illinois insurance company. SICIL is wholly owned by Safeco Insurance Company of America, a New Hampshire insurance company. Safeco Insurance Company of America is wholly owned by Safeco Corporation, an insurance holding company incorporated in Washington. Safeco Corporation is wholly owned by Liberty Mutual Agency Corporation, an insurance holding company incorporated in Delaware. Liberty Mutual Agency Corporation is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Insurance Holdings, Inc. is wholly owned by Liberty Mutual Insurance Company ("LMIC"), a Massachusetts insurance company. The ultimate parent of LMIC is Liberty Mutual Holding Company Inc., a Massachusetts company.

B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.

C. There have been no material transactions with the Company's affiliates during 2012.

D. At December 31, 2012, the Company reported a net $10,265,283 due from affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.

E. The Company has not made any guarantees or initiated any undertakings for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.

F. Refer to Note 26 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

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

NOTES TO FINANCIAL STATEMENTS

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

The Company is a party to an Amended and Restated Short Term Borrowing Agreement with Safeco Corporation and affiliates.

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

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.

J. The Company does not hold any investments in subsidiary, controlled or affiliated entities, as such no impairments were recognized.

K. The Company does not hold any investments in foreign insurance subsidiaries.

L. The Company does not hold any investments in downstream non-insurance holding companies.

Note 11 - Debt

A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

B. Federal Home Loan Bank Agreements

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

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

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

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

1. The Company has 20,000 shares authorized, issued and outstanding as of December 31, 2012. All shares have a stated par value of $250.

2. Preferred Stock

   Not applicable

3. There are no dividend restrictions.

4. The Company did not pay any dividends to its parent during 2012.

5. The maximum amount of dividends which can be paid to shareholders by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner 10% of surplus. The maximum dividend payout which may be made without prior approval in 2013 is $4,847,186.

6. As of December 31, 2012, the Company has pre-tax restricted surplus of $140,378 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 2012.

10. The portion of unassigned funds (surplus) represented by cumulative net unrealized losses is $(24,800) after applicable deferred taxes of $8,680.

11. Surplus Notes

    Not applicable

12. Quasi-reorganization (dollar impact)

    Not applicable

NOTES TO FINANCIAL STATEMENTS

13. Quasi-reorganization (effective date)

    Not applicable

Note 14 - Contingencies

A. Contingent Commitments

The Company has made no commitments, contingent commitments or guarantees on behalf of affiliates, except as indicated in 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 $277,788 that is offset by future premium tax credits of $36,559. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2013. During 2012 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

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

a.	Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	$ 41,975
b.	Decreases current year: Premium tax offset applied	5,416
c.	Increases current year: Premium tax offset increase	-
d.	Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	$ 36,559

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	$170,000

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.

NOTES TO FINANCIAL STATEMENTS

Note 15 - Leases

A. Lessee Leasing Arrangements

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

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

Year Ending December 31,	Operating Leases
2013	$ 345,321
2014	330,959
2015	259,712
2016	229,376
2017	166,929
2018 & thereafter	90,680
Total	$ 1,422,977

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 $108,442.

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

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

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

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

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

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

A. Transfers of Receivables Reported as Sales

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

B. Transfers and Servicing of Financial Assets

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

At December 31, 2012 the total fair value of securities on loan was $12,575,784, with corresponding collateral value of $12,828,533 of which $10,238,192 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

In 2008, certain members of the PIC Amended and Restated Reinsurance Pooling Agreement (refer to Note 26) agreed to become participating insurers of the California Earthquake Authority ("CEA"), a publicly-managed, privately funded organization that provides residential earthquake insurance in California. As participating insurers of the CEA, the companies act as third party administrators and perform certain administrative services on behalf of the CEA, including underwriting, policy issuance, premium collection, and claims payment. The CEA reimburses the companies for commissions and claims paid on behalf of the CEA. The companies also receive an administrative fee equal to 3.43% of premium and 9% of claims paid. These administrative fees are subject to the inter-company pooling agreement. In 2012, the Company recorded net CEA administrative fees of $8,759.

NOTES TO FINANCIAL STATEMENTS

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, 2012:

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	$ -	$87,729	$ -	$ $87,729
Residential Mortgage-Backed Securities	-	253,455	-	253,455
Total Bonds	$ -	$341,184	$ -	$ 341,184
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	$ -	$ -	$ -	$ -
Total Preferred Stocks	$ -	$ -	$ -	$ -
Common Stocks				
Industrial and Miscellaneous	$ -	$ -	$ -	$ 14,012
Total Common Stocks	$ -	$ -	$ -	14,012
Total assets at fair value	$ -	$341,184	$ -	$355,196
Liabilities at fair value				
Total liabilities at fair value	$ -	$ -	$ -	$ -

The Company did not have significant transfers between Levels 1 and 2 during the period ended December 31, 2012.

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 12/31/2011	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 12/31/2012
Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Preferred Stock	-	-	-	-	-	-	-	-	-	-
Common Stock	12,430	-	-	-	1,582	-	-	-	-	14,012
Total	$12,430	$ -	$ -	$ -	$ 1,582	$ -	$ -	$ -	$ -	$14,012

NOTES TO FINANCIAL STATEMENTS

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.

   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.

NOTES TO FINANCIAL STATEMENTS

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

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	$9,554,149	$9,554,149	$9,554,149	$ -	$ -	$ -
Bonds	160,503,196	151,706,214	46,607,576	113,317,235	578,385	-
Preferred Stock	-	-	-	-	-	-
Common Stock	14,012	14,012	-	-	14,012	-
Securities Lending	10,238,192	10,238,192	-	10,238,192	-	-
Mortgage Loans	-	-	-	-	-	-
Surplus Notes	-	-	-	-	-	-
Total	$180,309,549	$171,512,567	$56,161,725	$123,555,427	$592,397	$ -

D. Not Practicable to Estimate Fair Value

Not applicable

<u>Note 21 - Other Items</u>

A. Extraordinary Items

The Company has no extraordinary items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

1) Assets in the amount of $24,211,063 and $28,446,945 as of December 31, 2012 and 2011, respectively, were on deposit with government authorities or trustees as required by law.

2) Interrogatory 6.1

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

Interrogatory 6.2

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

Interrogatory 6.3

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

NOTES TO FINANCIAL STATEMENTS

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable and Non-transferable Tax Credits

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

G. Subprime-Mortgage-Related Risk Exposure

1. The Company has not purchased securities characterized by the market as subprime. The Company 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 acquisition of collateral assets at the termination of a securities lending agreement in 2008.

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.

Actual Cost	Book Adjusted Carrying Value	Fair Value	Other-Than-Temporary Impairments Recognized
$111,217	$85,494	$87,246	$75,101

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

Note 22 - Events Subsequent

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

There were no events subsequent to December 31, 2012 that would require disclosure.

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverable

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

B. Reinsurance Recoverable in Dispute

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

C. Reinsurance Assumed & Ceded

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

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	41,962,084	6,294,313	154,547,859	23,182,179	(112,585,775)	(16,887,866)
b. All Other	-	-	-	-	-	-
c. TOTAL	41,962,084	6,294,313	154,547,859	23,182,179	(112,585,775)	(16,887,866)
d. Direct Unearned Premium Reserve $ 154,547,859						

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

	Direct	Assumed	Ceded	Net
a. Contingent Commission	$ -	$2,560,143	$ -	$2,560,143
b. Sliding Scale Adjustments	-	-	-	-
c. Other Profit Commission Arrangements	-	-	-	-
d. TOTAL	$ -	$2,560,143	$ -	$2,560,143

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.

NOTES TO FINANCIAL STATEMENTS

E. Commutation of Ceded Reinsurance

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

F. Retroactive Reinsurance

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

	Reported Company	
	As:	
	Assumed	Ceded
a. Reserves Transferred:		
1. Initial Reserves	$3,798,533	$ -
2. Adjustments – Prior Year (s)	$(3,088,982)	-
3. Adjustments – Current Year	(47,975)	-
4. Current Total	$661,666	$ -
b. Consideration Paid or Received:		
1. Initial Consideration	$3,125,779	$ -
2. Adjustments – Prior Year (s)	119,143	-
3. Adjustments – Current Year	-	-
4. Current Total	$3,244,923	$ -
c. Paid Losses Reimbursed or Recovered:		
1. Prior Year (s)	$3,902,224	$ -
2. Current Year	75,211	-
3. Current Total	$3,977,435	$ -
d. Special Surplus from the Retroactive Reinsurance:		
1. Initial Surplus Gain or Loss	$(789,863)	$ -
2. Adjustments – Prior Year (s)	(694,188)	-
3. Adjustments – Current Year	(27,236)	-
4. Current Year Restricted Surplus	140,378	-
5. Cumulative Total Transferred to Unassigned Funds	$(1,651,665)	$ -
e. All cedents and reinsurers involved in all transactions included in summary totals above:		
Company	Assumed Amount	Ceded Amount
Peerless Insurance Company	$661,666	$ -
Total	$661,666	$ -

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

G. Reinsurance Accounted for as a Deposit

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

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

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

I. Certified Reinsurers Downgraded or Status Subject to Revocation

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

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

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

   The Company is not a Certified Reinsurer.

NOTES TO FINANCIAL STATEMENTS

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. The Company estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing case-base loss development with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium.

B. Accrued retrospective premiums are recorded as a component of written premiums.

C. For detail of net premium written subject to retrospective rating features refer to Schedule P, Part 7A.

D. Medical Loss Ratio Rebates

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

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

a.	Total accrued retro premium	$606
b.	Unsecured amount	
c.	Less: Nonadmitted amount (10%)	61
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	
e.	Admitted amount (a) - (c) - (d)	$545

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

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

Note 26 - Intercompany Pooling Arrangements

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

(a) Each Affiliated Pool Company cedes its net underwriting activity to the Lead Company. Each 100% Quota Share Affiliated Company cedes its net underwriting activity to the Lead Company.

(b) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.

(c) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.

(d) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement that have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.

(e) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.

(f) The write-off of uncollectible reinsurance is pooled and the Provision for Reinsurance is recognized by the entity placing the outbound external reinsurance

(g) Amounts due (to)/from affiliated entities participating in the PIC Amended and Restated Reinsurance Pooling Agreement as of December 31, 2012:

Affiliate:	Amount:
Peerless Insurance Company	$ 10,140,420

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

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

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

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

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Liberty Mutual Insurance Company ("LMIC")	23043	50.0%	All Lines
Affiliated Pool Companies:	Peerless Insurance Company ("PIC")	24198	20.0%	All Lines
	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	8.00%	All Lines

NOTES TO FINANCIAL STATEMENTS

	The Ohio Casualty Insurance Company (“OCIC”)	24074	8.00%	All Lines
	Safeco Insurance Company of America (“SICOA”)	24740	6.0%	All Lines
	American Economy Insurance Company (“AEIC”)	19690	0.0%	All Lines
	America First Insurance Company (“AFIC”)	12696	0.0%	All Lines
	America Fire and Casualty Company (“AFCIC”)	24066	0.0%	All Lines
	America First Lloyd’s Insurance Company (“AFLIC”)	11526	0.0%	All Lines
	American States Insurance Company (“ASIC”)	19704	0.0%	All Lines
	American States Insurance Company of Texas (“ASICT”)	19712	0.0%	All Lines
	American States Lloyd’s Insurance Company (“ASLCO”)	31933	0.0%	All Lines
	American States Preferred Insurance Company (“ASPCO”)	37214	0.0%	All Lines
	Colorado Casualty Insurance Company (“CCIC”)	41785	0.0%	All Lines
	Consolidated Insurance Company (“CIC”)	22640	0.0%	All Lines
	Excelsior Insurance Company (“EIC”)	11045	0.0%	All Lines
	First National Insurance Company of America (“FNICA”)	24724	0.0%	All Lines
	The First Liberty Insurance Corporation (“FST”)	33588	0.0%	All Lines
	General Insurance Company of America (“GICA”)	24732	0.0%	All Lines
	Golden Eagle Insurance Corporation (“GEIC”)	10836	0.0%	All Lines
	Hawkeye-Security Insurance Company (“HSIC”)	36919	0.0%	All Lines
	Insurance Company of Illinois (“ICIL”)	26700	0.0%	All Lines
	Indiana Insurance Company (“IIC”)	22659	0.0%	All Lines
	Liberty Insurance Corporation (“LIC”)	42404	0.0%	All Lines
	Liberty Insurance Underwriters, Inc. (“LIU”)	19917	0.0%	All Lines
	Liberty County Mutual Insurance Company (“LCMIC”)	19544	0.0%	All Lines
	LM General Insurance Company (“LMGIC”)	36447	0.0%	All Lines
	Liberty Lloyd’s of Texas Insurance Company (“LLOT”)	11041	0.0%	All Lines
	LM Insurance Corporation (“LMC”)	33600	0.0%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company (“LMMAIC”)	14486	0.0%	All Lines
	Liberty Mutual Personal Insurance Company (“LMPICO”)	12484	0.0%	All Lines
	Liberty Northwest Insurance Corporation (“LNW”)	41939	0.0%	All Lines
	Liberty Personal Insurance Company (LPIC”)	11746	0.0%	All Lines
	Liberty Surplus Insurance Corporation (“LSI”)	10725	0.0%	All Lines
	Mid-American Fire & Casualty Company (“MAFCC”)	23507	0.0%	All Lines
	Montgomery Mutual Insurance Company (“MMIC”)	14613	0.0%	All Lines
	The Midwestern Indemnity Company (“MWIC”)	23515	0.0%	All Lines
	National Insurance Association (“NIA”)	27944	0.0%	All Lines
	The Netherlands Insurance Company (“NIC”)	24171	0.0%	All Lines
	North Pacific Insurance Company (“NPIC”)	23892	0.0%	All Lines
	Ohio Security Insurance Company (“OSIC”)	24082	0.0%	All Lines
	Oregon Automobile Insurance Company (“OAIC”)	23922	0.0%	All Lines
	Peerless Indemnity Insurance Company (“PIIC”)	18333	0.0%	All Lines
	Safeco Insurance Company of Illinois (“SICIL”)	39012	0.0%	All Lines
	Safeco Insurance Company of Indiana (“SICIN”)	11215	0.0%	All Lines
	Safeco Insurance Company of Oregon (“SICOR”)	11071	0.0%	All Lines
	Safeco Lloyds Insurance Company (“SLICO”)	11070	0.0%	All Lines
	Safeco National Insurance Company (“SNIC”)	24759	0.0%	All Lines
	Safeco Surplus Lines Insurance Company (“SSLIC”)	11100	0.0%	All Lines
	Wausau Business Insurance Company (“WBIC”)	26069	0.0%	All Lines
	Wausau General Insurance Company (“WGIC”)	26425	0.0%	All Lines
	Wausau Underwriters Insurance Company (“WUIC”)	26042	0.0%	All Lines
	West American Insurance Company (“WAIC”)	44393	0.0%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Bridgefield Employers Insurance Company (“BEIC”)	10701	0.0%	All Lines
	Bridgefield Casualty Insurance Company (“BCIC”)	10335	0.0%	All Lines
	LM Property and Casualty Insurance Company (“LMPAC”)	32352	0.0%	All Lines

Note 27 - Structured Settlements

A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of $917,426 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 $917,426 as of December 31, 2012.

B. The Company does not have material structured settlements from life insurers for which the Company has not obtained a release of liability from the claimant.

NOTES TO FINANCIAL STATEMENTS

Note 28 - Health Care Receivables

Not applicable

Note 28 - Participating Policies

Not applicable

Note 30 - Premium Deficiency Reserves

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

Note 31- High Dollar Deductible Policies

Not applicable

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

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

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

Schedule P Lines of Business	Tabular Discount Included in Schedule P, Part 1*	
	1 Case	2 IBNR
1. Homeowners/Farmowners	-	-
2. Private Passenger Auto Liability/Medical	-	-
3. Commercial Auto/Truck Liability/Medical	-	-
4. Workers' Compensation	$ 579,742	$ 402,871
5. Commercial Multiple Peril	-	-
6. Medical Professional Liability – occurrence	-	-
7. Medical Professional Liability – claims-made	-	-
8. Special Liability	-	-
9. Other Liability - occurrence	-	-
10. Other Liability – claims-made	-	-
11. Special Property	-	-
12. Auto Physical Damage	-	-
13. Fidelity, Surety	-	-
14. Other (including Credit, Accident & Health)	-	-
15. International	-	-
16. Reinsurance Nonproportional Assumed Property	-	-
17. Reinsurance Nonproportional Assumed Liability	-	-
18. Reinsurance Nonproportional Assumed Financial Lines	-	-
19. Products Liability – occurrence	-	-
20. Products Liability – claims-made	-	-
21. Financial Guaranty/Mortgage Guaranty	-	-
22. Warranty	-	-
23. Total	$ 579,742	$ 402,871

* 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.

NOTES TO FINANCIAL STATEMENTS

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

Uncertainty Regarding Reserving Methodologies

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

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

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

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

Asbestos:

	2008	2009	2010	2011	2012
Direct Basis					
Beginning Reserves	1,294,188	1,339,059	1,252,801	1,127,361	821,413
Incurred losses and LAE	197,323	17,101	(104)	(227,001)	(36,901)
Calendar year payments	152,452	103,359	125,336	78,947	73,702
Ending Reserves	1,339,059	1,252,801	1,127,361	821,413	710,810
Assumed Reinsurance Basis					
Beginning Reserves	1,064,045	910,815	1,268,865	1,107,113	1,227,761
Incurred losses and LAE	(36,155)	450,235	(446)	196,289	35,718
Calendar year payments	117,075	92,185	161,306	75,642	94,567
Ending Reserves	910,815	1,268,865	1,107,113	1,227,761	1,168,912

NOTES TO FINANCIAL STATEMENTS

Net of Ceded Reinsurance Basis					
Beginning Reserves	1,910,855	1,833,098	2,158,451	1,898,555	1,659,369
Incurred losses and LAE	96,338	508,344	1,016	(14,241)	(51,215)
Calendar year payments	174,094	182,991	260,912	224,945	48,850
Ending Reserves	1,833,098	2,158,451	1,898,555	1,659,369	1,559,304

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	275,550
Assumed Reinsurance Basis	718,015
Net of Ceded Reinsurance Basis	852,366
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	203,436
Assumed Reinsurance Basis	24,973
Net of Ceded Reinsurance Basis	152,785

Environmental:	2008	2009	2010	2011	2012
Direct Basis					
Beginning Reserves	1,487,468	1,270,775	1,082,489	968,948	1,024,457
Incurred losses and LAE	32,751	(55,161)	(5,789)	194,748	(7,311)
Calendar year payments	249,445	133,124	107,752	139,239	113,531
Ending Reserves	1,270,775	1,082,489	968,948	1,024,457	903,615
Assumed Reinsurance Basis					
Beginning Reserves	285,596	274,620	197,678	180,891	138,915
Incurred losses and LAE	16	(69,990)	3,639	(19,434)	23,690
Calendar year payments	10,991	6,952	20,426	22,543	25,106
Ending Reserves	274,620	197,678	180,891	138,915	137,499
Net of Ceded Reinsurance Basis					
Beginning Reserves	1,636,412	1,395,634	1,116,478	994,175	1,071,352
Incurred losses and LAE	(28,814)	(147,481)	622	(120)	239,200
Calendar year payments	211,964	131,674	122,925	(77,297)	370,792
Ending Reserves	1,395,634	1,116,478	994,175	1,071,352	939,761

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	373,092
Assumed Reinsurance Basis	85,382
Net of Ceded Reinsurance Basis	386,701
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	166,869
Assumed Reinsurance Basis	6,859
Net of Ceded Reinsurance Basis	150,430

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 [X] No [ ]

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

1.3 State Regulating? New Hampshire

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [X] No [ ]

2.2 If yes, date of change: 01/13/2012

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). 06/21/2011

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

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 [X]

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [ ] N/A [ ]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [ ] No [X]
4.12 renewals? Yes [ ] No [X]

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 [X]
4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

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 [X]

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 [X] No [ ] N/A [ ]

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

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Kristen M. Bessette, FCAS, MAAA
175 Berkeley Street Boston, MA 02116
Sr. Vice President & Chief Actuary

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

12.11	Name of real estate holding company	
12.12	Number of parcels involved	0
12.13	Total book/adjusted carrying value	$ 0

12.2 If yes, provide explanation:

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [X]

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [X]

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

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 [X] 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 [X] No [ ]

14.21 If the response to 14.2 is yes, provide information related to amendment(s).
During Q1 and Q3, 2012, Liberty Mutual Insurance Group published certain non-material changes to its Code of Business Ethics and Conduct designed to clarify existing Code provisions.

GENERAL INTERROGATORIES

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] 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	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]

GENERAL INTERROGATORIES

22.2 If answer is yes:

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

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

24.02 If no, give full and complete information, relating thereto:

24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided):
Please referance 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 [X] No [ ] N/A [ ]

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. $ 12,828,533

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 [X] No [ ] N/A [ ]

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [X] 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 [X] 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	$ 10,238,192
24.102	Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	$ 10,238,192
24.103	Total payable for securities lending reported on the liability page	$ 10,238,192

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

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

25.21	Subject to repurchase agreements	$ 0
25.22	Subject to reverse repurchase agreements	$ 0
25.23	Subject to dollar repurchase agreements	$ 0
25.24	Subject to reverse dollar repurchase agreements	$ 0
25.25	Pledged as collateral	$ 0
25.26	Placed under option agreements	$ 0
25.27	Letter stock or securities restricted as to sale	$ 0
25.28	On deposit with state or other regulatory body	$ 24,211,063
25.29	Other	$ 0

GENERAL INTERROGATORIES

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		0
		0
		0

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

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

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

27.2 If yes, state the amount thereof at December 31 of the current year. $ 0

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

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

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase	1 Chase Manhattan Plaza, New York, NY 10005

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

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

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

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

28.05 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
N/A	Liberty Mutual Group Asset Managemen	175 Berkeley Street, Boston, MA 02116

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

GENERAL INTERROGATORIES

29.2 If yes, complete the following schedule:

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

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
		0	
		0	
		0	

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	161,260,364	170,058,424	8,798,060
30.2 Preferred stocks	0	0	0
30.3 Totals	161,260,364	170,058,424	8,798,060

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

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

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

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

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

32.2 If no, list exceptions:

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $ 0

GENERAL INTERROGATORIES

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

1 Name	2 Amount Paid
0	$ 0
0	$ 0
	$ 0

34.1 Amount of payments for legal expenses, if any? $ 14,393

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

1 Name	2 Amount Paid
0	$ 0
	$ 0
	$ 0

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 1,911

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

1 Name	2 Amount Paid
0	$ 0
	$ 0
	$ 0

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

1.2 If yes, indicate premium earned on U.S. business only. $ 0

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

1.31 Reason for excluding
0

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. $ 0
1.5 Indicate total incurred claims on all Medicare Supplement insurance. $ 0
1.6 Individual policies:

Most current three years:		
1.61	Total premium earned	$ 0
1.62	Total incurred claims	$ 0
1.63	Number of covered lives	0
All years prior to most current three years:		
1.64	Total premium earned	$ 0
1.65	Total incurred claims	$ 0
1.66	Number of covered lives	0

1.7 Group policies:

Most current three years:		
1.71	Total premium earned	$ 0
1.72	Total incurred claims	$ 0
1.73	Number of covered lives	0
All years prior to most current three years:		
1.74	Total premium earned	$ 0
1.75	Total incurred claims	$ 0
1.76	Number of covered lives	0

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$ 0	$ 0
2.2	Premium Denominator	$ 85,891,428	$ 83,769,925
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 403,278	$ 420,828
2.5	Reserve Denominator	$ 133,634,568	$ 133,756,623
2.6	Reserve Ratio (2.4/2.5)	0.00	0.00

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 $ 493,118

3.22 Non-participating policies $ 328,147,446

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

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

5.5 If yes, give full information

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:
See Note 21C2

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
See Note 21C2

6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
See Note 21C2

6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [ ] No [X]

6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss
Refer to Note 21C

7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [ ] No [X]

7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 0

7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [ ]

8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [ ] No [X]

8.2 If yes, give full information

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No [X]

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [ ] No [X]

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]

9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
(a) The entity does not utilize reinsurance; or, Yes [ ] No [X]
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [X] No [ ]

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [X] No [ ] N/A [ ]

11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes [ ] No [X]
11.2 If yes, give full information

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
12.11 Unpaid losses $ 2,711,212
12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 257,141

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? $ 606

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 [X] No [ ] N/A [ ]

12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
12.41 From 0.00 %
12.42 To 9.00 %

12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [X] No [ ]

12.6 If yes, state the amount thereof at December 31 of current year:
12.61 Letters of Credit $ 5,949,031
12.62 Collateral and other funds $ 1,138,321

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 2,568,000

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 [X]

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 [X]

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:

14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [ ] No [ ]

14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [ ] No [ ]

14.5 If the answer to 14.4 is no, please explain:
0

15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No [X]

15.2 If yes, give full information

16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]
If yes, disclose the following information for each of the following types of warranty coverage:

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

* Disclose type of coverage:

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

17.11	Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	$ 0
17.12	Unfunded portion of Interrogatory 17.11	$ 0
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	$ 0
17.14	Case reserves portion of Interrogatory 17.11	$ 0
17.15	Incurred but not reported portion of Interrogatory 17.11	$ 0
17.16	Unearned premium portion of Interrogatory 17.11	$ 0
17.17	Contingent commission portion of Interrogatory 17.11	$ 0

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

17.18	Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	$ 0
17.19	Unfunded portion of Interrogatory 17.18	$ 0
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	$ 0
17.21	Case reserves portion of Interrogatory 17.18	$ 0
17.22	Incurred but not reported portion of Interrogatory 17.18	$ 0
17.23	Unearned premium portion of Interrogatory 17.18	$ 0
17.24	Contingent commission portion of Interrogatory 17.18	$ 0

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

18.2 If yes, please provide the amount of custodial funds held as of the reporting date. $ 0

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

18.4 If yes, please provide the balance of the funds adminstered 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 2012	2 2011	3 2010	4 2009	5 2008
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)	176,108,074	147,102,720	135,936,393	132,931,877	159,752,064
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	88,218,378	69,223,526	63,909,045	54,293,037	73,700,508
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	132,251,238	135,049,883	129,333,838	127,171,960	151,559,258
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	19,408,592	36,992,622	39,387,958	41,195,363	52,316,081
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)				1	213
6. Total (Line 35)	415,986,282	388,368,751	368,567,234	355,592,238	437,328,124
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)	33,243,515	33,570,989	34,405,981	37,655,844	44,514,507
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	17,752,713	16,550,393	16,541,090	13,783,137	27,007,342
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	30,605,099	28,954,069	27,551,271	25,065,868	26,278,166
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	5,744,390	5,991,128	5,844,378	4,453,824	9,018,824
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)				1	213
12. Total (Line 35)	87,345,717	85,066,579	84,342,720	80,958,674	106,819,052
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	538,037	(5,176,454)	(1,185,744)	3,518,313	2,945,937
14. Net investment gain (loss) (Line 11)	5,398,433	5,217,762	6,741,233	8,158,938	4,823,508
15. Total other income (Line 15)	369,162	251,398	(652,758)	(141,045)	179,692
16. Dividends to policyholders (Line 17)	205,980	168,226	(28,194)	358,600	132,910
17. Federal and foreign income taxes incurred (Line 19)	1,686,443	(317,857)	(156,376)	3,082,212	2,622,574
18. Net income (Line 20)	4,413,209	442,337	5,087,301	8,095,394	5,193,653
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	228,769,845	211,639,783	206,301,824	262,916,942	243,578,782
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	2,542,880	3,205,742	2,871,824	3,169,545	9,953,105
20.2 Deferred and not yet due (Line 15.2)	25,659,429	24,123,587	23,096,696	22,505,322	16,737,440
20.3 Accrued retrospective premiums (Line 15.3)	545	36,941	73,287	130,638	46,703
21. Total liabilities excluding protected cell business (Page 3, Line 26)	180,297,987	164,951,953	160,276,511	182,251,482	173,783,074
22. Losses (Page 3, Line 1)	70,731,981	72,114,971	71,444,366	75,202,385	77,545,504
23. Loss adjustment expenses (Page 3, Line 3)	16,176,036	15,945,906	15,945,414	17,904,365	18,076,766
24. Unearned premiums (Page 3, Line 9)	41,962,084	40,312,976	38,825,262	36,809,073	40,403,696
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)	48,471,858	46,687,830	46,025,313	80,665,460	69,795,708
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	13,956,943	(19,607)	(290,010)	(3,237,804)	6,195,570
Risk-Based Capital Analysis					
28. Total adjusted capital	48,471,858	46,687,830	46,025,313	80,665,460	69,795,708
29. Authorized control level risk-based capital	7,682,565	7,587,498	7,676,388	7,794,269	9,357,707
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)	88.2	95.8	94.9	85.1	78.6
31. Stocks (Lines 2.1 & 2.2)	0.0	0.0	0.0	4.1	4.7
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	5.6	3.5	5.0	10.7	16.7
35. Contract loans (Line 6)					
36. Derivatives (Line 7)				XXX	XXX
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)	0.2	0.3		0.0	0.0
39. Securities lending reinvested collateral assets (Line 10)	6.0	0.5	0.1	XXX	XXX
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)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Lines 42 to 47					
49. Total investment in parent included in Lines 42 to 47 above					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)					

FIVE – YEAR HISTORICAL DATA
(Continued)

	1 2012	2 2011	3 2010	4 2009	5 2008
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)	(7,831)	39,685	82,970	1,736,146	(8,193,377)
52. Dividends to stockholders (Line 35)			(40,000,000)		
53. Change in surplus as regards policyholders for the year (Line 38)	1,784,028	662,517	(34,640,147)	10,869,751	(5,019,899)
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)	82,725,450	84,987,537	76,403,984	78,605,929	89,288,076
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	42,352,540	36,957,939	31,076,824	32,935,118	44,296,083
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	70,523,670	74,937,261	62,531,127	68,709,984	79,264,071
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	9,073,266	17,752,727	13,180,076	8,280,369	1,899,009
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	56,615	63,084	171,288	2,497,833	422,550
59. Total (Line 35)	204,731,541	214,698,548	183,363,299	191,029,233	215,169,789
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)	18,920,001	20,321,656	25,503,471	19,845,831	25,542,097
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	9,359,215	9,391,612	8,476,300	9,505,900	15,359,929
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	17,415,056	19,869,703	14,683,572	12,415,322	17,499,088
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	2,242,757	1,510,158	1,156,489	610,115	456,225
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	56,615	63,084	171,288	2,471,438	422,550
65. Total (Line 35)	47,993,644	51,156,213	49,991,120	44,848,606	59,279,889
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)	54.3	61.9	56.0	50.7	55.5
68. Loss expenses incurred (Line 3)	12.4	12.1	11.8	11.9	11.5
69. Other underwriting expenses incurred (Line 4)	32.7	32.2	33.6	33.2	30.3
70. Net underwriting gain (loss) (Line 8)	0.6	(6.2)	(1.4)	4.2	2.7
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0	31.7	31.4	33.6	34.6	31.2
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	66.7	73.9	67.8	62.6	67.0
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)	180.2	182.2	183.3	100.4	153.0
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)	(3,353)	(2,255)	(958)	(6,170)	(3,115)
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)	(7.2)	(4.9)	(1.2)	(8.8)	(4.2)
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)	(4,302)	(2,024)	(4,929)	(8,892)	(4,470)
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)	(9.3)	(2.5)	(7.1)	(11.9)	(5.8)

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

If no, please explain:
Not Applicable

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY

($000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1–2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	X X X	X X X	X X X	1,068	687	254	57	61	(89)	48	728	X X X
2. 2003	79,626	6,650	72,976	39,094	3,426	2,771	201	5,845	278	2,442	43,805	X X X
3. 2004	85,690	4,728	80,962	40,144	1,645	2,567	91	5,733	123	3,060	46,585	X X X
4. 2005	89,270	3,616	85,654	41,285	1,703	2,717	99	6,027	94	2,909	48,133	X X X
5. 2006	89,152	3,982	85,170	41,949	1,017	2,737	113	6,154	136	2,549	49,574	X X X
6. 2007	90,994	4,444	86,550	42,264	942	2,815	96	6,102	86	2,837	50,057	X X X
7. 2008	90,816	3,376	87,440	47,182	1,466	2,795	112	6,818	70	2,473	55,147	X X X
8. 2009	85,205	5,329	79,876	38,809	2,407	2,106	121	6,057	52	2,325	44,392	X X X
9. 2010	84,216	1,703	82,513	37,517	255	1,613	10	6,473	12	2,724	45,326	X X X
10. 2011	85,318	1,548	83,770	39,682	129	1,089	12	5,920	11	3,375	46,539	X X X
11. 2012	87,460	1,569	85,891	26,045	70	377	4	4,959		1,922	31,307	X X X
12. Totals	X X X	X X X	X X X	395,039	13,747	21,841	916	60,149	773	26,664	461,593	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR						
	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	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior	10,729	2,832	4,280	708	356	37	777	105	926		415	13,386	X X X
2. 2003	544	89	270	65	14		70	6	55		60	793	X X X
3. 2004	751	167	302	72	19		80	7	76		88	982	X X X
4. 2005	845	61	384	87	21		139	7	97		128	1,331	X X X
5. 2006	857	180	567	108	28		207	16	113		432	1,468	X X X
6. 2007	1,637	86	859	125	43		261	23	153		161	2,719	X X X
7. 2008	2,272	188	1,038	167	59	1	539	33	223	1	452	3,741	X X X
8. 2009	3,680	137	1,714	191	86	1	891	41	393	2	366	6,392	X X X
9. 2010	5,494	38	2,663	255	101		1,647	57	620	4	572	10,171	X X X
10. 2011	8,275	43	5,194	248	148	4	2,198	32	1,124	5	1,303	16,607	X X X
11. 2012	11,794	35	12,619	158	134		2,956	13	2,034	16	2,285	29,315	X X X
12. Totals	46,878	3,856	29,890	2,184	1,009	43	9,765	340	5,814	28	6,262	86,905	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	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	Inter-Company Pooling Participation Percentage	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	11,469	1,917
2. 2003	48,663	4,065	44,598	61.114	61.128	61.113			0.800	660	133
3. 2004	49,672	2,105	47,567	57.967	44.522	58.752			0.800	814	168
4. 2005	51,515	2,051	49,464	57.707	56.720	57.749			0.800	1,081	250
5. 2006	52,612	1,570	51,042	59.014	39.427	59.930			0.800	1,136	332
6. 2007	54,134	1,358	52,776	59.492	30.558	60.977			0.800	2,285	434
7. 2008	60,926	2,038	58,888	67.087	60.367	67.347			0.800	2,955	786
8. 2009	53,736	2,952	50,784	63.067	55.395	63.579			0.800	5,066	1,326
9. 2010	56,128	631	55,497	66.648	37.052	67.258			0.800	7,864	2,307
10. 2011	63,630	484	63,146	74.580	31.266	75.380			0.800	13,178	3,429
11. 2012	60,918	296	60,622	69.652	18.866	70.580			0.800	24,220	5,095
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	70,728	16,177

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) 1 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012	DEVELOPMENT 11 One Year	12 Two Year
1. Prior	46,125	46,209	46,728	47,144	47,326	46,068	48,462	49,461	50,091	49,821	(270)	360
2. 2003	41,478	40,718	39,703	39,498	39,771	39,465	39,321	39,162	39,127	39,016	(111)	(146)
3. 2004	XXX	46,647	45,515	44,922	42,968	42,706	42,214	42,100	42,003	41,931	(72)	(169)
4. 2005	XXX	XXX	48,677	46,825	44,510	44,226	43,688	43,570	43,438	43,476	38	(94)
5. 2006	XXX	XXX	XXX	47,906	46,928	45,703	44,681	44,828	44,904	44,960	56	132
6. 2007	XXX	XXX	XXX	XXX	51,348	49,986	46,861	46,837	46,708	46,659	(49)	(178)
7. 2008	XXX	XXX	XXX	XXX	XXX	55,578	53,050	52,843	52,224	51,969	(255)	(874)
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	47,445	45,949	45,162	44,434	(728)	(1,515)
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	50,285	49,123	48,467	(656)	(1,818)
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	57,465	56,159	(1,306)	XXX
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	53,673	XXX	XXX
										12. Totals	(3,353)	(4,302)

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) 1 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012	11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
1. Prior	000	11,971	19,930	24,833	28,091	30,667	32,258	34,104	36,243	36,821	XXX	XXX
2. 2003	19,366	27,888	31,974	34,639	36,438	37,224	37,697	37,952	38,126	38,237	XXX	XXX
3. 2004	XXX	20,093	30,176	34,879	37,672	39,322	40,137	40,528	40,811	40,975	XXX	XXX
4. 2005	XXX	XXX	20,571	30,544	35,319	38,423	40,367	41,307	41,797	42,200	XXX	XXX
5. 2006	XXX	XXX	XXX	20,950	31,125	35,556	39,133	41,343	42,688	43,556	XXX	XXX
6. 2007	XXX	XXX	XXX	XXX	21,770	32,336	37,190	40,709	42,900	44,041	XXX	XXX
7. 2008	XXX	XXX	XXX	XXX	XXX	25,242	37,325	42,588	46,103	48,399	XXX	XXX
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	21,084	30,558	35,132	38,386	XXX	XXX
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	23,157	33,867	38,865	XXX	XXX
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	29,169	40,631	XXX	XXX
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	26,348	XXX	XXX

SCHEDULE P – PART 4 – SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED) 1 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012
1. Prior	19,261	13,473	10,532	9,173	7,537	6,950	7,407	7,280	5,771	4,782
2. 2003	11,598	5,776	3,303	2,287	1,665	1,220	829	526	436	310
3. 2004	XXX	14,562	7,247	4,785	2,580	1,897	1,026	753	563	353
4. 2005	XXX	XXX	16,267	8,090	4,090	2,536	1,444	997	725	470
5. 2006	XXX	XXX	XXX	14,673	7,387	4,503	2,169	1,232	830	698
6. 2007	XXX	XXX	XXX	XXX	15,169	7,913	3,729	2,028	1,244	1,025
7. 2008	XXX	XXX	XXX	XXX	XXX	16,494	7,257	4,329	2,431	1,428
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	14,459	7,321	4,280	2,420
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	14,277	6,764	4,046
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	14,775	7,153
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	15,432

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
States, Etc.	Active Status	2 Direct Premiums Written	3 Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama AL	L	773,636	847,390		121,818	396,902	896,892	9,044	
2. Alaska AK	L	1,616,877	2,070,396		1,062,942	554,379	861,892	18,902	
3. Arizona AZ	L	484,729	542,144		194,810	500,588	2,539,698	5,667	
4. Arkansas AR	L	339,725	366,724		64,346	(159,513)	154,998	3,972	
5. California CA	L	86,226,824	91,081,267		53,595,612	50,825,818	56,511,939	1,008,054	15,429
6. Colorado CO	L	1,392,995	1,440,562		801,170	119,394	1,848,247	16,285	
7. Connecticut CT	L	1,536,713	1,560,710		700,832	403,885	3,173,250	17,965	
8. Delaware DE	L	79,261	56,240		2,054	(51,381)	(9,357)	927	
9. District of Columbia DC	L	174,539	136,211		30,198	(114,415)	217,875	2,040	
10. Florida FL	L	16,975,008	15,474,522		4,431,860	7,727,786	8,576,504	198,450	
11. Georgia GA	L	4,048,482	4,324,498		2,574,768	1,244,047	2,481,162	47,330	
12. Hawaii HI	L	71,537	186,913		(437,500)	(1,860,080)	329,353	836	
13. Idaho ID	L	1,248,750	1,172,072		156,297	(1,476,117)	592,289	14,599	
14. Illinois IL	L	3,544,964	3,432,922		2,206,445	(475,993)	3,984,856	41,443	
15. Indiana IN	L	631,684	480,918		898,642	(317,790)	636,449	7,385	
16. Iowa IA	L	165,043	146,146		24,488	(33,984)	194,592	1,929	
17. Kansas KS	L	387,296	396,000		105,208	57,899	183,635	4,528	
18. Kentucky KY	L	439,494	383,891		166,915	206,443	1,662,451	5,138	
19. Louisiana LA	L	917,040	1,009,227		1,236,889	(381,874)	2,344,765	10,721	
20. Maine ME	L	7,436	12,698			(13,044)	5,513	87	
21. Maryland MD	L	562,353	561,281		322,704	93,368	318,396	6,574	
22. Massachusetts MA	L	383,243	644,343		9,165	(47,466)	582,793	4,480	
23. Michigan MI	L	1,543,115	1,475,498		1,020,228	1,527,003	3,309,625	18,040	
24. Minnesota MN	L	1,092,275	1,155,063		598,142	529,173	2,332,906	12,769	
25. Mississippi MS	L	341,961	399,972		84,784	568,608	588,422	3,998	
26. Missouri MO	L	1,943,615	1,959,932		2,540,042	(69,862)	351,870	22,722	
27. Montana MT	L	1,552,668	1,539,820		2,001,552	927,637	1,385,236	18,152	
28. Nebraska NE	L	148,111	118,633		72,558	81,743	114,074	1,732	
29. Nevada NV	L	433,819	496,834		260,300	95,603	227,944	5,072	
30. New Hampshire NH	L	80,740	101,339		(600)	(66,731)	72,339	944	
31. New Jersey NJ	L	1,310,476	1,256,625		1,168,608	(370,778)	1,126,584	15,320	
32. New Mexico NM	L	296,195	303,040		79,015	28,670	2,065,737	3,463	
33. New York NY	L	3,176,308	4,670,399		523,518	(3,533,145)	(1,402,299)	37,133	
34. North Carolina NC	L	1,584,910	1,816,725		593,904	980,989	2,051,261	18,529	
35. North Dakota ND	L	107,372	98,397		(188,921)	41,319	61,585	1,255	
36. Ohio OH	L	691,338	651,275		63,452	(284,444)	737,253	8,082	
37. Oklahoma OK	L	902,322	761,248		628,872	428,478	420,444	10,549	
38. Oregon OR	L	5,770,236	5,618,457		907,623	1,412,179	4,708,270	67,458	
39. Pennsylvania PA	L	2,085,796	1,500,960		670,859	(263,804)	873,069	24,384	
40. Rhode Island RI	L	75,470	98,026		(38,988)	(212,041)	76,751	882	
41. South Carolina SC	L	49,198,019	36,778,758		18,404,418	20,779,240	12,873,938	575,160	
42. South Dakota SD	L	194,088	214,246		82,979	92,529	215,740	2,269	
43. Tennessee TN	L	926,630	962,310		342,973	511,697	784,914	10,833	
44. Texas TX	L	6,191,568	7,054,726	714,739	3,963,226	4,977,865	12,288,995	72,384	
45. Utah UT	L	905,412	1,004,632		893,190	337,521	716,628	10,585	
46. Vermont VT	L	26,726	42,065		169,914	(138,100)	102,831	312	
47. Virginia VA	L	804,235	762,954		277,704	328,673	1,566,182	9,402	
48. Washington WA	L	123,996,761	111,585,577		52,890,574	62,444,748	45,808,220	1,449,611	
49. West Virginia WV	L	309,839	257,274		106,897	(8,751)	75,513	3,622	
50. Wisconsin WI	L	180,284	168,304		155,736	116,799	250,276	2,108	
51. Wyoming WY	L	762,654	677,516		195,683	176,474	224,881	8,916	
52. American Samoa AS	N								
53. Guam GU	N								
54. Puerto Rico PR	N								
55. U.S. Virgin Islands VI	N								
56. Northern Mariana Islands MP	N								
57. Canada CAN	N								
58. Aggregate Other Alien OT	XXX								
59. Totals	(a) 51	328,640,572	309,857,680	714,739	156,737,905	148,638,144	182,097,381	3,842,042	15,429

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

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

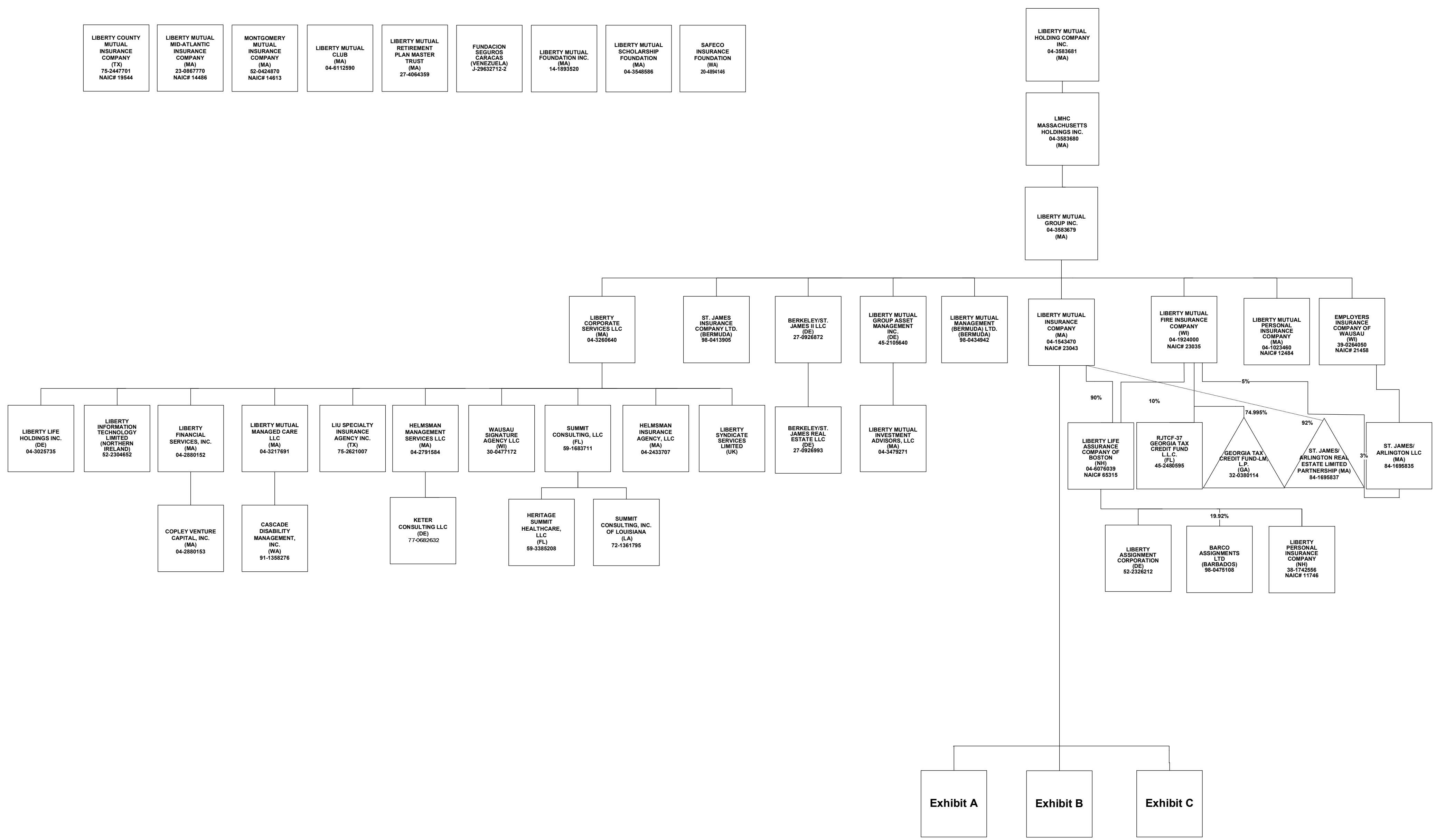
Explanation of basis of allocation of premiums by states, etc.

*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 Court or Obligee - Surety
*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage — *Address of Assured - Other Accident and Health
*Principal Location of business or location of coverage - Liability other than Auto, Fidelity, Warranty — *Location of Properties covered - Burglary and Theft
*Point of origin of shipment or principal location of assured - Inland Marine — *Principal Location of Assured - Ocean Marine, Credit
*State in which employees regularly work - Group Accident and Health — *Primary residence of Assured - Aircraft (all perils)

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

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

PART 1 - ORGANIZATIONAL CHART



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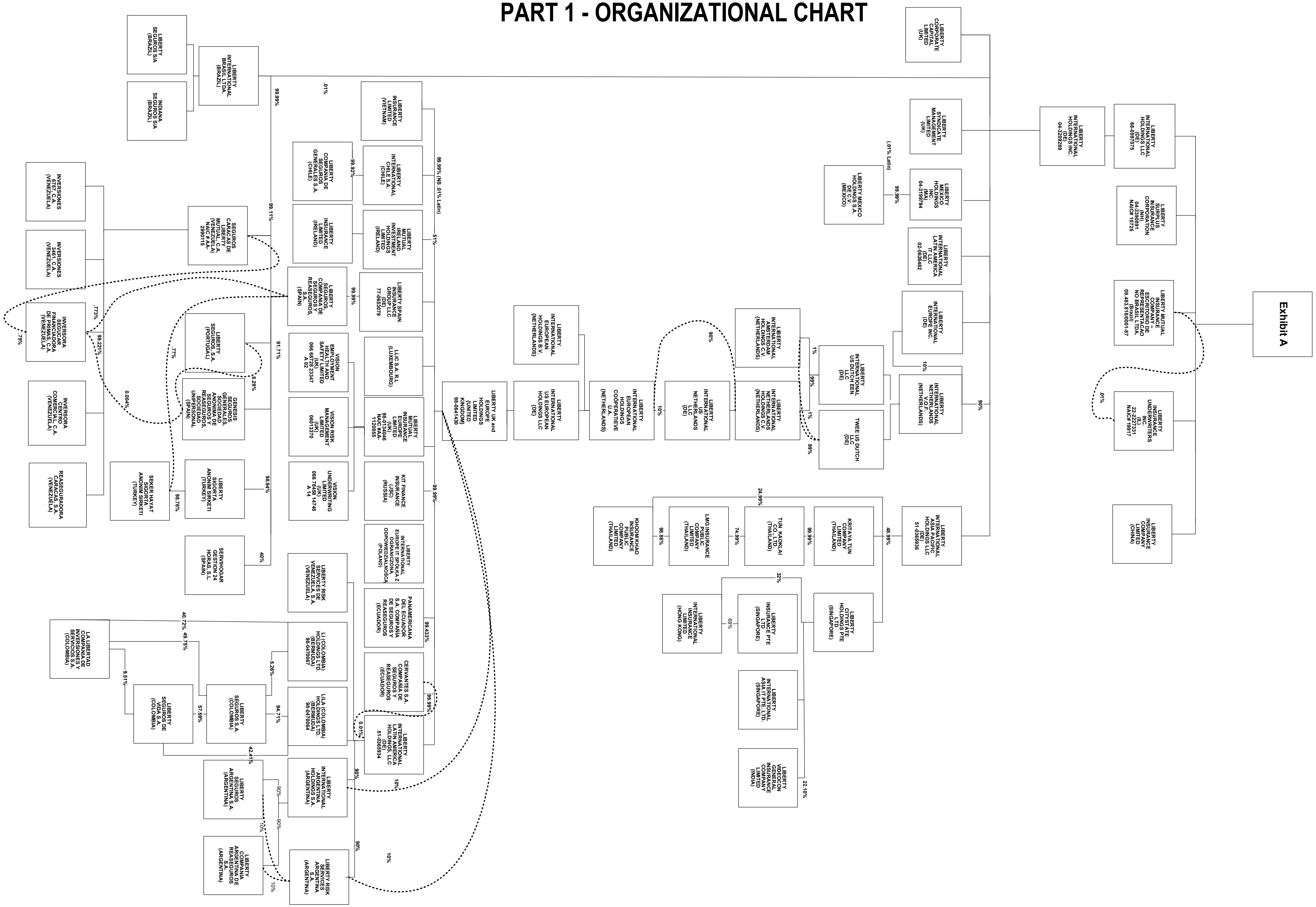
PART 1 - ORGANIZATIONAL CHART



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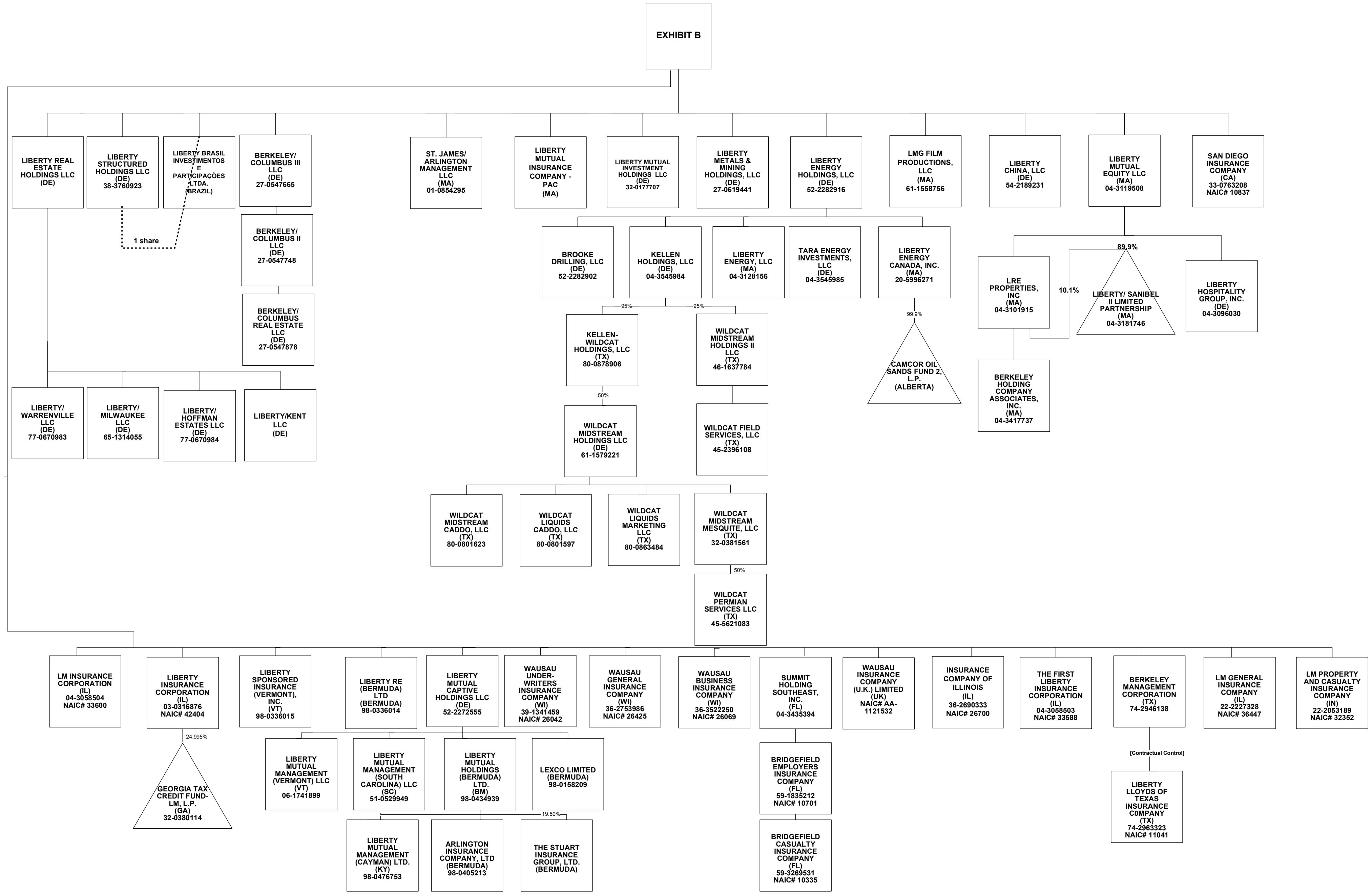

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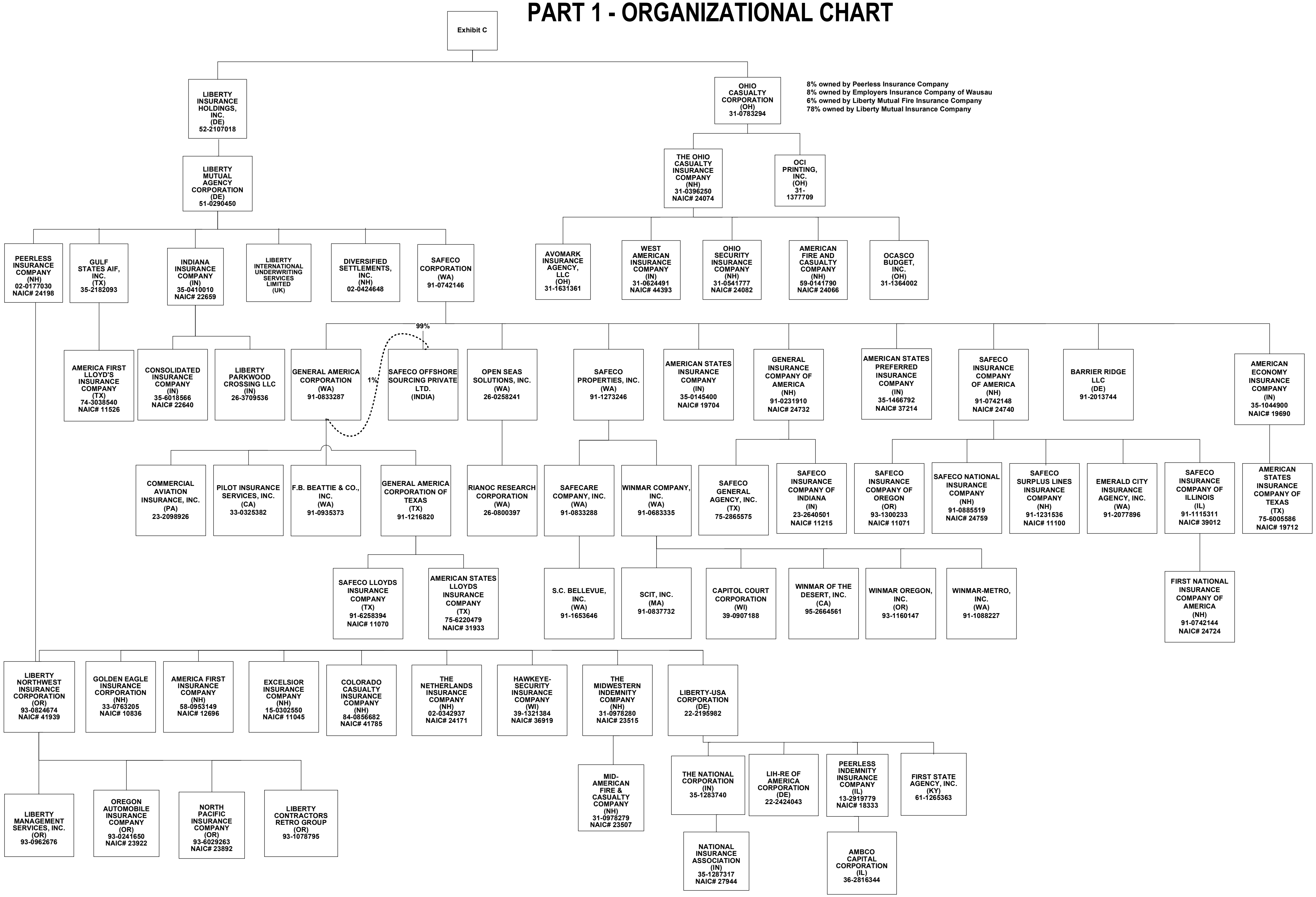

OVERFLOW PAGE FOR WRITE-INS

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

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