

**ANNUAL STATEMENT**

**OF THE**

**THE OHIO CASUALTY INSURANCE COMPANY**

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**of** **FAIRFIELD**

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

**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2013**

**PROPERTY AND CASUALTY**

**2013**



24074201320100100

# ANNUAL STATEMENT

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

## The Ohio Casualty Insurance Company

**NAIC Group Code** 0111 0111 **NAIC Company Code** 24074 **Employer's ID Number** 31-0396250  
(Current Period) (Prior Period)

**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** November 6, 1919 **Commenced Business** March 1, 1920

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

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

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

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

**Internet Web Site Address** www.LibertyMutualGroup.com

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

### OFFICERS

#### Chairman of the Board

James Paul Condrin, III

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

#### VICE-PRESIDENTS

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

#### DIRECTORS OR TRUSTEES

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

State of Massachusetts

County of Suffolk ss

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

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

Subscribed and sworn to (or affirmed) before me on this  
27th day of January, 2014, by

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

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	3,548,001,714		3,548,001,714	3,098,039,469
2. Stocks (Schedule D):				
2.1 Preferred stocks	9,647,767		9,647,767	13,109,846
2.2 Common stocks	473,769,402		473,769,402	640,059,856
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	118,586,912		118,586,912	104,955,242
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	26,823,784		26,823,784	27,623,539
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 6,551,463, Schedule E - Part 1), cash equivalents (\$ 9,205,468, Schedule E - Part 2), and short-term investments (\$ 31,207,916, Schedule DA)	46,964,847		46,964,847	161,199,261
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	250,710,310		250,710,310	19,843,001
9. Receivables for securities	8,913,201		8,913,201	7,664,784
10. Securities lending reinvested collateral assets (Schedule DL)	58,333,388		58,333,388	75,351,318
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	4,541,751,325		4,541,751,325	4,147,846,316
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	33,017,928		33,017,928	34,142,770
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	132,434,516	6,553,441	125,881,075	64,843,442
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 3,433,632 earned but unbilled premiums)	600,223,940	511,373	599,712,567	654,315,432
15.3 Accrued retrospective premiums	41,835,834	4,176,781	37,659,053	13,906
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	12,458,387		12,458,387	16,432,399
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	30,141	30,141		
18.1 Current federal and foreign income tax recoverable and interest thereon	27,847,866		27,847,866	
18.2 Net deferred tax asset	158,655,000	35,081,202	123,573,798	129,175,376
19. Guaranty funds receivable or on deposit	1,717,902		1,717,902	1,929,244
20. Electronic data processing equipment and software	6,197		6,197	64,582
21. Furniture and equipment, including health care delivery assets (\$ 0)	102,163	102,163		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	45,393,695		45,393,695	32,218,259
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	92,654,846	2,076,591	90,578,255	19,526,802
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	5,688,129,740	48,531,692	5,639,598,048	5,100,508,528
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	5,688,129,740	48,531,692	5,639,598,048	5,100,508,528

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Cash Surrender Value Life Insurance	60,940,182		60,940,182	12,360,021
2502. Amounts receivable under high deductible policies	15,621,590	154	15,621,436	
2503. Equities and deposits in pools and associations	11,546,386		11,546,386	5,523,873
2598. Summary of remaining write-ins for Line 25 from overflow page	4,546,688	2,076,437	2,470,251	1,642,908
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	92,654,846	2,076,591	90,578,255	19,526,802

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	2,279,464,676	1,803,665,553
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	116,546,438	122,265,536
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	489,340,086	412,488,914
4. Commissions payable, contingent commissions and other similar charges	43,093,356	65,938,696
5. Other expenses (excluding taxes, licenses and fees)	63,326,817	34,157,196
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	22,625,071	14,330,055
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		48,335,863
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 \$ 179,382,547 and including warranty reserves of \$ 0 and accrued accident and health experience rating refunds including \$ 0 for medical loss ratio rebate per the Public Health Service Act)	950,468,970	1,070,033,142
10. Advance premium	7,057,581	7,996,493
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	196,198	286,452
12. Ceded reinsurance premiums payable (net of ceding commissions)	26,316,958	21,869,564
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	7,901,669	2,685,692
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	66,588,376	70,405,274
19. Payable to parent, subsidiaries and affiliates	17,546,759	34,513,579
20. Derivatives		3,555,633
21. Payable for securities	2,670,223	10,088,667
22. Payable for securities lending	58,333,388	75,351,318
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	104,003,001	27,908,613
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	4,255,479,567	3,825,876,240
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	4,255,479,567	3,825,876,240
29. Aggregate write-ins for special surplus funds	8,909,896	3,579,638
30. Common capital stock	4,500,000	4,500,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	738,183,897	532,278,647
35. Unassigned funds (surplus)	632,524,688	734,274,003
36. Less treasury stock, at cost:		
36.1 0 shares common (value included in Line 30 \$ 0)		
36.2 0 shares preferred (value included in Line 31 \$ 0)		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	1,384,118,481	1,274,632,288
38. Totals (Page 2, Line 28, Col. 3)	5,639,598,048	5,100,508,528

DETAILS OF WRITE-IN LINES		
2501. Amounts held under uninsured plans	60,292,522	1,033,078
2502. Other liabilities	46,855,928	10,003,059
2503. Retroactive reinsurance reserves	(3,145,449)	16,872,476
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	104,003,001	27,908,613
2901. Special surplus from retroactive reinsurance	8,909,896	3,579,638
2902. ....		
2903. ....		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	8,909,896	3,579,638
3201. ....		
3202. ....		
3203. ....		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

## STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	1,948,596,324	2,190,231,423
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	1,152,772,781	1,188,571,687
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	279,293,399	271,460,743
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	627,302,740	716,479,244
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	2,059,368,920	2,176,511,674
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(110,772,596)	13,719,749
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	385,127,660	145,926,027
10. Net realized capital gains (losses) less capital gains tax of \$ 2,799,754 (Exhibit of Capital Gains (Losses))	5,199,459	(3,519,067)
11. Net investment gain (loss) (Lines 9 + 10)	390,327,119	142,406,960
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 369,363 amount charged off \$ 6,794,283)	(6,424,920)	(5,783,679)
13. Finance and service charges not included in premiums	10,709,824	18,732,222
14. Aggregate write-ins for miscellaneous income	(3,734,306)	(2,885,283)
15. Total other income (Lines 12 through 14)	550,598	10,063,260
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	280,105,121	166,189,969
17. Dividends to policyholders	3,082,309	5,252,494
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)	277,022,812	160,937,475
19. Federal and foreign income taxes incurred	(36,443,754)	48,887,882
20. Net income (Line 18 minus Line 19) (to Line 22)	313,466,566	112,049,593
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	1,274,632,288	1,087,559,991
22. Net income (from Line 20)	313,466,566	112,049,593
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 13,717,682	(183,681,621)	47,690,158
25. Change in net unrealized foreign exchange capital gain (loss)	(567,741)	4,695,826
26. Change in net deferred income tax	(36,467,318)	14,138,367
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	44,989,279	46,593,193
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		
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	205,905,250	
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(235,000,000)	
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	841,778	(38,094,840)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	109,486,193	187,072,297
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	1,384,118,481	1,274,632,288

<b>DETAILS OF WRITE-IN LINES</b>		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401. Retroactive reinsurance gain/(loss)	53,704	7,200,285
1402. Other income/(expense)	(3,788,010)	(10,085,568)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(3,734,306)	(2,885,283)
3701. Other changes in surplus	841,778	427,739
3702. SSAP 10R incremental change		(38,522,579)
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	841,778	(38,094,840)

## CASH FLOW

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	1,789,254,268	2,211,379,000
2. Net investment income	403,299,843	165,541,314
3. Miscellaneous income	42,935,301	10,473,407
4. Total (Lines 1 through 3)	2,235,489,412	2,387,393,721
5. Benefit and loss related payments	677,688,433	1,241,761,190
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	815,100,773	974,590,698
8. Dividends paid to policyholders	3,172,564	5,247,526
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	42,539,730	319,289
10. Total (Lines 5 through 9)	1,538,501,500	2,221,918,703
11. Net cash from operations (Line 4 minus Line 10)	696,987,912	165,475,018
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	821,461,265	1,009,694,965
12.2 Stocks	214,844,717	25,977,430
12.3 Mortgage loans	10,085,321	6,362,148
12.4 Real estate		
12.5 Other invested assets	317,853,196	325,793,526
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	(6,382,650)	1,065,951
12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,357,861,849	1,368,894,020
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,280,452,127	1,097,448,110
13.2 Stocks	224,755,232	81,289,711
13.3 Mortgage loans	23,810,633	9,941,658
13.4 Real estate	887,421	877,163
13.5 Other invested assets	515,502,753	353,504,533
13.6 Miscellaneous applications	7,418,443	925,409
13.7 Total investments acquired (Lines 13.1 to 13.6)	2,052,826,609	1,543,986,584
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)	(694,964,760)	(175,092,564)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock	205,905,189	
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	235,000,000	
16.6 Other cash provided (applied)	(87,162,755)	27,899,871
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(116,257,566)	27,899,871
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(114,234,414)	18,282,325
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	161,199,261	142,916,936
19.2 End of year (Line 18 plus Line 19.1)	46,964,847	161,199,261

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

20.0001	12.1 - Proceeds from investments sold, matured or repaid - Bonds	230,796,800	1,318,750
20.0002	12.4 - Proceeds from investments sold, matured or repaid - Mortgage loans	327,305	936,123
20.0003	13.5 - Cost of Investment Acquired - Other invested assets	327,305	936,123
20.0004	13.1 - Cost of investments acquired - Bonds	375,100,991	
20.0005	16.5 - Dividends to stockholders	232,781,223	

## 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	49,127,002	23,017,063	23,704,854	48,439,211
2. Allied lines	21,596,321	21,132,419	14,843,729	27,885,011
3. Farmowners multiple peril	1,896,140	9,136,236	3,782,626	7,249,750
4. Homeowners multiple peril	345,098,973	205,847,100	211,255,129	339,690,944
5. Commercial multiple peril	71,763,701	184,467,100	86,211,731	170,019,070
6. Mortgage guaranty				
8. Ocean marine	8,848,913		3,269,085	5,579,828
9. Inland marine	49,947,325	17,008,979	11,837,663	55,118,641
10. Financial guaranty				
11.1 Medical professional liability—occurrence	5,396,011	52,353	1,896,934	3,551,430
11.2 Medical professional liability—claims-made	925,750	3,596	311,564	617,782
12. Earthquake	7,445,429	3,692,919	3,692,035	7,446,313
13. Group accident and health	82,843			82,843
14. Credit accident and health (group and individual)				
15. Other accident and health	436,927		31,803	405,124
16. Workers' compensation	228,057,630	56,349,420	10,679,352	273,727,698
17.1 Other liability—occurrence	135,362,780	52,604,680	55,428,085	132,539,375
17.2 Other liability—claims-made	49,163,610	1,969,246	18,423,918	32,708,938
17.3 Excess workers' compensation	7,341,013		1,860,535	5,480,478
18.1 Products liability—occurrence	17,541,260	1,437,522	7,341,297	11,637,485
18.2 Products liability—claims-made	1,191,679		396,002	795,677
19.1,19.2 Private passenger auto liability	444,905,142	181,789,369	210,767,006	415,927,505
19.3,19.4 Commercial auto liability	61,711,819	74,968,231	43,050,200	93,629,850
21. Auto physical damage	241,872,317	146,384,357	156,847,583	231,409,091
22. Aircraft (all perils)	4,152,877		870,030	3,282,847
23. Fidelity	1,710,126	1,023,187	1,052,496	1,680,817
24. Surety	8,644,222	84,792,433	35,726,776	57,709,879
26. Burglary and theft	96,090	29,121	45,487	79,724
27. Boiler and machinery	3,919,859	19,562	1,275,698	2,663,723
28. Credit	251,776		73,159	178,617
29. International				
30. Warranty	548,397		409,238	139,159
31. Reinsurance-nonproportional assumed property	20,712,644		1,967,457	18,745,187
32. Reinsurance-nonproportional assumed liability	2,105,192		295,963	1,809,229
33. Reinsurance-nonproportional assumed financial lines	13,952			13,952
34. Aggregate write-ins for other lines of business				
35. TOTALS	1,791,867,720	1,065,724,893	907,347,435	1,950,245,178

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1A – RECAPITULATION OF ALL PREMIUMS

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

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

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



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	3,458,936	49,127,002		3,458,936		49,127,002
2. Allied lines	3,551,079	21,596,321		3,551,079		21,596,321
3. Farmowners multiple peril		1,896,140				1,896,140
4. Homeowners multiple peril	4,578,223	345,098,973		4,578,223		345,098,973
5. Commercial multiple peril	59,296,194	71,763,701		59,284,703		71,775,192
6. Mortgage guaranty						
8. Ocean marine		8,848,913				8,848,913
9. Inland marine	19,144,881	49,947,325		19,144,881		49,947,325
10. Financial guaranty						
11.1 Medical professional liability--occurrence		5,396,011				5,396,011
11.2 Medical professional liability--claims-made		925,750				925,750
12. Earthquake	29,147	7,445,429		29,147		7,445,429
13. Group accident and health		82,843				82,843
14. Credit accident and health (group and individual)						
15. Other accident and health	48,440	436,927		48,440		436,927
16. Workers' compensation	26,601,173	228,057,630		26,601,173		228,057,630
17.1 Other liability—occurrence	129,933,313	135,362,780		129,944,804		135,351,289
17.2 Other liability—claims-made	87,102	49,163,610		87,102		49,163,610
17.3 Excess workers' compensation		7,341,013				7,341,013
18.1 Products liability—occurrence	2,130,043	17,541,260		2,130,043		17,541,260
18.2 Products liability—claims-made		1,191,679				1,191,679
19.1,19.2 Private passenger auto liability	4,732,641	444,905,142		4,732,641		444,905,142
19.3,19.4 Commercial auto liability	22,620,207	61,711,819		22,620,207		61,711,819
21. Auto physical damage	9,872,767	241,872,317		9,872,767		241,872,317
22. Aircraft (all perils)		4,152,877				4,152,877
23. Fidelity	6,232,491	1,710,126		6,232,491		1,710,126
24. Surety	83,937,844	8,644,222		83,937,844		8,644,222
26. Burglary and theft	1,731	96,090		1,731		96,090
27. Boiler and machinery	31,477	3,919,859		31,477		3,919,859
28. Credit		251,776				251,776
29. International						
30. Warranty		548,397				548,397
31. Reinsurance-nonproportional assumed property	X X X	20,712,644				20,712,644
32. Reinsurance-nonproportional assumed liability	X X X	2,105,192				2,105,192
33. Reinsurance-nonproportional assumed financial lines	X X X	13,952				13,952
34. Aggregate write-ins for other lines of business						
35. TOTALS	376,287,689	1,791,867,720		376,287,689		1,791,867,720

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

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

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

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



## UNDERWRITING AND INVESTMENT EXHIBIT PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	658,018	12,081,623	658,018	12,081,623	55,624	6,485,622	55,624	18,567,245	1,536,741
2. Allied lines	706,244	5,503,728	706,244	5,503,728	50,619	2,729,986	50,619	8,233,714	1,281,505
3. Farmowners multiple peril		1,317,347		1,317,347		93,896		1,411,243	481,618
4. Homeowners multiple peril	1,079,068	41,407,915	1,079,068	41,407,915	671,562	26,506,602	671,562	67,914,517	16,238,955
5. Commercial multiple peril	24,334,343	101,697,860	24,334,343	101,697,860	22,712,440	69,319,861	22,712,440	171,017,721	68,263,045
6. Mortgage guaranty									
8. Ocean marine		3,350,333		3,350,333		2,141,957		5,492,290	842,339
9. Inland marine	4,634,849	3,508,962	4,634,849	3,508,962	363,751	5,256,097	363,751	8,765,059	1,173,658
10. Financial guaranty									
11.1 Medical professional liability—occurrence		250,090		250,090		4,647,786		4,897,876	290,092
11.2 Medical professional liability—claims-made		95,412		95,412		474,898		570,310	193,190
12. Earthquake		79,504		79,504		87,745		167,249	75,738
13. Group accident and health		185,768		185,768		49,216		(a) 234,984	14,183
14. Credit accident and health (group and individual)									
15. Other accident and health	113,840	731,547	113,840	731,547	77,732	895,926	77,732	(a) 1,627,473	416,242
16. Workers' compensation	110,767,167	563,746,362	110,767,167	563,746,362	64,793,332	537,596,144	64,793,332	1,101,342,506	154,975,590
17.1 Other liability—occurrence	48,999,998	103,772,837	48,999,998	103,772,837	230,010,028	172,061,816	230,010,028	275,834,653	88,756,839
17.2 Other liability—claims-made	(3,333)	10,092,921	(3,333)	10,092,921	(90,690)	39,070,242	(90,690)	49,163,163	14,614,958
17.3 Excess workers' compensation		17,761,893		17,761,893		26,524,516		44,286,409	4,324,435
18.1 Products liability—occurrence	676,581	8,407,618	676,581	8,407,618	1,361,970	27,437,558	1,361,970	35,845,176	20,814,914
18.2 Products liability—claims-made		59,472		59,472		2,634,999		2,694,471	1,445,947
19.1,19.2 Private passenger auto liability	23,889,337	192,328,239	23,889,337	192,328,239	3,540,699	99,709,357	3,540,699	292,037,596	74,664,462
19.3,19.4 Commercial auto liability	23,749,559	71,378,449	23,749,559	71,378,449	11,524,840	44,226,119	11,524,840	115,604,568	20,187,505
21. Auto physical damage	487,213	797,852	487,213	797,852	619,515	5,542,359	619,515	6,340,211	6,226,307
22. Aircraft (all perils)		1,840,972		1,840,972		2,167,227		4,008,199	1,411,326
23. Fidelity	(158,179)	385,983	(158,179)	385,983	1,826,452	1,937,036	1,826,452	2,323,019	366,333
24. Surety	1,253,034	(164,855)	1,253,034	(164,855)	16,403,503	10,942,075	16,403,503	10,777,220	8,295,605
26. Burglary and theft		8,625		8,625	88	8,576	88	17,201	21,223
27. Boiler and machinery		542,616		542,616	26	266,706	26	809,322	75,502
28. Credit		1		1		318,394		318,395	
29. International									
30. Warranty						105,349		105,349	48,998
31. Reinsurance-nonproportional assumed property	X X X	8,466,632		8,466,632	X X X	10,970,775		19,437,407	219,625
32. Reinsurance-nonproportional assumed liability	X X X	7,469,608		7,469,608	X X X	21,807,909		29,277,517	2,080,726
33. Reinsurance-nonproportional assumed financial lines	X X X	340,999		340,999	X X X	1,612		342,611	2,484
34. Aggregate write-ins for other lines of business									
35. TOTALS	241,187,739	1,157,446,313	241,187,739	1,157,446,313	353,921,491	1,122,018,361	353,921,491	2,279,464,674	489,340,085

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

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	17,087,887			17,087,887
1.2 Reinsurance assumed	136,509,769			136,509,769
1.3 Reinsurance ceded	17,087,887			17,087,887
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	136,509,769			136,509,769
2. Commission and brokerage:				
2.1 Direct, excluding contingent		66,459,230		66,459,230
2.2 Reinsurance assumed, excluding contingent		108,301,454		108,301,454
2.3 Reinsurance ceded, excluding contingent		66,459,230		66,459,230
2.4 Contingent—direct		1,581,634		1,581,634
2.5 Contingent—reinsurance assumed		31,188,366		31,188,366
2.6 Contingent—reinsurance ceded		1,581,634		1,581,634
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1+2.2-2.3+2.4+2.5-2.6+2.7)		139,489,820		139,489,820
3. Allowances to manager and agents		22,671,287		22,671,287
4. Advertising	878,722	32,976,105	5,985	33,860,812
5. Boards, bureaus and associations	402,586	3,536,343	274	3,939,203
6. Surveys and underwriting reports	9,127	8,228,124	35,504	8,272,755
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	87,716,343	172,689,539	5,975,685	266,381,567
8.2 Payroll taxes	3,693,177	15,276,991	25,698	18,995,866
9. Employee relations and welfare	17,702,769	70,145,137	287,173	88,135,079
10. Insurance	3,952,796	936,707	70,027	4,959,530
11. Directors' fees	40	922		962
12. Travel and travel items	6,020,227	12,828,782	217,425	19,066,434
13. Rent and rent items	4,328,883	17,582,773	75,860	21,987,516
14. Equipment	2,030,679	8,477,849	216,703	10,725,231
15. Cost or depreciation of EDP equipment and software	2,988,744	11,514,004	215,328	14,718,076
16. Printing and stationery	706,459	2,578,566	21,712	3,306,737
17. Postage, telephone and telegraph, exchange and express	2,725,886	10,197,101	287,728	13,210,715
18. Legal and auditing	480,752	2,507,060	1,046,862	4,034,674
19. Totals (Lines 3 to 18)	133,637,190	392,147,290	8,481,964	534,266,444
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 401,955		56,288,501		56,288,501
20.2 Insurance department licenses and fees		4,536,358		4,536,358
20.3 Gross guaranty association assessments		554,672		554,672
20.4 All other (excluding federal and foreign income and real estate)		4,493,782		4,493,782
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		65,873,313		65,873,313
21. Real estate expenses			2,116,873	2,116,873
22. Real estate taxes			390,720	390,720
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	9,146,441	29,792,320	2,258,849	41,197,610
25. Total expenses incurred	279,293,400	627,302,743	13,248,406	(a) 919,844,549
26. Less unpaid expenses—current year	489,340,086	128,657,824	387,419	618,385,329
27. Add unpaid expenses—prior year	412,488,914	114,046,124	379,823	526,914,861
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year		(9,881)		(9,881)
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	202,442,228	612,681,162	13,240,810	828,364,200

DETAILS OF WRITE-IN LINES				
2401. Other expenses	9,146,441	29,792,320	2,258,849	41,197,610
2402.				
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	9,146,441	29,792,320	2,258,849	41,197,610

(a) Includes management fees of \$ 280,479,798 to affiliates and \$ 23,089,671 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a)	12,275,453	12,269,305
1.1 Bonds exempt from U.S. tax	(a)	34,049,734	33,071,035
1.2 Other bonds (unaffiliated)	(a)	83,985,516	83,782,715
1.3 Bonds of affiliates	(a)		
2.1 Preferred stocks (unaffiliated)	(b)	474,973	508,049
2.11 Preferred stocks of affiliates	(b)		
2.2 Common stocks (unaffiliated)		7,786,901	7,836,208
2.21 Common stocks of affiliates		235,000,000	235,000,000
3. Mortgage loans	(c)	7,054,559	7,079,968
4. Real estate	(d)	5,387,329	5,387,329
5. Contract loans			
6. Cash, cash equivalents and short-term investments	(e)	410,588	401,314
7. Derivative instruments	(f)	100,357	64,645
8. Other invested assets		14,805,165	14,805,165
9. Aggregate write-ins for investment income		(142,339)	(142,339)
10. Total gross investment income		401,188,236	400,063,394
11. Investment expenses	(g)		13,248,405
12. Investment taxes, licenses and fees, excluding federal income taxes	(g)		
13. Interest expense	(h)		151
14. Depreciation on real estate and other invested assets	(i)		1,687,177
15. Aggregate write-ins for deductions from investment income			
16. Total deductions (Lines 11 through 15)			14,935,733
17. Net investment income (Line 10 minus Line 16)			385,127,661

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)		(142,339)
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)		(142,339)
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503 plus 1598) (Line 15 above)		

- (a) Includes \$ 1,236,354 accrual of discount less \$ 16,215,295 amortization of premium and less \$ 4,780,823 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 33,433 paid for accrued interest on purchases.
- (d) Includes \$ 5,387,329 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 14,137 accrual of discount less \$ 16,464 amortization of premium and less \$ 235,844 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 \$ 1,687,177 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	(23,012)		(23,012)		
1.1 Bonds exempt from U.S. tax	317,746		317,746	(129,405)	
1.2 Other bonds (unaffiliated)	5,924,198	(520,789)	5,403,409	381,585	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	268,553		268,553	(1,047,018)	(61)
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	10,879,692	(3,460,335)	7,419,357	37,001,714	(396,792)
2.21 Common stocks of affiliates				(223,053,261)	
3. Mortgage loans	(344,594)		(344,594)	250,953	
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments	(4,760,607)		(4,760,607)	3,555,633	
8. Other invested assets	(48,470)	(233,170)	(281,640)	12,931,462	
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	12,213,506	(4,214,294)	7,999,212	(170,108,337)	(396,853)

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

## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	6,553,441	10,631,933	4,078,492
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	511,373	521,451	10,078
15.3 Accrued retrospective premiums	4,176,781	1,545	(4,175,236)
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans	30,141		(30,141)
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	35,081,202	79,664,624	44,583,422
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets	102,163	76,210	(25,953)
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	2,076,591	2,656,704	580,113
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	48,531,692	93,552,467	45,020,775
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	48,531,692	93,552,467	45,020,775

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	2,076,437	2,656,704	580,267
2502. Amounts receivable under high deductible policies	154		(154)
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	2,076,591	2,656,704	580,113

## NOTES TO FINANCIAL STATEMENTS

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

#### A. Accounting Practices

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

The Company does not have any prescribed or permitted accounting practices.

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

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

#### C. Accounting Policies

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

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

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
3. Common stocks are carried at fair value, except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1C(7).
4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).
5. Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. Investments in SCA companies are carried in accordance with SSAP No. 97, *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. Effective January 1, 2013 the Company changed the predefined thresholds in its capitalization policy for internally developed software. The change was to bring the thresholds for internally developed software in line with industry standards. The Company's capitalization policy, including the predefined thresholds, for all other asset classes did not change.
13. The Company has no pharmaceutical rebate receivables.

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

Effective January 1, 2013 the Company Adopted SSAP No. 92, Postretirement Benefits Other Than Pensions, a Replacement of SSAP No. 14 and SSAP No. 102, Accounting for Pensions, a Replacement of SSAP No. 89. Also effective January 1, 2013, the Company adopted Ref #2013-02, Accounting for Deferred Compensation and Post Retirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements. The Company elected the transition option for

## NOTES TO FINANCIAL STATEMENTS

recognizing the surplus impact of adopting SSAP No. 92, SSAP No. 102 and Ref #2013-02. The cumulative effect of adopting SSAP No. 92, SSAP No. 102 and Ref #2013-02 is reported in the capital and surplus account and is not considered material.

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

#### A. Statutory Purchase Method

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

#### B. Statutory Mergers

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

#### C. Impairment Loss

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

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

The Company has no discontinued operations.

### **Note 5 - Investments**

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

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

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

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

	<b>2013</b>	<b>2012</b>
3. Taxes, assessments and any amounts advanced and not included in the mortgage loan total	7,358	9,922

##### 4. Age Analysis of Mortgage Loans

Farm	Residential		Commercial		Mezzanine	Total
	Insured	All Other	Insured	All Other		

#### a. Current Year

##### 1. Recorded Investment (All)

							\$
<u>(a) Current</u>	\$ -	\$ -	\$ -	\$ -	\$ 118,736,622	\$ -	\$ 118,736,622
<u>(b) 30-59 Days Past Due</u>	-	-	-	-	51,200	-	51,200
<u>(c) 60-89 Days Past Due</u>	-	-	-	-	79,917	-	79,917
<u>(d) 90-179 Days Past Due</u>	-	-	-	-	27,054	-	27,054
<u>(e) 180+ Days Past Due</u>	-	-	-	-	34,013	-	34,013

##### 2. Accruing Interest 90-179 Days Past Due

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

##### 3. Accruing Interest 180+ Days Past Due

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

##### 4. Interest Reduced

<u>(a) Recorded Investment</u>	\$ -	\$ -	\$ -	\$ -	\$ 13,478,314	\$ -	\$ 13,478,314
<u>(b) Number of Loans</u>	-	-	-	-	135	-	135
<u>(c) Percent Reduced</u>	-%	-%	-%	-%	1.599%	-%	1.599%



## NOTES TO FINANCIAL STATEMENTS

### b. Prior Year

#### 1. Recorded Investment (All)

(a) Current	\$ -	\$ -	\$ -	\$ -	\$105,041,235	\$ -	\$105,041,235
(b) 30-59 Days Past Due	-	-	-	-	110,965	-	110,965
(c) 60-89 Days Past Due	-	-	-	-	56,880	-	56,880
(d) 90-179 Days Past Due	-	-	-	-	83,371	-	83,371
(e) 180+ Days Past Due	-	-	-	-	255,612	-	255,612

#### 2. Accruing Interest 90-179 Days Past Due

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) Interest Accrued	-	-	-	-	-	-	-

#### 3. Accruing Interest 180+ Days Past Due

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) Interest Accrued	-	-	-	-	-	-	-

#### 4. Interest Reduced

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$845,993	\$ -	\$ 845,993
(b) Number of Loans	-	-	-	-	6	-	6
(c) Percent Reduced	-%	-%	-%	-%	1.289%	-%	1.289%

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

Farm	Residential		Commercial		Mezzanine	Total
	Insured	All Other	Insured	All Other		

##### a. Current Year

1. With Allowance for Credit Losses	\$-	\$-	\$-	\$-	\$ 631,934	\$-	\$ 631,934
2. No Allowance for Credit Losses	-	-	-	-	329,705	-	329,705

##### b. Prior Year

1. With Allowance for Credit Losses	\$-	\$-	\$-	\$-	\$ 827,748	\$-	\$ 827,748
2. No Allowance for Credit Losses	-	-	-	-	158,531	-	158,531

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

Farm	Residential		Commercial		Mezzanine	Total
	Insured	All Other	Insured	All Other		

##### a. Current Year

1. Average Recorded Investment	\$-	\$-	\$-	\$-	\$1,062,223	\$-	\$1,062,223
2. Interest Income Recognized	-	-	-	-	57,613	-	57,613
3. Recorded Investments on Nonaccrual Status	-	-	-	-	230,975	-	230,975
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	44,531	-	44,531

##### b. Prior Year

1. Average Recorded Investment	\$-	\$-	\$-	\$-	\$1,040,562	\$-	\$1,040,562
2. Interest Income Recognized	-	-	-	-	46,835	-	46,835
3. Recorded Investments on Nonaccrual Status	-	-	-	-	472,891	-	472,891
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	44,982	-	44,982

## NOTES TO FINANCIAL STATEMENTS

	2013	2012
7. Allowance for credit losses:		
a. Balance at beginning of period	\$592,847	\$573,847
b. Additions charged to operations	129,265	347,328
c. Direct write-downs charged against the allowances	380,218	328,328
d. Recoveries of amounts previously charged off	-	-
e. Balance at end of period	\$341,894	\$592,847

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

### B. Debt Restructuring

	2013	2012
1. The total recorded investment in restructured loans, as of year end	\$1,401,069	\$1,383,838
2. The realized capital losses related to these loans	\$-	\$-
3. Total contractual commitments to extend credit to debtors owing receivables whose terms have been modified in troubled debt restructurings	\$-	\$-
4. The Company accrues interest income on impaired loans to the extent it is deemed collectible (delinquent less than 90 days) and the loan continues to perform under its original or restructured contractual terms. Interest income on non-performing loans is generally recognized on a cash basis.		

### C. Reverse Mortgages

The Company has no reverse mortgages.

### D. Loan Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
2. All Loan Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2013 as of December 31, 2013: None
3. Each Loan Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2013:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than- temporary impairment	Amortized cost after other-than- temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
17309BAB3	559,765	558,513	1,252	558,513	504,927	6/30/2013
525180BK0	4,931	1,175	3,756	1,175	1,642	6/30/2013
17309BAB3	547,514	543,495	4,019	543,495	509,548	9/30/2013
41161PMY6	771,989	596,960	175,029	596,960	211,967	9/30/2013
17309BAB3	528,446	521,775	6,671	521,775	484,504	12/31/2013
41161PMY6	573,583	563,162	10,422	563,162	200,229	12/31/2013
74958YAA0	576,541	555,077	21,464	555,077	554,319	12/31/2013
76200RAG3	618,732	607,555	11,177	607,555	605,497	12/31/2013

4. All impaired Loan Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2013:

a.	The aggregate amount of unrealized losses:		
	1. Less than 12 Months	\$	15,195,582
	2. 12 Months or Longer	\$	6,210,808
b.	The aggregate related fair value of securities with unrealized losses:		
	1. Less than 12 Months	\$	436,421,352
	2. 12 Months or Longer	\$	105,291,176

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.

## NOTES TO FINANCIAL STATEMENTS

### E. Repurchase Agreements and Securities Lending

1. The Company has not entered into any repurchase agreements during the year.
2. The Company has not pledged any of its assets as collateral as of December 31, 2013.
3. Aggregate Amount of Contractually open cash collateral positions:

#### a. Aggregate Amount Cash Collateral Received

	<u>Fair Value</u>
1. Repurchase Agreement	
(a) Open	\$ -
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	-
(g) Securities Received	-
(h) Total Collateral Received	\$ -
2. Securities Lending	
(a) Open	\$58,333,388
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	58,333,388
(g) Securities Received	-
(h) Total Collateral Received	\$58,333,388
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)
 

	\$58,333,388
--	--------------

- c. All collateral is received in the form of cash and/or securities equal to or in excess of 102% of the loaned value and are maintained in a separate custody account. Cash collateral is reinvested into short-term investments as outlined in the terms of the investment agreement. Per the terms of the investment agreement the company has the right and ability to redeem any eligible securities on short notice.

#### 4. Securities Lending Transactions Administered by an Affiliated Agent

The Company's security lending transactions are not administered by an affiliate agent.

#### 5. Collateral Reinvestment

##### a. Aggregate Amount Cash Collateral Reinvested

	<u>Amortized Cost</u>	<u>Fair Value</u>
1. Repurchase Agreement		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	-	-
(c) 31 to 60 Days	-	-
(d) 61 to 90 Days	-	-
(e) 91 to 120 Days	-	-
(f) 121 to 180 Days	-	-
(g) 181 to 365 Days	-	-
(h) 1 to 2 Years	-	-
(i) 2 to 3 Years	-	-
(j) Greater Than 3 Years	-	-
(k) Sub-Total	-	-

## NOTES TO FINANCIAL STATEMENTS

(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$ -	\$ -
2. Securities Lending		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	23,396,433	23,392,603
(c) 31 to 60 Days	19,680,685	19,680,685
(d) 61 to 90 Days	15,260,101	15,260,100
(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	58,337,219	58,333,388
(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$58,337,219	\$58,333,388
3. Dollar Repurchase Agreement		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	-	-
(c) 31 to 60 Days	-	-
(d) 61 to 90 Days	-	-
(e) 91 to 120 Days	-	-
(f) 121 to 180 Days	-	-
(g) 181 to 365 Days	-	-
(h) 1 to 2 Years	-	-
(i) 2 to 3 Years	-	-
(j) Greater Than 3 Years	-	-
(k) Sub-Total	-	-
(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$ -	\$ -

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

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

### F. Real Estate

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### H. Restricted Assets

#### 1. Restricted Assets (Including Pledged)

Restricted Asset Category	Gross Restricted							8 Total Current Year Admitted Restricted	Percentage	
	Current Year					6 Total From Prior Year	7 Increase / (Decrease) (5 minus 6)		9 Gross Restricted to Total Assets	10 Admitted Restricted to Total Admitted Assets
	1 Total General Account (G/A)	2 G/A Supporting Protected Cell Account Activity (a)	3 Total Protected Cell Account Restricted Assets	4 Protected Cell Account Assets Supporting G/A Activity (b)	5 Total (1 plus 3)					
a. Subject to contractual obligation for which liability is not shown	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
b. Collateral held under security lending agreements	58,333,388	-	-	-	\$58,333,388	\$75,351,318	\$(17,017,930)	\$58,333,388	1%	1%
c. Subject to repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
d. Subject to reverse repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
e. Subjects to dollar repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
f. Subject to dollar reverse repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
g. Placed under option contracts	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
h. Letter stock or securities restricted as to sale	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
i. On deposit with states	9,526,195	-	-	-	\$9,526,195	\$12,643,419	\$(3,117,224)	\$9,526,195	0%	0%
j. On deposit with other regulatory bodies	403,830	-	-	-	\$403,830	\$405,167	\$(1,337)	\$403,830	0%	0%
k. Pledged as collateral not captured in other categories	-	-	-	-	\$-	\$-	\$-	\$-	1%	1%
l. Other restricted assets	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
m. Total Restricted Assets	\$68,263,413	\$-	\$-	\$-	\$68,263,413	\$88,399,904	\$(20,136,491)	\$68,263,413	1%	1%

(a) Subset of column 1

(b) Subset of column 3

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

Not Applicable

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

Not Applicable

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the assets leads to impairment losses being recognized by management. The Company realized impairment losses of \$233,170 during the year.

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

#### A. Accrued Investment Income

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

#### B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2013.

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

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

Beginning in July 2012, the Company, as part of its risk management program, diversification, and economic hedging strategies, entered into total return swap agreements with net notional amounts totaling 88,033,333. In December 2012, one position with notional amounts totaling 31,900,000 matured, the loss associated with this matured position was \$2,062,575. The remaining contracts expired at various points during 2013, with the last contract expiring in September 2013. The Company reported a realized loss of \$4,760,607 in 2013.

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

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

1.

	12/31/2013		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
(a) Gross Deferred Tax Assets	\$ 183,753,900	\$ 28,303,100	\$ 212,057,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	183,753,900	28,303,100	212,057,000
(d) Deferred Tax Assets Nonadmitted	26,775,888	8,305,314	35,081,202
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	156,978,012	19,997,786	176,975,798
(f) Deferred Tax Liabilities	33,404,214	19,997,786	53,402,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 123,573,798	\$ -	\$ 123,573,798

	12/31/2012		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 197,545,400	\$ 34,018,600	\$231,564,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	197,545,400	34,018,600	231,564,000
(d) Deferred Tax Assets Nonadmitted	52,569,151	27,095,473	79,664,624
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	144,976,249	6,923,127	151,899,376
(f) Deferred Tax Liabilities	16,429,547	6,294,453	22,724,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 128,546,702	\$ 628,674	\$129,175,376

## NOTES TO FINANCIAL STATEMENTS

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ (13,791,500)	\$ (5,715,500)	\$ (19,507,000)
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	(13,791,500)	(5,715,500)	(19,507,000)
(d) Deferred Tax Assets Nonadmitted	(25,793,263)	(18,790,159)	(44,583,422)
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	12,001,7643	13,074,659	25,076,422
(f) Deferred Tax Liabilities	16,974,667	13,703,333	30,678,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ (4,972,904)	\$ (628,674)	\$ (5,601,578)

2.

	12/31/2013		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
<b>Admission Calculation Components SSAP No. 101</b>			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ 41,835,124	\$ -	\$ 41,835,124
(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)	81,738,675	-	81,738,675
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	81,738,675	-	81,738,675
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			189,080,773
(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	33,404,214	19,997,786	53,402,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 156,978,013	\$ 19,997,786	\$ 176,975,799

	12/31/2012		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
<b>Admission Calculation Components SSAP No. 101</b>			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ 46,729,000	\$ 628,674	\$ 47,357,674
(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)	81,817,702	-	81,817,702
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	81,817,702	-	81,817,702
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			180,958,653
(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	16,429,547	6,294,453	22,724,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 144,976,249	\$ 6,923,127	\$ 151,899,376

## NOTES TO FINANCIAL STATEMENTS

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
<b>Admission Calculation Components SSAP No. 101</b>			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ (4,893,876)	\$ (628,674)	\$ (5,522,550)
(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)	(79,027)	-	(79,027)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	(79,027)	-	(79,027)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			8,122,120
(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	16,974,667	13,703,333	30,678,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 12,001,764	\$ 13,074,659	\$ 25,076,423

3.

	2013	2012
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	518.79%	564.04%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	1,260,544,682	1,145,456,912

4.

	12/31/2013		12/31/2012		Change	
	(1)	(2)	(3)	(4)	(5)	(6)
	Ordinary	Capital	Ordinary	Capital	(Col 1-3) Ordinary	(Col 2-4) Capital
<b>Impact of Tax-Planning Strategies</b>						
(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.						
1. Adjusted Gross DTAs amount from Note 9A1 (c)	\$ 183,753,900	\$ 28,303,100	\$ 197,545,400	\$ 34,018,600	\$ (13,791,500)	\$ (5,715,500)
2. Percentage of adjusted gross DTAs by tax character to the impact of tax planning strategies.	0%	0%	0%	0%	0%	0%
3. Net Admitted Adjusted Gross DTAs amount from Note 9A1 (e)	\$ 156,978,012	\$ 19,997,786	\$ 144,976,249	\$ 6,923,127	\$ 12,001,763	\$ 13,074,659
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies.	0%	0%	0%	0%	0%	0%

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

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

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

	(1)	(2)	(3)
	12/31/2013	12/31/2012	(Col 1-2) Change
<b>1. Current Income Tax</b>			
(a) Federal	\$ (36,471,194)	\$ 48,869,190	\$ (85,340,384)
(b) Foreign	27,440	18,692	8,748
(c) Subtotal	(36,443,754)	48,887,882	(85,331,636)
(d) Federal income tax on net capital gains	2,799,754	(1,894,882)	4,694,636
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-



## NOTES TO FINANCIAL STATEMENTS

(g) Federal and foreign income tax incurred	\$ (33,644,000)	\$ 46,993,000	\$ (80,637,000)
<b>2. Deferred Tax Assets:</b>			
<b>(a) Ordinary</b>			
(1) Discounting of unpaid losses	\$ 60,922,000	\$ 59,730,000	\$ 1,192,000
(2) Unearned premium reserve	71,121,000	75,321,000	(4,200,000)
(3) Policyholder reserves	-	-	-
(4) Investments	7,623,000	6,632,000	991,000
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	50,000	5,371,000	(5,321,000)
(8) Compensation and benefits accrual	18,836,000	21,681,000	(2,845,000)
(9) Pension accrual	-	-	-
(10) Receivables – nonadmitted	4,708,000	4,861,000	(153,000)
(11) Net operating loss carry-forward	9,282,000	11,899,000	(2,617,000)
(12) Tax credit carry-forward	428,000	-	428,000
(13) Other (including items <5% of total ordinary tax assets)	10,783,900	12,050,400	(1,266,500)
(99) Subtotal	183,753,900	197,545,400	(13,791,500)
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	26,775,887	52,569,151	(25,793,264)
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	156,978,012	144,976,249	12,001,763
<b>(e) Capital</b>			
(1) Investments	28,303,100	34,018,600	(5,715,500)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	28,303,100	34,018,600	(5,715,500)
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	8,305,314	27,095,473	(18,790,159)
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	19,997,786	6,923,127	13,074,659
(i) Admitted deferred tax assets (2d + 2h)	176,975,798	151,899,376	25,076,422
<b>3. Deferred Tax Liabilities:</b>			
<b>(a) Ordinary</b>			
(1) Investments	7,842,000	7,928,000	(86,000)
(2) Fixed assets	14,228,000	522,000	13,706,000
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	250,000	(250,000)
(5) Other (including items <5% of total capital tax liabilities)	11,334,214	7,729,547	3,604,667
(99) Subtotal	33,404,214	16,429,547	16,974,667
<b>(b) Capital:</b>			
(1) Investments	19,997,786	6,294,453	13,703,333
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	19,997,786	6,294,453	13,703,333
(c) Deferred tax liabilities (3a99 + 3b99)	53,402,000	22,724,000	30,678,000
<b>4. Net deferred tax assets/liabilities (2i – 3c)</b>	<b>\$ 123,573,798</b>	<b>\$ 129,175,376</b>	<b>\$ (5,601,578)</b>

- D. Effective tax rates differ from the current statutory rate of 35% principally due to intercompany dividends, LP & LLC income, tax exempt interest, tax depreciation, and permanent impairments.

## NOTES TO FINANCIAL STATEMENTS

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

Year Generated	Amount	Expiration
2011	\$ 26,520,000	2031

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

Year Generated	Amount	Expiration
2011	\$ 363,000	2031
2012	\$65,000	2032

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

The amount of Federal income taxes incurred and available for recoupment in the event of future losses are none from the current year and \$44,817,000 from the preceding year.

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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.

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 Ohio Casualty Corporation (“OCC”), an Ohio insurance holding company. OCC is owned by Liberty Mutual Insurance Company (“LMIC” 78%), a Massachusetts insurance company; Liberty Mutual Fire Insurance Company (“LMFIC” 6%), a Wisconsin insurance company; Employers Insurance Company of Wausau (“EICOW” 8%), a Wisconsin insurance company; and Peerless Insurance Company (“PIC” 8%), a New Hampshire insurance company. The ultimate parent of LMIC, LMFIC, EICOW and PIC is Liberty Mutual Holding Company Inc., a Massachusetts company.
- B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.
- C. The Company paid a dividend to its parent, Ohio Casualty Corporation, as follows:

Date Paid			Total	Paid By	
				Cash	Securities
December	\$127,463,229	\$107,536,771	\$235,000,000	\$2,218,777	\$232,781,223
Statutory Statement Value - \$230,796,800					

As of December 31, 2013, the Company had the following capital transactions with its parent and subsidiaries:

1. Received capital contributions of \$205,905,250 from its parent, OCC.
  2. Received dividends in the amount of \$247,500,000.
- D. At December 31, 2013, the Company reported a net \$27,846,936 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, written or otherwise, for the benefit of affiliates or other related parties.
- F. Refer to Note 26 for information regarding the Inter-Company Reinsurance Agreement.

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

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

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

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

<i>Company</i>	<i>Credit Line</i>
Liberty Mutual Insurance Company	\$140,000,000
Peerless Insurance Company	\$100,000,000
Safeco Insurance Company of America	\$100,000,000

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

## NOTES TO FINANCIAL STATEMENTS

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

<i>Company</i>	<i>Credit Line</i>
Liberty Mutual Insurance Company	\$130,000,000
Peerless Insurance Company	\$100,000,000
Safeco Insurance Company of America	\$100,000,000

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

- G. The Company is a member of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- I. The Company does not own investments in subsidiary, controlled or affiliated companies that exceed 10% of its admitted assets.
- J. The Company did not recognize any impairment write down for its investments in subsidiary, controlled, or affiliated entities during the statement period.
- K. The Company does not hold investments in foreign insurance subsidiaries.
- L. The Company did not utilize the look-through approach for the valuation of its 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 1,000,000 shares authorized and 900,000 shares issued and outstanding as of December 31, 2013. All shares have a stated par value of \$5.
2. Preferred Stock  
Not applicable
3. There are no dividend restrictions.
4. Refer to Note 10C.
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 is 10% of surplus. The maximum dividend payout which may be made without prior approval in 2014 is \$138,411,848.
6. As of December 31, 2013, the Company has pre-tax restricted surplus of \$8,909,896 resulting from retroactive reinsurance contracts.
7. The Company had no advances to surplus.
8. The Company does not hold stock for special purposes.
9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2013.
10. The portion of unassigned funds (surplus) represented by cumulative net unrealized losses is \$12,021,823 after applicable deferred taxes of (\$19,762,936).
11. Surplus Notes  
Not applicable

## NOTES TO FINANCIAL STATEMENTS

## 12. Quasi-reorganization (dollar impact)

Not applicable

## 13. Quasi-reorganization (effective date)

Not applicable

**Note 14 - Contingencies**

## A. Contingent Commitments

Refer to Note 10E.

## B. Assessments

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

The Company has accrued a liability for guaranty funds and other assessments of \$13,296,816 that is offset by future premium tax credits of \$982,798. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2013. During 2013 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

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

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$ 1,519,726
b. Decreases current year: Premium tax offset applied	604,691
c. Increases current year: Premium tax offset increase	<u>67,763</u>
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	<u>\$ 982,798</u>

## 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	\$140,500

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

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

### **Note 15 - Leases**

#### A. Lessee Leasing Arrangements

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

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

Year Ending December 31,	<u>Operating Leases</u>
2013	\$ 9,081,000
2014	9,181,496
2015	7,381,357
2016	4,140,895
2017	2,971,174
2018 & thereafter	23,713,588
Total	\$ 56,469,510

The amount of liability the Company recognized in its financial statements for lease agreements for which it is no longer using the leased property benefits is \$781,286.

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, 2013 the total fair value of securities on loan was \$57,127,195, with corresponding collateral value of \$58,333,388 of which \$58,333,388 represents cash collateral that was reinvested.

#### C. Wash Sales

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

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

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

Not applicable

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

Not applicable

#### C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

## NOTES TO FINANCIAL STATEMENTS

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

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

### Note 20 - Fair Value Measurements

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

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

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

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

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

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

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	\$ -	\$37,279,119	\$2,247,596	\$39,526,715
Non-Issuer Obligations	-	3,497,389	-	3,497,389
Total Bonds	\$ -	\$40,776,508	\$2,247,596	\$43,024,104
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	\$ -	\$9,349,099	\$667	\$9,349,766
Total Preferred Stocks	\$ -	\$ 9,349,099	\$667	\$9,349,766
Common Stocks				
Industrial and Miscellaneous	\$372,550,928	\$ -	\$20,115	\$372,571,043
Total Common Stocks	\$372,550,928	\$ -	\$20,115	\$372,571,043
Total assets at fair value	\$372,550,928	\$50,125,607	\$2,268,378	\$424,944,913
Liabilities at fair value				
Derivative Liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities at fair value	\$ -	\$ -	\$ -	\$ -

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

##### 2. Rollforward of Level 3 Items

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

1	2	3	4	5	6	7	8	9	10	11
	Balance at 12/31/2012	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at 12/31/2013
Bonds	\$139,034	\$2,247,597	(\$10,139,035)	\$ -	\$ -	\$10,000,000	\$ -	\$ -	\$ -	\$2,247,596
Preferred Stock	667	-	-	-	-	-	-	-	-	667
Common Stock	286,109	-	-	1,796,297	1,584	-	-	(2,063,875)	-	20,115
Total	\$425,810	\$2,247,597	(\$10,139,035)	\$1,796,297	\$1,584	\$10,000,000	\$ -	(\$2,063,875)	\$ -	\$2,268,378

## 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	46,964,847	\$46,964,847	\$46,964,847	-	-	\$ -
Bonds	3,577,582,030	3,548,001,714	15,763,919	3,510,203,469	51,614,642	-
Preferred Stock	12,289,756	9,647,767	-	9,349,099	2,940,657	-
Common Stock	372,571,043	473,769,402	372,550,928	-	20,115	-
Securities Lending	58,333,388	58,333,388	-	58,333,388	-	-
Mortgage Loans	124,535,917	118,586,912	-	-	124,535,917	-
Surplus Notes	-	-	-	-	-	-
<b>Total</b>	<b>\$4,133,943,593</b>	<b>\$4,255,304,030</b>	<b>\$435,279,694</b>	<b>\$3,519,552,568</b>	<b>\$179,111,331</b>	<b>\$ -</b>

#### D. Not Practicable to Estimate Fair Value

Not applicable

### **Note 21 - Other Items**

#### A. Extraordinary Items

The Company has no extraordinary items to report.

#### B. Troubled Debt Restructuring: Debtors

Not applicable

#### C. Other Disclosures

1) Assets in the amount of \$9,930,025 and \$13,048,585 as of December 31, 2013 and 2012, 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 Liberty Mutual Insurance Company, the lead company in the Liberty Mutual Pool. Liberty Mutual Insurance Company purchases external catastrophe reinsurance coverage.

#### Interrogatory 6.2

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

#### Interrogatory 6.3

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

## NOTES TO FINANCIAL STATEMENTS

### D. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

### E. State Transferable and Non-transferable Tax Credit

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

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

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

<u>Actual Cost</u>	<u>Book Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Other-Than-Temporary Impairments Recognized</u>
\$16,538,033	\$15,472,372	\$19,131,291	\$12,257,716

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

### G. Offsetting and Netting of Assets and Liabilities

Not applicable.

### H. Joint and Several Liabilities

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

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

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

There were no events subsequent to December 31, 2013 that would require disclosure.

### **Note 23 - Reinsurance**

#### A. Unsecured Reinsurance Recoverable

Excluding amounts arising pursuant to the Intercompany Reinsurance Agreement, as described in Note 26, 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, 2013.

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net</u>	
	<u>Premium Reserve</u>	<u>Commission Equity</u>	<u>Premium Reserve</u>	<u>Commission Equity</u>	<u>Premium Reserve</u>	<u>Commission Equity</u>
a. Affiliates	\$950,468,970	\$74,594,170	\$179,382,547	\$32,436,202	\$771,086,423	\$42,157,968
b. All Other	-	-	-	-	-	-
c. TOTAL	\$950,468,970	\$74,594,170	\$179,382,547	\$32,436,202	\$771,086,423	\$42,157,968
d. Direct Unearned Premium Reserve	\$ 179,382,547					

2. Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2013 are as follows:

	Direct	Assumed	Ceded	Net
a. Contingent Commission	\$995,486	\$33,416,455	\$995,486	\$33,416,455
b. Sliding Scale Adjustments	-	-	-	-
c. Other Profit Commission Arrangements	-	-	-	-
d. TOTAL	\$995,486	\$33,416,455	\$995,486	\$33,416,455

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

## NOTES TO FINANCIAL STATEMENTS

### D. Uncollectible Reinsurance

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

### E. Commutation of Ceded Reinsurance

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

### F. Retroactive Reinsurance

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

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

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, 2013.

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

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

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

The Company does not transact business with Certified Reinsurers.

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

- A. 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. The Company was not required to make medical loss rebates pursuant to the Public Health Service Act.

## NOTES TO FINANCIAL STATEMENTS

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

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

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

Incurred loss and loss adjustment expense attributable to insured events on prior year's has increased through the fourth quarter 2013. The increase was primarily the result of an updated reserve analysis, with the largest increases in Workers' Compensation, Private Passenger Auto Liability, and Surety lines. Other Liability Occurrence and Products Liability Occurrence also increased as a result of strengthening the asbestos and environmental reserves (Refer to Note 33). These increases were partially offset by decreases in reserve estimates for Homeowners, primarily driven by favorable development of catastrophic losses and Other Liability-Claims Made and Commercial Multiple Peril lines. Prior estimates are revised, as additional information becomes known regarding individual claims.

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

The Company is a member of the Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement consisting of the following affiliated companies:

		NAIC Company Number	Pooling Percentage	Line of Business
Lead				
Company:	Liberty Mutual Insurance Company ("LMIC")	23043	50.00%	All Lines
Affiliated	Peerless Insurance Company ("PIC")	24198	20.00%	All Lines
Pool	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
Companies:	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	8.00%	All Lines
	The Ohio Casualty Insurance Company ("OCIC")	24074	8.00%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	6.00%	All Lines
	American Economy Insurance Company ("AEIC")	19690	0.00%	All Lines
	America First Insurance Company ("AFIC")	12696	0.00%	All Lines
	America Fire and Casualty Company ("AFCIC")	24066	0.00%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%	All Lines
	American States Insurance Company ("ASIC")	19704	0.00%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines
	American States Lloyd's Insurance Company ("ASLCO")	31933	0.00%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.00%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.00%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.00%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.00%	All Lines
	The First Liberty Insurance Corporation ("FST")	33588	0.00%	All Lines
	General Insurance Company of America ("GICA")	24732	0.00%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	0.00%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.00%	All Lines
	Indiana Insurance Company ("IIC")	22659	0.00%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. ("LIU")	19917	0.00%	All Lines
	Liberty County Mutual Insurance Company ("LCMIC")	19544	0.00%	All Lines
	LM General Insurance Company ("LMGIC")	36447	0.00%	All Lines
	Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.00%	All Lines
	LM Insurance Corporation ("LMC")	33600	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	All Lines
	Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.00%	All Lines
	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%	All Lines
	Liberty Personal Insurance Company (LPIC)	11746	0.00%	All Lines
	Liberty Surplus Insurance Corporation ("LSI")	10725	0.00%	All Lines
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%	All Lines

## NOTES TO FINANCIAL STATEMENTS

	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%	All Lines
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%	All Lines
	National Insurance Association ("NIA")	27944	0.00%	All Lines
	The Netherlands Insurance Company ("NIC")	24171	0.00%	All Lines
	North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
	Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
	Peerless Indemnity Insurance Company ("PIIC")	18333	0.00%	All Lines
	Safeco Insurance Company of Illinois ("SICIL")	39012	0.00%	All Lines
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%	All Lines
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%	All Lines
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%	All Lines
	Safeco National Insurance Company ("SNIC")	24759	0.00%	All Lines
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%	All Lines
	Wausau Business Insurance Company ("WBIC")	26069	0.00%	All Lines
	Wausau General Insurance Company ("WGIC")	26425	0.00%	All Lines
	Wausau Underwriters Insurance Company ("WUIC")	26042	0.00%	All Lines
	West American Insurance Company ("WAIC")	44393	0.00%	All Lines
			100.00%	
100% Quota	Bridgefield Employers Insurance Company ("BEIC")	10701	0.00%	All Lines
Share	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.00%	All Lines
Affiliated	LM Property and Casualty Insurance Company ("LMPAC")	32352	0.00%	All Lines
Companies:				

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

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (b) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (c) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance, is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- (d) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement that have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- (e) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- (f) The write-off of uncollectible reinsurance is pooled and the provision for reinsurance is recognized by the entity placing the outbound external reinsurance.
- (g) Amounts due (to)/from affiliated entities participating in the Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement as of December 31, 2013:

Affiliate:	Amount:
Liberty Mutual Insurance Company	21,950,163

### **Note 27 - Structured Settlements**

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$48,247,220 after applying Intercompany Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$48,247,220 as of December 31, 2013.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

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

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

Not applicable

## NOTES TO FINANCIAL STATEMENTS

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

Not applicable

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

1. Liability carried for premium deficiency reserves	\$ -
2. Date of the most recent evaluation of this liability	12/31/2013
3. Was anticipated investment income utilized in the calculation?	Yes

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

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

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

For Workers Compensation the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by their respective states at an annual discount rate of 4.0%. Asbestos structured settlements are discounted at 4.5%.

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

Schedule P Lines of Business	Tabular Discount Included in Schedule P, Part 1*	
	1 Case	2 IBNR
1. Homeowners/Farmowners	-	-
2. Private Passenger Auto Liability/Medical	-	-
3. Commercial Auto/Truck Liability/Medical	-	-
4. Workers' Compensation	49,190,280	64,164,702
5. Commercial Multiple Peril	-	-
6. Medical Professional Liability – occurrence	-	-
7. Medical Professional Liability – claims-made	-	-
8. Special Liability	-	-
9. Other Liability - occurrence	374,132	-
10. Other Liability – claims-made	-	-
11. Special Property	-	-
12. Auto Physical Damage	-	-
13. Fidelity, Surety	-	-
14. Other (including Credit, Accident & Health)	-	-
15. International	-	-
16. Reinsurance Nonproportional Assumed Property	-	-
17. Reinsurance Nonproportional Assumed Liability	-	-
18. Reinsurance Nonproportional Assumed Financial Lines	-	-
19. Products Liability – occurrence	-	-
20. Products Liability – claims-made	-	-
21. Financial Guaranty/Mortgage Guaranty	-	-
22. Warranty	-	-
23. Total	49,564,412	64,164,702

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

B. Nontabular Discount:

Not applicable

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

environmental damage, (v) the uncertainty as to the number and identity of insureds with potential exposure, (vi) the cost to resolve claims, and (vii) the collectability of reinsurance.

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

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

In the third quarter of 2013, the Company completed asbestos ground-up and aggregate environmental reserve studies. These studies were completed by a multi-disciplinary team of internal claims, legal, reinsurance and actuarial personnel, and included all major business segments of the Company's direct, assumed, and ceded asbestos and environmental unpaid claim liabilities. As part of the internal review, policyholders with the largest direct asbestos unpaid claim liabilities were individually evaluated using the Company's proprietary stochastic ground-up model, which is consistent with published actuarial methods of asbestos reserving. Among the factors reviewed in depth by the team of specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, injury type, jurisdiction and legal defenses. Reinsurance recoveries for these policyholders were then separately evaluated by the Company's reinsurance and actuarial personnel. Asbestos and environmental unpaid claim liabilities for all other policyholders were evaluated using aggregate methods that utilized information and experience specific to these policyholders. The studies resulted in an increase to reserves of \$22 million including: a \$9 million final contingent payment triggered on a large settlement; \$8 million of other asbestos reserves, primarily associated with increased defense costs; and \$5 million of pollution reserves.

### Uncertainty Regarding Reserving Methodologies

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

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

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

The following tables summarize the activity for the Company's asbestos and environmental claims and claim adjustment expenses, a component of the Company's unpaid claims and claim adjustment expenses, for the years ended December 31, 2013, 2012, 2011, 2010, and 2009.

#### Asbestos:

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

## NOTES TO FINANCIAL STATEMENTS

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

Direct Basis	82,771,345
Assumed Reinsurance Basis	37,011,714
Net of Ceded Reinsurance Basis	46,964,130

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

Direct Basis	71,633,880
Assumed Reinsurance Basis	2,126,508
Net of Ceded Reinsurance Basis	30,629,694

**Environmental:**

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

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

Direct Basis	21,743,481
Assumed Reinsurance Basis	3,556,466
Net of Ceded Reinsurance Basis	13,848,769

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

Direct Basis	12,546,413
Assumed Reinsurance Basis	753,974
Net of Ceded Reinsurance Basis	5,864,559

**Note 34 - Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 35 - Multiple Peril Crop Insurance**

Not applicable

**Note 36 - Financial Guaranty Insurance**

Not applicable



# GENERAL INTERROGATORIES

## PART 1 – COMMON INTERROGATORIES

### GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes  No

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

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

1.3 State Regulating? New Hampshire

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

2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2008

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2008

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/28/2010

3.4 By what department or departments?  
 Ohio Department of Insurance  
 .....  
 .....  
 .....

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes  No  N/A

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

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

4.11 sales of new business? Yes  No

4.12 renewals? Yes  No

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes  No

4.22 renewals? Yes  No

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

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

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

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

## GENERAL INTERROGATORIES

6.2 If yes, give full information:

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

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

7.2 If yes,

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

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

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [ X ]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

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

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [ X ]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC
.....	.....	.....	.....	.....	.....

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

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

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [ X ]

10.2 If response to 10.1 is yes, provide information related to this exemption:

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

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [ X ]

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

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

## GENERAL INTERROGATORIES

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

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

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

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

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

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

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

	0
\$	0

12.2 If yes, provide explanation:

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

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

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

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

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

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

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

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules, and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

Yes  No

14.11 If the response to 14.1 is no, please explain:

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

14.2 Has the code of ethics for senior managers been amended? Yes  No

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

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

.....  
 .....

## GENERAL INTERROGATORIES

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

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

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

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [X]

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

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

## BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate thereof? Yes [X] No [ ]

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

18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

## FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

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

20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

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

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

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

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

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

22.2 If answer is yes:

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

## GENERAL INTERROGATORIES

- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes  No
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

### INVESTMENT

- 24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03) Yes  No
- 24.02 If no, give full and complete information, relating thereto:  
 .....  
 .....
- 24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided):  
 Please reference Note 17B .....  
 .....
- 24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes  No  N/A
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ 58,333,388
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$ 0
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes  No  N/A
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes  No  N/A
- 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes  No  N/A
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- |        |   |                      |
|--------|---|----------------------|
| 24.101 | Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2                   | \$ <u>58,333,388</u> |
| 24.102 | Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 | \$ <u>58,333,388</u> |
| 24.103 | Total payable for securities lending reported on the liability page                                       | \$ <u>58,333,388</u> |
- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes  No
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- |       |  |                      |
|-------|--|----------------------|
| 25.21 | Subject to repurchase agreements                 | \$ <u>0</u>          |
| 25.22 | Subject to reverse repurchase agreements         | \$ <u>0</u>          |
| 25.23 | Subject to dollar repurchase agreements          | \$ <u>0</u>          |
| 25.24 | Subject to reverse dollar repurchase agreements  | \$ <u>0</u>          |
| 25.25 | Pledged as collateral                            | \$ <u>22,092,052</u> |
| 25.26 | Placed under option agreements                   | \$ <u>0</u>          |
| 25.27 | Letter stock or securities restricted as to sale | \$ <u>0</u>          |
| 25.28 | On deposit with state or other regulatory body   | \$ <u>9,930,025</u>  |
| 25.29 | Other  | \$ <u>0</u>          |

25.3 For category (25.27) provide the following:

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

## GENERAL INTERROGATORIES

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

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

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

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

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

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase	1 Chase Manhattan Plaza, New York, NY 10005
Bank of New York Mellon	601 Travis Street, Houston, TX 77002
US Bank Corporate Trust Services	21 South Street, 3rd Floor, Morristown, NJ 07960

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

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

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

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address
N/A	Liberty Mutual Group Asset Managemen	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116
N/A	StanCorp	1100 SW Sixth Avenue, Portland, OR 097204

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

29.2 If yes, complete the following schedule:

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

## GENERAL INTERROGATORIES

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

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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	3,579,209,642	3,609,307,639	61,305,925
30.2 Preferred stocks	9,647,766	12,289,756	2,641,990
30.3 Totals	3,588,857,408	3,621,597,395	63,947,915

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

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

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

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

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

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

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

32.2 If no, list exceptions:

.....  
 .....

### OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 4,544,968

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

1 Name	2 Amount Paid
.....	\$ 0
.....	\$ 0
.....	\$ 0

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

## GENERAL INTERROGATORIES

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

1 Name	2 Amount Paid
.....	\$ ..... 0
.....	\$ ..... 0
.....	\$ ..... 0

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

\$ 167,763

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

1 Name	2 Amount Paid
.....	\$ ..... 0
.....	\$ ..... 0
.....	\$ ..... 0



## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

.....

.....

.....

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

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ 0

1.62 Total incurred claims \$ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned \$ 0

1.65 Total incurred claims \$ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ 0

1.72 Total incurred claims \$ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned \$ 0

1.75 Total incurred claims \$ 0

1.76 Number of covered lives 0

2. Health Test:

	1	2	
	Current Year	Prior Year	
2.1 Premium Numerator	\$ <u>487,966</u>	\$ <u>(0)</u>	
2.2 Premium Denominator	\$ <u>1,948,596,324</u>	\$ <u>2,190,231,423</u>	
2.3 Premium Ratio (2.1/2.2)	<u>0.00</u>	<u>(0.00)</u>	
2.4 Reserve Numerator	\$ <u>2,324,686</u>	\$ <u>10,283,593</u>	
2.5 Reserve Denominator	\$ <u>3,835,820,169</u>	\$ <u>3,408,355,724</u>	
2.6 Reserve Ratio (2.4/2.5)	<u>0.00</u>	<u>0.00</u>	

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

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

3.21 Participating policies \$ 87,951

3.22 Non-participating policies \$ 376,199,738

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  
The Company cedes 100% of its business to Liberty Mutual Insurance Company, the lead company in the Liberty Mutual Pool. Liberty Mutual Insurance Company purchases external catastrophe reinsurance coverage.
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [ ] No [X]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. \_\_\_\_\_ 0
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [ ]
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [ ] No [X]
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
(c) Aggregate stop loss reinsurance coverage;  
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No [X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [ ] No [X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
(a) The entity does not utilize reinsurance; or, Yes [ ] No [X]  
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]  
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [X] No [ ]

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes  No  N/A  ]
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes  No  ]
- 11.2 If yes, give full information  
 .....  
 .....
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |   |  |    |            |
|---|--|----|------------|
| 12.11 Unpaid losses   |  | \$ | 27,622,044 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) |  | \$ | 11,073,567 |
- 12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 4,285,057
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes  No  N/A  ]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- |            |  |  |        |
|------------|--|--|--------|
| 12.41 From |  |  | 4.00 % |
| 12.42 To   |  |  | 7.00 % |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes  No  ]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- |                                  |  |    |             |
|----------------------------------|--|----|-------------|
| 12.61 Letters of Credit          |  | \$ | 502,283,086 |
| 12.62 Collateral and other funds |  | \$ | 149,404,631 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 60,000,000
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes  No  ]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes  No  ]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
 .....  
 .....
- 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:  
 .....  
 .....
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes  No  ]
- 15.2 If yes, give full information  
 .....  
 .....
- 16.1 Does the reporting entity write any warranty business? Yes  No  ]  
 If yes, disclose the following information for each of the following types of warranty coverage:

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

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

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5.

Yes [ ] No [X]

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

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

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

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

18.1 Do you act as a custodian for health savings accounts?

Yes [ ] No [X]

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

\$ 0

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

Yes [ ] No [X]

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

\$ 0

## FIVE – YEAR HISTORICAL DATA

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

	1	2	3	4	5
	2013	2012	2011	2010	2009
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,137,701,173	1,008,613,261	1,015,556,089	1,058,953,026	1,187,968,712
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	406,143,025	486,685,913	455,329,743	459,324,548	496,308,804
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	499,586,357	839,715,524	794,121,905	770,316,390	727,426,025
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	101,893,066	221,773,356	212,325,111	208,811,040	227,683,900
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	22,831,788				22
6. Total (Line 35)	2,168,155,409	2,556,788,054	2,477,332,848	2,497,405,004	2,639,387,463
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	951,585,203	847,709,630	856,060,231	877,352,532	974,486,881
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	370,084,484	452,694,154	422,035,039	421,797,809	452,276,436
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	435,691,954	780,430,008	738,328,743	702,557,428	645,820,076
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	11,674,291	146,481,941	152,773,758	149,031,643	166,312,961
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	22,831,788				22
12. Total (Line 35)	1,791,867,720	2,227,315,733	2,169,197,771	2,150,739,412	2,238,896,376
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	(110,772,596)	13,719,749	(132,002,862)	(30,232,067)	89,758,817
14. Net investment gain (loss) (Line 11)	390,327,119	142,406,960	155,395,173	225,022,066	182,330,441
15. Total other income (Line 15)	550,598	10,063,260	6,640,294	(17,097,090)	(3,289,700)
16. Dividends to policyholders (Line 17)	3,082,309	5,252,494	4,289,770	(718,951)	9,144,297
17. Federal and foreign income taxes incurred (Line 19)	(36,443,754)	48,887,882	(2,092,676)	13,743,662	62,522,399
18. Net income (Line 20)	313,466,566	112,049,593	27,835,511	164,668,198	197,132,862
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	5,639,598,048	5,100,508,528	4,859,960,864	4,842,037,189	5,277,204,131
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	125,881,075	64,843,442	81,746,419	73,231,496	80,823,397
20.2 Deferred and not yet due (Line 15.2)	599,712,567	654,315,432	615,151,474	588,965,763	573,885,732
20.3 Accrued retrospective premiums (Line 15.3)	37,659,053	13,906	941,994	1,868,815	3,331,257
21. Total liabilities excluding protected cell business (Page 3, Line 26)	4,255,479,567	3,825,876,240	3,772,400,873	3,724,882,476	3,941,032,445
22. Losses (Page 3, Line 1)	2,279,464,676	1,803,665,553	1,838,931,772	1,821,831,326	1,917,660,827
23. Loss adjustment expenses (Page 3, Line 3)	489,340,086	412,488,914	406,620,610	406,608,066	456,561,292
24. Unearned premiums (Page 3, Line 9)	950,468,970	1,070,033,142	1,027,980,899	990,044,170	938,631,360
25. Capital paid up (Page 3, Lines 30 & 31)	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
26. Surplus as regards policyholders (Page 3, Line 37)	1,384,118,481	1,274,632,288	1,087,559,991	1,117,154,713	1,336,171,686
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	696,987,912	165,475,018	98,959,667	(117,060,928)	206,551,300
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	1,384,118,481	1,274,632,288	1,087,559,991	1,117,154,713	1,336,171,686
29. Authorized control level risk-based capital	242,977,403	203,082,588	199,178,749	199,436,790	200,799,926
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	78.1	74.7	76.9	79.6	81.6
31. Stocks (Lines 2.1 & 2.2)	10.6	15.7	14.1	12.6	8.5
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	2.6	2.5	2.6	2.8	2.2
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.6	0.7	0.7	0.8	0.5
34. Cash, cash equivalents and short-term investments (Line 5)	1.0	3.9	3.7	3.6	7.0
35. Contract loans (Line 6)					
36. Derivatives (Line 7)					X X X
37. Other invested assets (Line 8)	5.5	0.5	0.3	0.0	0.1
38. Receivables for securities (Line 9)	0.2	0.2	0.2	0.0	
39. Securities lending reinvested collateral assets (Line 10)	1.3	1.8	1.5	0.6	X X X
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	101,198,360	324,107,221	313,386,642	293,678,584	280,770,518
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	219,259,993	50	325	49,851	49,851
48. Total of above Lines 42 to 47	320,458,353	324,107,271	313,386,967	293,728,435	280,820,369
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)	23.2	25.4			

## FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2013	2012	2011	2010	2009
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24)	(183,681,621)	47,690,158	(5,075,850)	(6,750,435)	31,959,245
52. Dividends to stockholders (Line 35)	(235,000,000)			(400,000,000)	(5,000,000)
53. Change in surplus as regards policyholders for the year (Line 38)	109,486,193	187,072,297	(29,594,722)	(219,016,973)	300,766,650
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	94,781,768	585,665,409	609,776,670	765,081,221	759,723,251
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	203,494,266	256,932,119	257,384,906	236,670,655	234,898,291
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	496,183,157	477,414,496	543,491,862	414,893,144	430,535,707
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	46,199,491	73,819,762	45,727,258	37,430,054	28,247,658
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	(37,367,382)	1,443,681	1,608,650	4,367,840	(37,942,395)
59. Total (Line 35)	803,291,300	1,395,275,467	1,457,989,346	1,458,442,914	1,415,462,512
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	25,895,514	482,459,996	518,202,223	650,338,495	589,937,286
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	185,994,997	238,659,992	239,486,092	216,145,650	212,893,360
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	469,320,078	444,083,928	506,677,412	374,431,113	387,303,859
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	28,283,284	57,190,310	38,509,022	29,490,478	23,509,157
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	(37,367,382)	1,443,681	1,608,650	4,367,840	(37,942,395)
65. Total (Line 35)	672,126,491	1,223,837,907	1,304,483,399	1,274,773,576	1,175,701,267
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	59.2	54.3	61.9	56.0	50.7
68. Loss expenses incurred (Line 3)	14.3	12.4	12.1	11.8	11.9
69. Other underwriting expenses incurred (Line 4)	32.2	32.7	32.2	33.6	33.2
70. Net underwriting gain (loss) (Line 8)	(5.7)	0.6	(6.2)	(1.4)	4.2
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 12 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	35.0	31.7	31.4	33.7	31.9
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	73.5	66.7	73.9	67.8	62.6
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)	129.5	174.7	199.5	192.5	167.6
<b>One Year Loss Development (000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	65,218	(85,504)	(57,477)	(24,776)	(157,349)
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100.0)	5.1	(7.9)	(5.1)	(1.9)	(15.2)
<b>Two Year Loss Development (000 omitted)</b>					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	70,321	(109,690)	(51,573)	(125,789)	(226,742)
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)	6.5	(9.8)	(3.9)	(12.1)	(16.7)

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

Yes [ ] No [ ]

If no, please explain:

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

**SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES****SCHEDULE P – PART 1 – SUMMARY**

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	64,985	24,960	19,916	7,167	3,534	425	809	55,883	X X X
2. 2004	1,882,284	306,666	1,575,618	926,210	150,549	68,909	9,370	130,326	4,494	62,733	961,032	X X X
3. 2005	1,948,322	274,704	1,673,618	1,037,914	201,680	72,996	10,472	133,204	5,184	59,546	1,026,778	X X X
4. 2006	2,036,109	288,304	1,747,805	964,816	115,262	74,860	8,094	140,076	6,342	56,310	1,050,054	X X X
5. 2007	2,105,921	310,413	1,795,508	1,040,748	147,496	79,242	8,556	142,184	6,782	66,437	1,099,340	X X X
6. 2008	2,164,667	354,941	1,809,726	1,209,163	184,579	85,544	8,795	159,735	5,944	60,414	1,255,124	X X X
7. 2009	2,044,982	410,096	1,634,886	1,034,500	185,690	69,730	7,399	148,507	1,565	56,891	1,058,083	X X X
8. 2010	2,045,862	361,165	1,684,697	1,046,217	173,260	63,753	5,562	154,811	502	63,828	1,085,457	X X X
9. 2011	2,149,761	425,079	1,724,682	1,086,588	207,376	51,347	7,387	151,445	435	75,013	1,074,182	X X X
10. 2012	2,316,123	456,956	1,859,167	1,006,124	213,262	33,953	4,664	151,184	49	72,780	973,286	X X X
11. 2013	2,436,697	488,101	1,948,596	679,083	176,275	11,579	1,155	119,640	42	38,729	632,830	X X X
12. Totals	X X X	X X X	X X X	10,096,348	1,780,389	631,829	78,621	1,434,646	31,764	613,490	10,272,049	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded			
1. Prior	485,912	170,046	227,009	126,379	26,632	18,632	99,269	44,698	20,361	40	6,334	499,388	X X X
2. 2004	26,380	9,054	34,547	10,332	592	201	7,400	713	1,414		1,141	50,033	X X X
3. 2005	27,924	8,969	34,091	14,693	584	154	6,159	744	1,617		1,423	45,815	X X X
4. 2006	29,004	7,373	49,260	12,780	978	336	6,504	1,253	1,817	2	5,627	65,819	X X X
5. 2007	46,800	8,253	51,574	11,846	1,759	632	10,118	1,347	1,838		1,721	90,011	X X X
6. 2008	60,679	11,856	73,874	15,093	2,424	474	17,878	2,934	3,404	20	5,936	127,882	X X X
7. 2009	69,523	9,749	83,430	17,247	2,989	583	24,649	2,843	5,439	(3)	3,088	155,611	X X X
8. 2010	104,445	14,500	98,055	15,412	3,909	746	29,891	3,033	8,675	38	4,338	211,246	X X X
9. 2011	147,809	16,438	149,937	26,903	6,084	1,193	46,867	4,812	14,672	3	9,225	316,020	X X X
10. 2012	210,714	23,987	239,346	35,971	6,191	1,024	69,454	6,381	20,745	14	23,105	479,073	X X X
11. 2013	259,956	31,475	433,020	65,468	4,280	494	76,799	5,192	56,521	40	35,005	727,907	X X X
12. Totals	1,469,146	311,700	1,474,143	352,124	56,422	24,469	394,988	73,950	136,503	154	96,943	2,768,805	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	416,496	82,892
2. 2004	1,195,778	184,713	1,011,065	63,528	60,233	64,169			8,000	41,541	8,492
3. 2005	1,314,489	241,896	1,072,593	67,468	88,057	64,088			8,000	38,353	7,462
4. 2006	1,267,315	151,442	1,115,873	62,242	52,529	63,844			8,000	58,111	7,708
5. 2007	1,374,263	184,912	1,189,351	65,257	59,570	66,240			8,000	78,275	11,736
6. 2008	1,612,701	229,695	1,383,006	74,501	64,714	76,421			8,000	107,604	20,278
7. 2009	1,438,767	225,073	1,213,694	70,356	54,883	74,237			8,000	125,957	29,654
8. 2010	1,509,756	213,053	1,296,703	73,796	58,990	76,970			8,000	172,588	38,658
9. 2011	1,654,749	264,547	1,390,202	76,974	62,235	80,606			8,000	254,405	61,615
10. 2012	1,737,711	285,352	1,452,359	75,027	62,446	78,119			8,000	390,102	88,971
11. 2013	1,640,878	280,141	1,360,737	67,340	57,394	69,832			8,000	596,033	131,874
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,279,465	489,340

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements, which will reconcile Part 1 with Parts 2 and 4.

**SCHEDULE P – PART 2 – SUMMARY**

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	One Year	Two Year
1. Prior	1,451,729	1,527,605	1,611,202	1,681,999	1,666,027	1,725,122	1,731,589	1,771,128	1,779,725	1,802,434	22,709	31,306
2. 2004	987,522	938,795	919,625	902,703	899,035	893,295	894,790	892,562	891,628	888,432	(3,196)	(4,130)
3. 2005	X X X	1,053,866	1,007,866	970,581	959,972	954,525	951,689	949,782	949,027	948,175	(852)	(1,607)
4. 2006	X X X	X X X	1,058,630	1,022,970	999,857	987,377	984,174	983,252	985,848	985,815	(33)	2,563
5. 2007	X X X	X X X	X X X	1,132,860	1,104,520	1,057,868	1,056,164	1,051,762	1,057,030	1,057,451	421	5,689
6. 2008	X X X	X X X	X X X	X X X	1,263,107	1,231,928	1,215,953	1,215,830	1,220,488	1,233,369	12,881	17,539
7. 2009	X X X	X X X	X X X	X X X	X X X	1,083,820	1,080,334	1,069,800	1,059,838	1,067,064	7,226	(2,736)
8. 2010	X X X	X X X	X X X	X X X	X X X	X X X	1,125,185	1,124,582	1,129,874	1,141,611	11,737	17,029
9. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,226,813	1,226,660	1,231,481	4,821	4,668
10. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,275,777	1,285,281	9,504	X X X
11. 2013	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,188,342	X X X	X X X
											12. Totals	
											65,218	70,321

**SCHEDULE P – PART 3 – SUMMARY**

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		
1. Prior	000	332,816	568,996	743,456	876,548	975,472	1,072,380	1,153,911	1,214,102	1,266,876	X X X	X X X
2. 2004	379,918	578,204	671,924	737,248	778,542	802,167	815,565	824,324	830,835	835,200	X X X	X X X
3. 2005	X X X	412,136	622,857	726,565	794,948	839,730	865,191	879,310	890,992	898,759	X X X	X X X
4. 2006	X X X	X X X	411,025	621,774	727,556	805,037	854,359	884,871	904,688	916,319	X X X	X X X
5. 2007	X X X	X X X	X X X	424,853	656,635	773,338	855,634	910,112	944,023	963,938	X X X	X X X
6. 2008	X X X	X X X	X X X	X X X	505,694	778,417	910,269	1,001,927	1,063,798	1,101,334	X X X	X X X
7. 2009	X X X	X X X	X X X	X X X	X X X	427,350	651,917	770,296	854,396	911,141	X X X	X X X
8. 2010	X X X	X X X	X X X	X X X	X X X	X X X	470,156	715,940	840,737	931,148	X X X	X X X
9. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	553,715	789,957	923,172	X X X	X X X
10. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	544,389	822,151	X X X	X X X
11. 2013	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	513,232	X X X	X X X

**SCHEDULE P – PART 4 – SUMMARY**

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1. Prior	449,437	355,955	334,297	315,499	262,550	273,410	210,710	205,235	169,635	174,902
2. 2004	384,671	205,848	136,775	94,644	74,811	56,927	50,349	44,880	39,481	33,770
3. 2005	X X X	418,670	219,903	133,188	90,109	64,977	49,388	42,036	32,950	28,565
4. 2006	X X X	X X X	413,543	230,540	150,243	99,299	71,108	56,716	50,486	45,704
5. 2007	X X X	X X X	X X X	436,588	252,891	150,871	102,688	73,869	61,996	52,147
6. 2008	X X X	X X X	X X X	X X X	462,977	253,891	163,736	113,686	82,345	79,841
7. 2009	X X X	X X X	X X X	X X X	X X X	415,147	248,966	164,170	110,343	92,455
8. 2010	X X X	X X X	X X X	X X X	X X X	X X X	405,885	226,526	153,735	115,619
9. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	408,352	248,474	171,250
10. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	469,664	270,472
11. 2013	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	442,495



## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

### Allocated By States and Territories

States, Etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9	
		Active Status	2							3
1. Alabama	AL	L	4,699,943	4,162,375		1,552,092	4,069,980	6,583,932	5,441	
2. Alaska	AK	L	12,578,660	11,878,061		3,075,503	3,913,043	14,998,006	14,563	
3. Arizona	AZ	L	5,483,266	5,206,560		831,414	(272,739)	2,878,059	6,348	
4. Arkansas	AR	L	2,536,469	2,102,507		143,916	298,194	2,636,986	2,937	
5. California	CA	L	12,878,801	9,100,688		9,891,013	12,544,470	895,916	14,910	
6. Colorado	CO	L	6,040,146	4,820,116		403,539	1,726,435	3,900,197	6,993	
7. Connecticut	CT	L	7,630,353	7,060,273		1,220,167	1,913,707	12,774,002	8,834	657,074
8. Delaware	DE	L	2,281,329	2,086,912		551,980	1,276,174	2,718,924	2,641	
9. District of Columbia	DC	L	1,280,136	1,022,312	6,223	43,527	554,492	1,024,420	1,482	
10. Florida	FL	L	19,157,865	21,965,482		4,597,063	8,730,008	32,334,049	22,180	
11. Georgia	GA	L	8,969,928	8,181,164		2,904,682	2,360,950	9,780,848	10,385	266,363
12. Hawaii	HI	L	463,516	454,747			(134,017)	187,224	537	
13. Idaho	ID	L	2,666,300	2,422,798		542,119	274,133	1,112,102	3,087	
14. Illinois	IL	L	11,884,984	11,229,918		1,657,000	3,409,551	18,552,003	13,760	
15. Indiana	IN	L	6,051,473	5,841,571		1,039,137	2,196,857	7,894,703	7,006	
16. Iowa	IA	L	1,092,420	1,021,577		374,824	597,973	2,448,422	1,265	
17. Kansas	KS	L	2,041,010	1,904,226		109,610	550,622	1,928,997	2,363	
18. Kentucky	KY	L	10,465,761	12,730,869		4,598,615	8,191,940	32,127,741	12,117	
19. Louisiana	LA	L	4,797,779	4,480,016		2,438,611	3,139,657	1,714,856	5,555	
20. Maine	ME	L	1,808,030	1,730,092		26,598	262,930	1,346,579	2,093	
21. Maryland	MD	L	13,132,074	12,798,258	75,262	5,479,556	9,871,294	23,363,119	15,204	
22. Massachusetts	MA	L	10,445,680	9,741,005		3,500,565	2,504,491	16,652,564	12,093	
23. Michigan	MI	L	3,254,359	3,234,777		1,322,922	379,420	10,810,437	3,768	
24. Minnesota	MN	L	2,889,671	2,308,912		392,399	1,597,443	5,236,410	3,345	
25. Mississippi	MS	L	4,997,484	4,205,161		1,079,688	1,029,712	2,747,759	5,786	
26. Missouri	MO	L	5,837,026	5,326,080		2,520,052	11,101,454	19,140,466	6,758	30,925
27. Montana	MT	L	2,014,404	1,694,492		161,141	263,418	700,639	2,332	
28. Nebraska	NE	L	1,232,485	1,056,547		37,816	511,082	1,943,989	1,427	
29. Nevada	NV	L	2,061,871	1,529,051		63,354	1,754,961	926,230	2,387	
30. New Hampshire	NH	L	1,957,629	1,372,082		40,511	436,308	2,977,416	2,266	
31. New Jersey	NJ	L	31,259,840	29,533,259		17,823,815	16,079,385	123,129,129	36,191	82,594
32. New Mexico	NM	L	3,001,400	3,028,648		959,893	(223,813)	1,968,831	3,475	
33. New York	NY	L	19,825,719	16,254,577		7,241,341	9,343,907	40,671,388	22,953	1,255,678
34. North Carolina	NC	L	14,955,331	14,796,716		4,480,637	6,390,414	22,105,303	17,314	33,507
35. North Dakota	ND	L	742,630	534,746		114,354	392,656	596,256	860	
36. Ohio	OH	L	13,032,507	15,623,754		5,755,359	1,730,286	15,869,604	15,088	
37. Oklahoma	OK	L	9,309,752	9,909,421		5,392,581	1,703,515	6,889,677	10,778	
38. Oregon	OR	L	13,015,173	11,701,028		2,556,748	6,650,992	10,889,327	15,068	
39. Pennsylvania	PA	L	21,191,300	20,401,282	10,143	15,913,609	9,604,565	51,650,595	24,534	
40. Rhode Island	RI	L	1,161,088	1,298,920		29,965	160,207	2,222,283	1,344	
41. South Carolina	SC	L	5,116,925	4,994,172		1,228,065	1,607,873	9,434,138	5,924	
42. South Dakota	SD	L	283,888	247,138		122,079	134,884	357,660	329	
43. Tennessee	TN	L	6,214,268	6,668,785		2,780,693	2,528,562	9,162,109	7,194	
44. Texas	TX	L	20,675,389	18,264,976		5,893,861	6,657,233	25,092,311	23,937	
45. Utah	UT	L	3,978,733	3,695,149		2,391,523	(790,610)	1,445,432	4,606	
46. Vermont	VT	L	740,477	637,821		27,843	201,462	415,824	857	
47. Virginia	VA	L	7,562,495	6,879,480		1,193,435	1,263,052	9,778,919	8,755	
48. Washington	WA	L	25,076,009	22,310,234		5,977,764	3,245,920	13,169,289	29,027	748,645
49. West Virginia	WV	L	912,785	793,236		97,565	199,630	635,214	1,057	
50. Wisconsin	WI	L	3,784,120	3,710,671		290,254	1,398,009	6,549,586	4,381	
51. Wyoming	WY	L	1,817,010	1,654,611		294,010	299,621	739,367	2,104	
52. American Samoa	AS	N								
53. Guam	GU	N								
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N								
56. Northern Mariana Islands	MP	N								
57. Canada	CAN	N								
58. Aggregate Other Alien	OT	X X X								
59. Totals	(a) 51		376,287,691	355,607,253	91,628	131,164,808	153,631,693	595,109,237	435,639	3,074,786

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

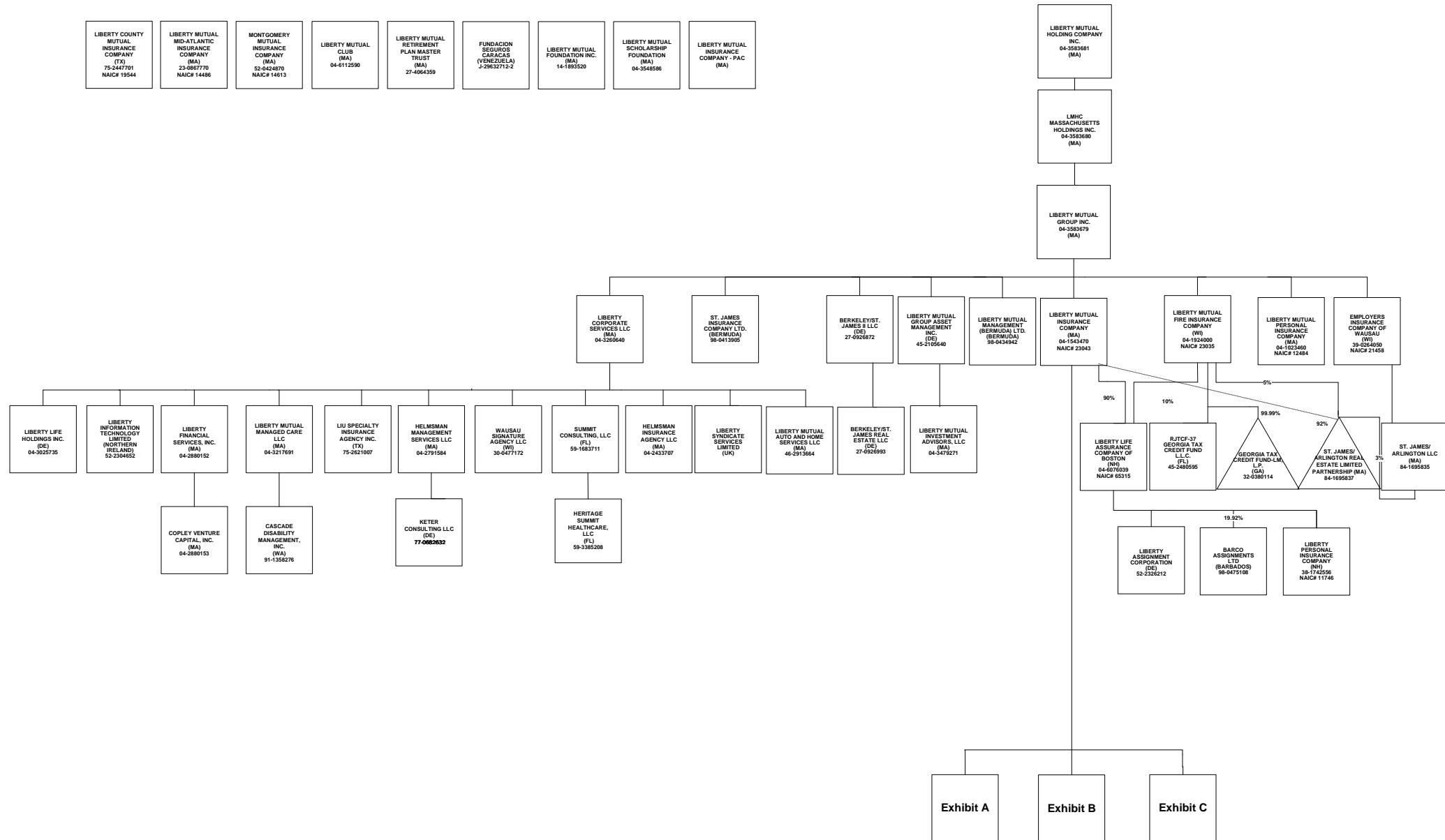
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

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

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

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

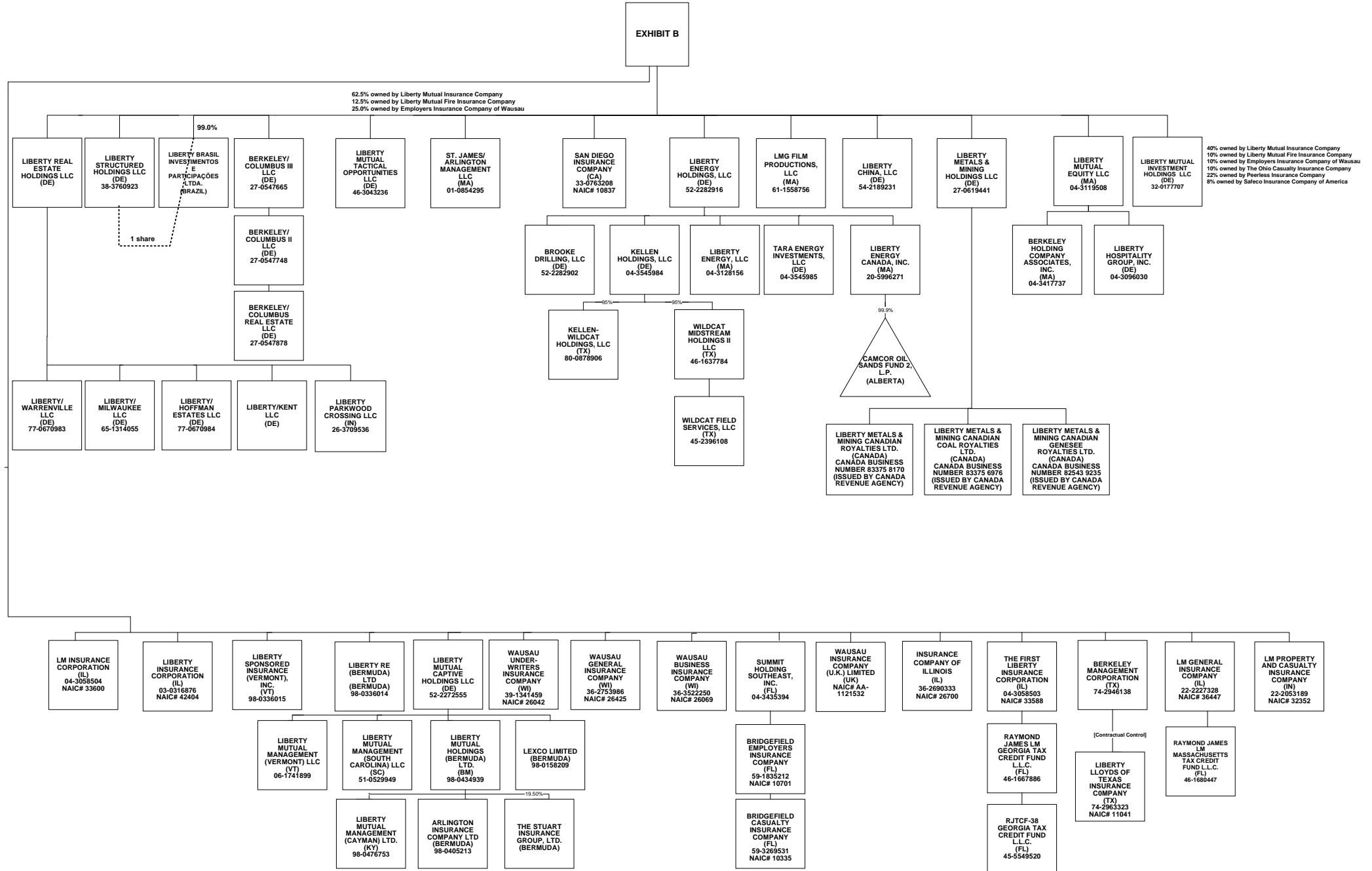
## PART 1 - ORGANIZATIONAL CHART





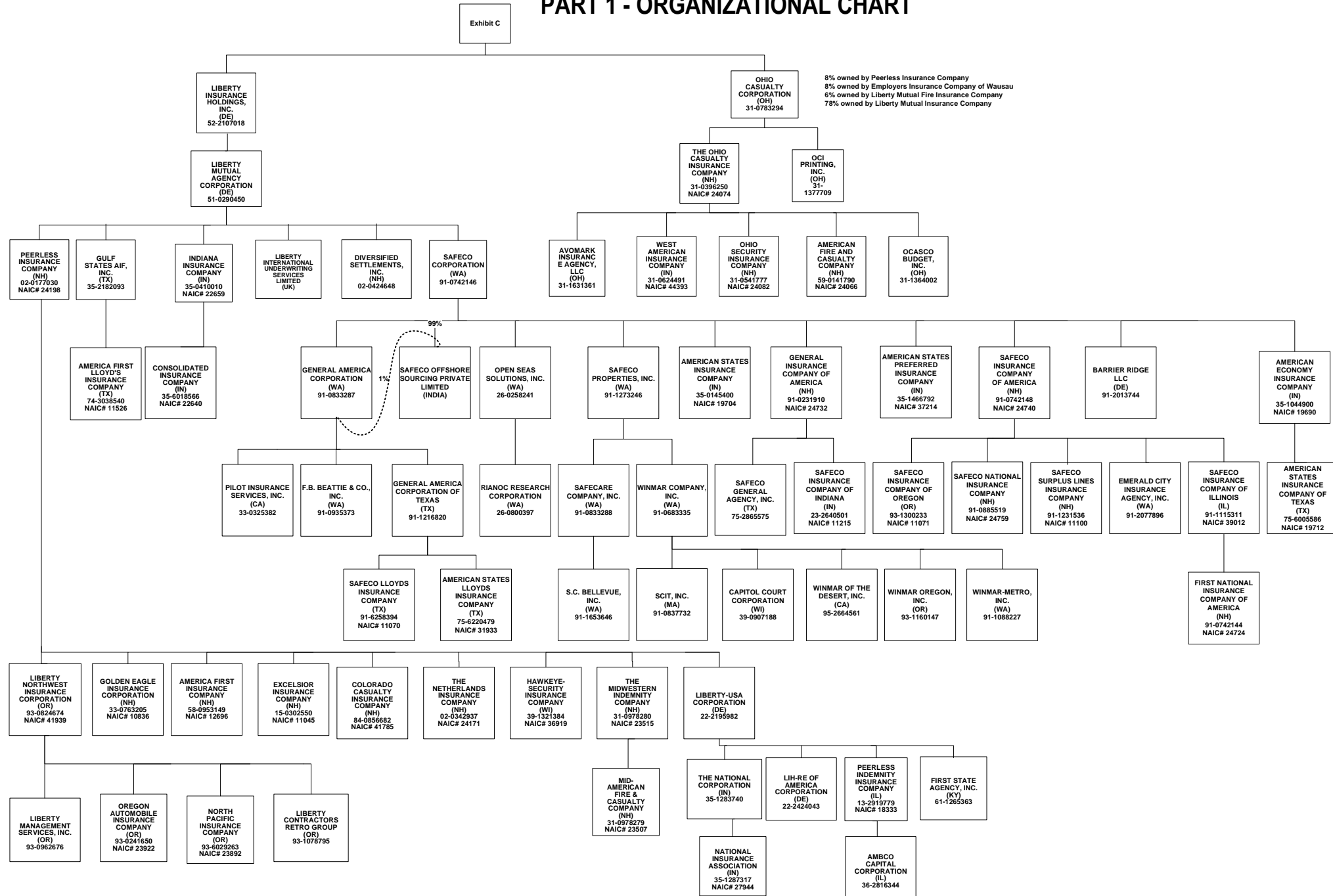
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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## PART 1 - ORGANIZATIONAL CHART



**OVERFLOW PAGE FOR WRITE-INS**

**Page 2 - Continuation**

**ASSETS**

	Current Year			Prior Year
	1	2	3	4
<b>REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS</b>	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504. Other assets	4,546,688	2,076,437	2,470,251	1,642,908
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	4,546,688	2,076,437	2,470,251	1,642,908

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