

ANNUAL STATEMENT

OF THE

WAUSAU BUSINESS INSURANCE COMPANY

of WAUSAU

in the state of WISCONSIN

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2012

PROPERTY AND CASUALTY

2012



ANNUAL STATEMENT

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

Wausau Business Insurance Company

NAIC Group Code 0111, NAIC Company Code 26069, Employer's ID Number 36-3522250, Organized under the Laws of Wisconsin, State of Domicile or Port of Entry Wisconsin, Country of Domicile United States of America, Incorporated/Organized December 27, 1907, Commenced Business December 27, 1907, Statutory Home Office 2000 Westwood Drive, Wausau, WI, US 54401, Main Administrative Office 175 Berkeley Street, Boston, MA, US 02116, Mail Address 175 Berkeley Street, Boston, MA, US 02116, Primary Location of Books and Records 175 Berkeley Street, Boston, MA, US 02116, Internet Web Site Address www.LibertyMutualGroup.com, Statutory Statement Contact Pamela Heenan, 617-357-9500 x44689, Statutory.Compliance@LibertyMutual.com, 617-574-5955

OFFICERS

Chairman of the Board
James Paul Condrin, III #

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

VICE-PRESIDENTS

Table with 4 columns: Name, Title, Name, Title. Rows include John Derek Doyle (Vice President and Comptroller), Michael Joseph Fallon # (Vice President and Chief Financial Officer), Anthony Alexander Fontanes (Vice President and Chief Investment Officer), Kathryn Mary Winn # (Vice President and General Counsel).

DIRECTORS OR TRUSTEES

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

State of Massachusetts
County of Suffolk ss

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

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

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

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

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	141,936,536		141,936,536	139,999,894
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	111		111	
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 0, Schedule E - Part 1), cash equivalents (\$ 0, Schedule E - Part 2), and short-term investments (\$ 2,992,977, Schedule DA)	2,992,977		2,992,977	2,864,083
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				
10. Securities lending reinvested collateral assets (Schedule DL)	3,855,653		3,855,653	2,974,710
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	148,785,277		148,785,277	145,838,687
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	940,481		940,481	999,164
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	5,027,349	152,106	4,875,243	4,783,868
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 31,763 earned but unbilled premiums)	15,629,533	10,712	15,618,821	13,290,391
15.3 Accrued retrospective premiums	1,306,961	130,378	1,176,583	1,638,702
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	21,420,627		21,420,627	29,839,759
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	2,881	951	1,930	113
18.1 Current federal and foreign income tax recoverable and interest thereon	812,497		812,497	157,190
18.2 Net deferred tax asset				4,563,821
19. Guaranty funds receivable or on deposit	76,274		76,274	81,981
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	1,193,981		1,193,981	2,471,032
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	4,076,830	160,117	3,916,713	3,514,908
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	199,272,691	454,264	198,818,427	207,179,616
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	199,272,691	454,264	198,818,427	207,179,616

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	2,575,298		2,575,298	2,375,382
2502. Amounts receivable under high deductible policies	867,779		867,779	813,800
2503. Equities and deposits in pools & associations	409,252		409,252	297,758
2598. Summary of remaining write-ins for Line 25 from overflow page	224,501	160,117	64,384	27,968
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	4,076,830	160,117	3,916,713	3,514,908

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	76,662,399	71,014,801
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	2,657,948	3,329,838
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	15,784,323	14,719,099
4. Commissions payable, contingent commissions and other similar charges	529,850	413,031
5. Other expenses (excluding taxes, licenses and fees)	2,028,118	1,612,928
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	955,769	961,948
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
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 \$ 40,340,009 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)	22,792,096	20,392,878
10. Advance premium	215,986	239,496
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	13,308	25,237
12. Ceded reinsurance premiums payable (net of ceding commissions)	11,355,079	23,137,154
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	362,969	294,214
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	1,977,559	1,827,974
19. Payable to parent, subsidiaries and affiliates	12,720,797	10,491,223
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending	3,855,653	2,974,710
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	(84,119)	(252,722)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	151,827,735	151,181,809
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	151,827,735	151,181,809
29. Aggregate write-ins for special surplus funds	3,277,081	5,308,600
30. Common capital stock	10,900,000	10,900,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	42,900,000	42,900,000
35. Unassigned funds (surplus)	(10,086,389)	(3,110,793)
36. Less treasury stock, at cost:		
36.1 0 shares common (value included in Line 30 \$ 0)		
36.2 0 shares preferred (value included in Line 31 \$ 0)		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	46,990,692	55,997,807
38. Totals (Page 2, Line 28, Col. 3)	198,818,427	207,179,616

DETAILS OF WRITE-IN LINES		
2501. Amounts held under uninsured plans	3,135,244	2,990,390
2502. Other liabilities	1,820,173	2,028,239
2503. Retroactive reinsurance reserves	(5,039,536)	(5,271,351)
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(84,119)	(252,722)
2901. Special surplus from retroactive reinsurance	3,277,081	3,263,002
2902. SSAP 10R incremental change		2,045,598
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	3,277,081	5,308,600
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	49,316,902	43,647,314
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	35,781,377	30,679,243
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	8,769,865	8,629,932
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	15,642,966	11,827,033
5. Aggregate write-ins for underwriting deductions		(2,191)
6. Total underwriting deductions (Lines 2 through 5)	60,194,208	51,134,017
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(10,877,306)	(7,486,703)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	4,995,982	5,133,486
10. Net realized capital gains (losses) less capital gains tax of \$ 49,868 (Exhibit of Capital Gains (Losses))	92,612	(107,399)
11. Net investment gain (loss) (Lines 9 + 10)	5,088,594	5,026,087
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 15,706 amount charged off \$ 195,092)	(179,386)	(186,878)
13. Finance and service charges not included in premiums	160,376	171,194
14. Aggregate write-ins for miscellaneous income	(209,549)	(1,050,009)
15. Total other income (Lines 12 through 14)	(228,559)	(1,065,693)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(6,017,271)	(3,526,309)
17. Dividends to policyholders	98,414	162,718
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(6,115,685)	(3,689,027)
19. Federal and foreign income taxes incurred	(1,306,868)	(272,170)
20. Net income (Line 18 minus Line 19) (to Line 22)	(4,808,817)	(3,416,857)
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	55,997,807	57,097,969
22. Net income (from Line 20)	(4,808,817)	(3,416,857)
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 100,135	185,965	318,351
25. Change in net unrealized foreign exchange capital gain (loss)	50,714	(26,010)
26. Change in net deferred income tax	(5,909,865)	1,800,950
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	3,520,486	(1,862,137)
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		39,943
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	(2,045,598)	2,045,598
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(9,007,115)	(1,100,162)
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	46,990,692	55,997,807

DETAILS OF WRITE-IN LINES		
0501. Private passenger auto escrow		(2,191)
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)		(2,191)
1401. Other income/(expense)	(85,688)	(498,192)
1402. Retroactive reinsurance gain/(loss)	(123,861)	(551,817)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(209,549)	(1,050,009)
3701. SSAP 10R incremental change	(2,045,598)	2,045,598
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(2,045,598)	2,045,598

CASH FLOW

Cash from Operations	1 Current Year	2 Prior Year
1. Premiums collected net of reinsurance	38,000,565	39,952,886
2. Net investment income	5,588,072	5,767,101
3. Miscellaneous income	(175,297)	(1,248,196)
4. Total (Lines 1 through 3)	43,413,340	44,471,791
5. Benefit and loss related payments	22,268,754	33,722,658
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	22,840,256	19,118,243
8. Dividends paid to policyholders	110,343	163,370
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(601,693)	887,965
10. Total (Lines 5 through 9)	44,617,660	53,892,236
11. Net cash from operations (Line 4 minus Line 10)	(1,204,320)	(9,420,445)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	34,533,396	22,657,813
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	28,232,106	27,917,946
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	62,765,502	50,575,759
13. Cost of investments acquired (long-term only):		
13.1 Bonds	36,574,975	27,347,972
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	29,113,049	26,928,121
13.6 Miscellaneous applications		2,086,625
13.7 Total investments acquired (Lines 13.1 to 13.6)	65,688,024	56,362,718
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)	(2,922,522)	(5,786,959)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	4,255,736	11,121,542
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	4,255,736	11,121,542
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	128,894	(4,085,862)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	2,864,083	6,949,945
19.2 End of year (Line 18 plus Line 19.1)	2,992,977	2,864,083

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

20.0001	13.1 Cost of Investment Acquired - Bonds		
20.0002			
20.0003			

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	1,417,064	525,370	636,369	1,306,065
2. Allied lines	576,066	259,705	287,359	548,412
3. Farmowners multiple peril	7,381	610	681	7,310
4. Homeowners multiple peril	7,879,981	3,479,135	4,753,370	6,605,746
5. Commercial multiple peril	1,198,072	665,318	629,779	1,233,611
6. Mortgage guaranty				
8. Ocean marine	205,837	82,710	89,338	199,209
9. Inland marine	2,138,406	215,597	228,371	2,125,632
10. Financial guaranty				
11.1 Medical professional liability—occurrence	157,439	83,160	82,756	157,843
11.2 Medical professional liability—claims-made	18,442	3,444	6,187	15,699
12. Earthquake	210,090	75,789	99,731	186,148
13. Group accident and health	2,719			2,719
14. Credit accident and health (group and individual)				
15. Other accident and health	2,641	265	240	2,666
16. Workers' compensation	12,133,304	349,860	787,219	11,695,945
17.1 Other liability—occurrence	3,679,233	1,502,171	1,580,200	3,601,204
17.2 Other liability—claims-made	1,240,631	591,827	680,863	1,151,595
17.3 Excess workers' compensation	310,041	145,521	160,137	295,425
18.1 Products liability—occurrence	539,166	332,298	335,922	535,542
18.2 Products liability—claims-made	26,514	4,891	5,370	26,035
19.1,19.2 Private passenger auto liability	11,745,412	5,503,418	5,963,040	11,285,790
19.3,19.4 Commercial auto liability	1,752,998	732,845	766,174	1,719,669
21. Auto physical damage	5,304,819	3,788,007	4,144,656	4,948,170
22. Aircraft (all perils)	171,198	47,425	36,776	181,847
23. Fidelity	48,664	17,526	22,078	44,112
24. Surety	23,786	9,821	22,195	11,412
26. Burglary and theft	1,637	430	790	1,277
27. Boiler and machinery	122,506	49,480	54,650	117,336
28. Credit	7,378		3,816	3,562
29. International				
30. Warranty	26,000		22,284	3,716
31. Reinsurance-nonproportional assumed property	1,137,367	93,907	99,521	1,131,753
32. Reinsurance-nonproportional assumed liability	139,309	31,337	16,322	154,324
33. Reinsurance-nonproportional assumed financial lines	124			124
34. Aggregate write-ins for other lines of business				
35. TOTALS	52,224,225	18,591,867	21,516,194	49,299,898

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	626,987	9,382			636,369
2. Allied lines	284,698	2,661			287,359
3. Farmowners multiple peril	681				681
4. Homeowners multiple peril	4,753,370				4,753,370
5. Commercial multiple peril	597,299	32,480			629,779
6. Mortgage guaranty					
8. Ocean marine	77,785	11,553			89,338
9. Inland marine	151,953	76,418			228,371
10. Financial guaranty					
11.1 Medical professional liability—occurrence	82,005	750			82,755
11.2 Medical professional liability—claims-made	6,156	31			6,187
12. Earthquake	98,796	935			99,731
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	240				240
16. Workers' compensation	2,041,964	54,243		(1,308,988)	787,219
17.1 Other liability—occurrence	1,318,193	266,735		(4,729)	1,580,199
17.2 Other liability—claims-made	520,315	160,548			680,863
17.3 Excess workers' compensation	135,832	24,305			160,137
18.1 Products liability—occurrence	178,166	155,317		2,439	335,922
18.2 Products liability—claims-made	5,370				5,370
19.1,19.2 Private passenger auto liability	5,956,330	6,711			5,963,041
19.3,19.4 Commercial auto liability	714,707	16,091		35,376	766,174
21. Auto physical damage	4,139,968	4,689			4,144,657
22. Aircraft (all perils)	36,776				36,776
23. Fidelity	21,213	865			22,078
24. Surety	(306)	22,501			22,195
26. Burglary and theft	790				790
27. Boiler and machinery	53,793	857			54,650
28. Credit	3,816				3,816
29. International					
30. Warranty		22,284			22,284
31. Reinsurance-nonproportional assumed property	99,521				99,521
32. Reinsurance-nonproportional assumed liability	16,000	322			16,322
33. Reinsurance-nonproportional assumed financial lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	21,922,418	869,678		(1,275,902)	21,516,194
36. Accrued retrospective premiums based on experience					1,275,902
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					22,792,096

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	5,087	1,417,064		5,087		1,417,064
2. Allied lines	10,766	576,066		10,766		576,066
3. Farmowners multiple peril		7,381				7,381
4. Homeowners multiple peril		7,879,981				7,879,981
5. Commercial multiple peril	18,085,857	1,198,072		18,085,857		1,198,072
6. Mortgage guaranty						
8. Ocean marine		205,837				205,837
9. Inland marine	34,900	2,138,406		34,900		2,138,406
10. Financial guaranty						
11.1 Medical professional liability--occurrence		157,439				157,439
11.2 Medical professional liability--claims-made		18,442				18,442
12. Earthquake	104,989	210,090		104,989		210,090
13. Group accident and health		2,719				2,719
14. Credit accident and health (group and individual)						
15. Other accident and health		2,641				2,641
16. Workers' compensation	93,245,410	12,133,304		93,245,410		12,133,304
17.1 Other liability—occurrence	27,504,562	3,679,233		27,504,562		3,679,233
17.2 Other liability—claims-made		1,240,631				1,240,631
17.3 Excess workers' compensation		310,041				310,041
18.1 Products liability—occurrence	5,818,360	539,166		5,818,360		539,166
18.2 Products liability—claims-made		26,514				26,514
19.1,19.2 Private passenger auto liability		11,745,412				11,745,412
19.3,19.4 Commercial auto liability	19,062,391	1,752,998		19,062,391		1,752,998
21. Auto physical damage	2,593,061	5,304,819		2,593,061		5,304,819
22. Aircraft (all perils)		171,198				171,198
23. Fidelity	44,488	48,664		44,488		48,664
24. Surety		23,786				23,786
26. Burglary and theft	52,873	1,637		52,873		1,637
27. Boiler and machinery	674	122,506		674		122,506
28. Credit		7,378				7,378
29. International						
30. Warranty		26,000				26,000
31. Reinsurance-nonproportional assumed property	X X X	1,137,367				1,137,367
32. Reinsurance-nonproportional assumed liability	X X X	139,309				139,309
33. Reinsurance-nonproportional assumed financial lines	X X X	124				124
34. Aggregate write-ins for other lines of business						
35. TOTALS	166,563,418	52,224,225		166,563,418		52,224,225

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

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

If yes: 1. The amount of such installment premiums \$ 148,879,531

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 144,659,646

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 from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire		738,657		738,657	5,242	319,745	5,242	1,058,402	84,984
2. Allied lines		251,226		251,226	11,234	92,066	11,234	343,292	52,082
3. Farmowners multiple peril									
4. Homeowners multiple peril		953,534		953,534		872,708		1,826,242	485,662
5. Commercial multiple peril	20,564,940	1,060,365	20,564,940	1,060,365	9,241,806	425,660	9,241,806	1,486,025	561,283
6. Mortgage guaranty									
8. Ocean marine		147,125		147,125		115,349		262,474	39,776
9. Inland marine		116,191		116,191	14,682	239,921	14,682	356,112	45,017
10. Financial guaranty									
11.1 Medical professional liability—occurrence		8,310		8,310		154,711		163,021	4,842
11.2 Medical professional liability—claims-made		1,931		1,931		16,182		18,113	8,111
12. Earthquake		1,857		1,857	202,150	8,443	202,150	10,300	6,040
13. Group accident and health		8,069		8,069		1,417		9,486	757
14. Credit accident and health (group and individual)								(a) 9,486	757
15. Other accident and health		2,126		2,126		4,997		(a) 7,123	488
16. Workers' compensation	245,966,555	22,342,353	245,966,555	22,342,353	145,149,865	20,734,712	145,149,865	43,077,065	6,257,627
17.1 Other liability—occurrence	31,845,015	3,508,327	31,845,015	3,508,327	11,147,588	5,261,273	11,147,588	8,769,600	3,449,476
17.2 Other liability—claims-made		448,612		448,612		1,713,784		2,162,396	681,296
17.3 Excess workers' compensation		874,379		874,379		1,288,907		2,163,286	219,435
18.1 Products liability—occurrence	2,558,575	295,303	2,558,575	295,303	7,676,204	1,318,430	7,676,204	1,613,733	985,211
18.2 Products liability—claims-made		3,364		3,364		110,641		114,005	70,365
19.1,19.2 Private passenger auto liability		4,901,027		4,901,027		3,245,366		8,146,393	1,900,358
19.3,19.4 Commercial auto liability	33,778,415	1,437,623	33,778,415	1,437,623	10,475,732	784,466	10,475,732	2,222,089	468,242
21. Auto physical damage		4,494		4,494		(95,623)		(91,129)	252,239
22. Aircraft (all perils)		128,596		128,596		59,464		188,060	49,168
23. Fidelity	57,000	12,084	57,000	12,084	20,473	96,684	20,473	108,768	16,787
24. Surety		1,844		1,844		4,056		5,900	10,312
26. Burglary and theft	200	122	200	122	25,781	1,001	25,781	1,123	1,052
27. Boiler and machinery		20,506		20,506	2,347	22,603	2,347	43,109	3,410
28. Credit						2,717		2,717	
29. International									
30. Warranty						1,535		1,535	830
31. Reinsurance-nonproportional assumed property	X X X	398,068		398,068	X X X	629,206		1,027,274	11,485
32. Reinsurance-nonproportional assumed liability	X X X	397,753		397,753	X X X	1,148,976		1,546,729	117,299
33. Reinsurance-nonproportional assumed financial lines	X X X	19,193		19,193	X X X	(33)		19,160	688
34. Aggregate write-ins for other lines of business									
35. TOTALS	334,770,700	38,083,039	334,770,700	38,083,039	183,973,104	38,579,364	183,973,104	76,662,403	15,784,322

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	27,190,829			27,190,829
1.2 Reinsurance assumed	4,526,439			4,526,439
1.3 Reinsurance ceded	27,190,829			27,190,829
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	4,526,439			4,526,439
2. Commission and brokerage:				
2.1 Direct, excluding contingent		12,725,130		12,725,130
2.2 Reinsurance assumed, excluding contingent		(1,462,409)		(1,462,409)
2.3 Reinsurance ceded, excluding contingent		12,725,130		12,725,130
2.4 Contingent—direct		(448,965)		(448,965)
2.5 Contingent—reinsurance assumed		544,566		544,566
2.6 Contingent—reinsurance ceded		(448,965)		(448,965)
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)		(917,843)		(917,843)
3. Allowances to manager and agents		949,230		949,230
4. Advertising	28,151	1,284,418	284	1,312,853
5. Boards, bureaus and associations	11,681	106,498	14	118,193
6. Surveys and underwriting reports	81	168,382	4,952	173,415
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	2,246,279	5,680,774	179,755	8,106,808
8.2 Payroll taxes	112,522	512,982	1,164	626,668
9. Employee relations and welfare	546,331	2,398,590	8,752	2,953,673
10. Insurance	482,443	78,151	4,144	564,738
11. Directors' fees	3	14		17
12. Travel and travel items	183,720	383,207	6,763	573,690
13. Rent and rent items	119,832	535,212	2,151	657,195
14. Equipment	70,186	210,496	3,080	283,762
15. Cost or depreciation of EDP equipment and software	82,303	282,447	6,120	370,870
16. Printing and stationery	21,977	94,001	511	116,489
17. Postage, telephone and telegraph, exchange and express	66,100	324,560	5,843	396,503
18. Legal and auditing	17,705	107,962	15,777	141,444
19. Totals (Lines 3 to 18)	3,989,314	13,116,924	239,310	17,345,548
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 21,992		1,929,099		1,929,099
20.2 Insurance department licenses and fees		103,393		103,393
20.3 Gross guaranty association assessments		20,646		20,646
20.4 All other (excluding federal and foreign income and real estate)		90,381		90,381
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		2,143,519		2,143,519
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	253,907	1,300,369	52,077	1,606,353
25. Total expenses incurred	8,769,660	15,642,969	291,387	(a) 24,704,016
26. Less unpaid expenses—current year	15,784,323	3,513,736		19,298,059
27. Add unpaid expenses—prior year	14,719,099	2,987,907		17,707,006
28. Amounts receivable relating to uninsured plans, prior year		113		113
29. Amounts receivable relating to uninsured plans, current year		1,930		1,930
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	7,704,436	15,118,957	291,387	23,114,780

DETAILS OF WRITE-IN LINES				
2401. Other expenses	253,907	1,300,369	52,077	1,606,353
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)	253,907	1,300,369	52,077	1,606,353

(a) Includes management fees of \$ 11,730,023 to affiliates and \$ 1,135,131 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 1,989,346	1,983,123
1.1 Bonds exempt from U.S. tax	(a) 7,043	10,237
1.2 Other bonds (unaffiliated)	(a) 3,326,658	3,270,927
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		2
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 6,787	6,862
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	16,218	16,218
10. Total gross investment income	5,346,052	5,287,369
11. Investment expenses		(g) 291,387
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		291,387
17. Net investment income (Line 10 minus Line 16)		4,995,982

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	16,218	16,218
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)	16,218	16,218
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 \$ 69,107 accrual of discount less \$ 602,513 amortization of premium and less \$ 47,562 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	278,113	(135,633)	142,480	285,989	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)				111	
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	278,113	(135,633)	142,480	286,100	

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	152,106	152,733	627
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	10,712	2,082	(8,630)
15.3 Accrued retrospective premiums	130,378	183,090	52,712
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	951	48	(903)
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset		1,446,179	1,446,179
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	160,117	142,668	(17,449)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	454,264	1,926,800	1,472,536
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	454,264	1,926,800	1,472,536

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	160,116	142,668	(17,448)
2502. Amounts receivable under high deductible policies	1		(1)
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	160,117	142,668	(17,449)

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

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

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

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

C. Accounting Policies

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

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

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

Note 2 - Accounting Changes and Correction of Errors

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

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

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

NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

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

C. Impairment Loss

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

Note 4 - Discontinued Operations

The Company has no discontinued operations.

Note 5 - Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company does not invest in mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
2. All Loan Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2012 as of December 31, 2012: None
1. Each Loan Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2012:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than- temporary impairment	Amortized cost after other-than- temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
12544LAK7	976,910	952,190	24,720	952,190	952,190	3/31/2011
12544LAK7	952,091	942,184	9,907	942,184	941,455	9/30/2011
12544LAK7	897,858	887,181	10,677	887,181	886,614	12/31/2011
12544LAK7	857,976	841,320	16,656	841,320	841,453	3/31/2012
12544LAK7	803,647	795,182	8,465	795,182	798,343	6/30/2012
12545CAU4	989,099	909,932	79,167	909,932	865,079	6/30/2011
12545CAU4	860,881	843,229	17,652	843,229	771,243	12/31/2011
12545CAU4	813,590	801,130	12,460	801,130	751,706	3/31/2012
12545CAU4	773,543	752,117	21,426	752,117	690,038	6/30/2012
94985RAQ5	916,873	840,246	76,627	840,246	838,469	6/30/2012

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

a.	The aggregate amount of unrealized losses:		
	1. Less than 12 Months	\$	(20,097)
	2. 12 Months or Longer	\$	-
b.	The aggregate related fair value of securities with unrealized losses:		
	1. Less than 12 Months	\$	1,732,532
	2. 12 Months or Longer	\$	-

NOTES TO FINANCIAL STATEMENTS

5. The Company reviews fixed income securities for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to: (a) the extent of the decline in fair value below book value, (b) the duration of the decline, (c) significant adverse changes in the financial condition or near term prospects of the investment or issuer, (d) significant change in the business climate or credit ratings of the issuer, (e) general market conditions and volatility, (f) industry factors, and (g) the past impairment of the security holding or the issuer. If the Company believes a decline in the value of a particular investment is temporary, the decline is recorded as an unrealized loss in policyholders' surplus. If the decline is believed to be "other-than-temporary," and the Company believes it will not be able to collect all cash flows due on its fixed income securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment.

E. Repurchase Agreements and Securities Lending

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

a. Aggregate Amount Cash Collateral Received

	<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	\$3,855,653
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	3,855,653
(g) Securities Received	8,885,591
(h) Total Collateral Received	\$12,741,244

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)

\$3,855,653

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

4. Securities Lending Transactions Administered by an Affiliated Agent

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

NOTES TO FINANCIAL STATEMENTS

5. Collateral Reinvestment

a. Aggregate Amount Cash Collateral Reinvested

	<u>Amortized Cost</u>	<u>Fair Value</u>
1. Repurchase Agreement		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	-	-
(c) 31 to 60 Days	-	-
(d) 61 to 90 Days	-	-
(e) 91 to 120 Days	-	-
(f) 121 to 180 Days	-	-
(g) 181 to 365 Days	-	-
(h) 1 to 2 Years	-	-
(i) 2 to 3 Years	-	-
(j) Greater Than 3 Years	-	-
(k) Sub-Total	-	-
(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$ -	\$ -
2. Securities Lending		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	591,959	591,959
(c) 31 to 60 Days	1,506,868	1,506,852
(d) 61 to 90 Days	1,757,622	1,756,842
(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	3,856,449	3,855,653
(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$3,856,449	\$3,855,653
3. Dollar Repurchase Agreement		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	-	-
(c) 31 to 60 Days	-	-
(d) 61 to 90 Days	-	-
(e) 91 to 120 Days	-	-
(f) 121 to 180 Days	-	-
(g) 181 to 365 Days	-	-
(h) 1 to 2 Years	-	-
(i) 2 to 3 Years	-	-
(j) Greater Than 3 Years	-	-
(k) Sub-Total	-	-
(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$ -	\$ -

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

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7 - Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2012.

Note 8 - Derivative Instruments

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

Note 9 - Income Taxes

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

1.

	12/31/2012		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
(a) Gross Deferred Tax Assets	\$ 8,154,900	\$ 46,900	\$ 8,201,800
(b) Statutory Valuation Allowance Adjustments	7,612,439	43,361	7,655,800
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	542,461	3,539	546,000
(d) Deferred Tax Assets Nonadmitted	-	-	-
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	542,461	3,539	546,000
(f) Deferred Tax Liabilities	542,461	3,539	546,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ -	\$ -	\$ -

	12/31/2011		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 6,636,654	\$ 147,346	\$ 6,784,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	6,636,654	147,346	6,784,000
(d) Deferred Tax Assets Nonadmitted	1,298,833	147,346	1,446,179
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	5,337,821	-	5,337,821
(f) Deferred Tax Liabilities	774,000	-	774,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 4,563,821	\$ -	\$ 4,563,821

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ 1,518,246	\$ (100,446)	\$ 1,417,800
(b) Statutory Valuation Allowance Adjustments	7,612,439	43,361	7,655,800
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	(6,094,193)	(143,807)	(6,238,000)
(d) Deferred Tax Assets Nonadmitted	(1,298,833)	(147,346)	(1,446,179)
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	(4,795,360)	3,539	(4,791,821)
(f) Deferred Tax Liabilities	(231,539)	3,539	(228,000)
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$(4,563,821)	\$ -	\$ (4,563,821)

NOTES TO FINANCIAL STATEMENTS

2.

	12/31/2012		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ -	\$ -	\$ -
(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)	542,461	-	542,461
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	542,461	-	542,461
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			6,826,788
(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	-	3,539	3,539
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 542,461	\$ 3,539	\$ 546,000

	12/31/2011		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ -	\$ -	\$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	4,563,821	-	4,563,821
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	4,563,821	-	4,563,821
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			7,637,956
(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	774,000	-	774,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 5,337,821	\$ -	\$ 5,337,821

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ -	\$ -	\$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	(4,021,360)	-	(4,021,360)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	(4,021,360)	-	(4,021,360)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			(811,168)
(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	(774,000)	3,539	(770,461)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ (4,795,360)	\$ 3,539	\$ (4,791,821)

NOTES TO FINANCIAL STATEMENTS

3.

	2012	2011
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	618.76%	806.08%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	46,990,692	51,433,986

4.

	12/31/2012			12/31/2011			Change		
	(1) Ordinary Percent	(2) Capital Percent	(3) (Col 1+2) Total Percent	(4) Ordinary Percent	(5) Capital Percent	(6) (Col 4+5) Total Percent	(7) (Col 1-4) Ordinary Percent	(8) (Col 2-5) Capital Percent	(9) (Col 7+8) Total Percent
Impact of Tax-Planning Strategies									
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0%	0%	0%	55%	0%	55%	(55)%	0%	(55)%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	0%	0%	0%	81%	0%	81%	(81)%	0%	(81)%

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

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

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

	(1) 12/31/2012	(2) 12/31/2011	(3) (Col 1-2) Change
1. Current Income Tax			
(a) Federal	\$ (1,306,868)	\$ (272,170)	\$ (1,034,698)
(b) Foreign	-	-	-
(c) Subtotal	(1,306,868)	(272,170)	(1,034,698)
(d) Federal income tax on net capital gains	49,868	(57,830)	107,698
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	\$ (1,257,000)	\$ (330,000)	\$ (927,000)
2. Deferred Tax Assets:			
(a) Ordinary			
(1) Discounting of unpaid losses	\$ 2,332,000	\$ 2,075,000	\$ 257,000
(2) Unearned premium reserve	1,848,000	1,696,000	152,000
(3) Policyholder reserves	-	-	-
(4) Investments	-	-	-
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	-	-	-
(8) Compensation and benefits accrual	276,000	242,000	34,000
(9) Pension accrual	-	-	-
(10) Receivables – nonadmitted	159,000	168,000	(9,000)
(11) Net operating loss carry-forward	3,213,000	1,995,000	1,218,000
(12) Tax credit carry-forward	-	-	-
(13) Other (including items <5% of total ordinary tax assets)	326,900	460,654	(133,754)
(99) Subtotal	8,154,900	6,636,654	1,518,246
(b) Statutory valuation allowance adjustment	7,612,439	-	7,612,439
(c) Nonadmitted	-	1,298,833	(1,298,833)
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	542,461	5,337,821	(4,795,360)
(e) Capital			
(1) Investments	46,900	147,346	(100,446)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-

NOTES TO FINANCIAL STATEMENTS

(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	46,900	147,346	(100,446)
(f) Statutory valuation allowance adjustment	43,361	-	43,361
(g) Nonadmitted	-	147,346	(147,346)
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	3,539	-	3,539
(i) Admitted deferred tax assets (2d + 2h)	546,000	5,337,821	(4,791,821)
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	58,000	79,000	(21,000)
(2) Fixed assets	407,000	539,000	(132,000)
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total capital tax liabilities)	77,461	156,000	(78,539)
(99) Subtotal	542,461	774,000	(231,539)
(b) Capital:			
(1) Investments	3,539	-	3,539
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	3,539	-	3,539
(c) Deferred tax liabilities (3a99 + 3b99)	546,000	774,000	(228,000)
4. Net deferred tax assets/liabilities (2i – 3c)	\$ -	\$ 4,563,821	\$ (4,563,821)

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of goodwill, net operating losses generated in 2012, unearned premium reserves, discounting of unpaid losses and LAE reserves, and sale-leasebacks.
- E. The Company has net operating loss carry-forwards which expire as follows:

Year Generated	Amount	Expiration
2011	\$ 5,880,000	2031
2012	\$ 3,301,000	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 none from the preceding year.

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

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

AMBCO Capital Corporation	Liberty Mutual Insurance Company
America First Insurance Company	Liberty Mutual Personal Insurance Company
America First Lloyd's Insurance Company	Liberty Northwest Insurance Corporation
American Economy Insurance Company	Liberty Personal Insurance Company
American Fire and Casualty Company	Liberty RE (Bermuda) Limited
American States Insurance Company	Liberty Sponsored Insurance (Vermont), Inc.
American States Insurance Company of Texas	Liberty Surplus Insurance Corporation
American States Lloyds Insurance Company	LIH-RE of America Corporation
American States Preferred Insurance Company	LIU Specialty Insurance Agency Inc.
Barrier Ridge LLC	LM General Insurance Company
Berkeley Holding Company Associates, Inc.	LM Insurance Corporation
Berkeley Management Corporation	LM Property & 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.

NOTES TO FINANCIAL STATEMENTS

Consolidated Insurance Company
 Copley Venture Capital, Inc.
 Diversified Settlements, Inc.
 Emerald City Insurance Agency, Inc.
 Employers Insurance Company of Wausau
 Excelsior Insurance Company
 F.B. Beattie & Co., Inc.
 First National Insurance Company of America
 First State Agency Inc.
 General America Corporation
 General America Corporation of Texas
 General Insurance Company of America
 Golden Eagle Insurance Corporation
 Gulf States AIF, Inc.
 Hawkeye-Security Insurance Company
 Heritage-Summit HealthCare, LLC
 Indiana Insurance Company
 Insurance Company of Illinois
 LEXCO Limited
 Liberty-USA Corporation
 Liberty Assignment Corporation
 Liberty Energy Canada, Inc.
 Liberty Financial Services, Inc.
 Liberty Hospitality Group, Inc.
 Liberty Insurance Corporation
 Liberty Insurance Holdings, Inc.
 Liberty Insurance Underwriters Inc.
 Liberty International Europe Inc.
 Liberty International Holdings Inc.
 Liberty Life Assurance Company of Boston
 Liberty Life Holdings Inc.
 Liberty Lloyds of Texas Insurance Company
 Liberty Management Services, Inc.
 Liberty Mexico Holdings Inc.
 Liberty Mutual Agency Corporation
 Liberty Mutual Fire Insurance Company
 Liberty Mutual Group Asset Management Inc.
 Liberty Mutual Group Inc.
 Liberty Mutual Holding Company Inc.

Ohio Casualty Corporation
 Ohio Security Insurance Company
 Open Seas Solutions, Inc.
 Oregon Automobile Insurance Company
 Peerless Indemnity Insurance Company
 Peerless Insurance Company
 Pilot Insurance Services, Inc.
 Rianoc Research Corporation
 S.C. Bellevue, Inc.
 SAFECARE Company, Inc.
 Safeco Corporation
 Safeco General Agency, Inc.
 Safeco Insurance Company of America
 Safeco Insurance Company of Illinois
 Safeco Insurance Company of Indiana
 Safeco Insurance Company of Oregon
 Safeco Lloyds Insurance Company
 Safeco National Insurance Company
 Safeco Properties, Inc.
 Safeco Surplus Lines Insurance Company
 San Diego Insurance Company
 SCIT, Inc.
 St. James Insurance Company Ltd.
 Summit Consulting, LLC
 Summit Consulting, Inc. of Louisiana
 Summit Holding Southeast, Inc.
 The First Liberty Insurance Corporation
 The Midwestern Indemnity Company
 The National Corporation
 The Netherlands Insurance Company
 The Ohio Casualty Insurance Company
 Wausau Business Insurance Company
 Wausau General Insurance Company
 Wausau Underwriters Insurance Company
 West American Insurance Company
 Winmar Company, Inc.
 Winmar of the Desert, Inc.
 Winmar Oregon, Inc.
 Winmar-Metro, Inc.

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

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

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Insurance Company ("LMIC"), a Massachusetts insurance company. The ultimate parent of LMIC is Liberty Mutual Holding Company Inc. ("LMHC"), a Massachusetts company.
- B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.
- C. There have been no material transactions with the Company's affiliates during 2012.
- D. At December 31, 2012, the Company reported a net \$11,526,816 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.
- E. The Company has not made any guarantees or initiated any undertakings, written or otherwise, for the benefit of affiliates or other related parties.

NOTES TO FINANCIAL STATEMENTS

- F. Refer to Note 26 for information regarding the Inter-Company Reinsurance Agreement.

There is a service agreement between the Company and LMIC, under which LMIC provides the Company with services of personnel employed by LMIC and through a management services agreement entered into by LMIC and LMGI including, but not limited to, office space, supplies, equipment, telephone and wire services, the use of computers and similar machines to the extent necessary or appropriate.

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

The Company is a party to a service agreement with Peerless Insurance Company ("PIC"). Under the Agreement, the Company provides services to PIC.

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

The Company paid \$601,694 under the LMHC Tax Sharing Agreement and paid \$291,387 under the LMGAM and LMIA investment management agreements. Pursuant to the Inter Company Reinsurance Agreement with LMIC (Refer to Note 26), the expenses incurred under the Liberty Mutual service agreement are allocated to the Company in accordance with the Company's "Pool" participation percentage.

- G. The Company is a member of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- I. The Company does not own investments in subsidiary, controlled or affiliated companies .
- J. The Company does not own any investments in subsidiary, controlled or affiliated entities, as such no impairments were recognized.
- K. The Company does not hold any investments in foreign insurance subsidiaries.
- L. The Company does not hold any investments in downstream non-insurance holding companies.

Note 11 - Debt

- A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

- B. Federal Home Loan Bank Agreements

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

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

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

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

1. The Company has 20,000,000 shares authorized and 10,900,000 shares issued and outstanding as of December 31, 2012. All shares have a stated par value of \$1.
2. Preferred Stock
Not applicable
3. There are no dividend restrictions.
4. The Company did not pay dividends in 2012.
5. The maximum amount of dividends that can be paid by Wisconsin-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the lesser of (a) 10% of surplus, or the greater of (b) or (c); (b) net income for calendar year preceding date of dividend less realized gains for that calendar year, or (c) the aggregate of net income for three calendar years preceding the date of dividend less realized gains for those calendar years less dividends paid/credited within the first two of the preceding three calendar years. The maximum dividend payout that may be made without prior approval in 2013 is \$0, as the Company's unassigned surplus is negative.
6. As of December 31, 2012, the Company has pre-tax restricted surplus of \$3,277,081 resulting from retroactive reinsurance contracts.

NOTES TO FINANCIAL STATEMENTS

7. The Company had no advances to surplus.
8. The Company does not hold stock for special purposes.
9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2012.
10. The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is \$111 after applicable deferred taxes of \$39.
11. Surplus Notes
Not applicable
12. Quasi-reorganization (dollar impact)
Not applicable
13. Quasi-reorganization (effective date)
Not applicable

Note 14 - Contingencies

A. Contingent Commitments

Refer to Note 10E.

B. Assessments

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

The Company has accrued a liability for guaranty funds and other assessments of \$621,284 that is offset by future premium tax credits of \$57,707. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2013. During 2012 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

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

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$ 74,771
b. Decreases current year:	
Premium tax offset applied	17,619
c. Increases current year:	
Premium tax offset increase	555
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$ 57,707

C. Gain Contingencies

Not applicable

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

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

E. Product Warranties

The Company does not write product warranty business.

F. All Other Contingencies

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

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

NOTES TO FINANCIAL STATEMENTS

Note 15 - Leases

A. Lessee Leasing Arrangements

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

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

Year Ending December 31,	<u>Operatin g Leases</u>
2013	\$ 449,458
2014	428,647
2015	275,029
2016	257,825
2017	140,308
2018 & thereafter	1,221,177
Total	\$ 2,772,444

The Company has not terminated any existing lease agreements early, nor is under a lease agreement but no longer using leased property benefits.

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.

B. Transfers and Servicing of Financial Assets

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

At December 31, 2012 the total fair value of securities on loan was \$12,487,064, with corresponding collateral value of \$12,741,244 of which \$3,855,653 represents cash collateral.

C. Wash Sales

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

Note 18 - Gain or Loss from Uninsured 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, 2012:

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	-	-	-	\$ -
Residential Mortgage-Backed Securities	-	-	-	\$ -
Total Bonds	\$ -	\$ -	\$ -	\$ -
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	-	-	-	\$ -
Total Preferred Stocks	\$ -	\$ -	\$ -	\$ -
Common Stocks				
Industrial and Miscellaneous	\$111	-	-	\$111
Total Common Stocks	\$111	-	-	\$111
Total assets at fair value	\$111	\$ -	\$ -	\$111
Liabilities at fair value				
Total liabilities at fair value	\$ -	\$ -	\$ -	\$ -

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

2. Rollforward of Level 3 Items

The Company has no assets or liabilities measured at fair value in the Level 3 category.

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

NOTES TO FINANCIAL STATEMENTS

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.

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.

NOTES TO FINANCIAL STATEMENTS

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	\$2,992,977	\$2,992,977	\$2,992,977			
Bonds	151,368,206	141,936,536	28,580,842	121,767,984	1,019,380	
Preferred Stock	-	-	-	-	-	
Common Stock	111	111	111		-	
Securities Lending	3,855,653	3,855,653		3,855,653	-	
Mortgage Loans	-	-	-	-	-	
Surplus Notes	-	-	-	-	-	
Total	\$158,216,947	\$148,785,277	\$31,573,930	\$125,623,637	\$1,019,380	

D. Not Practicable to Estimate Fair Value

Not applicable

Note 21 - Other Items

A. Extraordinary Items

The Company has no extraordinary items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

1) Florida Special Disability Trust Fund

- a) The amount of credit taken by the Company in determination of its loss reserves was \$0 in 2012 and 2011.
- b) The Company's reported loss recoveries from the Special Disability Trust Fund were \$0 in 2012 and 2011.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$47,404 in 2012 and \$55,986 in 2011.

- 2) Assets in the amount of \$ 12,386,805 and \$12,463,598 as of December 31, 2012 and 2011, respectively, were on deposit with government authorities or trustees as required by law.

3) Interrogatory 6.1

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

Interrogatory 6.2

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

Interrogatory 6.3

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

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable and Non-transferable Tax Credits

NOTES TO FINANCIAL STATEMENTS

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

G. Subprime-Mortgage-Related Risk Exposure

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

Note 22 - Events Subsequent

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

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

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverable

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

B. Reinsurance Recoverable in Dispute

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

C. Reinsurance Assumed & Ceded

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

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	\$22,792,096	\$290,519	\$40,340,009	\$2,973,165	\$(17,547,913)	\$(2,682,646)
b. All Other	-	-	-	-	-	-
c. TOTAL	\$22,792,096	\$290,519	\$40,340,009	\$2,973,165	\$(17,547,913)	\$(2,682,646)
d. Direct Unearned Premium Reserve	\$40,340,009					

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

	Direct	Assumed	Ceded	Net
a. Contingent Commission	\$760,009	\$ 167,360	\$760,009	\$ 167,360
b. Sliding Scale Adjustments	-	-	-	-
c. Other Profit Commission Arrangements	-	(450,000)	-	(450,000)
d. TOTAL	\$760,009	\$(282,640)	\$760,009	\$(282,640)

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

D. Uncollectible Reinsurance

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

E. Commutation of Ceded Reinsurance

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

F. Retroactive Reinsurance

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

	Reported Company	
	As:	
	Assumed	Ceded
a. Reserves Transferred:		
1. Initial Reserves		-

NOTES TO FINANCIAL STATEMENTS

	\$(5,725,641)	
2. Adjustments – Prior Year (s)	904,257	-
3. Adjustments – Current Year	231,848	-
4. Current Total	\$(4,589,536)	-
b. Consideration Paid or Received:		
1. Initial Consideration	\$(1,700,029)	-
2. Adjustments – Prior Year (s)	(274,282)	-
3. Adjustments – Current Year	(2,767)	-
4. Current Total	\$(1,977,078)	-
c. Paid Losses Reimbursed or Recovered:		
1. Prior Year (s)	\$(1,029,777)	-
2. Current Year	(110,754)	-
3. Current Total	\$(1,140,531)	-
d. Special Surplus from the Retroactive Reinsurance:		
1. Initial Surplus Gain or Loss	\$4,169,944	-
2. Adjustments – Prior Year (s)	(293,094)	-
3. Adjustments – Current Year	(123,861)	-
4. Current Year Restricted Surplus	3,277,081	-
5. Cumulative Total Transferred to Unassigned Funds	\$ 475,908	-
e. All cedents and reinsurers involved in all transactions included in summary totals above:		
	Assumed Amount	Ceded Amount
<u>Company</u>		
Liberty Mutual Insurance Company, 23043	\$(4,589,536)	-
Total	\$(4,589,536)	\$ -

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

G. Reinsurance Accounted for as a Deposit

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

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

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

I. Certified Reinsurers Downgraded or Status Subject to Revocation

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

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

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

The Company is not a Certified Reinsurer.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. Accrued retrospective premiums reported in Line 15.3 of the assets page have been determined based upon loss experience on business subject to such experience rating adjustment.

NOTES TO FINANCIAL STATEMENTS

- B. The Company records accrued retrospective premium as an adjustment to earned premium.
- C. For detail of net premium written subject to retrospective rating features refer to Schedule P, Part 7A.
- D. Medical Loss Ratio Rebates

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

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

a.	Total accrued retro premium	\$1,306,961
b.	Unsecured amount	
c.	Less: Nonadmitted amount (10%)	130,378
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	
e.	Admitted amount (a) - (c) - (d)	\$1,176,583

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributable to insured events on prior years has increase through the fourth quarter or 2012. This increase was primarily the result of an updated reserve analysis in the Workers' Compensation and Other Liability Occurrence lines. The increases were partially offset by decreases in reserve estimates for the Products Liability and Homeowners/Farmowners 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 Intercompany Reinsurance Agreement consisting of the following affiliated companies:

		NAIC Company <u>Number</u>	Pooling <u>Percentage</u>	Line of <u>Business</u>
Lead Company:	Liberty Mutual Insurance Company ("LMIC")	23043	73.80%	All Lines
Affiliated Pool Companies:	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	12.90%	All Lines
	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	4.00%	All Lines
	Wausau Business Insurance Company ("WBIC")	26069	0.40%	All Lines
	Wausau Underwriters Insurance Company ("WUIC")	26042	0.40%	All Lines
	LM Insurance Corporation ("LMC")	33600	0.20%	All Lines
	The First Liberty Insurance Corporation ("FST")	33588	0.10%	All Lines
	LM General Insurance Company ("LMGIC")	36447	0.10%	All Lines
	Liberty Insurance Underwriters, Inc. ("LIU")	19917	0.10%	All Lines
	Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.00%	All Lines
	Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.00%	All Lines
	Liberty Personal Insurance Company ("LPIC")	11746	0.00%	All Lines
	Liberty Surplus Insurance Corporation ("LSI")	10725	0.00%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.00%	All Lines
	Wausau General Insurance Company ("WGIC")	26425	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Bridgefield Employers Insurance Company ("BEIC")	10701	0.00%	All Lines
	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.00%	All Lines
	Liberty County Mutual Insurance Company ("LCMIC")	19544	0.00%	All Lines
	LM Property and Casualty Insurance Company ("LMPAC")	32352	0.00%	All Lines

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

NOTES TO FINANCIAL STATEMENTS

- (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 and 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 intercompany pool as of December 31, 2012:

Affiliate:	Amount:
Liberty Mutual Insurance Company	\$ (1,786,675)

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

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

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

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

		NAIC Company <u>Number</u>	Pooling <u>Percentage</u>	Line of <u>Business</u>
Lead				
Company:	Liberty Mutual Insurance Company ("LMIC")	23043	50.0%	All Lines
Affiliated	Peerless Insurance Company ("PIC")	24198	20.0%	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	6.0%	All Lines
	American Economy Insurance Company ("AEIC")	19690	0.0%	All Lines
	America First Insurance Company ("AFIC")	12696	0.0%	All Lines
	America Fire and Casualty Company ("AFCIC")	24066	0.0%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.0%	All Lines
	American States Insurance Company ("ASIC")	19704	0.0%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.0%	All Lines
	American States Lloyd's Insurance Company ("ASLCO")	31933	0.0%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.0%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.0%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.0%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.0%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.0%	All Lines
	The First Liberty Insurance Corporation ("FST")	33588	0.0%	All Lines
	General Insurance Company of America ("GICA")	24732	0.0%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	0.0%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.0%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.0%	All Lines
	Indiana Insurance Company ("IIC")	22659	0.0%	All Lines

NOTES TO FINANCIAL STATEMENTS

Liberty Insurance Corporation ("LIC")	42404	0.0%	All Lines
Liberty Insurance Underwriters, Inc. ("LIU")	19917	0.0%	All Lines
Liberty County Mutual Insurance Company ("LCMIC")	19544	0.0%	All Lines
LM General Insurance Company ("LMGIC")	36447	0.0%	All Lines
Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.0%	All Lines
LM Insurance Corporation ("LMC")	33600	0.0%	All Lines
Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.0%	All Lines
Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.0%	All Lines
Liberty Northwest Insurance Corporation ("LNW")	41939	0.0%	All Lines
Liberty Personal Insurance Company (LPIC)	11746	0.0%	All Lines
Liberty Surplus Insurance Corporation ("LSI")	10725	0.0%	All Lines
Mid-American Fire & Casualty Company ("MAFCC")	23507	0.0%	All Lines
Montgomery Mutual Insurance Company ("MMIC")	14613	0.0%	All Lines
The Midwestern Indemnity Company ("MWIC")	23515	0.0%	All Lines
National Insurance Association ("NIA")	27944	0.0%	All Lines
The Netherlands Insurance Company ("NIC")	24171	0.0%	All Lines
North Pacific Insurance Company ("NPIC")	23892	0.0%	All Lines
Ohio Security Insurance Company ("OSIC")	24082	0.0%	All Lines
Oregon Automobile Insurance Company ("OAIC")	23922	0.0%	All Lines
Peerless Indemnity Insurance Company ("PIIC")	18333	0.0%	All Lines
Safeco Insurance Company of Illinois ("SICIL")	39012	0.0%	All Lines
Safeco Insurance Company of Indiana ("SICIN")	11215	0.0%	All Lines
Safeco Insurance Company of Oregon ("SICOR")	11071	0.0%	All Lines
Safeco Lloyds Insurance Company ("SLICO")	11070	0.0%	All Lines
Safeco National Insurance Company ("SNIC")	24759	0.0%	All Lines
Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.0%	All Lines
Wausau Business Insurance Company ("WBIC")	26069	0.0%	All Lines
Wausau General Insurance Company ("WGIC")	26425	0.0%	All Lines
Wausau Underwriters Insurance Company ("WUIC")	26042	0.0%	All Lines
West American Insurance Company ("WAIC")	44393	0.0%	All Lines

100.00%

100% Quota	Bridgefield Employers Insurance Company ("BEIC")	10701	0.0%	All Lines
Share	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.0%	All Lines
Affiliated	LM Property and Casualty Insurance Company ("LMPAC")	32352	0.0%	All Lines
Companies:				

Note 27 - Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$2,029,626 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 \$2,029,626 as of December 31, 2012.
- 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	\$ 1,183,479
Nationwide Life Insurance Company Columbus, Ohio	Yes	\$ 522,504

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 - Premium Deficiency Reserves

1. Liability carried for premium deficiency reserves	\$ -
2. Date of the most recent evaluation of this liability	12/31/2012

NOTES TO FINANCIAL STATEMENTS

3. Was anticipated investment income utilized in the calculation?	Yes
---	-----

Note 31 - High Dollar Deductible Policies

As of December 31, 2012, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$22,327,895 and the amount billed and recoverable on paid claims was \$867,779.

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	2,609,987	2,739,665
5. Commercial Multiple Peril	-	-
6. Medical Professional Liability – occurrence	-	-
7. Medical Professional Liability – claims-made	-	-
8. Special Liability	-	-
9. Other Liability - occurrence	24,602	-
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	2,634,589	2,739,665

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

B. Nontabular Discount:

Not applicable

Note 33 - Asbestos/Environmental Reserves

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

Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

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

NOTES TO FINANCIAL STATEMENTS

asbestos claim is a products/completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim. The uncertainties cannot be reasonably estimated, but could have a material impact on the Company's future operating results and financial condition.

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

Uncertainty Regarding Reserving Methodologies

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

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

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

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

Asbestos:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Direct Basis					
Beginning Reserves	6,729,228	6,252,688	7,405,784	5,448,764	5,929,328
Incurring losses and LAE	570,577	2,197,151	307,462	1,728,135	974,495
Calendar year payments	1,047,117	1,044,054	2,264,482	1,247,572	1,032,897
Ending Reserves	<u>6,252,688</u>	<u>7,405,784</u>	<u>5,448,764</u>	<u>5,929,328</u>	<u>5,870,926</u>
Assumed Reinsurance Basis					
Beginning Reserves	2,833,006	2,682,152	1,919,743	1,910,511	1,878,617
Incurring losses and LAE	(30,287)	(611,028)	194,986	79,387	1,672
Calendar year payments	120,568	151,381	204,219	111,281	164,471
Ending Reserves	<u>2,682,152</u>	<u>1,919,743</u>	<u>1,910,511</u>	<u>1,878,617</u>	<u>1,715,818</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	3,189,340	2,637,427	3,547,480	2,307,775	3,041,276
Incurring losses and LAE	56,976	1,582,207	(428,689)	1,314,074	622,297
Calendar year payments	608,889	672,153	811,017	580,573	882,629
Ending Reserves	<u>2,637,427</u>	<u>3,547,480</u>	<u>2,307,775</u>	<u>3,041,276</u>	<u>2,780,944</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					3,049,796
Assumed Reinsurance Basis					1,316,777
Net of Ceded Reinsurance Basis					1,504,519
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					2,656,738
Assumed Reinsurance Basis					104,354
Net of Ceded Reinsurance Basis					1,148,013

NOTES TO FINANCIAL STATEMENTS

<u>Environmental:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Direct Basis					
Beginning Reserves	1,803,494	1,492,968	1,226,155	1,174,209	1,186,744
Incurred losses and LAE	27,349	112,614	157,765	247,950	247,797
Calendar year payments	337,875	379,427	209,711	235,415	205,777
Ending Reserves	<u>1,492,968</u>	<u>1,226,155</u>	<u>1,174,209</u>	<u>1,186,744</u>	<u>1,228,764</u>
Assumed Reinsurance Basis					
Beginning Reserves	163,421	162,964	211,006	162,905	167,752
Incurred losses and LAE	14,361	68,746	(2,210)	37,704	35,187
Calendar year payments	14,818	20,704	45,891	32,858	11,731
Ending Reserves	<u>162,964</u>	<u>211,006</u>	<u>162,905</u>	<u>167,752</u>	<u>191,208</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	1,454,544	1,246,348	1,054,784	924,549	852,303
Incurred losses and LAE	(53)	(11)	(11,337)	55,997	(127,289)
Calendar year payments	208,142	191,554	118,897	128,243	(39,097)
Ending Reserves	<u>1,246,348</u>	<u>1,054,784</u>	<u>924,549</u>	<u>852,303</u>	<u>764,110</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					804,015
Assumed Reinsurance Basis					132,898
Net of Ceded Reinsurance Basis					442,811
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					606,731
Assumed Reinsurance Basis					36,074
Net of Ceded Reinsurance Basis					268,191

Note 34 - Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

Note 36 - Financial Guaranty Insurance

Not applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes No
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes No N/A
- 1.3 State Regulating? _____ Wisconsin _____
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes No
- 2.2 If yes, date of change: _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. _____ 12/31/2009 _____
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. _____ 12/31/2009 _____
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). _____ 05/25/2011 _____
- 3.4 By what department or departments?
 State of Wisconsin Office of the Commissioner of Insurance

- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes No N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes No
- 4.12 renewals? Yes No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes No
- 4.22 renewals? Yes No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

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

GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....

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

7.2 If yes,

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

1 Nationality	2 Type of Entity
.....

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

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

.....

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

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

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

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

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

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

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

.....

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

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

.....

GENERAL INTERROGATORIES

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

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

.....

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

William Finn
 175 Berkeley Street, Boston, MA 02116
 Officer of 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).

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

.....

GENERAL INTERROGATORIES

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

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

.....

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

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

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

BOARD OF DIRECTORS

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

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

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

FINANCIAL

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

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

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

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

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

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

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

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

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

GENERAL INTERROGATORIES

22.2 If answer is yes:

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

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes 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.

\$ 12,741,244

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	\$	3,855,653
24.102	Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$	3,855,653
24.103	Total payable for securities lending reported on the liability page	\$	3,855,653

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03).

Yes No

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

25.21	Subject to repurchase agreements	\$	0
25.22	Subject to reverse repurchase agreements	\$	0
25.23	Subject to dollar repurchase agreements	\$	0
25.24	Subject to reverse dollar repurchase agreements	\$	0
25.25	Pledged as collateral	\$	0
25.26	Placed under option agreements	\$	0
25.27	Letter stock or securities restricted as to sale	\$	0
25.28	On deposit with state or other regulatory body	\$	12,386,805
25.29	Other	\$	0

GENERAL INTERROGATORIES

25.3 For category (25.27) provide the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GENERAL INTERROGATORIES

29.2 If yes, complete the following schedule:

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

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

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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	144,929,513	154,361,186	9,431,673
30.2 Preferred stocks	0	0	0
30.3 Totals	144,929,513	154,361,186	9,431,673

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

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

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?

Yes [] No [X]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?

Yes [] No []

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

.....

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes [X] No []

32.2 If no, list exceptions:

.....

OTHER

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

\$ 0

GENERAL INTERROGATORIES

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

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

34.1 Amount of payments for legal expenses, if any? \$ 0

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

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

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 0

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

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

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

.....

.....

.....

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>5,385</u>		\$ <u>4,769</u>	
2.2 Premium Denominator	\$ <u>49,316,902</u>		\$ <u>43,647,314</u>	
2.3 Premium Ratio (2.1/2.2)	<u>0.00</u>		<u>0.00</u>	
2.4 Reserve Numerator	\$ <u>18,094</u>		\$ <u>18,875</u>	
2.5 Reserve Denominator	\$ <u>117,896,766</u>		\$ <u>109,456,616</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 \$ 4,693,118

3.22 Non-participating policies \$ 161,870,300

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

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

5.5 If yes, give full information

.....

.....

.....

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:
 See Note 21C3

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
See Note 21C3
.....
.....
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
See Note 21C3
.....
.....
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [] No [X]
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss
The Company cedes 100% of its business to Liberty Mutual Insurance Company, the lead company in the Liberty Mutual Pool. Liberty Mutual Insurance Company purchases external catastrophe reinsurance coverage.
.....
.....
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [] 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 | \$ | 898,680 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ | 313,713 |
- 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? \$ 843,070
- 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 | \$ | 27,173,796 |
| 12.62 Collateral and other funds | \$ | 5,904,439 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 435,681
- 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. 3
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes No
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
 Premiums and recoverables were allocated pursuant to the intercompany pooling agreement.

- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes No
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes No
- 14.5 If the answer to 14.4 is no, please explain:
 N/A

- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes No
- 15.2 If yes, give full information

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

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

* Disclose type of coverage: _____

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

Yes [] No [X]

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

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

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

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

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

Yes [] No [X]

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

\$ 0

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

Yes [] No [X]

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

\$ 0

FIVE – YEAR HISTORICAL DATA

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

	1	2	3	4	5
	2012	2011	2010	2009	2008
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	177,233,903	251,752,200	304,066,811	309,479,512	389,331,220
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	12,449,758	13,760,598	13,279,454	14,308,883	15,308,939
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	27,671,506	28,595,632	29,107,880	32,215,871	51,202,771
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	155,676	76,360	85,016	67,163	(624,017)
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	1,276,800	1,057,076	1,059,725	1,007,932	925,238
6. Total (Line 35)	218,787,643	295,241,866	347,598,886	357,079,361	456,144,151
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	31,603,180	28,607,912	27,432,681	25,560,331	28,306,795
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	9,648,082	8,037,650	6,583,536	7,593,247	7,333,519
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	9,584,975	8,039,499	7,083,828	5,773,770	6,893,741
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	111,188	53,289	49,659	55,067	(633,132)
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	1,276,800	1,057,076	1,059,725	1,007,932	925,238
12. Total (Line 35)	52,224,225	45,795,426	42,209,429	39,990,347	42,826,161
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(10,877,306)	(7,486,703)	(3,347,992)	(4,407,228)	(2,524,984)
14. Net investment gain (loss) (Line 11)	5,088,594	5,026,087	5,639,372	6,043,026	6,548,442
15. Total other income (Line 15)	(228,559)	(1,065,693)	(423,478)	(636,319)	(494,611)
16. Dividends to policyholders (Line 17)	98,414	162,718	251,791	92,553	107,163
17. Federal and foreign income taxes incurred (Line 19)	(1,306,868)	(272,170)	(574,517)	(839,376)	(110,950)
18. Net income (Line 20)	(4,808,817)	(3,416,857)	2,190,628	1,746,302	3,532,634
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	198,818,427	207,179,616	199,828,528	190,333,409	188,466,372
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	4,875,243	4,783,868	4,186,674	4,750,864	4,983,519
20.2 Deferred and not yet due (Line 15.2)	15,618,821	13,290,391	10,949,078	11,261,261	9,706,858
20.3 Accrued retrospective premiums (Line 15.3)	1,176,583	1,638,702	2,291,097	1,758,937	1,916,701
21. Total liabilities excluding protected cell business (Page 3, Line 26)	151,827,735	151,181,809	142,730,559	134,395,572	134,818,233
22. Losses (Page 3, Line 1)	76,662,399	71,014,801	69,763,188	67,097,056	66,427,802
23. Loss adjustment expenses (Page 3, Line 3)	15,784,323	14,719,099	13,981,019	13,574,501	12,998,554
24. Unearned premiums (Page 3, Line 9)	22,792,096	20,392,878	18,983,908	17,562,895	17,497,338
25. Capital paid up (Page 3, Lines 30 & 31)	10,900,000	10,900,000	10,900,000	10,900,000	10,900,000
26. Surplus as regards policyholders (Page 3, Line 37)	46,990,692	55,997,807	57,097,969	55,937,837	53,648,139
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	(1,204,320)	(9,420,445)	17,034,423	(8,977,161)	3,707,737
Risk-Based Capital Analysis					
28. Total adjusted capital	46,990,692	55,997,807	57,097,969	55,937,837	53,648,139
29. Authorized control level risk-based capital	7,594,367	6,380,764	6,003,880	5,935,652	5,691,430
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	95.4	96.0	92.5	91.3	84.2
31. Stocks (Lines 2.1 & 2.2)					
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	2.0	2.0	4.7	8.7	15.8
35. Contract loans (Line 6)					
36. Derivatives (Line 7)				X X X	X X X
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)					
39. Securities lending reinvested collateral assets (Line 10)	2.6	2.0	2.7	X X X	X X X
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Lines 42 to 47					
49. Total investment in parent included in Lines 42 to 47 above					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)					

FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2012	2011	2010	2009	2008
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)	185,965	318,351	(207,883)	(296,361)	
52. Dividends to stockholders (Line 35)					
53. Change in surplus as regards policyholders for the year (Line 38)	(9,007,115)	(1,100,162)	1,160,132	2,289,698	3,438,281
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	224,208,908	248,373,767	240,863,864	213,060,321	185,986,851
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	10,012,889	11,049,813	10,062,831	9,546,979	11,439,784
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	25,404,094	25,759,802	13,709,563	21,186,050	24,193,801
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	11,825	24,121	70,868	13,902	437,109
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	479,510	439,185	763,259	301,689	353,099
59. Total (Line 35)	260,117,226	285,646,688	265,470,385	244,108,941	222,410,644
Net Losses Paid (Page 9, Part 2, Col. 4)					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	18,868,555	19,352,533	15,644,470	16,349,314	19,392,257
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	5,850,515	4,695,058	3,956,678	4,930,884	4,340,873
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	4,956,948	4,900,606	4,062,639	4,212,676	5,285,420
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	8,673	24,121	53,326	13,902	437,109
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	479,510	439,185	763,259	301,689	353,099
65. Total (Line 35)	30,164,201	29,411,503	24,480,372	25,808,465	29,808,758
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	72.6	70.3	65.1	65.8	67.8
68. Loss expenses incurred (Line 3)	17.8	19.8	17.9	19.5	15.8
69. Other underwriting expenses incurred (Line 4)	31.7	27.1	25.1	25.8	22.1
70. Net underwriting gain (loss) (Line 8)	(22.1)	(17.2)	(8.1)	(11.1)	(5.7)
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	30.4	28.1	25.6	27.3	24.1
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	90.3	90.1	83.0	85.3	83.5
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)	111.1	81.8	73.9	71.5	79.8
One Year Loss Development (000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	2,435	2,093	(460)	982	(1,333)
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)	4.3	3.7	(0.8)	1.8	(2.7)
Two Year Loss Development (000 omitted)					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	3,876	1,041	(434)	(183)	951
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)	6.8	1.9	(0.8)	(0.4)	2.0

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

Yes [] No [X]

If no, please explain:

Not Applicable

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 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	2,963	924	881	378	17	26	14	2,533	X X X
2. 2003	49,749	12,072	37,677	26,602	5,966	2,294	314	3,585	54	1,539	26,147	X X X
3. 2004	51,938	13,639	38,299	26,111	6,757	2,121	421	3,662	188	1,514	24,528	X X X
4. 2005	53,477	12,623	40,854	31,191	9,498	2,230	474	3,671	260	1,487	26,860	X X X
5. 2006	58,044	13,239	44,805	26,781	5,241	2,252	336	3,930	276	1,520	27,110	X X X
6. 2007	60,905	14,405	46,500	30,037	6,863	2,378	370	4,054	338	1,849	28,898	X X X
7. 2008	64,043	17,276	46,767	35,106	8,300	2,539	355	4,507	288	1,675	33,209	X X X
8. 2009	60,774	18,968	41,806	29,806	7,931	1,934	283	4,271	59	1,557	27,738	X X X
9. 2010	61,423	20,000	41,423	29,501	9,066	1,613	232	4,307	29	1,584	26,094	X X X
10. 2011	66,350	22,703	43,647	28,253	10,279	1,085	278	4,314	33	1,627	23,062	X X X
11. 2012	73,939	24,622	49,317	21,819	8,579	456	85	3,563	16	943	17,158	X X X
12. Totals	X X X	X X X	X X X	288,170	79,404	19,783	3,526	39,881	1,567	15,309	263,337	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	19,536	6,944	7,640	5,630	1,302	1,072	3,731	1,666	835	2	133	17,730	X X X
2. 2003	1,013	443	1,667	686	26	10	184	43	67	1	24	1,774	X X X
3. 2004	1,036	379	1,881	563	31	13	384	38	62	1	32	2,401	X X X
4. 2005	1,212	462	1,845	866	41	13	308	54	68	1	36	2,079	X X X
5. 2006	1,472	406	2,422	703	56	25	343	73	67	1	54	3,152	X X X
6. 2007	2,079	466	2,659	687	102	38	535	86	38	1	80	4,135	X X X
7. 2008	3,072	619	3,164	927	158	36	1,041	177	164	7	118	5,833	X X X
8. 2009	3,274	543	4,026	967	183	39	1,211	177	213	6	130	7,175	X X X
9. 2010	4,611	872	5,333	1,050	220	45	1,306	229	304	10	192	9,568	X X X
10. 2011	5,931	961	8,447	1,732	305	84	2,135	313	630	14	279	14,344	X X X
11. 2012	8,456	1,513	17,591	4,284	229	46	2,578	323	1,610	42	885	24,256	X X X
12. Totals	51,692	13,608	56,675	18,095	2,653	1,421	13,756	3,179	4,058	84	1,963	92,447	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	14,602	3,128
2. 2003	35,438	7,517	27,921	71,234	62,268	74,106			0.400	1,551	223
3. 2004	35,288	8,359	26,929	67,943	61,287	70,313			0.400	1,975	426
4. 2005	40,566	11,627	28,939	75,857	92,110	70,835			0.400	1,729	350
5. 2006	37,323	7,061	30,262	64,301	53,335	67,542			0.400	2,785	367
6. 2007	41,882	8,849	33,033	68,766	61,430	71,039			0.400	3,585	550
7. 2008	49,751	10,709	39,042	77,684	61,988	83,482			0.400	4,690	1,143
8. 2009	44,918	10,005	34,913	73,910	52,747	83,512			0.400	5,790	1,385
9. 2010	47,195	11,533	35,662	76,836	57,665	86,092			0.400	8,022	1,546
10. 2011	51,100	13,694	37,406	77,016	60,318	85,701			0.400	11,685	2,659
11. 2012	56,302	14,888	41,414	76,147	60,466	83,975			0.400	20,250	4,006
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	76,664	15,783

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

SCHEDULE P – PART 2 – SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior	49,462	53,476	58,179	60,941	63,893	63,891	65,575	65,469	67,179	67,776	597	2,307
2. 2003	25,952	23,321	22,659	23,973	24,333	24,319	24,464	24,473	24,443	24,466	23	(7)
3. 2004	XXX	26,053	24,182	23,520	23,651	23,599	23,558	23,690	23,626	23,616	(10)	(74)
4. 2005	XXX	XXX	28,355	26,981	26,274	25,885	25,882	25,799	25,770	25,713	(57)	(86)
5. 2006	XXX	XXX	XXX	28,979	27,684	27,141	27,028	26,795	26,710	26,813	103	18
6. 2007	XXX	XXX	XXX	XXX	30,969	30,233	29,463	29,390	29,234	29,522	288	132
7. 2008	XXX	XXX	XXX	XXX	XXX	35,366	35,071	34,376	34,679	35,040	361	664
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	30,469	31,042	30,909	30,775	(134)	(267)
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	30,283	30,860	31,472	612	1,189
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	32,200	32,852	652	XXX
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	36,518	XXX	XXX
12. Totals											2,435	3,876

SCHEDULE P – PART 3 – SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
1. Prior	000	12,788	20,842	27,026	31,962	36,168	39,541	43,007	45,694	48,235	XXX	XXX
2. 2003	9,799	14,957	17,522	19,363	20,620	21,389	21,930	22,258	22,492	22,615	XXX	XXX
3. 2004	XXX	8,949	13,822	16,157	18,027	19,266	20,040	20,514	20,810	21,054	XXX	XXX
4. 2005	XXX	XXX	10,321	15,871	18,669	20,536	21,803	22,606	23,067	23,449	XXX	XXX
5. 2006	XXX	XXX	XXX	10,076	15,526	18,600	20,685	22,046	22,900	23,457	XXX	XXX
6. 2007	XXX	XXX	XXX	XXX	10,358	16,664	20,072	22,427	24,056	25,181	XXX	XXX
7. 2008	XXX	XXX	XXX	XXX	XXX	12,664	20,258	24,219	27,045	28,990	XXX	XXX
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	10,826	17,317	20,949	23,527	XXX	XXX
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	11,097	18,035	21,816	XXX	XXX
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	12,701	18,781	XXX	XXX
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	13,611	XXX	XXX

SCHEDULE P – PART 4 – SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Prior	11,883	8,396	8,845	8,641	9,003	7,247	7,935	5,222	5,876	4,744
2. 2003	10,829	4,452	2,036	2,344	2,171	1,795	1,617	1,411	1,282	1,192
3. 2004	XXX	11,952	6,669	4,446	3,442	2,792	2,333	2,141	1,963	1,798
4. 2005	XXX	XXX	12,800	6,950	4,614	3,237	2,527	1,971	1,740	1,412
5. 2006	XXX	XXX	XXX	13,341	7,834	5,260	3,881	2,940	2,421	2,175
6. 2007	XXX	XXX	XXX	XXX	14,245	8,688	5,679	4,120	3,072	2,587
7. 2008	XXX	XXX	XXX	XXX	XXX	14,902	9,066	6,022	4,469	3,403
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	13,528	8,788	6,068	4,307
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	13,154	7,965	5,664
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	13,022	8,847
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	15,767

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

States, Etc.	Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	L	1,814,540	2,358,024	(121)	5,224,095	2,361,401	6,622,946	
2. Alaska	AK	L	3,904,685	3,559,718		1,772,675	1,903,530	5,269,558	
3. Arizona	AZ	L	4,234,978	5,180,998	27	4,231,033	4,761,567	13,059,414	
4. Arkansas	AR	L	865,036	1,129,790	3,584	993,797	(19,450)	2,222,997	
5. California	CA	L	18,880,736	20,967,187	18	28,545,831	21,272,032	69,680,246	
6. Colorado	CO	L	1,551,972	1,813,488	66	2,105,164	1,418,913	2,866,116	
7. Connecticut	CT	L	3,357,695	3,867,235	(31)	3,143,284	2,284,134	9,448,004	
8. Delaware	DE	L	260,266	308,192		599,343	819,475	2,854,183	
9. District of Columbia	DC	L	393,799	440,748		285,992	366,682	1,160,173	
10. Florida	FL	L	10,672,524	11,939,732	715	12,991,771	6,332,431	20,239,287	
11. Georgia	GA	L	4,920,959	5,823,048	4,463	6,060,378	5,394,433	12,188,219	
12. Hawaii	HI	L	730,625	839,200		808,303	1,042,464	2,244,888	
13. Idaho	ID	L	372,979	461,848	(15)	314,794	167,923	720,380	
14. Illinois	IL	L	5,364,688	7,049,695	4,636	12,271,212	5,999,269	25,250,095	
15. Indiana	IN	L	2,253,889	2,276,806	2	3,209,809	3,392,813	4,953,712	
16. Iowa	IA	L	4,644,134	4,991,496	(55)	3,223,609	4,409,319	7,483,720	
17. Kansas	KS	L	2,227,848	2,523,679		2,013,729	1,359,976	4,795,971	
18. Kentucky	KY	L	969,675	1,220,493	4	2,727,114	309,698	5,892,592	
19. Louisiana	LA	L	2,015,664	2,434,820	1	2,620,834	2,974,687	6,251,805	
20. Maine	ME	L	311,347	357,589		586,819	381,636	1,565,812	
21. Maryland	MD	L	2,605,842	3,262,668	22	2,162,669	2,484,320	11,342,358	
22. Massachusetts	MA	L	1,504,926	2,603,735	(177)	4,632,693	1,763,114	11,474,724	
23. Michigan	MI	L	3,106,761	3,501,011	(30)	3,462,042	2,240,261	10,155,458	
24. Minnesota	MN	L	2,889,027	3,578,681	300	6,124,967	4,634,718	12,484,202	
25. Mississippi	MS	L	1,057,284	1,412,733		1,722,617	346,229	3,483,632	
26. Missouri	MO	L	3,073,147	3,537,641	2,549	4,796,999	3,678,404	8,851,791	
27. Montana	MT	L	317,505	385,448	(11)	571,504	221,301	1,881,775	
28. Nebraska	NE	L	1,012,893	1,069,673	409	1,374,446	1,311,596	2,428,969	
29. Nevada	NV	L	1,304,294	1,658,097	(277)	1,089,866	1,334,230	2,629,239	
30. New Hampshire	NH	L	379,360	656,143	5,897	906,908	380,088	3,571,070	
31. New Jersey	NJ	L	8,399,276	10,123,518	(375)	6,600,405	8,739,614	17,394,923	
32. New Mexico	NM	L	677,817	760,707		1,293,025	974,800	2,696,109	
33. New York	NY	L	22,081,770	25,905,164	113,898	25,753,020	28,415,801	74,686,230	
34. North Carolina	NC	L	4,118,860	4,536,006	(25)	6,148,789	5,425,640	10,942,344	
35. North Dakota	ND	L	468,933	579,818		248,309	579,617	897,055	
36. Ohio	OH	L	1,149,671	1,530,478	11	1,499,544	1,653,049	2,955,301	
37. Oklahoma	OK	L	3,653,913	4,974,477	11,388	5,958,808	5,516,728	14,383,381	
38. Oregon	OR	L	773,770	803,492	(14)	1,179,476	331,944	2,513,738	
39. Pennsylvania	PA	L	5,692,529	7,121,816	589	10,597,278	6,527,145	22,247,202	
40. Rhode Island	RI	L	309,146	567,896		814,344	103,220	579,691	
41. South Carolina	SC	L	1,379,914	1,596,957		2,441,149	831,353	3,855,753	
42. South Dakota	SD	L	535,062	604,960		155,923	78,084	797,290	
43. Tennessee	TN	L	2,525,023	3,078,608	26,130	5,575,776	2,885,441	11,193,265	
44. Texas	TX	L	7,147,832	8,478,927	81	11,291,947	7,891,945	22,228,477	
45. Utah	UT	L	916,093	996,890	27	789,770	976,528	2,758,528	
46. Vermont	VT	L	288,165	293,982	(23)	769,618	758,848	1,734,210	
47. Virginia	VA	L	2,878,537	3,437,111	24	4,030,914	2,051,186	6,571,649	
48. Washington	WA	L	1,626,548	1,525,557		2,009,670	28,200	881,056	
49. West Virginia	WV	L	239,641	285,641	3	607,335	405,736	1,518,902	
50. Wisconsin	WI	L	14,629,379	19,173,946	6,285,886	21,588,771	11,149,334	43,843,758	
51. Wyoming	WY	L	72,351	88,489		25,047	(17,632)	983,613	
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	N	112						
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	(2)	(153)	(10)	(184)	5,210	7,995	
59. Totals	(a) 51		166,563,418	197,673,903	6,459,566	229,953,031	170,638,985	518,743,806	

DETAILS OF WRITE-INS									
58001. Other Alien	X X X	(2)	(153)	(10)	(184)	5,210	7,995		
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	(2)	(153)	(10)	(184)	5,210	7,995		

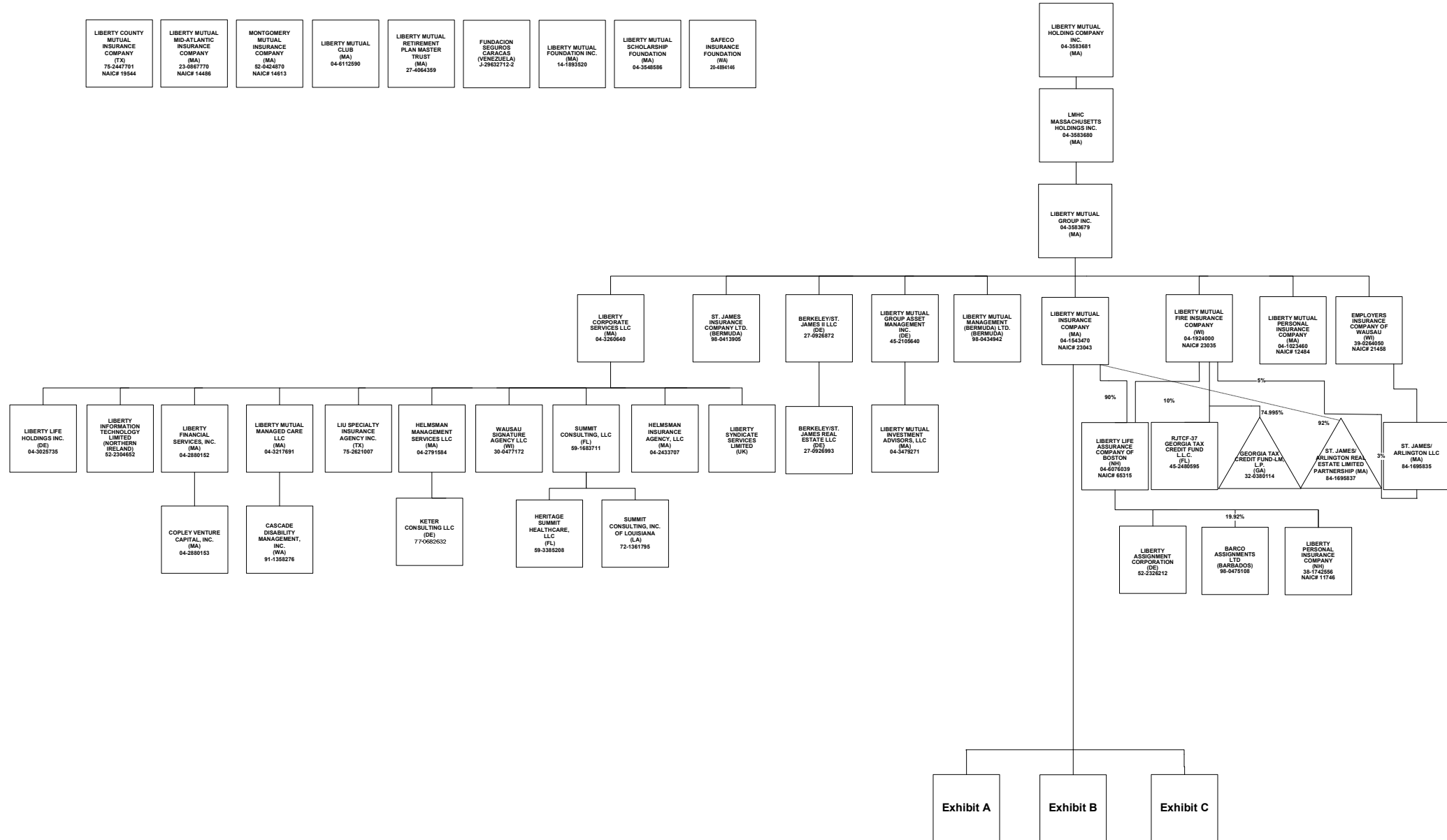
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

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

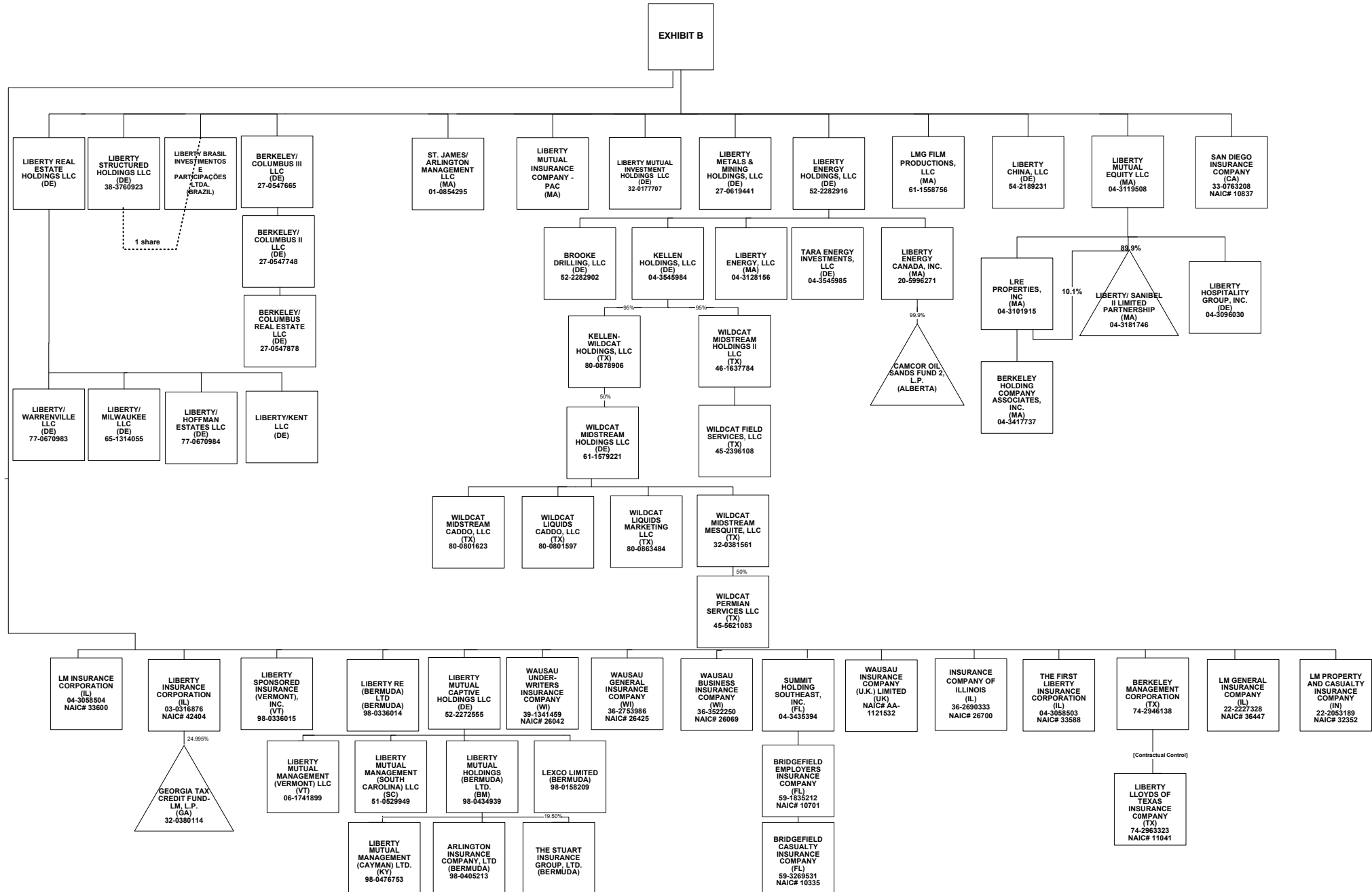
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



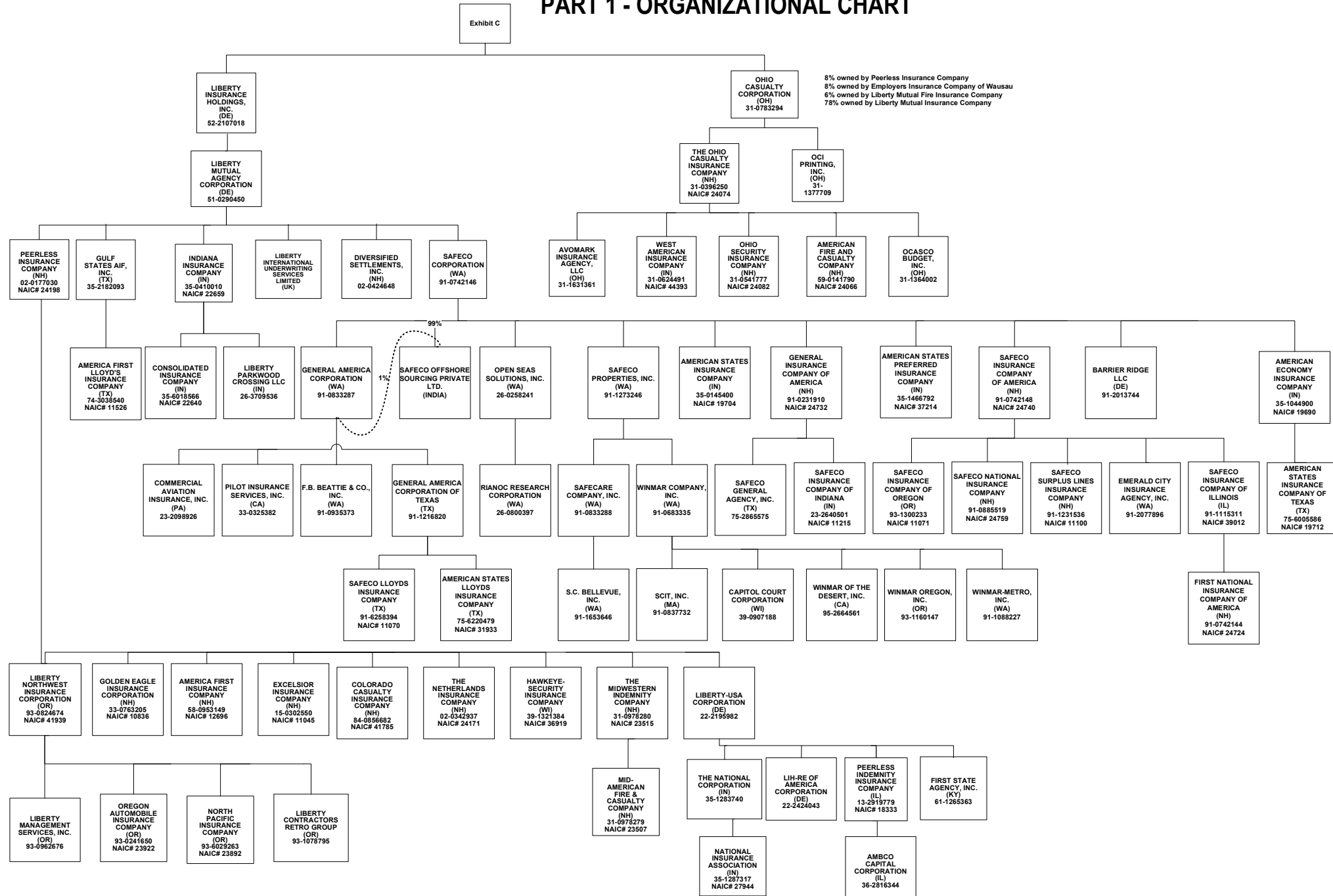
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation

	Current Year			Prior Year
	1	2	3	4
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504. Other assets	224,501	160,117	64,384	27,968
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	224,501	160,117	64,384	27,968

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

Assets	2	Schedule E – Verification Between Years	SI15
Cash Flow	5	Schedule F – Part 1	20
Exhibit of Capital Gains (Losses)	12	Schedule F – Part 2	21
Exhibit of Net Investment Income	12	Schedule F – Part 3	22
Exhibit of Nonadmitted Assets	13	Schedule F – Part 4	23
Exhibit of Premiums and Losses (State Page)	19	Schedule F – Part 5	24
Five-Year Historical Data	17	Schedule F – Part 6 - Section 1	25
General Interrogatories	15	Schedule F – Part 6 - Section 2	27
Jurat Page	1	Schedule F – Part 7	28
Liabilities, Surplus and Other Funds	3	Schedule F – Part 8	29
Notes To Financial Statements	14	Schedule F – Part 9	30
Overflow Page For Write-ins	101	Schedule H – Accident and Health Exhibit – Part 1	31
Schedule A – Part 1	E01	Schedule H – Part 2, Part 3 and Part 4	32
Schedule A – Part 2	E02	Schedule H – Part 5 – Health Claims	33
Schedule A – Part 3	E03	Schedule P – Part 1 – Summary	34
Schedule A – Verification Between Years	SI02	Schedule P – Part 1A – Homeowners/Farmowners	36
Schedule B – Part 1	E04	Schedule P – Part 1B – Private Passenger Auto Liability/Medical	37
Schedule B – Part 2	E05	Schedule P – Part 1C – Commercial Auto/Truck Liability/Medical	38
Schedule B – Part 3	E06	Schedule P – Part 1D – Workers' Comp (Excluding Excess Workers' Comp)	39
Schedule B – Verification Between Years	SI02	Schedule P – Part 1E – Commercial Multiple Peril	40
Schedule BA – Part 1	E07	Schedule P – Part 1F – Section 1 – Medical Professional Liability	
Schedule BA – Part 2	E08	– Occurrence	41
Schedule BA – Part 3	E09	Schedule P – Part 1F – Section 2 – Medical Professional Liability	
Schedule BA – Verification Between Years	SI03	– Claims-Made	42
Schedule D – Part 1	E10	Schedule P – Part 1G - Special Liability (Ocean, Marine, Aircraft (All	
Schedule D – Part 1A – Section 1	SI05	Perils), Boiler and Machinery)	43
Schedule D – Part 1A – Section 2	SI08	Schedule P – Part 1H – Section 1 – Other Liability – Occurrence	44
Schedule D – Part 2 – Section 1	E11	Schedule P – Part 1H – Section 2 – Other Liability – Claims-Made	45
Schedule D – Part 2 – Section 2	E12	Schedule P – Part 1I – Special Property (Fire, Allied Lines, Inland Marine,	
Schedule D – Part 3	E13	Earthquake, Burglary & Theft)	46
Schedule D – Part 4	E14	Schedule P – Part 1J – Auto Physical Damage	47
Schedule D – Part 5	E15	Schedule P – Part 1K – Fidelity/Surety	48
Schedule D – Part 6 – Section 1	E16	Schedule P – Part 1L – Other (Including Credit, Accident and Health)	49
Schedule D – Part 6 – Section 2	E16	Schedule P – Part 1M – International	50
Schedule D – Summary By Country	SI04	Schedule P – Part 1N – Reinsurance - Nonproportional Assumed Property	51
Schedule D – Verification Between Years	SI03	Schedule P – Part 1O – Reinsurance - Nonproportional Assumed Liability	52
Schedule DA – Part 1	E17	Schedule P – Part 1P – Reinsurance - Nonproportional Assumed Financial Lines	53
Schedule DA – Verification Between Years	SI10	Schedule P – Part 1R – Section 1 – Products Liability – Occurrence	54
Schedule DB – Part A – Section 1	E18	Schedule P – Part 1R – Section 2 – Products Liability – Claims – Made	55
Schedule DB – Part A – Section 2	E19	Schedule P – Part 1S – Financial Guaranty/Mortgage Guaranty	56
Schedule DB – Part A – Verification Between Years	SI11	Schedule P – Part 1T – Warranty	57
Schedule DB – Part B – Section 1	E20	Schedule P – Part 2, Part 3 and Part 4 - Summary	35
Schedule DB – Part B – Section 2	E21	Schedule P – Part 2A – Homeowners/Farmowners	58
Schedule DB – Part B – Verification Between Years	SI11	Schedule P – Part 2B – Private Passenger Auto Liability/Medical	58
Schedule DB – Part C – Section 1	SI12	Schedule P – Part 2C – Commercial Auto/Truck Liability/Medical	58
Schedule DB – Part C – Section 2	SI13	Schedule P – Part 2D – Workers' Comp (Excluding Excess Workers' Comp)	58
Schedule DB - Part D	E22	Schedule P – Part 2E – Commercial Multiple Peril	58
Schedule DB - Verification	SI14	Schedule P – Part 2F – Section 1 – Medical Professional Liability	
Schedule DL - Part 1	E23	– Occurrence	59
Schedule DL - Part 2	E24	Schedule P - Part 2F - Medical Professional Liability - Claims - Made	59
Schedule E – Part 1 – Cash	E25	Schedule P – Part 2G – Special Liability (Ocean Marine, Aircraft (All Perils),	
Schedule E – Part 2 – Cash Equivalents	E26	Boiler and Machinery)	59
Schedule E – Part 3 – Special Deposits	E27	Schedule P – Part 2H – Section 1 – Other Liability – Occurrence	59

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

Schedule P – Part 2H – Section 2 – Other Liability – Claims – Made	59	Schedule P – Part 4I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary and Theft)	70
Schedule P – Part 2I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	60	Schedule P – Part 4J – Auto Physical Damage	70
Schedule P – Part 2J – Auto Physical Damage	60	Schedule P – Part 4K – Fidelity/Surety	70
Schedule P – Part 2K – Fidelity, Surety	60	Schedule P – Part 4L – Other (Including Credit, Accident and Health)	70
Schedule P – Part 2L – Other (Including Credit, Accident and Health)	60	Schedule P – Part 4M – International	70
Schedule P – Part 2M – International	60	Schedule P – Part 4N – Reinsurance - Nonproportional Assumed Property	71
Schedule P – Part 2N – Reinsurance - Nonproportional Assumed Property	61	Schedule P – Part 4O – Reinsurance - Nonproportional Assumed Liability	71
Schedule P – Part 2O – Reinsurance - Nonproportional Assumed Liability	61	Schedule P – Part 4P – Reinsurance - Nonproportional Assumed Financial Lines	71
Schedule P – Part 2P – Reinsurance - Nonproportional Assumed Financial Lines	61	Schedule P – Part 4R – Section 1 – Products Liability – Occurrence	72
Schedule P – Part 2R – Section 1 – Products Liability – Occurrence	62	Schedule P – Part 4R – Section 2 – Products Liability – Claims-Made	72
Schedule P – Part 2R – Section 2 – Products Liability – Claims-Made	62	Schedule P – Part 4S – Financial Guaranty/Mortgage Guaranty	72
Schedule P – Part 2S – Financial Guaranty/Mortgage Guaranty	62	Schedule P – Part 4T – Warranty	72
Schedule P – Part 2T – Warranty	62	Schedule P – Part 5A – Homeowners/Farmowners	73
Schedule P – Part 3A – Homeowners/Farmowners	63	Schedule P – Part 5B – Private Passenger Auto Liability/Medical	74
Schedule P – Part 3B – Private Passenger Auto Liability/Medical	63	Schedule P – Part 5C – Commercial Auto/Truck Liability/Medical	75
Schedule P – Part 3C – Commercial Auto/Truck Liability/Medical	63	Schedule P – Part 5D – Workers' Comp (Excluding Excess Workers' Comp)	76
Schedule P – Part 3D – Workers' Comp (Excluding Excess Workers' Comp)	63	Schedule P – Part 5E – Commercial Multiple Peril	77
Schedule P – Part 3E – Commercial Multiple Peril	63	Schedule P – Part 5F – Medical Professional Liability – Claims-Made	79
Schedule P – Part 3F – Section 1 – Medical Professional Liability – Occurrence	64	Schedule P – Part 5F – Medical Professional Liability – Occurrence	78
Schedule P – Part 3F – Section 2 – Medical Professional Liability – Claims-Made	64	Schedule P – Part 5H – Other Liability – Claims-Made	81
Schedule P – Part 3G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	64	Schedule P – Part 5H – Other Liability – Occurrence	80
Schedule P – Part 3H – Section 1 – Other Liability – Occurrence	64	Schedule P – Part 5R – Products Liability – Claims-Made	83
Schedule P – Part 3H – Section 2 – Other Liability – Claims-Made	64	Schedule P – Part 5R – Products Liability – Occurrence	82
Schedule P – Part 3I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	65	Schedule P – Part 5T – Warranty	84
Schedule P – Part 3J – Auto Physical Damage	65	Schedule P – Part 6C – Commercial Auto/Truck Liability/Medical	85
Schedule P – Part 3K – Fidelity/Surety	65	Schedule P – Part 6D – Workers' Comp (Excluding Excess Workers' Comp)	85
Schedule P – Part 3L – Other (Including Credit, Accident and Health)	65	Schedule P – Part 6E – Commercial Multiple Peril	86
Schedule P – Part 3M – International	65	Schedule P – Part 6H – Other Liability – Claims-Made	87
Schedule P – Part 3N – Reinsurance - Nonproportional Assumed Property	66	Schedule P – Part 6H – Other Liability – Occurrence	86
Schedule P – Part 3O – Reinsurance - Nonproportional Assumed Liability	66	Schedule P – Part 6M – International	87
Schedule P – Part 3P – Reinsurance - Nonproportional Assumed Financial Lines	66	Schedule P – Part 6N – Reinsurance - Nonproportional Assumed Property	88
Schedule P – Part 3R – Section 1 – Products Liability – Occurrence	67	Schedule P – Part 6O – Reinsurance - Nonproportional Assumed Liability	88
Schedule P – Part 3R – Section 2 – Products Liability – Claims-Made	67	Schedule P – Part 6R – Products Liability – Claims-Made	89
Schedule P – Part 3S – Financial Guaranty/Mortgage Guaranty	67	Schedule P – Part 6R – Products Liability – Occurrence	89
Schedule P – Part 3T – Warranty	67	Schedule P – Part 7A – Primary Loss Sensitive Contracts	90
Schedule P – Part 4A – Homeowners/Farmowners	68	Schedule P – Part 7B – Reinsurance Loss Sensitive Contracts	92
Schedule P – Part 4B – Private Passenger Auto Liability/Medical	68	Schedule P Interrogatories	94
Schedule P – Part 4C – Commercial Auto/Truck Liability/Medical	68	Schedule T – Exhibit of Premiums Written	95
Schedule P – Part 4D – Workers' Comp (Excluding Excess Workers' Comp)	68	Schedule T – Part 2 – Interstate Compact	96
Schedule P – Part 4E – Commercial Multiple Peril	68	Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group	97
Schedule P – Part 4F – Section 1 – Medical Professional Liability – Occurrence	68	Schedule Y - Part 1A - Detail of Insurance Holding Company System	98
Schedule P – Part 4F – Section 2 – Medical Professional Liability – Claims-Made	69	Schedule Y – Part 2 – Summary of Insurer's Transactions With Any Affiliates	99
Schedule P – Part 4G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	69	Statement of Income	4
Schedule P – Part 4H – Section 1 – Other Liability – Occurrence	69	Summary Investment Schedule	SI01
Schedule P – Part 4H – Section 2 – Other Liability – Claims-Made	69	Supplemental Exhibits and Schedules Interrogatories	100
		Underwriting and Investment Exhibit Part 1	6
		Underwriting and Investment Exhibit Part 1A	7
		Underwriting and Investment Exhibit Part 1B	8
		Underwriting and Investment Exhibit Part 2	9
		Underwriting and Investment Exhibit Part 2A	10
		Underwriting and Investment Exhibit Part 3	11