



ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014
OF THE CONDITION AND AFFAIRS OF THE
PACIFIC INDEMNITY COMPANY

NAIC Group Code 0038, 0038 NAIC Company Code 20346 Employer's ID Number 95-1078160
(Current Period) (Prior Period)

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

Country of Domicile US

Incorporated/Organized January 16, 1926 Commenced Business February 5, 1926

Statutory Home Office Two Plaza East, Suite 1450, 330 East Kilbourn Ave, Milwaukee, Wisconsin 53202-3146
(Street and Number, City or Town, State, Country and Zip Code)

Main Administrative Office 15 Mountain View Road, Warren, New Jersey 07059 908-903-2000
(Street and Number, City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 15 Mountain View Road, Warren, New Jersey 07059
(Street and Number or P.O. Box, City or Town, State, Country and Zip Code)

Primary Location of Books and Records 15 Mountain View Road, Warren, New Jersey 07059 908-903-2000
(Street and Number, City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.chubb.com

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OFFICERS

Dino Ennio Robusto (Chairman)
Paul Joseph Krump (President)
Walter Brian Barnes (Vice President & Actuary)
Maureen Ann Brundage (Vice President & Secretary)

OTHER

Douglas Alan Nordstrom (Vice President & Treasurer)
Richard Glenn Spiro (Senior Vice President)

DIRECTORS OR TRUSTEES

Walter Brian Barnes
Maureen Ann Brundage
James Alan Darling
John Joseph Kennedy
Paul Joseph Krump
Harold Lawrence Morrison, Jr.
Douglas Alan Nordstrom
Dino Ennio Robusto
Richard Glenn Spiro
Jeffrey Allen Updyke

State of New Jersey }
County of Somerset } SS

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

<u>Paul Joseph Krump</u> President	<u>Maureen Ann Brundage</u> Vice President & Secretary	<u>Douglas Alan Nordstrom</u> Vice President & Treasurer
Subscribed and sworn to before me this 25 day of February, 2015		
a. Is this an original filing? Yes (X) No ()		
b. If no: 1. State the amendment number <u>0</u>		
2. Date filed _____		
3. Number of pages attached <u>0</u>		

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Col 1 - Col 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	5,458,448,274	0	5,458,448,274	5,106,756,018
2. Stocks (Schedule D):				
2.1 Preferred stocks	7,876,000	0	7,876,000	0
2.2 Common stocks	623,265,938	531,328	622,734,610	605,594,064
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	0	0	0	0
3.2 Other than first liens	0	0	0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	0	0	0	0
4.2 Properties held for the production of income (less \$ 0 encumbrances)	0	0	0	0
4.3 Properties held for sale (less \$ 0 encumbrances)	0	0	0	0
5. Cash (\$ 119,371 , Schedule E - Part 1) , cash equivalents (\$ 1,605,695 , Schedule E - Part 2) and short-term investments (\$ 5,950,000 , Schedule DA)	7,675,066	0	7,675,066	197,200,799
6. Contract loans (including \$ 0 premium notes)	0	0	0	0
7. Derivatives (Schedule DB)	0	0	0	0
8. Other invested assets (Schedule BA)	87,750,954	0	87,750,954	131,640,136
9. Receivables for securities	0	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL)	0	0	0	0
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Line 1 through Line 11)	6,185,016,232	531,328	6,184,484,904	6,041,191,017
13. Title plants less \$ 0 charged off (for Title insurers only)	0	0	0	0
14. Investment income due and accrued	62,263,349	0	62,263,349	61,387,734
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	272,749,686	3,333,552	269,416,134	260,229,638
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 4,496,500 earned but unbilled premiums)	91,322,489	1,216,313	90,106,176	90,011,095
15.3 Accrued retrospective premiums	0	0	0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	10,298,228	0	10,298,228	14,963,232
16.2 Funds held by or deposited with reinsured companies	0	0	0	0
16.3 Other amounts receivable under reinsurance contracts	3,393	0	3,393	36
17. Amounts receivable relating to uninsured plans	0	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0	1,593,426
18.2 Net deferred tax asset	121,904,954	9,219,645	112,685,309	111,435,114
19. Guaranty funds receivable or on deposit	0	0	0	0
20. Electronic data processing equipment and software	0	0	0	0
21. Furniture and equipment, including health care delivery assets (\$ 0)	0	0	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0	0
23. Receivables from parent, subsidiaries and affiliates	76,865,229	0	76,865,229	43,538,846
24. Health care (\$ 0) and other amounts receivable	0	0	0	0
25. Aggregate write-ins for other-than-invested assets	16,234,419	4,261	16,230,158	16,106,538
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 12 to Line 25)	6,836,657,979	14,305,099	6,822,352,880	6,640,456,676
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0	0
28. Total (Line 26 and Line 27)	6,836,657,979	14,305,099	6,822,352,880	6,640,456,676
DETAILS OF WRITE-INS				
1101.	0	0	0	0
1102.	0	0	0	0
1103.	0	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above)	0	0	0	0
2501. Equities and deposits in pools and associations	14,150,109	0	14,150,109	13,228,855
2502. Amounts receivable under high deductible policies	1,381,437	4,261	1,377,176	1,647,138
2503. State surcharges receivable	578,349	0	578,349	981,497
2598. Summary of remaining write-ins for Line 25 from overflow page	124,524	0	124,524	249,048
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)	16,234,419	4,261	16,230,158	16,106,538

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE PACIFIC INDEMNITY COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	2,109,452,610	2,125,077,184
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Columnn 6)	9,757,224	132,247
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	710,580,504	714,692,104
4. Commissions payable, contingent commissions and other similar charges	23,579,010	22,069,152
5. Other expenses (excluding taxes, licenses and fees)	68,246,778	64,978,169
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	8,520,390	9,077,625
7.1 Current federal and foreign income taxes (including \$ 2,437,634 on realized capital gains (losses))	10,442,117	0
7.2 Net deferred tax liability	0	0
8. Borrowed money \$ 0 and interest thereon \$ 0	0	0
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 336,830,019 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)	837,512,973	809,677,374
10. Advance premium	3,603,142	0
11. Dividends declared and unpaid:		
11.1 Stockholders	0	0
11.2 Policyholders	15,776,682	14,212,514
12. Ceded reinsurance premiums payable (net of ceding commissions)	87,266,645	90,999,666
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	5,975,595	5,712,333
14. Amounts withheld or retained by company for account of others	3,243,028	1,841,558
15. Remittances and items not allocated	0	0
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 8)	6,116,444	10,394,031
17. Net adjustments in assets and liabilities due to foreign exchange rates	0	0
18. Drafts outstanding	0	0
19. Payable to parent, subsidiaries and affiliates	0	0
20. Derivatives	0	0
21. Payable for securities	0	0
22. Payable for securities lending	0	0
23. Liability for amounts held under uninsured plans	0	0
24. Capital notes \$ 0 and interest thereon \$ 0	0	0
25. Aggregate write-ins for liabilities	66,178	170,915
26. Total liabilities excluding protected cell liabilities (Line 1 through Line 25)	3,900,139,320	3,869,034,872
27. Protected cell liabilities	0	0
28. Total liabilities (Line 26 and Line 27)	3,900,139,320	3,869,034,872
29. Aggregate write-ins for special surplus funds	0	0
30. Common capital stock	5,535,000	5,535,000
31. Preferred capital stock	0	0
32. Aggregate write-ins for other than special surplus funds	0	0
33. Surplus notes	0	0
34. Gross paid in and contributed surplus	520,019,566	520,019,566
35. Unassigned funds (surplus)	2,396,658,994	2,245,867,238
36. Less treasury stock, at cost:		
36.1 0 shares common (value included in Line 30 \$ 0)	0	0
36.2 0 shares preferred (value included in Line 31 \$ 0)	0	0
37. Surplus as regards policyholders (Line 29 to Line 35, less Line 36) (Page 4, Line 39)	2,922,213,560	2,771,421,804
38. Totals (Page 2, Line 28, Column 3)	6,822,352,880	6,640,456,676
DETAILS OF WRITE-INS		
2501. Accounts payable - sundry	66,178	67,272
2502. Minnesota workers' compensation premium assessment	0	103,643
2503.	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)	66,178	170,915
2901.	0	0
2902.	0	0
2903.	0	0
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0
2999. Totals (Line 2901 through Line 2903 plus Line 2998) (Line 29 above)	0	0
3201.	0	0
3202.	0	0
3203.	0	0
3298. Summary of remaining write-ins for Line 32 from overflow page	0	0
3299. Totals (Line 3201 through Line 3203 plus Line 3298) (Line 32 above)	0	0

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE PACIFIC INDEMNITY COMPANY

STATEMENT OF INCOME

UNDERWRITING INCOME		1	2
		Current Year	Prior Year
1. Premiums earned (Part 1, Line 35, Column 4)		1,596,646,300	1,550,232,995
DEDUCTIONS			
2. Losses incurred (Part 2, Line 35, Column 7)		688,555,111	601,876,258
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)		209,135,370	211,876,851
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		460,022,148	459,620,902
5. Aggregate write-ins for underwriting deductions		21,307	74,057
6. Total underwriting deductions (Line 2 through Line 5)		1,357,733,936	1,273,448,068
7. Net income of protected cells		0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		238,912,364	276,784,927
INVESTMENT INCOME			
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)		199,791,725	207,815,642
10. Net realized capital gains (losses) less capital gains tax of \$ 23,262,451 (Exhibit of Capital Gains (Losses))		78,537,763	51,787,615
11. Net investment gain (loss) (Line 9 plus Line 10)		278,329,488	259,603,257
OTHER INCOME			
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 1,122,379 ,amount charged off \$ 2,028,219)		(905,840)	(736,928)
13. Finance and service charges not included in premiums		0	0
14. Aggregate write-ins for miscellaneous income		115,750	388,748
15. Total other income (Line 12 through Line 14)		(790,090)	(348,180)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 8 plus Line 11 plus Line 15)		516,451,762	536,040,004
17. Dividends to policyholders		7,636,083	6,326,446
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)		508,815,679	529,713,558
19. Federal and foreign income taxes incurred		87,232,787	104,063,774
20. Net income (Line 18 minus Line 19) (to Line 22)		421,582,892	425,649,784
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)		2,771,421,804	2,496,197,948
22. Net income (from Line 20)		421,582,892	425,649,784
23. Net transfers (to) from Protected Cell accounts		0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 4,362,091		(3,576,700)	65,865,007
25. Change in net unrealized foreign exchange capital gain (loss)		(380,768)	(2,004,489)
26. Change in net deferred income tax		(2,011,015)	(4,782,991)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3)		7,899,760	34,923,537
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		4,277,587	4,573,008
29. Change in surplus notes		0	0
30. Surplus (contributed to) withdrawn from protected cells		0	0
31. Cumulative effect of changes in accounting principles		0	0
32. Capital changes:			
32.1 Paid in		0	0
32.2 Transferred from surplus (Stock Dividend)		0	0
32.3 Transferred to surplus		0	0
33. Surplus adjustments:			
33.1 Paid in		0	0
33.2 Transferred to capital (Stock Dividend)		0	0
33.3 Transferred from capital		0	0
34. Net remittances from or (to) Home Office		0	0
35. Dividends to stockholders		(277,000,000)	(249,000,000)
36. Change in treasury stock (Page 3, Line 36.1 and Line 36.2, Column 2 minus Column 1)		0	0
37. Aggregate write-ins for gains and losses in surplus		0	0
38. Change in surplus as regards policyholders for the year (Line 22 through Line 37)		150,791,756	275,223,856
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37)		2,922,213,560	2,771,421,804
DETAILS OF WRITE-INS			
0501. LAD program expense		21,307	18,345
0502. Minnesota workers' compensation premium assessment (net of intercompany pooling)		0	55,712
0503.		0	0
0598. Summary of remaining write-ins for Line 5 from overflow page		0	0
0599. Totals (Line 0501 through Line 0503 plus Line 0598) (Line 5 above)		21,307	74,057
1401. Miscellaneous income		115,750	388,748
1402.		0	0
1403.		0	0
1498. Summary of remaining write-ins for Line 14 from overflow page		0	0
1499. Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)		115,750	388,748
3701.		0	0
3702.		0	0
3703.		0	0
3798. Summary of remaining write-ins for Line 37 from overflow page		0	0
3799. Totals (Line 3701 through Line 3703 plus Line 3798) (Line 37 above)		0	0

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	1,615,253,161	1,549,227,592
2. Net investment income	234,209,303	239,872,086
3. Miscellaneous income	(27,576,777)	8,366,787
4. Total (Line 1 through Line 3)	1,821,885,687	1,797,466,465
5. Benefit and loss related payments	693,964,305	709,867,657
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	665,868,917	661,124,399
8. Dividends paid to policyholders	6,071,915	5,458,636
9. Federal and foreign income taxes paid (recovered) net of \$ 20,654,510 tax on capital gains (losses)	96,027,495	110,423,238
10. Total (Line 5 through Line 9)	1,461,932,632	1,486,873,930
11. Net cash from operations (Line 4 minus Line 10)	359,953,055	310,592,535
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	1,097,551,043	1,061,277,603
12.2 Stocks	99,527,477	85,799,593
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	65,469,999	79,185,775
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(35,098)	(124,633)
12.7 Miscellaneous proceeds	0	0
12.8 Total investment proceeds (Line 12.1 through Line 12.7)	1,262,513,421	1,226,138,338
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,485,716,582	1,250,697,012
13.2 Stocks	43,542,095	50,474,196
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	5,733,532	6,919,802
13.6 Miscellaneous applications	0	14,987,600
13.7 Total investments acquired (Line 13.1 through Line 13.6)	1,534,992,209	1,323,078,610
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(272,478,788)	(96,940,272)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	277,000,000	249,000,000
16.6 Other cash provided (applied)	0	0
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(277,000,000)	(249,000,000)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	(189,525,733)	(35,347,737)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	197,200,799	232,548,536
19.2 End of year (Line 18 plus Line 19.1)	7,675,066	197,200,799

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

20.0001 Line 7 and line 12.5 reflect the utilization of state tax credits	44,963	0
20.0002 Line 12.1 and line 13.1 reflect bond exchanges	34,545,711	23,378,448
20.0003 Line 12.2 and line 13.2 reflect stock swaps	2,121,407	3,391,478
20.0004	0	0
20.0005	0	0
20.0006	0	0
20.0007	0	0
20.0008	0	0
20.0009	0	0
20.0010	0	0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums December 31 Prior Year- per Column 3, Last Year's Part 1	3 Unearned Premiums December 31 Current Year- per Column 5 Part 1A	4 Premiums Earned During Year (Columns 1 plus 2 minus 3)
1. Fire	29,216,617	13,917,960	14,638,660	28,495,917
2. Allied lines	14,495,117	5,928,054	6,427,320	13,995,851
3. Farmowners multiple peril	0	0	0	0
4. Homeowners multiple peril	324,752,226	172,656,635	179,358,470	318,050,391
5. Commercial multiple peril	255,348,524	121,559,697	133,484,155	243,424,066
6. Mortgage guaranty	0	0	0	0
8. Ocean marine	14,849,859	6,641,964	6,742,885	14,748,938
9. Inland marine	86,168,324	54,547,598	47,015,391	93,700,531
10. Financial guaranty	0	0	0	0
11.1 Medical professional liability - occurrence	(306)	775	0	469
11.2 Medical professional liability - claims-made	731,767	360,930	362,899	729,798
12. Earthquake	10,632,061	4,978,995	5,312,327	10,298,729
13. Group accident and health	31,244,350	6,507,195	6,863,388	30,888,157
14. Credit accident and health (group and individual)	0	0	0	0
15. Other accident and health	439,370	67,354	316,349	190,375
16. Workers' compensation	187,715,538	67,913,282	76,235,892	179,392,928
17.1 Other liability - occurrence	157,393,592	81,380,562	82,469,080	156,305,074
17.2 Other liability - claims-made	248,229,075	133,338,284	134,868,726	246,698,633
17.3 Excess workers' compensation	409,726	464,241	159,529	714,438
18.1 Products liability - occurrence	37,887,533	18,636,120	18,908,881	37,614,772
18.2 Products liability - claims-made	3,926,474	1,939,632	1,715,261	4,150,845
19.1, 19.2 Private passenger auto liability	40,108,901	19,842,341	20,355,500	39,595,742
19.3, 19.4 Commercial auto liability	28,242,838	12,208,001	13,413,217	27,037,622
21. Auto physical damage	44,820,323	21,181,889	22,865,806	43,136,406
22. Aircraft (all perils)	4,516,982	2,491,532	2,016,723	4,991,791
23. Fidelity	41,159,092	21,240,792	21,677,856	40,722,028
24. Surety	39,189,987	25,875,145	25,710,801	39,354,331
26. Burglary and theft	6,615,332	3,706,038	3,843,931	6,477,439
27. Boiler and machinery	15,343,805	7,716,296	8,149,212	14,910,889
28. Credit	44,059	30,211	19,323	54,947
29. International	0	0	0	0
30. Warranty	427,354	5,614	62,663	370,305
31. Reinsurance - Nonproportional Assumed Property	67,084	70	67	67,087
32. Reinsurance - Nonproportional Assumed Liability	477,044	351	4,656	472,739
33. Reinsurance - Nonproportional Assumed Financial Lines	29,251	43,316	17,505	55,062
34. Aggregate write-ins for other lines of business	0	0	0	0
35. TOTALS	1,624,481,899	805,180,874	833,016,473	1,596,646,300
DETAILS OF WRITE-INS				
3401.	0	0	0	0
3402.	0	0	0	0
3403.	0	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	0	0	0	0

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 Columns 1 + 2 + 3 + 4
1. Fire	13,371,791	1,266,869	0	0	14,638,660
2. Allied lines	6,346,615	80,705	0	0	6,427,320
3. Farmowners multiple peril	0	0	0	0	0
4. Homeowners multiple peril	179,358,470	0	0	0	179,358,470
5. Commercial multiple peril	129,785,698	3,221,131	477,326	0	133,484,155
6. Mortgage guaranty	0	0	0	0	0
8. Ocean marine	6,742,843	42	0	0	6,742,885
9. Inland marine	43,202,398	3,812,993	0	0	47,015,391
10. Financial guaranty	0	0	0	0	0
11.1 Medical professional liability - occurrence	0	0	0	0	0
11.2 Medical professional liability - claims-made	297,633	65,266	0	0	362,899
12. Earthquake	5,312,327	0	0	0	5,312,327
13. Group accident and health	4,770,352	2,093,036	0	0	6,863,388
14. Credit accident and health (group and individual)	0	0	0	0	0
15. Other accident and health	316,349	0	0	0	316,349
16. Workers' compensation	81,000,200	162,462	(4,948,700)	21,930	76,235,892
17.1 Other liability - occurrence	68,013,701	10,308,718	(25,126)	4,171,787	82,469,080
17.2 Other liability - claims-made	116,792,092	18,076,634	0	0	134,868,726
17.3 Excess workers' compensation	150,212	9,317	0	0	159,529
18.1 Products liability - occurrence	17,646,543	1,262,338	0	0	18,908,881
18.2 Products liability - claims-made	1,649,409	65,852	0	0	1,715,261
19.1, 19.2 Private passenger auto liability	20,355,500	0	0	0	20,355,500
19.3, 19.4 Commercial auto liability	12,509,927	906,180	0	(2,890)	13,413,217
21. Auto physical damage	22,822,611	43,195	0	0	22,865,806
22. Aircraft (all perils)	1,995,167	21,556	0	0	2,016,723
23. Fidelity	19,507,638	2,170,218	0	0	21,677,856
24. Surety	4,606,250	21,104,551	0	0	25,710,801
26. Burglary and theft	2,870,407	973,524	0	0	3,843,931
27. Boiler and machinery	8,063,340	85,872	0	0	8,149,212
28. Credit	19,323	0	0	0	19,323
29. International	0	0	0	0	0
30. Warranty	62,663	0	0	0	62,663
31. Reinsurance - Nonproportional Assumed Property	67	0	0	0	67
32. Reinsurance - Nonproportional Assumed Liability	4,656	0	0	0	4,656
33. Reinsurance - Nonproportional Assumed Financial Lines	17,505	0	0	0	17,505
34. Aggregate write-ins for other lines of business	0	0	0	0	0
35. TOTALS	767,591,687	65,730,459	(4,496,500)	4,190,827	833,016,473
36. Accrued retrospective premiums based on experience					0
37. Earned but unbilled premiums					4,496,500
38. Balance (Sum of Line 35 through Line 37)					837,512,973
DETAILS OF WRITE-INS					
3401.	0	0	0	0	0
3402.	0	0	0	0	0
3403.	0	0	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	0	0	0	0	0

(a) State here basis of computation used in each case.
Pro-rata on unexpired risks

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1B-PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Columns 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire	778,396	31,020,830	4,485,347	646,069	6,421,887	29,216,617
2. Allied lines	418,392	15,796,122	40,690	381,378	1,378,709	14,495,117
3. Farmowners multiple peril	0	0	0	0	0	0
4. Homeowners multiple peril	312,321,434	301,098,511	0	259,226,784	29,440,935	324,752,226
5. Commercial multiple peril	36,578,252	288,290,752	0	30,449,762	39,070,718	255,348,524
6. Mortgage guaranty	0	0	0	0	0	0
8. Ocean marine	0	16,682,371	0	5,661	1,826,851	14,849,859
9. Inland marine	84,495,070	89,436,417	0	76,372,213	11,390,950	86,168,324
10. Financial guaranty	0	0	0	0	0	0
11.1 Medical professional liability - occurrence	0	(1,032)	0	0	(726)	(306)
11.2 Medical professional liability - claims-made	0	731,767	0	0	0	731,767
12. Earthquake	5,888,838	9,630,961	0	4,887,738	0	10,632,061
13. Group accident and health	0	32,287,964	0	68	1,043,546	31,244,350
14. Credit accident and health (group and individual)	0	0	0	0	0	0
15. Other accident and health	0	439,370	0	0	0	439,370
16. Workers' compensation	158,113,337	180,437,899	0	131,236,150	19,599,548	187,715,538
17.1 Other liability - occurrence	28,336,365	161,107,308	0	23,889,918	8,160,163	157,393,592
17.2 Other liability - claims-made	124,644	253,307,952	0	111,981	5,091,540	248,229,075
17.3 Excess workers' compensation	13,980	414,863	0	11,600	7,517	409,726
18.1 Products liability - occurrence	4,771,348	38,288,710	0	4,272,749	899,776	37,887,533
18.2 Products liability - claims-made	662,854	5,229,611	0	550,168	1,415,823	3,926,474
19.1, 19.2 Private passenger auto liability	21,543,191	36,933,125	0	18,256,620	110,795	40,108,901
19.3, 19.4 Commercial auto liability	252,649	28,973,261	0	209,708	773,364	28,242,838
21. Auto physical damage	20,474,495	42,947,217	0	17,339,970	1,261,419	44,820,323
22. Aircraft (all perils)	0	10,119,917	0	0	5,602,935	4,516,982
23. Fidelity	335,989	42,046,700	0	291,875	931,722	41,159,092
24. Surety	9,021,907	37,861,199	0	7,488,177	204,942	39,189,987
26. Burglary and theft	731,842	6,496,085	0	607,424	5,171	6,615,332
27. Boiler and machinery	4,936,267	16,391,409	0	4,098,666	1,885,205	15,343,805
28. Credit	0	97,453	0	0	53,394	44,059
29. International	0	0	0	0	0	0
30. Warranty	0	427,354	0	0	0	427,354
31. Reinsurance - Nonproportional Assumed Property	X X X	59,516	0	0	(7,568)	67,084
32. Reinsurance - Nonproportional Assumed Liability	X X X	538,213	0	0	61,169	477,044
33. Reinsurance - Nonproportional Assumed Financial Lines	X X X	47,121	0	0	17,870	29,251
34. Aggregate write-ins for other lines of business	0	0	0	0	0	0
35. TOTALS	689,799,250	1,647,138,946	4,526,037	580,334,679	136,647,655	1,624,481,899
DETAILS OF WRITE-INS						
3401.	0	0	0	0	0	0
3402.	0	0	0	0	0	0
3403.	0	0	0	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	0	0	0	0	0	0

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes () No (X)
If yes: 1. The amount of such installment premiums \$ 0
2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 0

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE PACIFIC INDEMNITY COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5	6	7	8
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Columns 1 plus 2 minus 3)	Net Losses Unpaid Current Year (Part 2A, Column 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Columns 4 plus 5 minus 6)	Percentage of Losses Incurred (Column 7, Part 2) to Premiums Earned (Column 4, Part 1)
1. Fire	397,694	10,803,685	483,716	10,717,663	14,264,146	12,830,477	12,151,332	42.6
2. Allied lines	107,267	8,259,008	1,991,393	6,374,882	6,599,957	7,275,900	5,698,939	40.7
3. Farmowners multiple peril	0	0	0	0	0	0	0	0.0
4. Homeowners multiple peril	179,591,546	146,738,963	153,051,948	173,278,561	75,489,197	66,938,771	181,828,987	57.2
5. Commercial multiple peril	7,970,298	104,193,940	15,877,615	96,286,623	193,951,834	185,801,453	104,437,004	42.9
6. Mortgage guaranty	0	0	0	0	0	0	0	0.0
8. Ocean marine	0	7,663,895	184,916	7,478,979	9,500,308	12,705,338	4,273,949	29.0
9. Inland marine	22,646,518	45,106,152	22,624,786	45,127,884	20,104,225	23,500,445	41,731,664	44.5
10. Financial guaranty	0	0	0	0	0	0	0	0.0
11.1 Medical professional liability - occurrence	6,600	114,632	21,310	99,922	1,339,461	1,622,705	(183,322)	(39,087.8)
11.2 Medical professional liability - claims-made	0	555,385	323,001	232,384	3,281,868	3,438,320	75,932	10.4
12. Earthquake	0	43,476	0	43,476	39,198	2,493	80,181	0.8
13. Group accident and health	0	10,849,238	493,031	10,356,207	17,345,018	17,345,877	10,355,348	33.5
14. Credit accident and health (group and individual)	0	0	0	0	0	0	0	0.0
15. Other accident and health	0	24,306	0	24,306	61,741	54,462	31,585	16.6
16. Workers' compensation	59,937,500	62,832,509	59,808,039	62,961,970	403,807,669	379,099,227	87,670,412	48.9
17.1 Other liability - occurrence	19,128,100	86,365,851	23,857,583	81,636,368	640,311,486	645,521,537	76,426,317	48.9
17.2 Other liability - claims-made	708,631	99,447,396	10,895,595	89,260,432	458,422,831	502,675,439	45,007,824	18.2
17.3 Excess workers' compensation	0	71,841	0	71,841	1,407,989	1,574,427	(94,597)	(13.2)
18.1 Products liability - occurrence	3,463,443	16,061,234	3,059,408	16,465,269	109,873,778	113,875,681	12,463,366	33.1
18.2 Products liability - claims-made	0	3,730,103	25,738	3,704,365	10,618,644	8,523,690	5,799,319	139.7
19.1, 19.2 Private passenger auto liability	14,919,491	19,378,448	12,784,179	21,513,760	37,405,722	35,178,651	23,740,831	60.0
19.3, 19.4 Commercial auto liability	3,848	14,308,206	64,666	14,247,388	34,036,074	32,624,339	15,659,123	57.9
21. Auto physical damage	10,409,951	22,482,465	9,097,240	23,795,176	362,088	(269,967)	24,427,231	56.6
22. Aircraft (all perils)	0	5,571,769	2,731,755	2,840,014	6,513,144	7,431,406	1,921,752	38.5
23. Fidelity	(5,148)	32,548,775	921,697	31,621,930	34,967,252	36,579,258	30,009,924	73.7
24. Surety	999	325,808	24,280	302,527	6,691,806	6,694,520	299,813	0.8
26. Burglary and theft	29	847,234	24	847,239	3,900,375	3,214,353	1,533,261	23.7
27. Boiler and machinery	2,177,448	2,380,479	1,807,283	2,750,644	2,224,558	2,605,839	2,369,363	15.9
28. Credit	0	64,304	6,046	58,258	514,828	641,076	(67,990)	(123.7)
29. International	0	0	0	0	0	0	0	0.0
30. Warranty	0	156,504	0	156,504	447,785	119,338	484,951	131.0
31. Reinsurance - Nonproportional Assumed Property	X X X	243,312	74,457	168,855	534,173	1,165,675	(462,647)	(689.6)
32. Reinsurance - Nonproportional Assumed Liability	X X X	2,747,214	1,088,611	1,658,603	14,104,895	15,072,482	691,016	146.2
33. Reinsurance - Nonproportional Assumed Financial Lines	X X X	95,280	(2,375)	97,655	1,330,560	1,233,972	194,243	352.8
34. Aggregate write-ins for other lines of business	0	0	0	0	0	0	0	0.0
35. TOTALS	321,464,215	704,011,412	321,295,942	704,179,685	2,109,452,610	2,125,077,184	688,555,111	43.1
DETAILS OF WRITE-INS								
3401	0	0	0	0	0	0	0	0.0
3402	0	0	0	0	0	0	0	0.0
3403	0	0	0	0	0	0	0	0.0
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0	0	0.0
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	0	0	0	0	0	0	0	0.0

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE PACIFIC INDEMNITY COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Columns 4 plus 5 plus 6 minus 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable	4 Net Losses Excluding Incurred But Not Reported (Columns 1 plus 2 minus 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	168,231	6,521,178	544,945	6,144,464	9,935	8,224,723	114,976	14,264,146	1,346,500
2. Allied lines	33,897	5,107,620	1,664,767	3,476,750	179,114	5,380,961	2,436,868	6,599,957	852,416
3. Farmowners multiple peril	0	0	0	0	0	0	0	0	0
4. Homeowners multiple peril	34,009,747	39,234,206	32,048,694	41,195,259	24,704,708	32,887,544	23,298,314	75,489,197	24,384,662
5. Commercial multiple peril	11,529,370	92,718,515	19,126,841	85,121,044	19,225,689	112,525,049	22,919,948	193,951,834	108,955,654
6. Mortgage guaranty	0	0	0	0	0	0	0	0	0
8. Ocean marine	0	5,484,439	1,922,163	3,562,276	0	6,391,278	453,246	9,500,308	2,457,826
9. Inland marine	904,484	11,763,373	3,633,162	9,034,695	11,179,595	10,241,601	10,351,666	20,104,225	2,273,441
10. Financial guaranty	0	0	0	0	0	0	0	0	0
11.1 Medical professional liability - occurrence	0	422,376	18,072	404,304	0	1,460,162	525,005	1,339,461	16,744
11.2 Medical professional liability - claims-made	0	2,318,829	1,628,299	690,530	0	3,323,129	731,791	3,281,868	997,242
12. Earthquake	0	44,924	0	44,924	0	(5,726)	0	39,198	12,644
13. Group accident and health	0	7,222,353	5,249,442	1,972,911	0	15,957,310	585,203	(a) 17,345,018	1,674,782
14. Credit accident and health (group and individual)	0	0	0	0	0	0	0	0	0
15. Other accident and health	0	8,500	0	8,500	0	53,241	0	(a) 61,741	9,145
16. Workers' compensation	163,252,521	137,179,390	156,471,865	143,960,046	226,327,432	245,604,706	212,084,515	403,807,669	69,699,478
17.1 Other liability - occurrence	46,996,095	89,849,581	52,257,919	84,587,757	112,423,775	581,219,346	137,919,392	640,311,486	80,831,597
17.2 Other liability - claims-made	2,797,732	71,963,935	9,604,507	65,157,160	3,738,807	419,187,318	29,660,454	458,422,831	304,523,087
17.3 Excess workers' compensation	0	263,263	0	263,263	60,217	1,174,161	89,652	1,407,989	223,464
18.1 Products liability - occurrence	20,081,300	30,725,910	18,449,786	32,357,424	34,167,570	74,472,495	31,123,711	109,873,778	74,484,137
18.2 Products liability - claims-made	0	4,400,764	40,707	4,360,057	808,995	7,511,548	2,061,956	10,618,644	7,930,581
19.1, 19.2 Private passenger auto liability	10,835,310	24,554,132	10,812,184	24,577,258	7,104,359	11,829,071	6,104,966	37,405,722	9,883,180
19.3, 19.4 Commercial auto liability	267,503	20,404,840	1,093,682	19,578,661	110,166	15,030,294	683,047	34,036,074	9,199,053
21. Auto physical damage	459,805	912,942	411,341	961,406	(460,941)	(485,065)	(346,688)	362,088	2,027,387
22. Aircraft (all perils)	0	2,871,073	1,216,584	1,654,489	766	10,372,300	5,514,411	6,513,144	1,516,840
23. Fidelity	0	4,194,983	342,126	3,852,857	204,547	31,635,196	725,348	34,967,252	4,409,900
24. Surety	0	1,661,212	152,110	1,509,102	1,134,909	5,148,203	1,100,408	6,691,806	1,789,766
26. Burglary and theft	5	1,353	4	1,354	73,878	3,888,795	63,652	3,900,375	385,677
27. Boiler and machinery	505,000	1,183,903	434,790	1,254,113	301,384	948,631	279,570	2,224,558	542,522
28. Credit	0	899,665	453,429	446,236	0	484,276	415,684	514,828	827
29. International	0	0	0	0	0	0	0	0	0
30. Warranty	0	0	0	0	0	447,785	0	447,785	70,013
31. Reinsurance - Nonproportional Assumed Property	X X X	1,174,799	822,882	351,917	X X X	258,354	76,098	534,173	0
32. Reinsurance - Nonproportional Assumed Liability	X X X	4,072,878	1,434,408	2,638,470	X X X	14,486,577	3,020,152	14,104,895	67,394
33. Reinsurance - Nonproportional Assumed Financial Lines	X X X	801,454	15	801,439	X X X	668,626	139,505	1,330,560	14,545
34. Aggregate write-ins for other lines of business	0	0	0	0	0	0	0	0	0
35. TOTALS	291,841,000	567,962,390	319,834,724	539,968,666	441,294,905	1,620,321,889	492,132,850	2,109,452,610	710,580,504
DETAILS OF WRITE-INS									
3401.	0	0	0	0	0	0	0	0	0
3402.	0	0	0	0	0	0	0	0	0
3403.	0	0	0	0	0	0	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0	0	0	0
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	0	0	0	0	0	0	0	0	0

(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	40,746,187	0	0	40,746,187
1.2 Reinsurance assumed	149,845,541	0	0	149,845,541
1.3 Reinsurance ceded	42,297,918	0	0	42,297,918
1.4 Net claim adjustment services (Line 1.1 plus Line 1.2 minus Line 1.3)	148,293,810	0	0	148,293,810
2. Commission and brokerage:				
2.1 Direct excluding contingent	0	106,117,109	0	106,117,109
2.2 Reinsurance assumed excluding contingent	0	244,273,492	0	244,273,492
2.3 Reinsurance ceded excluding contingent	0	108,412,561	0	108,412,561
2.4 Contingent - direct	0	0	0	0
2.5 Contingent - reinsurance assumed	0	1,802,286	0	1,802,286
2.6 Contingent - reinsurance ceded	0	120,143	0	120,143
2.7 Policy and membership fees	0	0	0	0
2.8 Net commission and brokerage (Line 2.1 plus Line 2.2 minus Line 2.3 plus Line 2.4 plus Line 2.5 minus Line 2.6 plus Line 2.7)	0	243,660,183	0	243,660,183
3. Allowances to manager and agents	0	745,127	0	745,127
4. Advertising	0	1,547,792	0	1,547,792
5. Boards, bureaus and associations	358,290	4,143,938	0	4,502,228
6. Surveys and underwriting reports	0	1,298,746	0	1,298,746
7. Audit of assureds' records	0	281,069	0	281,069
8. Salary and related items:				
8.1 Salaries	33,734,666	102,880,525	2,251,852	138,867,043
8.2 Payroll taxes	2,139,534	6,346,636	79,268	8,565,438
9. Employee relations and welfare	6,065,744	18,099,215	398,249	24,563,208
10. Insurance	446,964	1,841,740	0	2,288,704
11. Directors' fees	0	0	0	0
12. Travel and travel items	1,150,751	5,915,322	28,795	7,094,868
13. Rent and rent items	2,889,441	7,166,951	99,228	10,155,620
14. Equipment	147,201	485,847	2,037	633,085
15. Cost or depreciation of EDP equipment and software	1,578,892	6,584,419	78,380	8,241,691
16. Printing and stationery	198,879	1,003,017	35,767	1,237,663
17. Postage, telephone and telegraph, exchange and express	663,717	2,569,418	23,475	3,256,610
18. Legal and auditing	389,685	848,533	1,737,099	2,975,317
19. Totals (Line 3 through Line 18)	49,763,764	161,758,295	4,734,150	216,256,209
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 132,427	(182,298)	30,630,618	0	30,448,320
20.2 Insurance department licenses and fees	0	4,759,898	0	4,759,898
20.3 Gross guaranty association assessments	0	0	0	0
20.4 All other (excluding federal and foreign income and real estate)	0	3,645,300	0	3,645,300
20.5 Total taxes, licenses and fees (Line 20.1 plus Line 20.2 plus Line 20.3 plus Line 20.4)	(182,298)	39,035,816	0	38,853,518
21. Real estate expenses	244,915	741,376	0	986,291
22. Real estate taxes	80,625	238,709	0	319,334
23. Reimbursements by uninsured plans	0	0	0	0
24. Aggregate write-ins for miscellaneous expenses	10,934,554	14,587,769	68,515	25,590,838
25. Total expenses incurred	209,135,370	460,022,148	4,802,665	(a) 673,960,183
26. Less unpaid expenses - current year	710,580,504	97,520,408	2,825,770	810,926,682
27. Add unpaid expenses - prior year	714,692,104	94,477,262	1,751,327	810,920,693
28. Amounts receivable relating to uninsured plans, prior year	0	0	0	0
29. Amounts receivable relating to uninsured plans, current year	0	0	0	0
30. TOTAL EXPENSES PAID (Line 25 minus Line 26 plus Line 27 minus Line 28 plus Line 29)	213,246,970	456,979,002	3,728,222	673,954,194
DETAILS OF WRITE-INS				
2401. Outside services	7,487,606	14,163,703	68,515	21,719,824
2402. Change in unallocated loss adjustment expense reserve	2,636,474	0	0	2,636,474
2403. Miscellaneous expense	810,474	424,066	0	1,234,540
2498. Summary of remaining write-ins for Line 24 from overflow page	0	0	0	0
2499. Totals (Line 2401 through Line 2403 plus Line 2498) (Line 24 above)	10,934,554	14,587,769	68,515	25,590,838

(a) Includes management fees of \$ 557,906 to affiliates and \$ 3,624,247 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U. S. Government bonds	(a) 709,483	788,236
1.1 Bonds exempt from U. S. tax	(a) 132,842,373	133,951,190
1.2 Other bonds (unaffiliated)	(a) 55,267,058	55,014,863
1.3 Bonds of affiliates	(a) 0	0
2.1 Preferred stocks (unaffiliated)	(b) 337,932	337,932
2.11 Preferred stocks of affiliates	(b) 0	0
2.2 Common stocks (unaffiliated)	13,087,477	13,027,890
2.21 Common stocks of affiliates	110,400	110,400
3. Mortgage loans	(c) 0	0
4. Real estate	(d) 0	0
5. Contract loans	0	0
6. Cash, cash equivalents and short-term investments	(e) 469,361	469,188
7. Derivative instruments	(f) 0	0
8. Other invested assets	746,538	746,538
9. Aggregate write-ins for investment income	532,178	532,178
10. Total gross investment income	204,102,800	204,978,415
11. Investment expenses		(g) 4,802,665
12. Investment taxes, licenses and fees, excluding federal income taxes		(g) 0
13. Interest expense		(h) 0
14. Depreciation on real estate and other invested assets		(i) 0
15. Aggregate write-ins for deductions from investment income		384,025
16. Total deductions (Line 11 through Line 15)		5,186,690
17. Net investment income (Line 10 minus Line 16)		199,791,725
DETAILS OF WRITE-INS		
0901. Miscellaneous investment income	532,178	532,178
0902.	0	0
0903.	0	0
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)	532,178	532,178
1501. Miscellaneous interest expense		384,025
1502.		0
1503.		0
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Totals (Line 1501 through Line 1503 plus Line 1598) (Line 15 above)		384,025
(a) Includes \$ 2,182,552 accrual of discount less \$ 38,833,502 amortization of premium and less \$ 3,044,250 paid for accrued interest on purchases.	(f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.	
(b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.	(g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.	
(c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.	(h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.	
(d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.	(i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.	
(e) Includes \$ 467,277 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Col. 1 + Col. 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U. S. Government bonds	0	0	0	0	0
1.1 Bonds exempt from U. S. tax	(4,411,848)	(1,537,904)	(5,949,752)	408,182	0
1.2 Other bonds (unaffiliated)	11,352,491	407,052	11,759,543	(174,087)	(5,866,219)
1.3 Bonds of affiliates	0	0	0	0	0
2.1 Preferred stocks (unaffiliated)	0	0	0	376,000	0
2.11 Preferred stocks of affiliates	0	0	0	0	0
2.2 Common stocks (unaffiliated)	53,999,671	(731,640)	53,268,031	25,807,233	0
2.21 Common stocks of affiliates	12,516,860	0	12,516,860	(11,058,966)	0
3. Mortgage loans	0	0	0	0	0
4. Real estate	0	0	0	0	0
5. Contract loans	0	0	0	0	0
6. Cash, cash equivalents and short-term investments	3,844	(38,942)	(35,098)	0	0
7. Derivative instruments	0	0	0	0	0
8. Other invested assets	33,736,468	(3,316,212)	30,420,256	(14,572,971)	0
9. Aggregate write-ins for capital gains (losses)	0	(179,626)	(179,626)	0	5,485,451
10. Total capital gains (losses)	107,197,486	(5,397,272)	101,800,214	785,391	(380,768)
DETAILS OF WRITE-INS					
0901. Foreign exchange gain (loss) - underwriting	0	(179,626)	(179,626)	0	5,485,451
0902.	0	0	0	0	0
0903.	0	0	0	0	0
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)	0	(179,626)	(179,626)	0	5,485,451

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)	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	531,328	624,098	92,770
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)	0	0	0
6. Contract loans	0	0	0
7. Derivatives (Schedule DB)	0	0	0
8. Other invested assets (Schedule BA)	0	0	0
9. Receivables for securities	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL)	0	0	0
11. Aggregate write-ins for invested assets	0	0	0
12. Subtotals, cash and invested assets (Line 1 to Line 11)	531,328	624,098	92,770
13. Title plants (for Title insurers only)	0	0	0
14. Investment income due and accrued	0	0	0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	3,333,552	3,993,201	659,649
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,216,313	739,382	(476,931)
15.3 Accrued retrospective premiums	0	0	0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers	0	0	0
16.2 Funds held by or deposited with reinsured companies	0	0	0
16.3 Other amounts receivable under reinsurance contracts	0	0	0
17. Amounts receivable relating to uninsured plans	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
18.2 Net deferred tax asset	9,219,645	16,842,946	7,623,301
19. Guaranty funds receivable or on deposit	0	0	0
20. Electronic data processing equipment and software	0	0	0
21. Furniture and equipment, including health care delivery assets	0	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
23. Receivables from parent, subsidiaries and affiliates	0	0	0
24. Health care and other amounts receivable	0	0	0
25. Aggregate write-ins for other-than-invested assets	4,261	5,232	971
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 12 to Line 25)	14,305,099	22,204,859	7,899,760
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
28. Total (Line 26 and Line 27)	14,305,099	22,204,859	7,899,760
DETAILS OF WRITE-INS			
1101.	0	0	0
1102.	0	0	0
1103.	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0
1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above)	0	0	0
2501. Amounts receivable under high deductible policies	4,261	5,232	971
2502.	0	0	0
2503.	0	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)	4,261	5,232	971

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

The financial statements have been prepared in accordance with the National Association of Insurance Commissioners (NAIC) *Accounting Practices and Procedures Manual* (NAIC SAP).

A reconciliation of the Company's net income and policyholders' surplus between NAIC SAP and practices prescribed and permitted by the Wisconsin Department of Insurance is shown below:

	Years Ended December 31	
	2014	2013
NET INCOME		
State basis	\$421,582,892	\$425,649,784
State prescribed practices that increase (decrease) NAIC SAP	-	-
State permitted practices that increase (decrease) NAIC SAP	-	-
NAIC SAP	<u>\$421,582,892</u>	<u>\$425,649,784</u>
	December 31	
	2014	2013
POLICYHOLDERS' SURPLUS		
State basis	\$2,922,213,560	\$2,771,421,804
State prescribed practices that increase (decrease) NAIC SAP	-	-
State permitted practices that increase (decrease) NAIC SAP	-	-
NAIC SAP	<u>\$2,922,213,560</u>	<u>\$2,771,421,804</u>

B. Management Estimates

The financial statements include amounts based on informed estimates and judgments of management for transactions that are not yet complete. Such estimates and judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

C. Accounting Policies

Invested assets:

- Cash equivalents and short-term investments are carried at amortized cost, which approximates fair value. Cash equivalents are highly liquid investments with original maturities of three months or less. All other investments with remaining maturities of one year or less at the time of acquisition are classified as short-term investments.
- Bonds not backed by loans with an NAIC designation of 1 or 2 are carried at amortized cost using the interest method.
- Loan-backed securities with an initial NAIC designation of 1 or 2 are carried at amortized cost using the interest method, adjusted for anticipated prepayments. Prepayment assumptions are reviewed periodically and revised as necessary. Significant changes in estimated cash flows due to revisions in prepayment assumptions are accounted for through a retrospective adjustment to book value.
- Bonds not backed by loans with an NAIC designation of 3 through 6 and loan-backed securities with an initial NAIC designation of 3 through 6 are carried at the lower of amortized cost or fair value as of the balance sheet date.
- Non-redeemable preferred stocks with an NAIC designation of 1 or 2 and common stocks are carried at fair value as of the balance sheet date.
- Non-redeemable preferred stocks with an NAIC designation of 3 through 6 are carried at the lower of cost or fair value as of the balance sheet date.
- Investments in subsidiaries and affiliates are carried on the equity basis determined in accordance with statutory valuation methods.
- Other invested assets primarily include private equity limited partnerships, which are carried at the Company's equity in the net assets of the partnerships based on valuations provided by the manager of each partnership. As a result of the timing of the receipt of valuation data from the investment managers, these investments are generally reported on a three month lag. Net distributions received from the partnerships are recognized as investment income or realized capital gains or losses to the extent such distributions do not exceed the Company's share of undistributed accumulated earnings of the partnership. Distributions received in excess of the Company's share of undistributed accumulated earnings of the partnership are considered a return of equity and reduce the carrying amount of the investment. The Company's share of undistributed losses of the partnerships is recognized as realized capital losses. The Company's share of undistributed earnings of the partnerships is included in unrealized capital gains.
- Unrealized capital gains or losses related to invested assets carried at fair value or accounted for on the equity basis are excluded from net income and credited or charged, net of applicable deferred income tax, directly to policyholders' surplus.
- Realized capital gains and losses on the sale of invested assets are determined on the basis of the cost of the specific invested assets sold and are included in net income.
- When the fair value of an invested asset is lower than its cost, an assessment is made to determine whether the decline is temporary or other than temporary. The assessment of other-than-temporary impairment of bonds and stocks is based on both quantitative criteria and qualitative information. A number of factors are considered including, but not limited to, the length of time and the extent to which the fair value has been less than the cost, the financial condition and near term prospects of the issuer, whether the issuer is current on contractually obligated interest and principal payments, general market conditions and industry or sector specific factors.

The Company recognizes an other-than-temporary impairment loss when it concludes it has the intent to sell or it does not have both the intent and ability to hold an impaired security for a period of time sufficient to recover its cost basis or it does not expect to recover the entire cost basis of an impaired security. For invested assets other than loan-backed securities, if the decline is deemed to be other than temporary, the invested asset is written down to fair value. For loan-backed securities, if the decline is deemed to be other than temporary and the Company concludes it has the intent to sell the security or it does not have both the intent and ability to hold the security for a period of time sufficient to recover its amortized cost basis, the security is written down to fair value. If the decline is deemed to be other than temporary and the Company does not expect to recover the entire amortized cost basis of the security even if it has no intent to sell and has the intent and ability to hold the security, the security is written down to the present value of cash flows expected to be collected, discounted at the security's effective interest rate. Writedowns for all invested assets are reflected in net income as a realized capital loss and the previous cost basis of the invested asset less the amount of the writedown becomes the invested asset's new cost basis.

Insurance premiums are earned on a monthly pro rata basis over the terms of the policies and include estimates of audit premiums and premiums on retrospectively rated policies. Assumed reinsurance premiums are earned over the terms of the reinsurance contracts. Ceded reinsurance premiums are reflected in operating results over the terms of the reinsurance contracts. Unearned premiums represent the portion of premiums written applicable to the unexpired terms of the insurance policies and reinsurance contracts in force. Reinsurance reinstatement premiums are recognized in the same period as the loss event that gave rise to the reinstatement premiums. Accrued audit and retrospective premiums are recorded as an adjustment to unearned premiums.

Expenses incurred related to the acquisition of new or renewal insurance contracts, including such costs as commissions and premium taxes, are reflected in operating results as incurred. Expenses incurred are reduced for ceding commissions related to outbound reinsurance contracts.

NOTES TO FINANCIAL STATEMENTS

The Company considers anticipated investment income as a factor in the premium deficiency reserve calculation.

Unpaid losses and loss adjustment expenses (also referred to as loss reserves) include the accumulation of individual case estimates for claims that have been reported and estimates of claims that have been incurred but not reported as well as estimates of the expenses associated with processing and settling all reported and unreported claims, less estimates of anticipated salvage and subrogation recoveries. Estimates are based upon past loss experience modified for current trends as well as prevailing economic, legal and social conditions. With regard to asbestos and toxic waste claims, the Company establishes case reserves and expense reserves for costs of related litigation where sufficient information has been developed to indicate the involvement of a specific insurance policy. In establishing such case reserves, the exposure presented by each insured is evaluated. In addition, incurred but not reported (IBNR) reserves are established to cover additional exposures on both known and unasserted claims. Loss reserves are regularly reviewed using a variety of actuarial techniques. Reserve estimates are updated as historical loss experience develops, additional claims are reported and/or settled and new information becomes available. Any changes in estimates are reflected in operating results in the period in which the estimates are changed.

Deferred income tax assets and liabilities are recognized for the expected future tax effects attributable to temporary differences between the financial reporting and tax bases of assets and liabilities, based on enacted tax rates and other provisions of tax law. The effect on deferred income tax assets and liabilities of a change in tax laws or rates is recognized in the period in which such change is enacted. Gross deferred income tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not (a likelihood of more than 50%) that all or some portion of the gross deferred income tax assets will not be realized. The net change in deferred income tax assets and liabilities is excluded from net income and credited or charged directly to policyholders' surplus. Admissibility of gross deferred income tax assets is determined by the use of a specific realization period and threshold limitation based on the Company's risk based capital (RBC) level.

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

During 2014 and 2013, the Company had no changes in accounting principles or corrections of errors.

3. BUSINESS COMBINATIONS AND GOODWILL

Not applicable

4. DISCONTINUED OPERATIONS

Not applicable

5. INVESTMENTS

A. Mortgage Loans, including Mezzanine Real Estate Loans

Not applicable

B. Debt Restructuring

Not applicable

C. Reverse Mortgages

Not applicable

D. Loan-Backed Securities

1. Prepayment assumptions for loan-backed securities are obtained from third party, nationally recognized pricing services or, based on internal estimates and are consistent with the current interest rate and economic environment.
2. At December 31, 2014, the Company held no loan-backed securities with a recognized other-than-temporary impairment due to the Company's intent to sell a security or its inability or lack of intent to retain a security for a period of time sufficient to recover its amortized cost basis.
3. At December 31, 2014, the Company held no loan-backed securities for which an other-than-temporary impairment was recognized in 2014 due to the Company's expectation that it will not recover the security's entire amortized cost basis.
4. At December 31, 2014, the aggregate gross unrealized capital losses and fair value for all loan-backed securities in an unrealized capital loss position, by length of time that individual securities have continuously been in an unrealized capital loss position were as follows:

Aggregate gross unrealized capital losses:

Less than twelve months	\$23,258
Twelve months or more	10,458

Aggregate fair value of securities with gross unrealized capital losses:

Less than twelve months	\$24,178,448
Twelve months or more	1,894,823

5. When the fair value of a loan-backed security is lower than its cost, an assessment is made to determine whether the decline is temporary or other than temporary. The assessment is based on both quantitative criteria and qualitative information. A number of factors are considered including, but not limited to, the length of time and the extent to which the fair value has been less than the cost, the financial condition and near term prospects of the issuer, whether the issuer is current on contractually obligated interest and principal payments, general market conditions and industry or sector specific factors.

E. Repurchase Agreements and/or Securities Lending Transactions

Not applicable

F. Real Estate

Not applicable

G. Low-Income Housing Tax Credits

Not applicable

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE PACIFIC INDEMNITY COMPANY

NOTES TO FINANCIAL STATEMENTS

H. Restricted Assets

1. Restricted assets of the Company were as follows:

	December 31			December 31, 2014		
	2014	2013			Percentage of Gross Restricted Assets to Total Gross Assets	Percentage of Admitted Restricted Assets to Total Admitted Assets
	Gross Restricted Assets	Gross Restricted Assets	Increase	Admitted Restricted Assets		
Bonds on deposit						
with states	\$124,979,501	\$114,396,198	\$10,583,303	\$124,979,501	1.8%	1.8%
Bonds pledged						
as collateral	<u>79,373,779</u>	<u>78,191,900</u>	<u>1,181,879</u>	<u>79,373,779</u>	<u>1.2</u>	<u>1.2</u>
	<u>\$204,353,280</u>	<u>\$192,588,098</u>	<u>\$11,765,182</u>	<u>\$204,353,280</u>	<u>3.0%</u>	<u>3.0%</u>

2&3. At December 31, 2014 and December 31, 2013, the Company had no additional restricted assets.

I. Working Capital Finance Investments

Not applicable

J. Offsetting and Netting of Assets and Liabilities

Not applicable

K. Structured Notes

Not applicable

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

- A. At December 31, 2014, the Company had no investments in joint ventures, partnerships or limited liability companies that exceeded 10% of its total admitted assets.
- B. During 2014, the Company recognized impairment writedowns of \$3,316,212 related to investments in limited partnerships. These writedowns were the result of a decline in the Company's equity in the net assets of certain partnerships, based on valuations provided by the manager of each partnership.

7. INVESTMENT INCOME

- A. Due and accrued investment income over 90 days past due is nonadmitted.
- B. At December 31, 2014, the Company had no due and accrued investment income that was nonadmitted.

8. DERIVATIVE INSTRUMENTS

Not applicable

9. INCOME TAXES

- A. 1. The components of the Company's admitted net deferred income tax asset and changes therein were as follows:

NOTES TO FINANCIAL STATEMENTS

	December 31, 2014		
	Ordinary Income Related	Capital Income Related	Total
Gross deferred income tax assets	\$181,535,704	\$57,912,077	\$239,447,781
Valuation allowance	-	-	-
Adjusted gross deferred income tax assets	181,535,704	57,912,077	239,447,781
Deferred income tax assets nonadmitted	9,219,645	-	9,219,645
Admitted gross deferred income tax assets	172,316,059	57,912,077	230,228,136
Gross deferred income tax liabilities	72,884,597	44,658,230	117,542,827
Admitted net deferred income tax asset	\$ 99,431,462	\$13,253,847	\$112,685,309

	December 31, 2013		
	Ordinary Income Related	Capital Income Related	Total
Gross deferred income tax assets	\$180,483,612	\$56,986,599	\$237,470,211
Valuation allowance	-	-	-
Adjusted gross deferred income tax assets	180,483,612	56,986,599	237,470,211
Deferred income tax assets nonadmitted	16,842,946	-	16,842,946
Admitted gross deferred income tax assets	163,640,666	56,986,599	220,627,265
Gross deferred income tax liabilities	65,413,891	43,778,260	109,192,151
Admitted net deferred income tax asset	\$ 98,226,775	\$13,208,339	\$111,435,114

	Increase (Decrease)		
	Ordinary Income Related	Capital Income Related	Total
Gross deferred income tax assets	\$ 1,052,092	\$925,478	\$1,977,570
Valuation allowance	-	-	-
Adjusted gross deferred income tax assets	1,052,092	925,478	1,977,570
Deferred income tax assets nonadmitted	(7,623,301)	-	(7,623,301)
Admitted gross deferred income tax assets	8,675,393	925,478	9,600,871
Gross deferred income tax liabilities	7,470,706	879,970	8,350,676
Admitted net deferred income tax asset	\$ 1,204,687	\$ 45,508	\$ 1,250,195

2. The components of the Company's admitted gross deferred income tax asset calculation were as follows:

	December 31, 2014		
	Ordinary Income Related	Capital Income Related	Total
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 96,369,159	\$13,253,847	\$109,623,006
(b) The lesser of:	3,062,303	-	3,062,303
i. Adjusted gross deferred income tax assets, expected to be realized within three years, after application of (a)	3,062,303	-	3,062,303
ii. Adjusted gross deferred income tax assets allowed per threshold limitation, after application of (a)	X X X	X X X	421,429,238
(c) Adjusted gross deferred income tax assets, after application of (a) and (b), that can be offset against gross deferred income tax liabilities	72,884,597	44,658,230	117,542,827
Total admitted gross deferred income tax assets	\$172,316,059	\$57,912,077	\$230,228,136

	December 31, 2013		
	Ordinary Income Related	Capital Income Related	Total
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 94,964,955	\$13,208,339	\$108,173,294
(b) The lesser of:	3,261,820	-	3,261,820
i. Adjusted gross deferred income tax assets, expected to be realized within three years, after application of (a)	3,261,820	-	3,261,820
ii. Adjusted gross deferred income tax assets allowed per threshold limitation, after application of (a)	X X X	X X X	398,998,004
(c) Adjusted gross deferred income tax assets, after application of (a) and (b), that can be offset against gross deferred income tax liabilities	65,413,891	43,778,260	109,192,151
Total admitted gross deferred income tax assets	\$163,640,666	\$56,986,599	\$220,627,265

3. The realization period and threshold limitation amount used in the calculation of admitted gross deferred income tax assets were determined using the following:

	December 31	
	2014	2013
Ratio percentage of the adjusted capital and surplus to the authorized control level RBC	904%	845%
Adjusted capital and surplus	\$2,809,528,251	\$2,659,986,690

4. At December 31, 2014 and December 31, 2013, the availability of tax-planning strategies had no impact on the Company's adjusted gross deferred income tax assets or admitted net deferred income tax asset.

B. There are no temporary differences for which deferred income tax liabilities have not been recognized.

- C. 1. Current income taxes incurred and changes therein were as follows:

Years Ended December 31		
2014	2013	Increase (Decrease)

NOTES TO FINANCIAL STATEMENTS

Federal income tax	\$ 87,104,547	\$103,979,976	\$(16,875,429)
Foreign income tax	<u>128,240</u>	<u>83,798</u>	<u>44,442</u>
	87,232,787	104,063,774	(16,830,987)
Federal income tax on net realized capital gains or losses	<u>23,262,451</u>	<u>18,645,910</u>	<u>4,616,541</u>
Federal and foreign income taxes incurred	<u>\$110,495,238</u>	<u>\$122,709,684</u>	<u>\$(12,214,446)</u>

2-4. The components of deferred income tax assets and deferred income tax liabilities and changes therein were as follows:

	December 31		
	2014	2013	Increase (Decrease)
Gross deferred income tax assets			
Ordinary income items			
Loss reserves	\$ 83,292,714	\$ 86,528,146	\$(3,235,432)
Unearned premiums	58,332,550	56,395,803	1,936,747
Compensation and employee benefits	34,798,408	33,874,015	924,393
Realized foreign exchange losses	3,283,269	1,368,325	1,914,944
Nonadmitted premiums receivable	1,592,453	1,656,404	(63,951)
Foreign tax credits	-	378,670	(378,670)
Other	<u>236,310</u>	<u>282,249</u>	<u>(45,939)</u>
Total gross deferred income tax assets – ordinary income items	<u>181,535,704</u>	<u>180,483,612</u>	<u>1,052,092</u>
Deferred income tax assets nonadmitted	<u>9,219,645</u>	<u>16,842,946</u>	<u>(7,623,301)</u>
Admitted gross deferred income tax assets – ordinary income items	<u>172,316,059</u>	<u>163,640,666</u>	<u>8,675,393</u>
Capital income items			
Investment impairment writedowns	57,898,705	56,973,229	925,476
Nonadmitted investments in subsidiaries – cost basis	13,370	13,370	-
Realized gain adjustment	<u>2</u>	<u>-</u>	<u>2</u>
Total gross deferred income tax assets – capital income items	<u>57,912,077</u>	<u>56,986,599</u>	<u>925,478</u>
Admitted gross deferred income tax assets – capital income items	<u>57,912,077</u>	<u>56,986,599</u>	<u>925,478</u>
Total admitted gross deferred income tax assets	<u>230,228,136</u>	<u>220,627,265</u>	<u>9,600,871</u>
Gross deferred income tax liabilities			
Ordinary income items			
Accretion of bond discount	610,946	1,854,243	(1,243,297)
Salvage reserves	385,657	459,871	(74,214)
Deferred earnings and unrealized gains related to foreign subsidiary	172,594	334,698	(162,104)
Taxable accrued dividends	<u>71,727</u>	<u>259,945</u>	<u>(188,218)</u>
Total gross deferred income tax liabilities – ordinary income items	<u>1,240,924</u>	<u>2,908,757</u>	<u>(1,667,833)</u>
Capital income items			
Unrealized capital gains	105,330,833	101,185,308	4,145,525
Partnership income	7,855,916	1,800,748	6,055,168
Unrealized foreign exchange gains	3,115,154	3,248,423	(133,269)
Realized gain adjustment	<u>-</u>	<u>48,915</u>	<u>(48,915)</u>
Total gross deferred income tax liabilities – capital income items	<u>116,301,903</u>	<u>106,283,394</u>	<u>10,018,509</u>
Total gross deferred income tax liabilities	<u>117,542,827</u>	<u>109,192,151</u>	<u>8,350,676</u>
Admitted net deferred income tax asset	<u>\$112,685,309</u>	<u>\$111,435,114</u>	<u>\$ 1,250,195</u>

The change in net deferred income tax in 2014 was as follows:

Increase in deferred income tax assets (admitted and nonadmitted)	\$ 1,977,570
Increase in deferred income tax liabilities	<u>8,350,676</u>
	(6,373,106)
Less: Change in deferred income tax on unrealized capital gains or losses	<u>4,362,091</u>
Change in net deferred income tax	<u>\$(2,011,015)</u>

D. The effective income tax rate is different than the statutory federal income tax rate. For the year ended December 31, 2014, the reasons for the different effective tax rate were as follows:

Net income after capital gains tax and before all other federal and foreign income taxes, per Statement of Income	\$508,815,679
Add: Capital gains tax	<u>23,262,451</u>
Net income before taxes	<u>\$532,078,130</u>
Tax at statutory federal income tax rate	\$186,227,346
Tax exempt interest	(39,482,043)
Intercompany tax allocation adjustment	(21,381,388)
Adjustment to prior years' taxes	(6,107,958)
Loss reserves	(5,160,020)
Gain on sale of U.S. subsidiary	(3,889,655)
Other	<u>288,956</u>
Current federal and foreign income taxes incurred	110,495,238
Change in net deferred income tax	<u>2,011,015</u>
Total statutory income taxes	<u>\$112,506,253</u>

E. 1. The Company does not have any operating loss or tax credit carryforwards.

NOTES TO FINANCIAL STATEMENTS

2. Federal income taxes incurred and available for recoupment in the event of future net losses are: current year \$658,706,714; preceding year \$724,365,541. This represents the tax refundable on a consolidated basis (as described in (F)) in the event of future tax losses.
3. The Company does not have any protective tax deposits.

- F. 1. The Company is included in the consolidated federal income tax return of its ultimate parent, The Chubb Corporation (Chubb). In addition to the Company and Chubb, the entities included in the consolidated income tax return are as follows:

Federal Insurance Company (Federal), Executive Risk Indemnity Inc. (ERII), Great Northern Insurance Company (Great Northern), Vigilant Insurance Company (Vigilant), Chubb Custom Insurance Company (Chubb Custom), Chubb National Insurance Company (Chubb National), Chubb Indemnity Insurance Company (Chubb Indemnity), Executive Risk Specialty Insurance Company (ERSIC), Northwestern Pacific Indemnity Company (NPI), Texas Pacific Indemnity Company, Chubb Insurance Company of New Jersey, Chubb Lloyds Insurance Company of Texas, Chubb Atlantic Indemnity Ltd., Chubb Custom Market Inc., Chubb & Son Inc., Chubb Global Financial Services Corporation, Harbor Island Indemnity Ltd., DHC Corporation, Chubb Computer Services, Inc., Chubb Insurance Solutions Agency, Inc., Chubb Services Corporation, Transit Air Services, Inc., Chubb Re, Inc., Chubb Multinational Manager Inc., Chubb Investment Holdings Inc., Chubb Financial Solutions, Inc., Chubb Financial Solutions (Bermuda) Ltd., Chubb Executive Risk Inc., Sullivan Kelly, Inc., Sullivan Kelly of Arizona, Inc., and Bellemead Development Corporation and its subsidiaries.

2. The Company is a party to an intercompany tax allocation agreement with Chubb, approved by the Company's Board of Directors. Under the provisions of the agreement, the Company is allocated a current tax provision or benefit (in the event of a loss carryback) based on the ratio of its taxable income to the total taxable income of all parties to the consolidated income tax return having taxable income. In years when the affiliated group incurs an alternative minimum tax liability, the excess of the alternative minimum tax over the regular tax is allocated to those companies whose tax preference items gave rise to the alternative minimum tax.

- G. The Company has no federal or foreign income tax loss contingencies.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AFFILIATES AND OTHER RELATED PARTIES

- A-C. Other than dividends paid to its parent, the Company had no non-insurance transactions with affiliates in 2014 or 2013 in excess of 1/2 of 1% of its total admitted assets at December 31, 2014 or December 31, 2013, respectively.
- D. At December 31, 2014, the Company had admitted receivables from affiliates amounting to \$76,865,229, excluding amounts related to the intercompany reinsurance pooling arrangement (see Note 26). Affiliate receivables and payables are generally settled on a quarterly basis.
- E. There are no guarantees or undertakings for the benefit of an affiliate that result in a material contingent exposure.
- F. The Company has a management agreement with Federal, whereby Federal acts as manager of the insurance business and provides financial advisory services.
- G. At December 31, 2014, all outstanding shares of the Company were owned by Federal, domiciled in the State of Indiana. Federal is 100% owned by Chubb, a New Jersey domiciled holding corporation.
- H. The Company owns no shares of an upstream intermediate entity or its ultimate parent either directly or indirectly.
- I. At December 31, 2014, no investment in a subsidiary or affiliate exceeded 10% of the Company's total admitted assets.
- J. During 2014, the Company did not recognize any impairment writedowns related to investments in subsidiaries or affiliates.
- K. The Company has no investment in a foreign life insurance subsidiary.
- L. The Company has no investment in a downstream non-insurance holding company.

11. DEBT

Not applicable

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

- A-D. Benefit Plans

Not applicable

- E. Defined Contribution Plan

In accordance with the Company's management agreement with Federal, the Company bears its proportionate share of expenses incurred by Federal for costs related to the defined contribution benefit plan in which Federal participates. The Company's share of expenses related to the plan in 2014 and 2013 was \$4,118,294 and \$3,932,021, respectively.

- F. Multiemployer Plans

Not applicable

- G. Consolidated/Holding Company Plans

In accordance with the Company's management agreement with Federal, the Company bears its proportionate share of expenses incurred by Federal for costs related to the defined benefit plans in which Federal participates. The Company has no legal obligation for benefits under the plans. Net pension cost allocated to the Company in 2014 and 2013 was \$1,615,754 and \$14,789,124, respectively. Net other postretirement benefit cost allocated to the Company in 2014 and 2013 was \$5,113,989 and \$6,545,275, respectively.

- H. Postemployment Benefits and Compensated Absences

In accordance with the Company's management agreement with Federal, the Company bears its proportionate share of expenses incurred by Federal for costs related to postemployment benefits and compensated absences. Federal accrues for postemployment benefits and compensated absences in accordance with Statement of Statutory Accounting Principles No. 11, *Postemployment Benefits and Compensated Absences*.

- I. Impact of Medicare Modernization Act on Postretirement Benefits

Not applicable

13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS

- A. At December 31, 2014, the Company had 1,400 shares of capital stock authorized; 1,107 shares were issued and outstanding with a par value of \$5,000 per share.
- B. At December 31, 2014, the Company had no preferred stock authorized.
- C. The maximum amount of shareholder dividends that may be paid by the Company in 2015 without prior approval of the Insurance Commissioner of Wisconsin, determined as the lesser of (1) 10% of prior year end policyholders' surplus or (2) the greater of net income for the preceding year or the aggregate net income for the prior three years, adjusted for select items, is \$292,221,356.
- D. During 2014, the Company paid ordinary dividends in cash to its parent, Federal, as follows:

<u>Date Paid</u>	<u>Amount</u>
March 24, 2014	\$82,000,000
June 24, 2014	75,000,000
September 23, 2014	60,000,000
December 23, 2014	60,000,000

- E. Other than the limitations described in (C), there are no restrictions placed on the portion of the Company's earned surplus that may be paid as ordinary dividends to its parent.
- F. At December 31, 2014, no portion of unassigned funds (surplus) was restricted.
- G. The Company has no advances to surplus.
- H. There is no stock held by the Company for special purposes.
- I. At December 31, 2014 and December 31, 2013, the Company had no special surplus funds.
- J. At December 31, 2014, the portion of unassigned funds (surplus) represented by cumulative unrealized capital gains, net of applicable deferred income tax, was \$199,905,777. This amount reflects a decrease of \$320,533 to exclude the net unrealized capital gains related to nonadmitted invested assets.
- K. At December 31, 2014, the Company had no surplus debentures outstanding or similar obligations.
- L&M. The Company has had no quasi-reorganizations during the last 10 years.

14. LIABILITIES, CONTINGENCIES AND ASSESSMENTS

- A. At December 31, 2014, the Company had commitments totaling \$23,835,523 related to its investments in limited partnerships. These commitments can be called by the partnerships (generally over a period of five years or less) to fund certain partnership expenses or the purchase of investments.
- B. The Company periodically receives notifications of insurance company insolvencies, which may result in guaranty fund assessments against the Company. At December 31, 2014, liabilities related to such assessments amounted to \$1,700,000. At December 31, 2014 and December 31, 2013, the Company had no amounts receivable for premium tax offsets or policy surcharges related to guaranty fund assessments.
- C. At December 31, 2014, the Company had no material gain contingencies.
- D. During 2014, the Company made no loss payments on a direct basis related to extra contractual obligations or bad faith claims resulting from lawsuits.
- E. The Company does not write product warranty insurance.
- F. At December 31, 2014, the Company had no material exposure to joint and several liability arrangements.
- G. At December 31, 2014, the Company had no material contingent liabilities other than those related to structured settlements disclosed in Note 27. Various lawsuits against the Company have arisen in the course of its business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company. At December 31, 2014, the Company had no loss contingencies related to asset impairment.

15. LEASES**A. Lessee Operating Leases**

The Company has not entered into any lease agreements nor has it been a party to any sale-leaseback transactions.

In accordance with the Company's management agreement with Federal, the Company bears its proportionate share of Federal's rent expense. Rent expense allocated to the Company in 2014 and 2013 was \$6,638,385 and \$7,029,583, respectively.

B. Lessor Leases

Not applicable

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

Not applicable

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

Not applicable

18. GAIN OR LOSS FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

Not applicable

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

Not applicable

NOTES TO FINANCIAL STATEMENTS

20. FAIR VALUE MEASUREMENTS

- A. 1. Based on the fair value hierarchy, the fair value of invested assets carried at fair value, categorized based upon the lowest level of input that was significant to the fair value measurement, was as follows:

December 31, 2014	Level 1	Level 2	Level 3	Total
Bonds				
Industrial and miscellaneous	\$ -	\$4,818,500	\$ -	\$ 4,818,500
Total bonds	-	4,818,500	-	4,818,500
Preferred stocks				
Industrial and miscellaneous	7,876,000	-	-	7,876,000
Total preferred stocks	7,876,000	-	-	7,876,000
Common stocks				
Industrial and miscellaneous	615,443,238	-	-	615,443,238
Total common stocks	615,443,238	-	-	615,443,238
	<u>\$623,319,238</u>	<u>\$4,818,500</u>	<u>\$ -</u>	<u>\$628,137,738</u>
December 31, 2013	Level 1	Level 2	Level 3	Total
Bonds				
U.S. special revenue	\$ -	\$4,943,400	\$ -	\$ 4,943,400
Total bonds	-	4,943,400	-	4,943,400
Common stocks				
Industrial and miscellaneous	582,309,085	-	-	582,309,085
Total common stocks	582,309,085	-	-	582,309,085
	<u>\$582,309,085</u>	<u>\$4,943,400</u>	<u>\$ -</u>	<u>\$587,252,485</u>

During 2014, no invested assets carried at fair value were transferred between Levels 1 and 2 of the fair value hierarchy.

- During 2014, no invested assets carried at fair value were categorized within Level 3 of the fair value hierarchy.
- The Company recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period.
- The methods and assumptions used to estimate the fair value of invested assets are described in (C).
- At December 31, 2014, the Company held no derivative financial instruments.

B. Not applicable

- C. The admitted asset value and fair value of all invested assets, based on the fair value hierarchy, and categorized based upon the lowest level of input that was significant to the fair value measurement, were as follows:

December 31, 2014	Fair Value	Admitted Asset Value	Level 1	Fair Value Level 2	Level 3
Bonds	\$5,737,523,853	\$5,458,448,274	\$ -	\$5,726,266,214	\$11,257,639
Preferred stocks	7,876,000	7,876,000	7,876,000	-	-
Common stocks	615,443,238	615,443,238	615,443,238	-	-
Cash equivalents	1,605,695	1,605,695	-	1,605,695	-
Short-term investments	5,950,000	5,950,000	5,950,000	-	-
	<u>\$6,368,398,786</u>	<u>\$6,089,323,207</u>	<u>\$629,269,238</u>	<u>\$5,727,871,909</u>	<u>\$11,257,639</u>
December 31, 2013	Fair Value	Admitted Asset Value	Level 1	Fair Value Level 2	Level 3
Bonds	\$5,243,445,096	\$5,106,756,018	\$ -	\$5,229,371,252	\$14,073,844
Common stocks	582,309,085	582,309,085	582,309,085	-	-
Cash equivalents	166,103,110	166,103,110	-	166,103,110	-
Short-term investments	30,989,550	30,989,550	330,000	30,659,550	-
	<u>\$6,022,846,841</u>	<u>\$5,886,157,763</u>	<u>\$582,639,085</u>	<u>\$5,426,133,912</u>	<u>\$14,073,844</u>

Fair values of bonds are determined by management, utilizing prices obtained from third party, nationally recognized pricing services or, in the case of securities for which prices are not provided by a pricing service, from third party brokers. For bonds that have quoted prices in active markets, market quotations are provided. For bonds that do not trade on a daily basis, the pricing services and brokers provide fair value estimates using a variety of inputs including, but not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, reference data, prepayment rates and measures of volatility. Management reviews on an ongoing basis the reasonableness of the methodologies used by the relevant pricing services and brokers. In addition, management, using the prices received for the securities from the pricing services and brokers, determines the aggregate portfolio price performance and reviews it against applicable indices. If management believes that significant discrepancies exist, it will discuss these with the relevant pricing service or broker to resolve the discrepancies.

Fair values of stocks are determined by management, utilizing quoted market prices.

The carrying value of cash equivalents and short-term investments approximates fair value due to the short maturities of these investments.

- D. At December 31, 2014 and December 31, 2013, the Company held no invested assets for which it was not practicable to estimate the fair value.

21. OTHER ITEMS

- A. Extraordinary Items

NOTES TO FINANCIAL STATEMENTS

Not applicable

B. Troubled Debt Restructuring

Not applicable

C. Other Disclosures

Not applicable

D. Business Interruption Insurance Recoveries

During 2014 and 2013, the Company made no recoveries under business interruption insurance policies.

E. State Transferable and Non-Transferable Tax Credits

Not applicable

F. Subprime Mortgage Related Risk Exposure

- On a direct basis and/or through participation in the intercompany reinsurance pool with affiliate insurers, the Company has underwriting exposure to subprime mortgage related risk and the broader credit crisis within its professional liability business, specifically in its directors and officers liability and errors and omissions liability coverages and, to a lesser extent, its fiduciary liability coverages. While the full dimension of this systemic event has been extremely difficult to assess, the Company believes its underwriting strategies, such as shifting the focus of its underwriting in these classes away from larger to smaller and mid-sized institutions, as well as managing policy limits, have mitigated the Company's exposure to risks associated with the credit crisis. In particular, the Company's practice has been to avoid certain types of insureds, such as the major investment banking firms, the largest commercial banks and mortgage brokers.

- At December 31, 2014, the Company had no investment exposure to subprime mortgage related risk.

- Pertinent data related to the Company's net underwriting exposure to subprime mortgage related risk is as follows:

Coverage / Line of Business	Year Ended December 31, 2014		December 31, 2014
	Losses Paid	Losses Reported	Case Reserves
Directors and officers liability / Other liability	\$ 6,491,912	\$2,486,724	\$ 549,419
Errors and omissions liability / Other liability	7,650,710	4,394,074	1,091,710
Fiduciary liability / Other liability	<u>1,530</u>	<u>1,530</u>	<u>-</u>
	<u>\$14,144,152</u>	<u>\$6,882,328</u>	<u>\$1,641,129</u>

IBNR reserves of the Company are not identifiable on a policy-by-policy basis and therefore not quantifiable for this particular risk. However, the potential exposures associated with subprime mortgage related risk and the overall credit crisis have been considered in determining the Company's collective IBNR for its professional liability business at December 31, 2014.

22. EVENTS SUBSEQUENT

The Company performed an evaluation of subsequent events through February 27, 2015. No significant subsequent events were identified.

23. REINSURANCE

A. Unsecured Reinsurance Recoverables

At December 31, 2014, the Company had no unsecured aggregate reinsurance recoverables for paid and unpaid losses and loss adjustment expenses and unearned premiums with any one reinsurer, excluding recoverables related to the intercompany reinsurance pooling arrangement (see Note 26), in excess of 3% of its policyholders' surplus.

B. Reinsurance Recoverables in Dispute

At December 31, 2014, the Company had no reinsurance recoverables in dispute.

C. Assumed and Ceded Reinsurance

- The maximum amounts of return commissions which would be due the Company or its reinsurers if all the Company's assumed and ceded reinsurance had been cancelled at December 31, 2014, with the return of unearned premiums, were as follows:

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
Affiliates	\$838,576,483	\$125,010,447	\$276,943,036	\$43,087,084	\$561,633,447	\$81,923,363
All other	<u>2,352,906</u>	<u>624,277</u>	<u>59,886,983</u>	<u>7,968,262</u>	<u>(57,534,077)</u>	<u>(7,343,985)</u>
	<u>\$840,929,389</u>	<u>\$125,634,724</u>	<u>\$336,830,019</u>	<u>\$51,055,346</u>	<u>\$504,099,370</u>	<u>\$74,579,378</u>

Direct unearned premiums: \$328,917,103

- At December 31, 2014, additional or return commissions, predicated on loss experience or on any other form of profit sharing arrangements, were accrued as follows:

	Direct	Assumed Reinsurance	Ceded Reinsurance	Net
Contingent commissions	\$ -	\$706,653	\$ -	\$706,653

- At December 31, 2014, the Company had no protected cells.

D. Uncollectible Reinsurance

During 2014, the Company wrote off amounts due from reinsurers. These transactions did not have a material effect on the Company's results of operations.

NOTES TO FINANCIAL STATEMENTS

E. Commutation of Ceded Reinsurance

Not applicable

F. Retroactive Reinsurance

Not applicable

G. Reinsurance Accounted for as a Deposit

Not applicable

H. Run-Off Agreements

Not applicable

I. Certified Reinsurer Downgraded or Status Subject to Revocation

Not applicable

24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

- A. Accrued retrospective premiums are determined based upon the expected level of exposure to loss experience on business subject to such adjustment.
- B. Accrued retrospective premiums are recorded as an adjustment to unearned premiums.
- C. During 2014, the amount of net premiums written subject to retrospective rating features was \$25,222,789, approximately 2% of total net premiums written.
- D. During 2014 and 2013, the Company had no medical loss ratio rebates required pursuant to the Public Health Service Act.
- E. At December 31, 2014, the Company had no accrued additional retrospective premiums.
- F. During 2014, the Company wrote no accident and health insurance premiums that were subject to the Affordable Care Act risk-sharing provisions.

25. CHANGES IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

During 2014, the Company experienced overall favorable development of \$85,250,000 on net loss and loss adjustment expense reserves established as of the previous year end. Such development was reflected in operating results in 2014. The most significant amounts of favorable development occurred in the other liability – claims made and other liability – occurrence lines of business. The favorable development experienced in the other liability – claims made line of business occurred primarily in the professional liability classes, with the most significant amounts of favorable development occurring in the directors and officers liability and fiduciary liability classes. The reported loss activity for these classes was less than expected, mostly in terms of claims severity. The aggregate favorable emergence was driven by accident years 2010 and prior. The favorable development experienced in the other liability – occurrence line of business occurred primarily in the commercial excess liability class, particularly in accident years 2012 and prior. This was partially offset by adverse development related to toxic waste claims in older accident years. Favorable development was also experienced, but to a lesser extent, in the commercial multiple peril and workers' compensation lines of business.

26. INTERCOMPANY POOLING ARRANGEMENTS

The Company (PI) is a participant in an intercompany reinsurance pool with affiliate insurers, which covers substantially all business. Under the provisions of the intercompany reinsurance pool, each participant company retains a share of its direct and assumed business and cedes the remaining share to the other participant companies. Business is apportioned among the participant companies based upon pre-determined rates of participation, which were as follows during 2014:

	NAIC Company Code	Pooling Percentage
Federal	20281	68.5%
PI	20346	17.0
ERII	35181	8.0
Great Northern	20303	4.0
Vigilant	20397	0.5
Chubb Custom	38989	0.5
Chubb National	10052	0.5
Chubb Indemnity	12777	0.5
ERSIC	44792	0.5

Reinsurance purchased for the benefit of the intercompany reinsurance pool is shared proportionately by each participant company. Related reinsurance balances are reported on the balance sheets of the respective companies. The provision for reinsurance is determined for each company individually based on applicable statutory regulations.

27. STRUCTURED SETTLEMENTS

- A. The Company has periodically entered into structured settlement agreements where annuities have been purchased to settle claims. At December 31, 2014, the loss reserves eliminated related to such agreements, and for which the Company remains contingently liable, were \$6,219,969.
- B. The aggregate present value of annuities purchased from any one life insurance company did not equal or exceed 1% of the Company's policyholders' surplus at December 31, 2014.

28. HEALTH CARE RECEIVABLES

Not applicable

29. PARTICIPATING POLICIES

The Company only writes participating policies related to property and casualty contracts.

30. PREMIUM DEFICIENCY RESERVE

NOTES TO FINANCIAL STATEMENTS

- A. Liability carried for premium deficiency reserve at December 31, 2014: \$ -
- B. Date of the most recent evaluation of this liability: January 21, 2015
- C. Was anticipated investment income utilized in this calculation? Yes [X] No []

31. HIGH DEDUCTIBLES

At December 31, 2014, the amount of reserve credit recorded for high deductible policies and reflected in unpaid losses and loss adjustment expenses was \$32,486,534. The amount receivable related to direct paid claims on such policies was \$1,381,437.

32. DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES OR UNPAID LOSS ADJUSTMENT EXPENSES

At December 31, 2014, the Company did not discount liabilities for unpaid losses or loss adjustment expenses. The tabular discount in workers' compensation case reserves has been offset in IBNR.

33. ASBESTOS/ENVIRONMENTAL RESERVES

- A. On a direct basis and through participation in the intercompany reinsurance pool with affiliate insurers, the Company has exposure to asbestos claims, primarily arising from general liability, excess liability and products liability insurance policies written many years ago. Reserves for these claims cannot be estimated with traditional actuarial loss reserving techniques that rely on historical accident year loss development factors. Instead, the Company relies on an exposure-based analysis that involves a detailed review of individual policy terms and exposures. Because each policyholder presents different liability and coverage issues, the Company's exposure is generally evaluated on a policyholder-by-policyholder basis. As part of the evaluation, consideration is given to a variety of factors including the available insurance coverage; limits and deductibles; the jurisdictions involved; the number of claimants; the disease mix exhibited by the claimants; the past settlement values of similar claims; the potential role of other insurance, particularly underlying coverage below the Company's excess liability policies; potential bankruptcy impact; relevant judicial interpretations; and applicable coverage defenses, including asbestos exclusions.

The Company establishes case reserves and expense reserves for costs of related litigation where sufficient information has been developed to indicate the involvement of a specific insurance policy. In addition, IBNR reserves are established to cover additional exposures on both known and unasserted claims. In establishing such reserves, management considers facts currently known and the present state of the law and coverage litigation. However, given the judicial decisions and legislative actions that have broadened the scope of coverage and expanded theories of liability in the past and the possibilities of similar interpretations in the future, it is possible that management's estimate of loss reserves related to these exposures may increase in future periods as new information becomes available and as claims develop.

A reconciliation of the beginning and ending liability for unpaid losses and loss adjustment expenses related to asbestos claims for each of the five most recent years is as follows:

	2010	2011	2012	2013	2014
Direct:					
Liability, beginning of year	\$81,152,089	\$68,906,816	\$75,159,236	\$80,792,886	\$66,889,692
Incurred losses and loss adjustment expenses	(2,972,743)	11,686,521	8,530,650	2,377,892	8,879,409
Payments for losses and loss adjustment expenses	<u>9,272,530</u>	<u>5,434,101</u>	<u>2,897,000</u>	<u>16,281,086</u>	<u>7,462,793</u>
Liability, end of year	<u>\$68,906,816</u>	<u>\$75,159,236</u>	<u>\$80,792,886</u>	<u>\$66,889,692</u>	<u>\$68,306,308</u>
Assumed reinsurance:					
Liability, beginning of year	\$109,413,433	\$100,129,450	\$90,564,796	\$87,292,349	\$84,980,938
Incurred losses and loss adjustment expenses	789,395	(1,990,489)	3,790,563	8,686,145	3,652,944
Payments for losses and loss adjustment expenses	<u>10,073,378</u>	<u>7,574,165</u>	<u>7,063,010</u>	<u>10,997,556</u>	<u>15,356,543</u>
Liability, end of year	<u>\$100,129,450</u>	<u>\$ 90,564,796</u>	<u>\$87,292,349</u>	<u>\$84,980,938</u>	<u>\$73,277,339</u>
Net of ceded reinsurance:					
Liability, beginning of year	\$113,025,669	\$104,399,978	\$96,661,321	\$94,900,481	\$88,993,503
Incurred losses and loss adjustment expenses	525,606	(140,595)	5,244,210	4,173,616	1,955,729
Payments for losses and loss adjustment expenses	<u>9,151,297</u>	<u>7,598,062</u>	<u>7,005,050</u>	<u>10,080,594</u>	<u>14,245,395</u>
Liability, end of year	<u>\$104,399,978</u>	<u>\$ 96,661,321</u>	<u>\$94,900,481</u>	<u>\$88,993,503</u>	<u>\$76,703,837</u>

- B. At December 31, 2014, the amount of IBNR reserves related to asbestos claims, including an amount for loss adjustment expenses, was as follows:

Direct	\$39,196,821
Assumed reinsurance	48,381,977
Net of ceded reinsurance	50,332,777

- C. At December 31, 2014, the amount of loss adjustment expense reserves related to asbestos claims, including both case and IBNR reserves, was as follows:

Direct	\$8,561,709
Assumed reinsurance	6,781,392
Net of ceded reinsurance	6,922,346

- D. On a direct basis and through participation in the intercompany reinsurance pool with affiliate insurers, the Company has exposure to toxic waste claims, primarily arising from general liability, excess liability and products liability insurance policies written many years ago. Reserves for these claims cannot be estimated with traditional actuarial loss reserving techniques that rely on historical accident year loss development factors. Instead, the Company relies on an exposure-based analysis that involves a detailed review of individual policy terms and exposures. Because each policyholder presents different liability and coverage issues, the Company's exposure is generally evaluated on a policyholder-by-policyholder basis. As part of the evaluation, consideration is given to a variety of factors including the probable liability, available insurance coverage, past settlement values of similar claims, relevant judicial interpretations, applicable coverage defenses as well as facts that are unique to each insured.

The Company establishes case reserves and expense reserves for costs of related litigation where sufficient information has been developed to indicate the involvement of a specific insurance policy. In addition, IBNR reserves are established to cover additional exposures on both known and unasserted claims. In establishing such reserves, management considers facts currently known and the present state of the law and coverage litigation. However, given the judicial decisions and legislative actions that have broadened the scope of coverage and expanded theories of liability in the past and the possibilities of similar interpretations in the future, it is possible that management's estimate of loss reserves related to these exposures may increase in future periods as new information becomes available and as claims develop.

NOTES TO FINANCIAL STATEMENTS

A reconciliation of the beginning and ending liability for unpaid losses and loss adjustment expenses related to toxic waste claims for each of the five most recent years is as follows:

	2010	2011	2012	2013	2014
Direct:					
Liability, beginning of year	\$47,944,296	\$61,606,636	\$85,327,156	\$97,124,630	\$ 80,474,149
Incurred losses and loss adjustment expenses	32,387,439	38,192,676	30,065,834	(1,136,301)	43,320,183
Payments for losses and loss adjustment expenses	<u>18,725,099</u>	<u>14,472,156</u>	<u>18,268,360</u>	<u>15,514,180</u>	<u>9,937,968</u>
Liability, end of year	<u>\$61,606,636</u>	<u>\$85,327,156</u>	<u>\$97,124,630</u>	<u>\$80,474,149</u>	<u>\$113,856,364</u>
Assumed reinsurance:					
Liability, beginning of year	\$28,955,858	\$32,643,061	\$31,081,740	\$29,235,040	\$36,324,776
Incurred losses and loss adjustment expenses	6,746,295	3,803,613	3,788,273	10,496,321	5,998,664
Payments for losses and loss adjustment expenses	<u>3,059,092</u>	<u>5,364,934</u>	<u>5,634,973</u>	<u>3,406,585</u>	<u>2,561,810</u>
Liability, end of year	<u>\$32,643,061</u>	<u>\$31,081,740</u>	<u>\$29,235,040</u>	<u>\$36,324,776</u>	<u>\$39,761,630</u>
Net of ceded reinsurance:					
Liability, beginning of year	\$34,801,858	\$39,750,664	\$42,571,252	\$43,972,866	\$41,798,131
Incurred losses and loss adjustment expenses	9,281,959	8,683,121	9,690,801	2,731,603	7,957,593
Payments for losses and loss adjustment expenses	<u>4,333,153</u>	<u>5,862,533</u>	<u>8,289,187</u>	<u>4,906,338</u>	<u>3,331,715</u>
Liability, end of year	<u>\$39,750,664</u>	<u>\$42,571,252</u>	<u>\$43,972,866</u>	<u>\$41,798,131</u>	<u>\$46,424,009</u>

E. At December 31, 2014, the amount of IBNR reserves related to toxic waste claims, including an amount for loss adjustment expenses, was as follows:

Direct	\$81,464,630
Assumed reinsurance	32,881,914
Net of ceded reinsurance	38,118,715

F. At December 31, 2014, the amount of loss adjustment expense reserves related to toxic waste claims, including both case and IBNR reserves, was as follows:

Direct	\$37,567,466
Assumed reinsurance	8,937,583
Net of ceded reinsurance	11,144,516

34. SUBSCRIBER SAVINGS ACCOUNTS

Not applicable

35. MULTIPLE PERIL CROP INSURANCE

Not applicable

36. FINANCIAL GUARANTY INSURANCE

Not applicable

37. SUPPLEMENTAL INFORMATION

A. Effective January 1, 2009, the Company modified its methodology for classifying loss adjustment expenses (LAE) to be more consistent with the NAIC Annual Statement Instructions. Certain types of expenses previously categorized as defense and cost containment (DCC) are now being classified as adjusting and other (A&O). Prior period amounts, where presented in the financial statements, were not restated. The impact of this prospectively-applied change in methodology on amounts reported on Schedule P was as follows:

Part 1

No adjustments were made to the cumulative amounts for LAE payments previously reported in the 2008 Annual Statement for the DCC and A&O categories. LAE payments reported in columns 6 through 9 for calendar years 2009 through 2014, as well as the case and IBNR LAE reserves as of December 31, 2014 reported in columns 17 through 22, are classified as DCC and A&O in accordance with the revised methodology. Total losses and LAE incurred amounts included in columns 26 through 28 and the corresponding loss and LAE ratios reflected in columns 29 through 31 were not impacted by the change.

Part 2

No changes were made to the amounts reported in columns 1 through 4. DCC LAE reserves as of December 31, 2009 through December 31, 2014 and paid DCC expenses for calendar years 2009 through 2014 included in columns 5 through 10 by accident year reflect the revised methodology.

Part 3

No changes were made to the amounts reported in columns 1 through 4. Paid DCC expense amounts for calendar years 2009 through 2014 included in columns 5 through 10 by accident year reflect the Company's revised classification methodology and are therefore lower than prior calendar years' contributions to the paid loss and DCC triangle.

Part 4

No changes were made to the amounts reported in columns 1 through 4. IBNR reserves as of December 31, 2009 through December 31, 2014 reported in columns 5 through 10 reflect the Company's revised classification methodology and are therefore lower than prior years' IBNR reserves reported in columns 1 through 4.

B. The prior "Total Net Losses and Expenses Unpaid" (Schedule P, Part 1, Column 24, Line 1) is separately reported by accident year as follows (in thousands):

Schedule P	2004	2003	2002	2001	Prior
Part 1A	\$ 249	\$ 114	\$ 116	\$ 37	\$ 173
Part 1B	95	40	41	-	382
Part 1C	146	62	10	-	360
Part 1D	14,627	12,861	10,333	17,148	58,158

NOTES TO FINANCIAL STATEMENTS

Part 1E	2,976	3,545	2,892	2,821	10,119
Part 1F – Section 1	147	127	17	98	75
Part 1F – Section 2	303	183	340	189	1,444
Part 1G	346	108	10	-	72
Part 1H – Section 1	20,456	15,190	8,979	10,554	122,151
Part 1H – Section 2	11,107	11,620	4,990	6,944	13,936
Part 1N	-	-	4	94	22
Part 1O	3,365	3,107	1,630	358	796
Part 1P	8	-	-	-	1,029
Part 1R – Section 1	4,293	3,217	3,222	4,035	52,435
Part 1R – Section 2	77	57	25	27	359

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE PACIFIC INDEMNITY COMPANY

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes (X) No ()
- If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes (X) 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 (X)
- 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.

12/31/2011
- 3.2

State the as of date of 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.

12/31/2011
- 3.3

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

06/03/2013
- 3.4

By what department or departments?

Wisconsin
- 3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes () No () N/A (X)
- 3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes () No (X) N/A ()
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11

sales of new business?

Yes () No (X)
- 4.12

renewals?

Yes () No (X)
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21

sales of new business?

Yes () No (X)
- 4.22

renewals?

Yes () No (X)
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes () No (X)
- 5.2

If yes, provide the name of entity, the 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	2	3
Name of Entity	NAIC Company Code	State of Domicile

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes () No (X)
- 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

..... 0.0 %
- 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	2
Nationality	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	2	3	4	5	6
Affiliate Name	Location (City, State)	FRB	OCC	FDIC	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, 5 Times Square, New York, NY 10036
- 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 the 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 the response to 10.3 is yes, provide information related to this exemption:

.....
- 10.5

Has the reporting entity established an Audit Committee in compliance with domiciliary state insurance laws?

Yes (X) No () N/A ()
- 10.6

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

.....

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE PACIFIC INDEMNITY COMPANY

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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?
Walter Brian Barnes - Vice President and Actuary, 15 Mountain View Road, Warren, NJ 07059
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

12.11 Name of real estate holding company
12.12 Number of parcels involved
12.13 Total book/adjusted carrying value
- 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?
13.3 Have there been any changes made to any of the trust indentures during the year?
13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?
- 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.
- 14.11 If the response to 14.1 is no, please explain:
- 14.2 Has the code of ethics for senior managers been amended?
- 14.21 If the response to 14.2 is yes, provide information related to amendment(s).
- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers?
- 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?
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

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

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 committee thereof?
17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?
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?

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers
20.12 To stockholders not officers
20.13 Trustees, supreme or grand (Fraternal only)
- 20.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers
20.22 To stockholders not officers
20.23 Trustees, supreme or grand (Fraternal only)
- 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?
- 21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Rented from others
21.22 Borrowed from others
21.23 Leased from others
21.24 Other
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?
- 22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment
22.22 Amount paid as expenses
22.23 Other amounts paid
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE PACIFIC INDEMNITY COMPANY

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

INVESTMENT

- 24.01

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03)

Yes (X) No ()
- 24.02

If no, give full and complete information relating thereto:
.....
.....
- 24.03

For the 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)
Not applicable
.....
- 24.04

Does the Company's security lending program meet the requirements for a conforming program as outlined in Risk-Based Capital Instructions?

Yes () No () N/A (X)
- 24.05

If answer to 24.04 is YES, report amount of collateral for conforming programs.

\$ 0
- 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 (X)
- 24.08

Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

Yes () No () N/A (X)
- 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 (X)
- 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 reinvented collateral assets reported on Schedule DL, Parts 1 and 2

\$ 0
- 24.102

Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2

\$ 0
- 24.103

Total payable for securities lending reported on the liability page

\$ 0
- 25.1

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

Yes (X) No ()
- 25.2

If yes, state the amount thereof at December 31 of the current year:
- 25.21

Subject to repurchase agreements

\$ 0
- 25.22

Subject to reverse repurchase agreements

\$ 0
- 25.23

Subject to dollar repurchase agreements

\$ 0
- 25.24

Subject to reverse dollar repurchase agreements

\$ 0
- 25.25

Placed under option agreements

\$ 0
- 25.26

Letter stock or securities restricted as to sale - excluding FHLB Capital Stock

\$ 0
- 25.27

FHLB Capital Stock

\$ 0
- 25.28

On deposit with states

\$ 124,979,501
- 25.29

On deposit with other regulatory bodies

\$ 0
- 25.30

Pledged as collateral - excluding collateral pledged to an FHLB

\$ 79,373,779
- 25.31

Pledged as collateral to FHLB - including assets backing funding agreements

\$ 0
- 25.32

Other

\$ 0

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount
----------------------------	------------------	-------------

- 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?
If no, attach a description with this statement.

Yes () No () N/A (X)
- 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
---------------------------	--------------------------

The Bank of New York Mellon New York, New York
The Northern Trust Company Toronto, Canada

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
--------------------	--------------------	---------------------	-------------

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE PACIFIC INDEMNITY COMPANY

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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
--	-----------	--------------

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)

29.2 If yes, complete the following schedule:

1 CUSIP Number	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
-------------------	--------------------------	-----------------------------------

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

1 Name of Mutual Fund (from question 29.2)	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
--	--	---	------------------------

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	\$ 5,464,398,274	\$ 5,743,473,853	\$ 279,075,579
30.2 Preferred stocks	\$ 7,876,000	\$ 7,876,000	\$ 0
30.3 Totals	\$ 5,472,274,274	\$ 5,751,349,853	\$ 279,075,579

30.4 Describe the sources or methods utilized in determining the fair values:
See Note 20(C) of Notes to Financial Statements.
.....

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 (X) No ()

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 (X) 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? \$ 2,808,047

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
Insurance Services Office, Inc.....	\$ 1,246,733
.....	\$ 0
.....	\$ 0
.....	\$ 0

34.1 Amount of payments for legal expenses, if any? \$ 442,361

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

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE PACIFIC INDEMNITY COMPANY

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?
- \$ 109,155

- 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
American Insurance Association	\$ 85,667
.....	\$ 0
.....	\$ 0
.....	\$ 0

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND 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 Line (1.2) above.

\$ 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

\$ 0

1.62 Total incurred claims

\$ 0

1.63 Number of covered lives

..... 0

All years prior to most current three years:

1.64 Total premium earned

\$ 0

1.65 Total incurred claims

\$ 0

1.66 Number of covered lives

..... 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$ 0

1.72 Total incurred claims

\$ 0

1.73 Number of covered lives

..... 0

All years prior to most current three years:

1.74 Total premium earned

\$ 0

1.75 Total incurred claims

\$ 0

1.76 Number of covered lives

..... 0

2. Health Test:

1

Current Year

2

Prior Year

2.1 Premium Numerator

\$ 0

2.2 Premium Denominator

\$... 1,596,646,300

2.3 Premium Ratio (Line 2.1/Line 2.2)

..... 0.000

2.4 Reserve Numerator

\$ 0

2.5 Reserve Denominator

\$... 3,664,040,674

2.6 Reserve Ratio (Line 2.4/Line 2.5)

..... 0.000

2.1 Premium Numerator

\$ 0

2.2 Premium Denominator

\$... 1,550,232,995

2.3 Premium Ratio (Line 2.1/Line 2.2)

..... 0.000

2.4 Reserve Numerator

\$ 0

2.5 Reserve Denominator

\$... 3,645,555,860

2.6 Reserve Ratio (Line 2.4/Line 2.5)

..... 0.000

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

\$ 152,192,873

3.22 Non-participating policies

\$ 537,606,377

4. For Mutual reporting entities and Reciprocal Exchange only:

4.1 Does the reporting entity issue assessable policies?

Yes () No ()

4.2 Does the reporting entity issue non-assessable policies?

Yes () No ()

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

..... 0.0 %

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 ()

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation

Yes () No () N/A (X)

5.22 As a direct expense of the exchange

Yes () No () N/A (X)

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

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?

Yes () No ()

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 of loss?

None

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:

The Company estimates probable maximum insurance losses by analyzing those geographic locations with concentrations of insured exposures, such as the northeast United States and California, combined with probabilistic catastrophe models provided by reputable, external consultants.

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?

The Company purchases catastrophe excess of loss reinsurance.

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GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

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 (X) No ()

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 uninsured catastrophic loss.

7.1

Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?

Yes (X) No ()

7.2

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

3

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 (X) 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 the 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
(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
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement.

Yes () No (X)
Yes () No (X)
Yes () No (X)

10.

If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done?

Yes (X) No () N/A ()

11.1

Has this reporting entity guaranteed policies issued by any other entity and now in force?

Yes () No (X)

11.2

If yes, give full information.

12.1

If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11

Unpaid losses

\$ 0

12.12

Unpaid underwriting expenses (including loss adjustment expenses)

\$ 0

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:

\$ 0

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 (X) N/A ()

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

12.42 To _____ 0.000 %

12.62 Collateral and other funds \$ 0

See Note 26 of Notes to Financial Statements.

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

15.2 If yes, give full information.

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:

Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F - Part 5.

Provide the following information for this exemption:

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

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

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

18.4 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 2014	2 2013	3 2012	4 2011	5 2010
Gross Premiums Written (Page 8, Part 1B, Columns 1, 2 and 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)	919,241,832	907,784,578	888,288,601	853,895,426	799,682,174
2. Property lines (Lines 1, 2, 9, 12, 21 and 26)	312,640,702	326,967,724	311,978,651	290,979,694	270,563,209
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)	986,418,913	935,760,516	912,549,650	886,567,629	862,280,687
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34)	122,517,936	111,279,979	101,927,266	110,284,494	137,949,219
5. Nonproportional reinsurance lines (Lines 31, 32 and 33)	644,850	(480,948)	113,388	1,447,813	(1,508,831)
6. Total (Line 35)	2,341,464,233	2,281,311,849	2,214,857,556	2,143,175,056	2,068,966,458
Net Premiums Written (Page 8, Part 1B, Column 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)	704,645,138	686,749,330	663,412,276	644,356,322	609,664,464
8. Property lines (Lines 1, 2, 9, 12, 21 and 26)	191,947,774	205,948,238	196,356,040	180,309,188	165,176,815
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)	614,811,396	573,389,913	550,869,761	546,292,882	528,630,906
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34)	112,504,212	103,439,220	95,517,604	102,426,054	119,680,067
11. Nonproportional reinsurance lines (Line 31, 32 and 33)	573,379	(776,834)	(26,943)	1,153,370	273,859
12. Total (Line 35)	1,624,481,899	1,568,749,867	1,506,128,738	1,474,537,816	1,423,426,111
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	238,912,364	276,784,927	67,058,009	37,109,894	134,512,622
14. Net investment gain (loss) (Line 11)	278,329,488	259,603,257	245,023,561	249,050,212	248,893,182
15. Total other income (Line 15)	(790,090)	(348,180)	(1,198,589)	(737,725)	(967,313)
16. Dividends to policyholders (Line 17)	7,636,083	6,326,446	5,050,197	5,300,201	4,689,224
17. Federal and foreign income taxes incurred (Line 19)	87,232,787	104,063,774	27,061,825	15,147,006	41,503,130
18. Net income (Line 20)	421,582,892	425,649,784	278,770,959	264,975,174	336,246,137
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Column 3)	6,822,352,880	6,640,456,676	6,465,841,502	6,283,846,454	6,207,721,710
20. Premiums and considerations (Page 2, Column 3)					
20.1 In course of collection (Line 15.1)	269,416,134	260,229,638	250,722,660	253,049,993	235,940,219
20.2 Deferred and not yet due (Line 15.2)	90,106,176	90,011,095	86,005,265	82,840,408	82,307,931
20.3 Accrued retrospective premiums (Line 15.3)	0	0	0	0	0
21. Total liabilities excluding protected cell business (Page 3, Line 26)	3,900,139,320	3,869,034,872	3,969,643,554	3,843,083,618	3,783,579,441
22. Losses (Page 3, Line 1)	2,109,452,610	2,125,077,184	2,232,807,722	2,139,072,310	2,101,433,653
23. Loss adjustment expenses (Page 3, Line 3)	710,580,504	714,692,104	718,083,836	722,856,783	716,468,495
24. Unearned premiums (Page 3, Line 9)	837,512,973	809,677,374	789,630,502	784,198,906	764,022,027
25. Capital paid up (Page 3, Line 30 and Line 31)	5,535,000	5,535,000	5,535,000	5,535,000	5,535,000
26. Surplus as regards policyholders (Page 3, Line 37)	2,922,213,560	2,771,421,804	2,496,197,948	2,440,762,836	2,424,142,269
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	359,953,055	310,592,535	364,877,881	329,893,365	337,475,557
Risk-Based Capital Analysis					
28. Total adjusted capital	2,922,213,560	2,771,421,804	2,496,197,948	2,440,762,836	2,424,142,269
29. Authorized control level risk-based capital	310,802,060	314,821,794	326,929,610	316,943,105	325,595,287
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Column 3) (Item divided by Page 2, Line 12, Column 3) x 100.0					
30. Bonds (Line 1)	88.3	84.5	84.6	88.4	87.3
31. Stocks (Line 2.1 and Line 2.2)	10.2	10.0	8.2	7.5	7.5
32. Mortgage loans on real estate (Line 3.1 and Line 3.2)	0.0	0.0	0.0	0.0	0.0
33. Real estate (Lines 4.1, 4.2 and 4.3)	0.0	0.0	0.0	0.0	0.0
34. Cash, cash equivalents and short-term investments (Line 5)	0.1	3.3	4.0	0.0	0.8
35. Contract loans (Line 6)	0.0	0.0	0.0	0.0	0.0
36. Derivatives (Line 7)	0.0	0.0	0.0	0.0	0.0
37. Other invested assets (Line 8)	1.4	2.2	3.2	4.0	4.3
38. Receivables for securities (Line 9)	0.0	0.0	0.0	0.1	0.0
39. Securities lending reinvested collateral assets (Line 10)	0.0	0.0	0.0	0.0	0.0
40. Aggregate write-ins for invested assets (Line 11)	0.0	0.0	0.0	0.0	0.0
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 (Schedule D, Summary, Line 12, Column 1)	0	0	0	0	0
43. Affiliated preferred stocks (Schedule D, Summary, Line 18, Column 1)	0	0	0	0	0
44. Affiliated common stocks (Schedule D, Summary, Line 24, Column 1)	7,822,700	23,909,077	23,315,555	22,533,255	21,728,107
45. Affiliated short-term investments (Schedule DA Verification, Column 5, Line 10)	0	0	0	0	0
46. Affiliated mortgage loans on real estate	0	0	0	0	0
47. All other affiliated	0	0	0	0	0
48. Total of above Line 42 through Line 47	7,822,700	23,909,077	23,315,555	22,533,255	21,728,107
49. Total investment in parent included in Line 42 through Line 47 above	0	0	0	0	0
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Column 1, Line 37 x 100.0)	0.3	0.9	0.9	0.9	0.9

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2014	2 2013	3 2012	4 2011	5 2010
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)	(3,576,700)	65,865,007	17,457,130	517,911	25,893,752
52. Dividends to stockholders (Line 35)	(277,000,000)	(249,000,000)	(244,000,000)	(242,000,000)	(220,000,000)
53. Change in surplus as regards policyholders for the year (Line 38)	150,791,756	275,223,856	55,435,112	16,620,567	223,970,513
Gross Losses Paid (Page 9, Part 2, Columns 1 and 2)					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)	401,033,218	409,624,521	370,511,073	382,566,613	356,775,616
55. Property lines (Lines 1, 2, 9, 12, 21 and 26)	121,103,479	122,207,582	115,129,779	98,949,733	87,830,279
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)	456,288,338	469,313,859	430,740,860	491,627,558	423,601,284
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34)	43,964,786	30,603,905	40,197,410	55,083,459	63,898,758
58. Nonproportional reinsurance lines (Lines 31, 32, and 33)	3,085,806	2,787,368	4,281,129	2,269,593	3,705,357
59. Total (Line 35)	1,025,475,627	1,034,537,235	960,860,251	1,030,496,956	935,811,294
Net Losses Paid (Page 9, Part 2, Column 4)					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)	290,193,699	285,700,781	260,099,216	285,471,007	251,163,848
61. Property lines (Lines 1, 2, 9, 12, 21 and 26)	86,906,320	85,719,507	85,853,995	72,331,782	57,743,235
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)	282,634,821	306,082,217	290,719,781	325,635,976	273,537,569
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34)	42,519,732	30,732,352	39,161,583	48,754,429	54,647,877
64. Nonproportional reinsurance lines (Lines 31, 32, and 33)	1,925,113	1,371,939	3,478,034	1,546,679	2,701,085
65. Total (Line 35)	704,179,685	709,606,796	679,312,609	733,739,873	639,793,614
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)	43.1	38.8	51.5	53.1	45.3
68. Loss expenses incurred (Line 3)	13.1	13.7	14.6	15.1	16.2
69. Other underwriting expenses incurred (Line 4)	28.8	29.6	29.4	29.2	29.1
70. Net underwriting gain (loss) (Line 8)	15.0	17.9	4.5	2.6	9.4
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Line 4 plus Line 5 minus Line 15 divided by Page 8, Part 1B, Column 6, Line 35 x 100.0)	28.4	29.3	29.4	28.8	29.2
72. Losses and loss expenses incurred to premiums earned (Page 4, Line 2 plus Line 3 divided by Page 4, Line 1 x 100.0)	56.2	52.5	66.1	68.3	61.5
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Column 6, Line 35 divided by Page 3, Line 37, Column 1 x 100.0)	55.6	56.6	60.3	60.4	58.7
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, Column 11)	(78,403)	(103,772)	(84,418)	(75,551)	(75,724)
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, Column 1 x 100.0)	(2.8)	(4.2)	(3.5)	(3.1)	(3.4)
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, Column 12)	(167,718)	(170,686)	(162,744)	(152,521)	(227,779)
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, Column 2 x 100.0)	(6.7)	(7.0)	(6.7)	(6.9)	(12.4)

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? If no, please explain:

Yes () No ()

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 (Columns 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Columns 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	..... 61,831	..... 25,123	..... 26,285	..... 9,992	..... 9,961	..... 5,470	..... 291	..... 57,492	X X X
2. 2005	2,327,651	663,259	1,664,392	933,605	317,632	138,111	18,526	84,966	23,785	19,176	796,739	X X X
3. 2006	2,286,178	677,782	1,608,396	782,393	246,102	140,164	15,316	86,069	23,679	17,328	723,529	X X X
4. 2007	2,306,748	738,822	1,567,926	806,619	262,472	121,691	14,341	96,488	28,249	23,315	719,736	X X X
5. 2008	2,241,175	705,573	1,535,602	926,932	266,033	108,778	11,181	104,946	29,574	21,913	833,868	X X X
6. 2009	2,142,466	663,946	1,478,520	781,609	230,922	111,749	8,677	103,723	29,055	16,610	728,427	X X X
7. 2010	2,065,827	638,909	1,426,918	818,828	255,347	95,289	8,608	101,003	29,085	17,619	722,080	X X X
8. 2011	2,116,568	664,417	1,452,151	924,483	276,218	86,521	7,134	107,010	30,991	16,013	803,671	X X X
9. 2012	2,203,114	701,227	1,501,887	836,706	259,706	63,142	7,934	101,068	30,199	13,594	703,077	X X X
10. 2013	2,252,596	702,363	1,550,233	540,650	176,885	26,369	2,877	84,197	23,003	10,570	448,451	X X X
11. 2014	2,305,986	709,340	1,596,646	436,632	154,802	5,157	801	51,624	16,043	5,042	321,767	X X X
12. Totals	X X X	X X X	X X X	..... 7,850,288	..... 2,471,242	..... 923,256	..... 105,387	..... 931,055	..... 269,133	..... 161,471	..... 6,858,837	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 & Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	Direct and Assumed	Ceded			
1.	216,621	130,084	428,065	142,642	35,772	16,492	56,220	21,970	53,033	24,324	60	454,199	X X X
2.	20,404	7,274	50,364	10,002	2,271	671	8,180	1,104	6,100	1,624	89	66,644	X X X
3.	12,377	2,448	57,518	12,535	3,981	361	10,226	1,325	6,942	1,306	150	73,069	X X X
4.	18,225	5,916	74,041	17,822	3,957	407	14,834	1,807	8,788	1,573	228	92,320	X X X
5.	22,279	6,947	88,686	21,338	4,352	670	17,142	2,005	10,218	1,763	356	109,954	X X X
6.	29,229	5,954	96,600	20,600	9,037	1,522	21,015	2,681	12,773	2,364	480	135,533	X X X
7.	55,526	17,535	114,001	21,837	11,388	2,300	27,402	3,004	16,414	3,404	987	176,651	X X X
8.	69,777	17,221	154,588	30,168	18,204	3,760	39,621	4,669	21,729	4,520	1,956	243,581	X X X
9.	113,468	33,204	218,537	48,450	32,876	4,446	55,891	6,814	30,066	6,181	3,469	351,743	X X X
10.	133,362	37,415	288,208	56,865	31,452	4,718	78,523	9,189	39,750	7,941	5,879	455,167	X X X
11.	168,535	55,836	491,009	109,874	21,062	4,872	110,061	14,273	73,258	17,897	11,068	661,173	X X X
12.	859,803	319,834	2,061,617	492,133	174,352	40,219	439,115	68,841	279,071	72,897	24,722	2,820,034	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter - Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1.	X X X	X X X	X X X	X X X	X X X	X X X	0	0	X X X	371,960	82,239
2.	1,244,001	380,618	863,383	53.4	57.4	51.9	0	0	0.0	53,492	13,152
3.	1,099,670	303,072	796,598	48.1	44.7	49.5	0	0	0.0	54,912	18,157
4.	1,144,643	332,587	812,056	49.6	45.0	51.8	0	0	0.0	68,528	23,792
5.	1,283,333	339,511	943,822	57.3	48.1	61.5	0	0	0.0	82,680	27,274
6.	1,165,735	301,775	863,960	54.4	45.5	58.4	0	0	0.0	99,275	36,258
7.	1,239,851	341,120	898,731	60.0	53.4	63.0	0	0	0.0	130,155	46,496
8.	1,421,933	374,681	1,047,252	67.2	56.4	72.1	0	0	0.0	176,976	66,605
9.	1,451,754	396,934	1,054,820	65.9	56.6	70.2	0	0	0.0	250,351	101,392
10.	1,222,511	318,893	903,618	54.3	45.4	58.3	0	0	0.0	327,290	127,877
11.	1,357,338	374,398	982,940	58.9	52.8	61.6	0	0	0.0	493,834	167,339
12.	X X X	X X X	X X X	X X X	X X X	X X X	0	0	X X X	2,109,453	710,581

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
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	One Year	Two Year
1. Prior	1,733,193	1,732,649	1,689,639	1,685,464	1,667,660	1,674,005	1,669,023	1,660,582	1,660,257	1,666,050	5,793	5,468
2. 2005	994,073	954,098	926,699	877,958	829,659	819,103	810,626	801,936	800,107	797,726	(2,381)	(4,210)
3. 2006	X X X	861,425	865,072	830,438	791,820	776,259	752,984	735,684	730,797	728,572	(2,225)	(7,112)
4. 2007	X X X	X X X	847,389	855,782	812,333	791,867	772,515	756,059	741,951	736,602	(5,349)	(19,457)
5. 2008	X X X	X X X	X X X	971,559	955,476	932,187	917,979	891,714	871,913	859,995	(11,918)	(31,719)
6. 2009	X X X	X X X	X X X	X X X	833,549	821,348	814,852	805,219	789,016	778,883	(10,133)	(26,336)
7. 2010	X X X	X X X	X X X	X X X	X X X	848,768	850,011	849,596	833,546	813,803	(19,743)	(35,793)
8. 2011	X X X	X X X	X X X	X X X	X X X	X X X	975,999	978,778	965,715	954,024	(11,691)	(24,754)
9. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	983,871	966,367	960,066	(6,301)	(23,805)
10. 2013	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	825,070	810,615	(14,455)	X X X
11. 2014	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	891,998	X X X	X X X
12. Totals											(78,403)	(167,718)

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
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
1. Prior	0 0 0	356,230	619,279	803,508	940,983	1,013,122	1,089,988	1,144,002	1,187,559	1,240,560	X X X	X X X
2. 2005	228,897	418,325	527,995	601,995	644,869	680,680	703,337	715,380	728,403	735,558	X X X	X X X
3. 2006	X X X	203,167	365,257	462,569	532,144	586,938	615,164	632,583	652,865	661,139	X X X	X X X
4. 2007	X X X	X X X	221,191	372,927	465,239	529,599	579,146	613,387	633,242	651,497	X X X	X X X
5. 2008	X X X	X X X	X X X	298,003	489,113	581,086	658,408	706,019	735,379	758,496	X X X	X X X
6. 2009	X X X	X X X	X X X	X X X	216,371	375,575	482,390	562,430	615,119	653,759	X X X	X X X
7. 2010	X X X	X X X	X X X	X X X	X X X	269,760	442,064	535,323	603,320	650,162	X X X	X X X
8. 2011	X X X	X X X	X X X	X X X	X X X	X X X	328,218	536,071	649,550	727,652	X X X	X X X
9. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	269,418	526,595	632,208	X X X	X X X
10. 2013	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	219,889	387,257	X X X	X X X
11. 2014	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	286,186	X X X	X X X

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1. Prior	1,009,168	813,596	654,444	545,516	469,094	439,445	400,592	365,781	340,212	319,673
2. 2005	596,288	369,576	274,366	198,276	132,425	102,940	79,337	62,678	53,807	47,438
3. 2006	X X X	517,701	366,308	268,237	182,962	141,131	106,508	82,432	63,020	53,884
4. 2007	X X X	X X X	490,574	353,209	260,681	196,935	138,325	107,432	82,580	69,246
5. 2008	X X X	X X X	X X X	532,122	355,649	257,972	189,304	138,987	105,318	82,485
6. 2009	X X X	X X X	X X X	X X X	497,980	324,188	233,671	174,437	123,583	94,334
7. 2010	X X X	X X X	X X X	X X X	X X X	458,571	292,335	220,594	162,616	116,562
8. 2011	X X X	X X X	X X X	X X X	X X X	X X X	493,829	296,673	214,800	159,372
9. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	572,998	313,214	219,163
10. 2013	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	488,190	300,678
11. 2014	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	476,923

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States And Territories

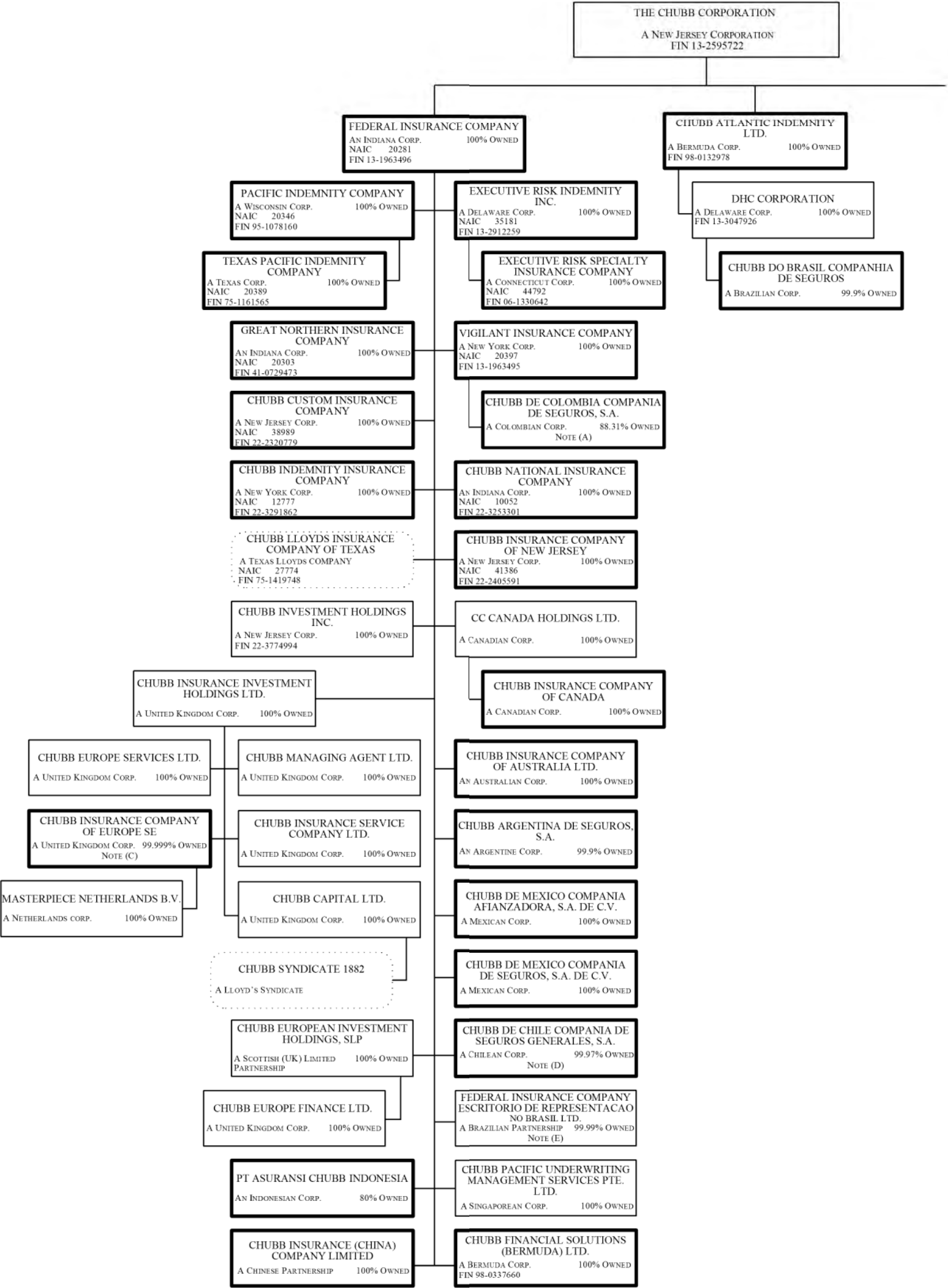
States, Etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
		2	3						
	Active Status	Direct Premiums Written	Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Column 2)
1. Alabama	AL	L	12,658,022	12,047,522	249,118	5,950,278	5,998,389	4,636,375	0
2. Alaska	AK	L	903,021	869,868	51,384	4,714	42,280	314,603	0
3. Arizona	AZ	L	30,086,222	29,433,165	86,620	16,528,162	14,404,825	10,805,023	0
4. Arkansas	AR	L	605,634	668,260	33,202	870,396	1,756,001	1,344,561	0
5. California	CA	L	42,720,056	42,097,906	3,966,224	15,692,230	35,899,280	167,738,133	0
6. Colorado	CO	L	2,753,741	2,668,073	74,985	544,282	523,977	3,354,717	0
7. Connecticut	CT	L	14,542,473	14,742,471	520,085	7,853,320	7,154,030	14,831,442	0
8. Delaware	DE	L	2,649,852	2,511,417	29,147	1,112,656	916,853	1,144,215	0
9. Dist. Columbia	DC	L	4,900,644	4,723,338	197,918	1,105,599	1,343,016	3,824,668	0
10. Florida	FL	L	34,918,907	35,811,687	846,729	14,117,095	16,307,602	35,283,898	0
11. Georgia	GA	L	9,654,740	9,938,965	343,615	7,561,574	11,332,058	12,261,556	0
12. Hawaii	HI	L	670,488	757,409	44,275	171,788	109,326	553,418	0
13. Idaho	ID	L	744,755	692,522	7,893	392,695	383,945	337,684	0
14. Illinois	IL	L	9,557,002	10,142,999	1,082,199	5,604,419	4,327,488	18,695,841	0
15. Indiana	IN	L	3,888,566	4,017,517	108,396	4,560,353	4,189,317	2,692,860	0
16. Iowa	IA	L	5,120,209	5,294,841	266,055	3,302,615	2,080,133	4,965,801	0
17. Kansas	KS	L	8,261,052	7,881,163	29,187	2,649,348	2,718,980	2,258,927	0
18. Kentucky	KY	L	1,276,904	1,530,094	106,688	337,224	700,225	2,054,930	0
19. Louisiana	LA	L	649,150	670,414	32,356	507,075	2,521,178	3,728,782	0
20. Maine	ME	L	7,627,713	7,223,896	35,551	6,823,489	9,164,231	3,744,435	0
21. Maryland	MD	L	7,921,736	8,329,051	200,729	4,625,447	2,570,748	5,784,266	0
22. Massachusetts	MA	L	74,108,395	74,400,370	347,017	27,008,730	27,409,200	23,663,007	0
23. Michigan	MI	L	4,738,025	4,565,913	221,468	2,417,117	2,783,541	4,301,347	0
24. Minnesota	MN	L	5,591,373	5,425,768	182,080	2,619,292	2,802,744	6,932,444	0
25. Mississippi	MS	L	395,527	377,529	35,928	293,919	277,949	1,390,306	0
26. Missouri	MO	L	4,632,952	4,645,863	137,269	3,544,884	3,180,517	3,851,603	0
27. Montana	MT	L	3,640,282	3,590,676	11,575	2,463,606	2,198,656	819,509	0
28. Nebraska	NE	L	987,921	1,110,360	156,623	626,318	861,853	3,026,442	0
29. Nevada	NV	L	1,226,570	1,164,179	112,939	281,968	188,810	1,442,787	0
30. New Hampshire	NH	L	2,441,671	2,434,142	73,998	3,661,029	4,419,120	3,679,540	0
31. New Jersey	NJ	L	12,149,822	12,163,141	979,937	5,223,589	4,379,726	20,777,428	0
32. New Mexico	NM	L	10,431,952	10,229,549	72,965	5,809,347	4,144,106	4,019,978	0
33. New York	NY	L	219,529,118	211,705,280	7,603,803	102,942,463	101,695,276	205,101,030	0
34. North Carolina	NC	L	8,388,768	8,276,434	283,135	3,239,781	2,708,847	8,218,456	0
35. North Dakota	ND	L	161,779	143,885	0	0	10,969	62,825	0
36. Ohio	OH	L	27,977,464	27,178,734	0	18,070,450	21,925,323	11,413,836	0
37. Oklahoma	OK	L	2,092,001	1,993,414	129,232	493,321	173,056	2,024,668	0
38. Oregon	OR	L	7,427,591	6,910,648	52,756	2,091,830	2,774,624	7,821,629	0
39. Pennsylvania	PA	L	22,383,867	23,851,596	1,338,295	8,700,567	7,562,618	41,124,420	0
40. Rhode Island	RI	L	3,482,555	3,299,753	32,694	313,966	551,231	1,242,129	0
41. South Carolina	SC	L	10,266,187	9,933,624	70,875	4,341,334	5,537,530	5,480,516	0
42. South Dakota	SD	L	161,892	166,731	7,522	192,091	90,306	799,136	0
43. Tennessee	TN	L	5,042,136	5,181,728	158,639	1,445,042	1,933,776	4,151,937	0
44. Texas	TX	L	18,515,910	18,546,011	791,627	4,812,641	3,877,056	47,836,153	0
45. Utah	UT	L	11,953,138	11,366,752	64,076	7,267,869	5,242,662	2,906,805	0
46. Vermont	VT	L	5,354,127	5,042,692	25,402	3,097,896	2,543,653	1,554,488	0
47. Virginia	VA	L	11,627,299	11,929,962	254,641	3,330,543	4,110,942	7,765,626	0
48. Washington	WA	L	6,249,313	6,427,659	0	3,852,232	3,173,284	3,633,618	0
49. West Virginia	WV	L	282,193	314,802	14,289	66,282	52,498	316,243	0
50. Wisconsin	WI	L	6,201,486	5,989,515	377,310	2,800,234	3,021,541	6,974,413	0
51. Wyoming	WY	L	247,049	251,363	0	141,115	207,925	274,343	0
52. American Samoa	AS	N	0	0	0	0	0	0	0
53. Guam	GU	N	0	0	0	0	0	0	0
54. Puerto Rico	PR	N	0	0	0	0	0	0	0
55. U.S. Virgin Islands	VI	N	0	0	0	0	0	0	0
56. Northern Mariana Islands	MP	N	0	0	0	0	0	0	0
57. Canada	CAN	N	0	0	0	0	0	0	0
58. Aggregate other alien	OT	XXX	0	0	0	(348,180)	173,108	0	0
59. Totals	(a)	51	689,799,250	680,670,651	21,848,451	321,464,215	343,935,041	733,135,905	0
DETAILS OF WRITE-INS									
58001. BFA Burkina Faso	XXX	0	0	0	0	(106,595)	47,093	0	0
58002. IDN Indonesia	XXX	0	0	0	0	5,871	5,871	0	0
58003. PNG Papua New Guinea	XXX	0	0	0	0	(30,635)	16,091	0	0
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	(216,821)	104,053	0	0
58999. Totals (Line 58001 through 58003+58998) (Line 58 above)	XXX	0	0	0	0	(348,180)	173,108	0	0

(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.

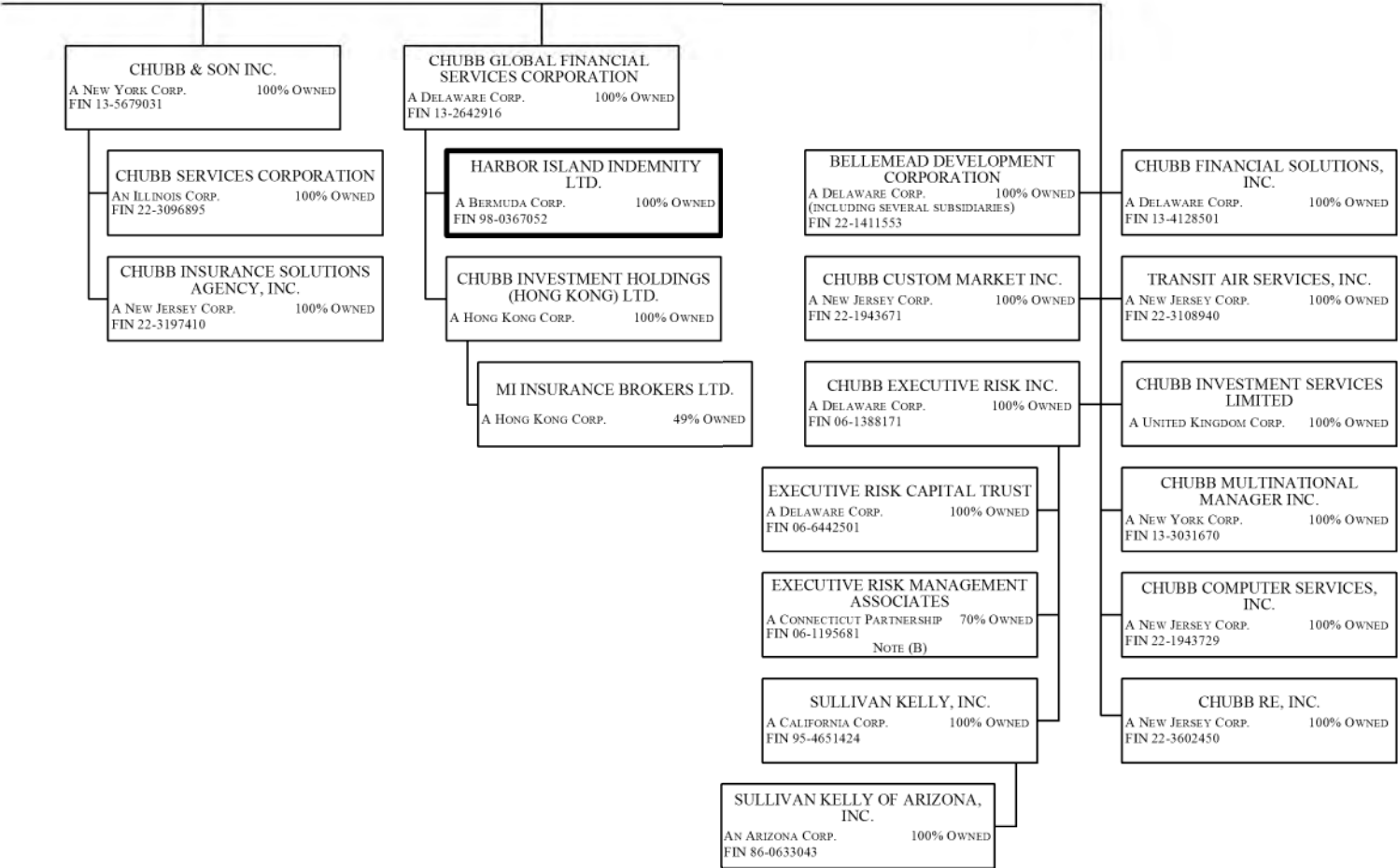
Explanation of basis of allocation of premiums by states, etc.

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

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE PACIFIC INDEMNITY COMPANY
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART




ANNUAL STATEMENT FOR THE YEAR 2014 OF THE PACIFIC INDEMNITY COMPANY
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART





NOTES

- (A) REMAINING OWNERSHIP AS FOLLOWS:
6.13% FEDERAL INSURANCE COMPANY
4.22% THE CHUBB CORPORATION
0.92% PACIFIC INDEMNITY COMPANY
0.42% GREAT NORTHERN INSURANCE COMPANY
- (B) REMAINING 30% OWNED BY SULLIVAN KELLY, INC.
- (C) REMAINING 0.001% OWNED BY VIGILANT INSURANCE COMPANY
- (D) REMAINING 0.03% OWNED BY THE CHUBB CORPORATION
- (E) REMAINING 0.01% OWNED BY CHUBB & SON INC.

KEY

 INSURANCE AFFILIATE/SUBSIDIARY

 NON-INSURANCE AFFILIATE/SUBSIDIARY

 LLOYDS COMPANY/ LLOYD'S SYNDICATE

Property and Casualty
Annual Statement Blank Alphabetical Index

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ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013
OF THE CONDITION AND AFFAIRS OF THE
PACIFIC INDEMNITY COMPANY

NAIC Group Code 0038, 0038 NAIC Company Code 20346 Employer's ID Number 95-1078160
(Current Period) (Prior Period)

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

Country of Domicile US

Incorporated/Organized January 16, 1926 Commenced Business February 5, 1926

Statutory Home Office Two Plaza East, Suite 1450, 330 East Kilbourn Ave, Milwaukee, Wisconsin, US 53202-3146
(Street and Number, City or Town, State, Country and Zip Code)

Main Administrative Office 15 Mountain View Road, Warren, New Jersey 07059 908-903-2000
(Street and Number, City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 15 Mountain View Road, Warren, New Jersey 07059
(Street and Number or P.O. Box, City or Town, State, Country and Zip Code)

Primary Location of Books and Records 15 Mountain View Road, Warren, New Jersey 07059 908-903-2000
(Street and Number, City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.chubb.com

Statutory Statement Contact Ronald Calavano 908-903-2525
(Name) (Area Code) (Telephone Number) (Extension)

statacct@chubb.com 908-903-3805
(E-Mail Address) (Fax Number)

OFFICERS

Dino Ennio Robusto (Chairman)
Paul Joseph Krump (President)
Walter Brian Barnes (Vice President & Actuary)
Maureen Ann Brundage# (Vice President & Secretary)

OTHER OFFICERS

Douglas Alan Nordstrom (Vice President & Treasurer)
Richard Glenn Spiro (Senior Vice President)

DIRECTORS OR TRUSTEES

Walter Brian Barnes
Maureen Ann Brundage#
James Alan Darling
John Joseph Kennedy
Paul Joseph Krump
Harold Lawrence Morrison, Jr.
Douglas Alan Nordstrom
Dino Ennio Robusto
Richard Glenn Spiro
Jeffrey Allen Updyke

State of New Jersey } SS
County of Somerset }

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

<u>Paul Joseph Krump</u> President	<u>Maureen Ann Brundage</u> Vice President & Secretary	<u>Douglas Alan Nordstrom</u> Vice President & Treasurer
Subscribed and sworn to before me this 26th day of February, 2014		
a. Is this an original filing? Yes (X) No ()		
b. If no: 1. State the amendment number <u>0</u>		
2. Date filed _____		
3. Number of pages attached <u>0</u>		

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Col 1 - Col 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	5,106,756,018	0	5,106,756,018	4,957,130,929
2. Stocks (Schedule D):				
2.1 Preferred stocks	0	0	0	0
2.2 Common stocks	606,218,162	624,098	605,594,064	482,807,472
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	0	0	0	0
3.2 Other than first liens	0	0	0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	0	0	0	0
4.2 Properties held for the production of income (less \$ 0 encumbrances)	0	0	0	0
4.3 Properties held for sale (less \$ 0 encumbrances)	0	0	0	0
5. Cash (\$ 108,139 , Schedule E- Part 1) , cash equivalents (\$ 166,103,110 , Schedule E- Part 2) and short-term investments (\$ 30,989,550 , Schedule DA)	197,200,799	0	197,200,799	232,548,536
6. Contract loans (including \$ 0 premium notes)	0	0	0	0
7. Derivatives (Schedule DB)	0	0	0	0
8. Other invested assets (Schedule BA)	131,640,136	0	131,640,136	187,600,819
9. Receivables for securities	0	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL)	0	0	0	0
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Line 1 through Line 11)	6,041,815,115	624,098	6,041,191,017	5,860,087,756
13. Title plants less \$ 0 charged off (for Title insurers only)	0	0	0	0
14. Investment income due and accrued	61,387,734	0	61,387,734	63,135,668
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	264,222,839	3,993,201	260,229,638	250,722,660
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 4,496,500 earned but unbilled premiums)	90,750,477	739,382	90,011,095	86,005,265
15.3 Accrued retrospective premiums	0	0	0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	14,963,232	0	14,963,232	14,646,901
16.2 Funds held by or deposited with reinsured companies	0	0	0	0
16.3 Other amounts receivable under reinsurance contracts	36	0	36	425,760
17. Amounts receivable relating to uninsured plans	0	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon	1,593,426	0	1,593,426	11,447,672
18.2 Net deferred tax asset	128,278,060	16,842,946	111,435,114	123,362,981
19. Guaranty funds receivable or on deposit	0	0	0	0
20. Electronic data processing equipment and software	0	0	0	0
21. Furniture and equipment, including health care delivery assets (\$ 0)	0	0	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0	0
23. Receivables from parent, subsidiaries and affiliates	43,538,846	0	43,538,846	40,722,986
24. Health care (\$ 0) and other amounts receivable	0	0	0	0
25. Aggregate write-ins for other-than-invested assets	16,111,770	5,232	16,106,538	15,283,853
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 12 to Line 25)	6,662,661,535	22,204,859	6,640,456,676	6,465,841,502
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0	0
28. Total (Line 26 and Line 27)	6,662,661,535	22,204,859	6,640,456,676	6,465,841,502
DETAILS OF WRITE-INS				
1101.	0	0	0	0
1102.	0	0	0	0
1103.	0	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above)	0	0	0	0
2501. Equities and deposits in pools and associations	13,228,855	0	13,228,855	12,914,115
2502. Amounts receivable under high deductible policies	1,652,370	5,232	1,647,138	1,621,766
2503. State surcharges receivable	981,497	0	981,497	747,972
2598. Summary of remaining write-ins for Line 25 from overflow page	249,048	0	249,048	0
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)	16,111,770	5,232	16,106,538	15,283,853

ANNUAL STATEMENT FOR THE YEAR 2013 OF THE PACIFIC INDEMNITY COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	2,125,077,184	2,232,807,722
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	132,247	46,736
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	714,692,104	718,083,836
4. Commissions payable, contingent commissions and other similar charges	22,069,152	21,312,280
5. Other expenses (excluding taxes, licenses and fees)	64,978,169	52,501,031
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	9,077,625	7,694,196
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	0	0
7.2 Net deferred tax liability	0	0
8. Borrowed money \$ 0 and interest thereon \$ 0	0	0
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 329,186,254 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)	809,677,374	789,630,502
10. Advance premium	0	0
11. Dividends declared and unpaid:		
11.1 Stockholders	0	0
11.2 Policyholders	14,212,514	13,344,704
12. Ceded reinsurance premiums payable (net of ceding commissions)	90,999,666	96,857,065
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	5,712,333	5,407,689
14. Amounts withheld or retained by company for account of others	1,841,558	1,899,511
15. Remittances and items not allocated	0	0
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 8)	10,394,031	14,967,039
17. Net adjustments in assets and liabilities due to foreign exchange rates	0	0
18. Drafts outstanding	0	0
19. Payable to parent, subsidiaries and affiliates	0	0
20. Derivatives	0	0
21. Payable for securities	0	14,987,600
22. Payable for securities lending	0	0
23. Liability for amounts held under uninsured plans	0	0
24. Capital notes \$ 0 and interest thereon \$ 0	0	0
25. Aggregate write-ins for liabilities	170,915	103,643
26. Total liabilities excluding protected cell liabilities (Line 1 through Line 25)	3,869,034,872	3,969,643,554
27. Protected cell liabilities	0	0
28. Total liabilities (Line 26 and Line 27)	3,869,034,872	3,969,643,554
29. Aggregate write-ins for special surplus funds	0	0
30. Common capital stock	5,535,000	5,535,000
31. Preferred capital stock	0	0
32. Aggregate write-ins for other than special surplus funds	0	0
33. Surplus notes	0	0
34. Gross paid in and contributed surplus	520,019,566	520,019,566
35. Unassigned funds (surplus)	2,245,867,238	1,970,643,382
36. Less treasury stock, at cost:		
36.1 0 shares common (value included in Line 30 \$ 0)	0	0
36.2 0 shares preferred (value included in Line 31 \$ 0)	0	0
37. Surplus as regards policyholders (Line 29 to Line 35, less Line 36) (Page 4, Line 39)	2,771,421,804	2,496,197,948
38. Totals (Page 2, Line 28, Column 3)	6,640,456,676	6,465,841,502
DETAILS OF WRITE-INS		
2501. Minnesota workers' compensation premium assessment	103,643	103,643
2502. Accounts payable - sundry	67,272	0
2503.	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)	170,915	103,643
2901.	0	0
2902.	0	0
2903.	0	0
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0
2999. Totals (Line 2901 through Line 2903 plus Line 2998) (Line 29 above)	0	0
3201.	0	0
3202.	0	0
3203.	0	0
3298. Summary of remaining write-ins for Line 32 from overflow page	0	0
3299. Totals (Line 3201 through Line 3203 plus Line 3298) (Line 32 above)	0	0

ANNUAL STATEMENT FOR THE YEAR 2013 OF THE PACIFIC INDEMNITY COMPANY

STATEMENT OF INCOME

UNDERWRITING INCOME		1	2
		Current Year	Prior Year
1. Premiums earned (Part 1, Line 35, Column 4)		1,550,232,995	1,501,887,142
DEDUCTIONS			
2. Losses incurred (Part 2, Line 35, Column 7)		601,876,258	773,048,021
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)		211,876,851	219,595,774
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		459,620,902	442,098,713
5. Aggregate write-ins for underwriting deductions		74,057	86,625
6. Total underwriting deductions (Line 2 through Line 5)		1,273,448,068	1,434,829,133
7. Net income of protected cells		0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		276,784,927	67,058,009
INVESTMENT INCOME			
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)		207,815,642	216,905,910
10. Net realized capital gains (losses) less capital gains tax of \$ 18,645,910 (Exhibit of Capital Gains (Losses))		51,787,615	28,117,651
11. Net investment gain (loss) (Line 9 plus Line 10)		259,603,257	245,023,561
OTHER INCOME			
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 1,753,632 , amount charged off \$ 2,490,560)		(736,928)	(1,264,223)
13. Finance and service charges not included in premiums		0	0
14. Aggregate write-ins for miscellaneous income		388,748	65,634
15. Total other income (Line 12 through Line 14)		(348,180)	(1,198,589)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 8 plus Line 11 plus Line 15)		536,040,004	310,882,981
17. Dividends to policyholders		6,326,446	5,050,197
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)		529,713,558	305,832,784
19. Federal and foreign income taxes incurred		104,063,774	27,061,825
20. Net income (Line 18 minus Line 19) (to Line 22)		425,649,784	278,770,959
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)		2,496,197,948	2,440,762,836
22. Net income (from Line 20)		425,649,784	278,770,959
23. Net transfers (to) from Protected Cell accounts		0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 35,148,041		65,865,007	17,457,130
25. Change in net unrealized foreign exchange capital gain (loss)		(2,004,489)	(148,226)
26. Change in net deferred income tax		(4,782,991)	(5,529,841)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3)		34,923,537	34,267,664
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		4,573,008	1,279,359
29. Change in surplus notes		0	0
30. Surplus (contributed to) withdrawn from protected cells		0	0
31. Cumulative effect of changes in accounting principles		0	0
32. Capital changes:			
32.1 Paid in		0	0
32.2 Transferred from surplus (Stock Dividend)		0	0
32.3 Transferred to surplus		0	0
33. Surplus adjustments:			
33.1 Paid in		0	0
33.2 Transferred to capital (Stock Dividend)		0	0
33.3 Transferred from capital		0	0
34. Net remittances from or (to) Home Office		0	0
35. Dividends to stockholders		(249,000,000)	(244,000,000)
36. Change in treasury stock (Page 3, Line 36.1 and Line 36.2, Column 2 minus Column 1)		0	0
37. Aggregate write-ins for gains and losses in surplus		0	(26,661,933)
38. Change in surplus as regards policyholders for the year (Line 22 through Line 37)		275,223,856	55,435,112
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37)		2,771,421,804	2,496,197,948
DETAILS OF WRITE-INS			
0501. Minnesota workers' compensation premium assessment (net of intercompany pooling)		55,712	55,712
0502. LAD program expense		18,345	30,913
0503.		0	0
0598. Summary of remaining write-ins for Line 5 from overflow page		0	0
0599. Totals (Line 0501 through Line 0503 plus Line 0598) (Line 5 above)		74,057	86,625
1401. Miscellaneous income		388,748	65,634
1402.		0	0
1403.		0	0
1498. Summary of remaining write-ins for Line 14 from overflow page		0	0
1499. Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)		388,748	65,634
3701. Change in additional admitted deferred income tax assets recognized under the provisions of SSAP No. 10R		0	(26,661,933)
3702.		0	0
3703.		0	0
3798. Summary of remaining write-ins for Line 37 from overflow page		0	0
3799. Totals (Line 3701 through Line 3703 plus Line 3798) (Line 37 above)		0	(26,661,933)

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	1,549,227,592	1,522,967,415
2. Net investment income	239,872,086	247,346,556
3. Miscellaneous income	8,366,787	(21,392,094)
4. Total (Line 1 through Line 3)	1,797,466,465	1,748,921,877
5. Benefit and loss related payments	709,867,657	678,364,503
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	661,124,399	660,031,382
8. Dividends paid to policyholders	5,458,636	4,371,464
9. Federal and foreign income taxes paid (recovered) net of \$ 16,030,892 tax on capital gains (losses)	110,423,238	41,276,647
10. Total (Line 5 through Line 9)	1,486,873,930	1,384,043,996
11. Net cash from operations (Line 4 minus Line 10)	310,592,535	364,877,881
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	1,061,277,603	901,182,531
12.2 Stocks	85,799,593	39,869,815
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	79,185,775	43,489,682
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(124,633)	58,337
12.7 Miscellaneous proceeds	0	4,645,000
12.8 Total investment proceeds (Line 12.1 through Line 12.7)	1,226,138,338	989,245,365
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,250,697,012	837,859,266
13.2 Stocks	50,474,196	43,556,257
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	6,919,802	6,747,267
13.6 Miscellaneous applications	14,987,600	(9,720,869)
13.7 Total investments acquired (Line 13.1 through Line 13.6)	1,323,078,610	878,441,921
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(96,940,272)	110,803,444
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	249,000,000	244,000,000
16.6 Other cash provided (applied)	0	0
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(249,000,000)	(244,000,000)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	(35,347,737)	231,681,325
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	232,548,536	867,211
19.2 End of year (Line 18 plus Line 19.1)	197,200,799	232,548,536

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

20.0001 Line 12.1 and line 13.1 reflect bond exchanges	23,378,448	73,693,650
20.0002 Line 12.2 and line 13.2 reflect stock swaps	3,391,478	11,981,854
20.0003	0	0
20.0004	0	0
20.0005	0	0
20.0006	0	0
20.0007	0	0
20.0008	0	0
20.0009	0	0
20.0010	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums December 31 Prior Year- per Column 3, Last Year's Part 1	3 Unearned Premiums December 31 Current Year- per Column 5 Part 1A	4 Premiums Earned During Year (Columns 1 plus 2 minus 3)
1. Fire	28,865,634	13,667,658	13,917,960	28,615,332
2. Allied lines	14,639,247	6,024,638	5,928,054	14,735,831
3. Farmowners multiple peril	0	0	0	0
4. Homeowners multiple peril	305,360,210	163,627,079	172,656,635	296,330,654
5. Commercial multiple peril	231,541,035	121,993,831	121,559,697	231,975,169
6. Mortgage guaranty	0	0	0	0
8. Ocean marine	15,284,863	7,467,708	6,641,964	16,110,607
9. Inland marine	104,972,456	53,084,209	54,547,598	103,509,067
10. Financial guaranty	0	0	0	0
11.1 Medical professional liability - occurrence	(50)	797	775	(28)
11.2 Medical professional liability - claims-made	710,384	279,434	360,930	628,888
12. Earthquake	10,028,227	5,359,432	4,978,995	10,408,664
13. Group accident and health	23,642,738	5,915,265	6,507,195	23,050,808
14. Credit accident and health (group and individual)	0	0	0	0
15. Other accident and health	140,749	64,586	67,354	137,981
16. Workers' compensation	175,573,939	61,288,095	67,913,282	168,948,752
17.1 Other liability - occurrence	157,644,552	79,791,465	81,380,562	156,055,455
17.2 Other liability - claims-made	244,384,108	133,869,130	133,338,284	244,914,954
17.3 Excess Workers' Compensation	1,025,953	443,591	464,241	1,005,303
18.1 Products liability - occurrence	37,431,811	18,703,906	18,636,120	37,499,597
18.2 Products liability - claims-made	4,552,082	2,129,728	1,939,632	4,742,178
19.1, 19.2 Private passenger auto liability	39,031,729	18,450,971	19,842,341	37,640,359
19.3, 19.4 Commercial auto liability	26,394,822	12,465,083	12,208,001	26,651,904
21. Auto physical damage	41,025,636	20,027,107	21,181,889	39,870,854
22. Aircraft (all perils)	6,741,740	3,501,041	2,491,532	7,751,249
23. Fidelity	41,015,259	20,690,193	21,240,792	40,464,660
24. Surety	38,492,026	26,412,824	25,875,145	39,029,705
26. Burglary and theft	6,417,038	3,485,037	3,706,038	6,196,037
27. Boiler and machinery	14,462,065	7,819,292	7,716,296	14,565,061
28. Credit	19,367	43,109	30,211	32,265
29. International	0	0	0	0
30. Warranty	129,081	4,658	5,614	128,125
31. Reinsurance - Nonproportional Assumed Property	(113,947)	71	70	(113,946)
32. Reinsurance - Nonproportional Assumed Liability	(702,338)	2,728	351	(699,961)
33. Reinsurance - Nonproportional Assumed Financial Lines	39,451	51,336	43,316	47,471
34. Aggregate write-ins for other lines of business	0	0	0	0
35. TOTALS	1,568,749,867	786,664,002	805,180,874	1,550,232,995
DETAILS OF WRITE-INS				
3401.	0	0	0	0
3402.	0	0	0	0
3403.	0	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	0	0	0	0

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 Columns 1 + 2 + 3 + 4
1. Fire	12,828,373	1,089,587	0	0	13,917,960
2. Allied lines	5,908,228	19,826	0	0	5,928,054
3. Farmowners multiple peril	0	0	0	0	0
4. Homeowners multiple peril	172,656,635	0	0	0	172,656,635
5. Commercial multiple peril	118,357,506	2,724,865	477,326	0	121,559,697
6. Mortgage guaranty	0	0	0	0	0
8. Ocean marine	6,641,929	35	0	0	6,641,964
9. Inland marine	51,369,458	3,178,140	0	0	54,547,598
10. Financial guaranty	0	0	0	0	0
11.1 Medical professional liability - occurrence	775	0	0	0	775
11.2 Medical professional liability - claims-made	300,155	60,775	0	0	360,930
12. Earthquake	4,978,995	0	0	0	4,978,995
13. Group accident and health	4,054,997	2,452,198	0	0	6,507,195
14. Credit accident and health (group and individual)	0	0	0	0	0
15. Other accident and health	67,354	0	0	0	67,354
16. Workers' compensation	72,111,592	348,340	(4,948,700)	402,050	67,913,282
17.1 Other liability - occurrence	66,422,665	11,375,454	(25,126)	3,607,569	81,380,562
17.2 Other liability - claims-made	115,983,773	17,354,511	0	0	133,338,284
17.3 Excess Workers' Compensation	461,509	2,732	0	0	464,241
18.1 Products liability - occurrence	17,283,817	1,352,303	0	0	18,636,120
18.2 Products liability - claims-made	1,860,913	78,719	0	0	1,939,632
19.1, 19.2 Private passenger auto liability	19,842,341	0	0	0	19,842,341
19.3, 19.4 Commercial auto liability	11,725,592	468,979	0	13,430	12,208,001
21. Auto physical damage	21,148,718	33,171	0	0	21,181,889
22. Aircraft (all perils)	2,480,848	10,684	0	0	2,491,532
23. Fidelity	19,468,883	1,771,909	0	0	21,240,792
24. Surety	4,648,435	21,226,710	0	0	25,875,145
26. Burglary and theft	2,788,251	917,787	0	0	3,706,038
27. Boiler and machinery	7,656,385	59,911	0	0	7,716,296
28. Credit	30,211	0	0	0	30,211
29. International	0	0	0	0	0
30. Warranty	5,614	0	0	0	5,614
31. Reinsurance - Nonproportional Assumed Property	70	0	0	0	70
32. Reinsurance - Nonproportional Assumed Liability	351	0	0	0	351
33. Reinsurance - Nonproportional Assumed Financial Lines	43,316	0	0	0	43,316
34. Aggregate write-ins for other lines of business	0	0	0	0	0
35. TOTALS	741,127,689	64,526,636	(4,496,500)	4,023,049	805,180,874
36. Accrued retrospective premiums based on experience					0
37. Earned but unbilled premiums					4,496,500
38. Balance (Sum of Line 35 through Line 37)					809,677,374
DETAILS OF WRITE-INS					
3401.	0	0	0	0	0
3402.	0	0	0	0	0
3403.	0	0	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	0	0	0	0	0

(a) State here basis of computation used in each case.
Pro-rata on unexpired risks

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1B-PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Columns 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire	786,940	31,900,391	3,969,887	653,159	7,138,425	28,865,634
2. Allied lines	420,226	15,620,701	37,698	381,562	1,057,816	14,639,247
3. Farmowners multiple peril	0	0	0	0	0	0
4. Homeowners multiple peril	300,022,708	286,079,643	0	249,018,845	31,723,296	305,360,210
5. Commercial multiple peril	33,341,545	264,348,379	0	27,739,276	38,409,613	231,541,035
6. Mortgage guaranty	0	0	0	0	0	0
8. Ocean marine	0	17,071,975	0	6,933	1,780,179	15,284,863
9. Inland marine	80,630,303	112,169,713	0	72,898,304	14,929,256	104,972,456
10. Financial guaranty	0	0	0	0	0	0
11.1 Medical professional liability - occurrence	0	(342)	0	0	(292)	(50)
11.2 Medical professional liability - claims-made	0	710,384	0	0	0	710,384
12. Earthquake	5,923,423	9,021,247	0	4,916,443	0	10,028,227
13. Group accident and health	0	24,295,289	0	68	652,483	23,642,738
14. Credit accident and health (group and individual)	0	0	0	0	0	0
15. Other accident and health	0	140,749	0	0	0	140,749
16. Workers' compensation	157,607,530	170,504,156	0	130,814,741	21,723,006	175,573,939
17.1 Other liability - occurrence	28,001,021	161,826,629	0	23,665,198	8,517,900	157,644,552
17.2 Other liability - claims-made	1,581,619	251,666,305	0	1,340,613	7,523,203	244,384,108
17.3 Excess Workers' Compensation	61,508	1,071,497	0	51,053	55,999	1,025,953
18.1 Products liability - occurrence	5,267,396	37,563,174	0	4,666,682	732,077	37,431,811
18.2 Products liability - claims-made	667,832	6,031,588	0	554,301	1,593,037	4,552,082
19.1, 19.2 Private passenger auto liability	22,011,577	35,827,448	0	18,715,532	91,764	39,031,729
19.3, 19.4 Commercial auto liability	214,178	27,171,078	0	134,498	855,936	26,394,822
21. Auto physical damage	20,103,874	39,369,815	0	17,070,785	1,377,268	41,025,636
22. Aircraft (all perils)	0	13,903,544	0	0	7,161,804	6,741,740
23. Fidelity	302,480	41,788,030	0	286,303	788,948	41,015,259
24. Surety	7,130,535	37,359,914	0	5,918,337	80,086	38,492,026
26. Burglary and theft	712,866	6,300,640	0	591,676	4,792	6,417,038
27. Boiler and machinery	5,332,992	15,659,730	0	4,428,043	2,102,614	14,462,065
28. Credit	0	133,901	0	0	114,534	19,367
29. International	0	0	0	0	0	0
30. Warranty	0	129,081	0	0	0	129,081
31. Reinsurance - Nonproportional Assumed Property	X X X	(108,273)	0	0	5,674	(113,947)
32. Reinsurance - Nonproportional Assumed Liability	X X X	(411,824)	0	0	290,514	(702,338)
33. Reinsurance - Nonproportional Assumed Financial Lines	X X X	39,149	0	0	(302)	39,451
34. Aggregate write-ins for other lines of business	0	0	0	0	0	0
35. TOTALS	670,120,553	1,607,183,711	4,007,585	563,852,352	148,709,630	1,568,749,867
DETAILS OF WRITE-INS						
3401.	0	0	0	0	0	0
3402.	0	0	0	0	0	0
3403.	0	0	0	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	0	0	0	0	0	0

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes () No (X)
If yes: 1. The amount of such installment premiums \$ 0
2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 0

ANNUAL STATEMENT FOR THE YEAR 2013 OF THE PACIFIC INDEMNITY COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5	6	7	8
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Columns 1 plus 2 minus 3)	Net Losses Unpaid Current Year (Part 2A, Column 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Columns 4 plus 5 minus 6)	Percentage of Losses Incurred (Column 7, Part 2) to Premiums Earned (Column 4, Part 1)
1. Fire	967,798	12,838,082	1,117,339	12,688,541	12,830,477	17,958,156	7,560,862	26.4
2. Allied lines	141,923	14,281,055	2,908,770	11,514,208	7,275,900	7,148,445	11,641,663	79.0
3. Farmowners multiple peril	0	0	0	0	0	0	0	0.0
4. Homeowners multiple peril	140,734,875	152,275,234	133,578,157	159,431,952	66,938,771	99,057,023	127,313,700	43.0
5. Commercial multiple peril	9,450,850	140,149,805	21,653,126	127,947,529	185,801,453	245,517,492	68,231,490	29.4
6. Mortgage guaranty	0	0	0	0	0	0	0	0.0
8. Ocean marine	0	11,173,648	569,961	10,603,687	12,705,338	17,251,803	6,057,222	37.6
9. Inland marine	24,392,743	38,837,771	23,697,751	39,532,763	23,500,445	26,382,632	36,650,576	35.4
10. Financial guaranty	0	0	0	0	0	0	0	0.0
11.1 Medical professional liability - occurrence	6,600	218,025	111,049	113,576	1,622,705	2,085,168	(348,887)	1,246,025.0
11.2 Medical professional liability - claims-made	0	675,254	341,706	333,548	3,438,320	3,750,480	21,388	3.4
12. Earthquake	0	0	0	0	2,493	1,533	960	0.0
13. Group accident and health	0	8,517,754	466,329	8,051,425	17,345,877	16,386,998	9,010,304	39.1
14. Credit accident and health (group and individual)	0	0	0	0	0	0	0	0.0
15. Other accident and health	0	10,307	0	10,307	54,462	51,736	13,033	9.4
16. Workers' compensation	59,310,449	56,562,835	57,659,108	58,214,176	379,099,227	351,141,400	86,172,003	51.0
17.1 Other liability - occurrence	24,542,537	77,896,929	28,914,179	73,525,287	645,521,537	648,859,359	70,187,465	45.0
17.2 Other liability - claims-made	876,049	109,498,895	8,058,559	102,316,385	502,675,439	547,746,860	57,244,964	23.4
17.3 Excess Workers' Compensation	0	132,982	73	132,909	1,574,427	1,507,547	199,789	19.9
18.1 Products liability - occurrence	13,631,448	14,694,526	14,440,597	13,885,377	113,875,681	102,768,261	24,992,797	66.6
18.2 Products liability - claims-made	0	5,048,134	653,099	4,395,035	8,523,690	8,937,344	3,981,381	84.0
19.1, 19.2 Private passenger auto liability	14,405,714	18,195,033	12,762,762	19,837,985	35,178,651	36,064,564	18,952,072	50.4
19.3, 19.4 Commercial auto liability	604,826	13,324,285	982,608	12,946,503	32,624,339	32,481,567	13,089,275	49.1
21. Auto physical damage	9,256,314	20,419,724	8,761,311	20,914,727	(269,967)	(927,296)	21,572,056	54.1
22. Aircraft (all perils)	0	7,732,487	3,724,386	4,008,101	7,431,406	6,838,848	4,600,659	59.4
23. Fidelity	(6,330)	20,359,118	(21,639)	20,374,427	36,579,258	29,478,821	27,474,864	67.9
24. Surety	(999,342)	2,328,521	(796,983)	2,126,162	6,694,520	7,920,735	899,947	2.3
26. Burglary and theft	3,500	1,068,672	2,904	1,069,268	3,214,353	2,142,779	2,140,842	34.6
27. Boiler and machinery	4,462,196	3,334,764	3,706,012	4,090,948	2,605,839	2,962,821	3,733,966	25.6
28. Credit	0	260,828	223,846	36,982	641,076	581,567	96,491	299.1
29. International	0	0	0	0	0	0	0	0.0
30. Warranty	0	133,049	0	133,049	119,338	35,871	216,516	169.0
31. Reinsurance- Nonproportional Assumed Property	X X X	400,802	281,798	119,004	1,165,675	400,993	883,686	(775.5)
32. Reinsurance- Nonproportional Assumed Liability	X X X	2,209,995	1,120,912	1,089,083	15,072,482	17,001,465	(839,900)	120.0
33. Reinsurance- Nonproportional Assumed Financial Lines	X X X	176,571	12,719	163,852	1,233,972	1,272,750	125,074	263.5
34. Aggregate write-ins for other lines of business	0	0	0	0	0	0	0	0.0
35. TOTALS	301,782,150	732,755,085	324,930,439	709,606,796	2,125,077,184	2,232,807,722	601,876,258	38.8
DETAILS OF WRITE-INS								
3401	0	0	0	0	0	0	0	0.0
3402	0	0	0	0	0	0	0	0.0
3403	0	0	0	0	0	0	0	0.0
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0	0	0.0
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	0	0	0	0	0	0	0	0.0

ANNUAL STATEMENT FOR THE YEAR 2013 OF THE PACIFIC INDEMNITY COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Columns 4 plus 5 plus 6 minus 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable	4 Net Losses Excluding Incurred But Not Reported (Columns 1 plus 2 minus 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	218,945	5,243,920	293,305	5,169,560	15,749	7,763,062	117,894	12,830,477	1,220,807
2. Allied lines	27,566	4,653,457	1,296,472	3,384,551	537,686	6,606,442	3,252,779	7,275,900	825,715
3. Farmowners multiple peril	0	0	0	0	0	0	0	0	0
4. Homeowners multiple peril	32,586,837	27,476,499	31,951,703	28,111,633	25,562,146	38,299,965	25,034,973	66,938,771	22,213,276
5. Commercial multiple peril	11,237,942	92,059,968	23,206,117	80,091,793	15,526,718	110,856,464	20,673,522	185,801,453	104,944,343
6. Mortgage guaranty	0	0	0	0	0	0	0	0	0
8. Ocean marine	0	6,809,675	1,937,778	4,871,897	0	8,457,789	624,348	12,705,338	2,706,682
9. Inland marine	2,070,041	17,409,292	7,026,760	12,452,573	10,390,428	10,418,037	9,760,593	23,500,445	2,494,932
10. Financial guaranty	0	0	0	0	0	0	0	0	0
11.1 Medical professional liability - occurrence	0	495,194	38,386	456,808	0	1,780,001	614,104	1,622,705	24,959
11.2 Medical professional liability - claims-made	0	2,653,806	1,887,337	766,469	0	3,467,643	795,792	3,438,320	1,123,891
12. Earthquake	0	0	0	0	0	2,493	0	2,493	1,975
13. Group accident and health	0	8,033,002	5,593,147	2,439,855	0	15,677,089	771,067	(a) 17,345,877	1,708,100
14. Credit accident and health (group and individual)	0	0	0	0	0	0	0	0	0
15. Other accident and health	0	0	0	0	0	54,462	0	(a) 54,462	8,268
16. Workers' compensation	165,389,481	123,299,196	157,487,580	131,201,097	226,389,389	232,588,869	211,080,128	379,099,227	72,125,985
17.1 Other liability - occurrence	40,462,870	107,238,036	49,466,142	98,234,764	98,106,968	568,992,199	119,812,394	645,521,537	86,642,842
17.2 Other liability - claims-made	2,442,333	84,733,610	13,867,427	73,308,516	3,015,209	456,826,223	30,474,509	502,675,439	306,286,410
17.3 Excess Workers' Compensation	0	339,071	0	339,071	62,182	1,267,779	94,605	1,574,427	277,447
18.1 Products liability - occurrence	19,398,730	38,318,541	17,852,396	39,864,875	33,754,256	71,161,428	30,904,878	113,875,681	74,184,263
18.2 Products liability - claims-made	297,000	2,776,834	279,884	2,793,950	834,718	6,652,550	1,757,528	8,523,690	8,108,480
19.1, 19.2 Private passenger auto liability	13,132,915	24,884,528	13,023,947	24,993,496	6,165,919	9,303,095	5,283,859	35,178,651	10,593,285
19.3, 19.4 Commercial auto liability	30,000	20,008,886	747,829	19,291,057	113,034	13,812,726	592,478	32,624,339	8,919,061
21. Auto physical damage	160,588	591,991	162,606	589,973	(422,825)	(761,960)	(324,845)	(269,967)	1,844,428
22. Aircraft (all perils)	0	4,442,189	1,977,343	2,464,846	715	10,333,745	5,367,900	7,431,406	1,402,512
23. Fidelity	0	8,982,727	0	8,982,727	171,286	27,900,786	475,541	36,579,258	5,400,749
24. Surety	26,667	1,504,666	169,552	1,361,781	964,119	5,271,146	902,526	6,694,520	634,199
26. Burglary and theft	0	13,580	0	13,580	74,699	3,189,363	63,289	3,214,353	328,996
27. Boiler and machinery	1,587,095	1,302,470	1,317,288	1,572,277	333,673	1,020,814	320,925	2,605,839	542,281
28. Credit	0	874,910	402,852	472,058	0	489,823	320,805	641,076	1,103
29. International	0	0	0	0	0	0	0	0	0
30. Warranty	0	0	0	0	0	119,338	0	119,338	19,014
31. Reinsurance- Nonproportional Assumed Property	X X X	1,421,201	968,446	452,755	X X X	841,601	128,681	1,165,675	0
32. Reinsurance- Nonproportional Assumed Liability	X X X	5,311,850	1,768,492	3,543,358	X X X	14,807,901	3,278,777	15,072,482	79,758
33. Reinsurance- Nonproportional Assumed Financial Lines	X X X	837,680	5,274	832,406	X X X	488,585	87,019	1,233,972	28,343
34. Aggregate write-ins for other lines of business	0	0	0	0	0	0	0	0	0
35. TOTALS	289,069,010	591,716,779	332,728,063	548,057,726	421,596,069	1,627,689,458	472,266,069	2,125,077,184	714,692,104
DETAILS OF WRITE-INS									
3401.	0	0	0	0	0	0	0	0	0
3402.	0	0	0	0	0	0	0	0	0
3403.	0	0	0	0	0	0	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0	0	0	0
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	0	0	0	0	0	0	0	0	0

(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	23,259,911	0	0	23,259,911
1.2 Reinsurance assumed	150,491,778	0	0	150,491,778
1.3 Reinsurance ceded	33,358,548	0	0	33,358,548
1.4 Net claim adjustment services (Line 1.1 plus Line 1.2 minus Line 1.3)	140,393,141	0	0	140,393,141
2. Commission and brokerage:				
2.1 Direct excluding contingent	0	101,723,427	0	101,723,427
2.2 Reinsurance assumed excluding contingent	0	234,119,271	0	234,119,271
2.3 Reinsurance ceded excluding contingent	0	105,749,271	0	105,749,271
2.4 Contingent - direct	0	0	0	0
2.5 Contingent - reinsurance assumed	0	81,910	0	81,910
2.6 Contingent - reinsurance ceded	0	163,551	0	163,551
2.7 Policy and membership fees	0	0	0	0
2.8 Net commission and brokerage (Line 2.1 plus Line 2.2 minus Line 2.3 plus Line 2.4 plus Line 2.5 minus Line 2.6 plus Line 2.7)	0	230,011,786	0	230,011,786
3. Allowances to manager and agents	0	565,653	0	565,653
4. Advertising	0	1,517,650	0	1,517,650
5. Boards, bureaus and associations	395,351	4,243,186	0	4,638,537
6. Surveys and underwriting reports	0	1,469,807	0	1,469,807
7. Audit of assureds' records	0	339,774	0	339,774
8. Salary and related items:				
8.1 Salaries	33,619,559	102,991,142	2,712,942	139,323,643
8.2 Payroll taxes	2,151,214	6,375,937	104,783	8,631,934
9. Employee relations and welfare	10,648,304	29,414,244	890,502	40,953,050
10. Insurance	424,257	1,844,967	0	2,269,224
11. Directors' fees	0	0	0	0
12. Travel and travel items	1,120,828	5,762,658	24,195	6,907,681
13. Rent and rent items	2,850,561	6,859,391	101,812	9,811,764
14. Equipment	165,587	497,971	2,448	666,006
15. Cost or depreciation of EDP equipment and software	1,577,319	6,129,903	73,795	7,781,017
16. Printing and stationery	187,493	957,865	19,475	1,164,833
17. Postage, telephone and telegraph, exchange and express	780,635	2,607,960	26,947	3,415,542
18. Legal and auditing	343,844	984,608	2,160,613	3,489,065
19. Totals (Line 3 through Line 18)	54,264,952	172,562,716	6,117,512	232,945,180
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 162,928	7,606,166	32,698,908	0	40,305,074
20.2 Insurance department licenses and fees	0	4,871,547	0	4,871,547
20.3 Gross guaranty association assessments	0	(13,891)	0	(13,891)
20.4 All other (excluding federal and foreign income and real estate)	0	2,851,880	0	2,851,880
20.5 Total taxes, licenses and fees (Line 20.1 plus Line 20.2 plus Line 20.3 plus Line 20.4)	7,606,166	40,408,444	0	48,014,610
21. Real estate expenses	189,684	835,461	0	1,025,145
22. Real estate taxes	89,492	262,799	0	352,291
23. Reimbursements by uninsured plans	0	0	0	0
24. Aggregate write-ins for miscellaneous expenses	9,333,416	15,595,408	69,252	24,998,076
25. Total expenses incurred	211,876,851	459,676,614	6,186,764	677,740,229
26. Less unpaid expenses - current year	714,692,104	94,477,262	1,751,327	810,920,693
27. Add unpaid expenses - prior year	718,083,836	80,638,119	973,031	799,694,986
28. Amounts receivable relating to uninsured plans, prior year	0	0	0	0
29. Amounts receivable relating to uninsured plans, current year	0	0	0	0
30. TOTAL EXPENSES PAID (Line 25 minus Line 26 plus Line 27 minus Line 28 plus Line 29)	215,268,583	445,837,471	5,408,468	666,514,522
DETAILS OF WRITE-INS				
2401. Outside services	7,723,851	15,298,124	69,252	23,091,227
2402. Miscellaneous expense	702,729	297,284	0	1,000,013
2403. Change in unallocated loss adjustment expense reserve	906,836	0	0	906,836
2498. Summary of remaining write-ins for Line 24 from overflow page	0	0	0	0
2499. Totals (Line 2401 through Line 2403 plus Line 2498) (Line 24 above)	9,333,416	15,595,408	69,252	24,998,076

(a) Includes management fees of \$ 2,572,464 to affiliates and \$ 2,275,081 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U. S. Government bonds	(a) 1,970,187	1,339,602
1.1 Bonds exempt from U. S. tax	(a) 145,364,068	141,413,023
1.2 Other bonds (unaffiliated)	(a) 53,683,793	56,252,071
1.3 Bonds of affiliates	(a) 0	0
2.1 Preferred stocks (unaffiliated)	(b) 0	0
2.11 Preferred stocks of affiliates	(b) 0	0
2.2 Common stocks (unaffiliated)	11,434,460	11,704,379
2.21 Common stocks of affiliates	0	0
3. Mortgage loans	(c) 0	0
4. Real estate	(d) 0	0
5. Contract loans	0	0
6. Cash, cash equivalents and short-term investments	(e) 555,343	550,842
7. Derivative instruments	(f) 0	0
8. Other invested assets	2,624,069	2,624,069
9. Aggregate write-ins for investment income	479,559	479,559
10. Total gross investment income	216,111,479	214,363,545
11. Investment expenses		(g) 6,186,764
12. Investment taxes, licenses and fees, excluding federal income taxes		(g) 0
13. Interest expense		(h) 0
14. Depreciation on real estate and other invested assets		(i) 0
15. Aggregate write-ins for deductions from investment income		361,139
16. Total deductions (Line 11 through Line 15)		6,547,903
17. Net investment income (Line 10 minus Line 16)		207,815,642
DETAILS OF WRITE-INS		
0901. Miscellaneous investment income	479,559	479,559
0902.	0	0
0903.	0	0
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)	479,559	479,559
1501. Miscellaneous interest expense		361,139
1502.		0
1503.		0
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Totals (Line 1501 through Line 1503 plus Line 1598) (Line 15 above)		361,139

(a) Includes \$ 2,885,638 accrual of discount less \$ 34,848,052 amortization of premium and less \$ 4,081,986 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 \$ 495,210 accrual of discount less \$ 1,248 amortization of premium and less \$ 35,406 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	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Col. 1 + Col. 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U. S. Government bonds	317,028	0	317,028	0	0
1.1 Bonds exempt from U. S. tax	(7,312,217)	0	(7,312,217)	188,766	0
1.2 Other bonds (unaffiliated)	4,651,772	(252,857)	4,398,915	0	(5,424,398)
1.3 Bonds of affiliates	0	0	0	0	0
2.1 Preferred stocks (unaffiliated)	0	0	0	0	0
2.11 Preferred stocks of affiliates	0	0	0	0	0
2.2 Common stocks (unaffiliated)	44,958,539	(1,944,367)	43,014,172	114,553,092	0
2.21 Common stocks of affiliates	0	0	0	593,522	0
3. Mortgage loans	0	0	0	0	0
4. Real estate	0	0	0	0	0
5. Contract loans	0	0	0	0	0
6. Cash, cash equivalents and short-term investments	7,265	(131,898)	(124,633)	0	0
7. Derivative instruments	0	0	0	0	0
8. Other invested assets	39,716,401	(9,088,779)	30,627,622	(14,322,332)	0
9. Aggregate write-ins for capital gains (losses)	0	(487,362)	(487,362)	0	3,419,909
10. Total capital gains (losses)	82,338,788	(11,905,263)	70,433,525	101,013,048	(2,004,489)
DETAILS OF WRITE-INS					
0901. Foreign exchange gain (loss) - underwriting	0	(487,362)	(487,362)	0	3,419,909
0902.	0	0	0	0	0
0903.	0	0	0	0	0
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)	0	(487,362)	(487,362)	0	3,419,909

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	624,098	575,301	(48,797)
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)	0	0	0
6. Contract loans	0	0	0
7. Derivatives (Schedule DB)	0	0	0
8. Other invested assets (Schedule BA)	0	0	0
9. Receivables for securities	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL)	0	0	0
11. Aggregate write-ins for invested assets	0	0	0
12. Subtotals, cash and invested assets (Line 1 to Line 11)	624,098	575,301	(48,797)
13. Title plants (for Title insurers only)	0	0	0
14. Investment income due and accrued	0	0	0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	3,993,201	2,378,177	(1,615,024)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	739,382	672,338	(67,044)
15.3 Accrued retrospective premiums	0	0	0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers	0	0	0
16.2 Funds held by or deposited with reinsured companies	0	0	0
16.3 Other amounts receivable under reinsurance contracts	0	0	0
17. Amounts receivable relating to uninsured plans	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
18.2 Net deferred tax asset	16,842,946	44,846,111	28,003,165
19. Guaranty funds receivable or on deposit	0	0	0
20. Electronic data processing equipment and software	0	0	0
21. Furniture and equipment, including health care delivery assets	0	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
23. Receivables from parent, subsidiaries and affiliates	0	0	0
24. Health care and other amounts receivable	0	0	0
25. Aggregate write-ins for other-than-invested assets	5,232	8,656,469	8,651,237
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 12 to Line 25)	22,204,859	57,128,396	34,923,537
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
28. Total (Line 26 and Line 27)	22,204,859	57,128,396	34,923,537
DETAILS OF WRITE-INS			
1101.	0	0	0
1102.	0	0	0
1103.	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0
1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above)	0	0	0
2501. Amounts receivable under high deductible policies	5,232	563	(4,669)
2502. Prepaid expenses	0	8,655,515	8,655,515
2503. Accounts receivable - sundry	0	391	391
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)	5,232	8,656,469	8,651,237

ANNUAL STATEMENT FOR THE YEAR 2013 OF THE PACIFIC INDEMNITY COMPANY
ANNUAL STATEMENT FOR THE YEAR 2013 OF THE PACIFIC INDEMNITY COMPANY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

The financial statements have been prepared in accordance with the NAIC *Accounting Practices and Procedures Manual*.

B. Management Estimates

The financial statements include amounts based on informed estimates and judgments of management for transactions that are not yet complete. Such estimates and judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

C. Accounting Policies

Invested assets:

- Cash equivalents and short-term investments are carried at amortized cost, which approximates fair value. Cash equivalents are highly liquid investments with original maturities of three months or less. All other investments with remaining maturities of one year or less at the time of acquisition are classified as short-term investments.
- Bonds not backed by loans with an NAIC designation of 1 or 2 are carried at amortized cost using the interest method.
- Loan-backed securities with an initial NAIC designation of 1 or 2 are carried at amortized cost using the interest method, adjusted for anticipated prepayments. Prepayment assumptions are reviewed periodically and revised as necessary. Significant changes in estimated cash flows due to revisions in prepayment assumptions are accounted for through a retrospective adjustment to book value.
- Bonds not backed by loans with an NAIC designation of 3 through 6 and loan-backed securities with an initial NAIC designation of 3 through 6 are carried at the lower of amortized cost or fair value as of the balance sheet date.
- Common stocks are carried at fair value as of the balance sheet date.
- Investments in subsidiaries and affiliates are carried on the equity basis determined in accordance with statutory valuation methods.
- Other invested assets primarily include private equity limited partnerships which are carried at the Company's equity in the net assets of the partnerships based on valuations provided by the manager of each partnership. As a result of the timing of the receipt of valuation data from the investment managers, these investments are generally reported on a three month lag. Net distributions received from the partnerships are recognized as investment income or realized capital gains or losses to the extent such distributions do not exceed the Company's share of undistributed accumulated earnings of the partnership. Distributions received in excess of the Company's share of undistributed accumulated earnings of the partnership reduce the carrying amount of the investment. The Company's share of undistributed losses of the partnerships is recognized as realized capital losses. The Company's share of undistributed earnings of the partnerships is included in unrealized capital gains.
- Unrealized capital gains or losses related to invested assets carried at fair value or accounted for on the equity basis are excluded from income and credited or charged, net of applicable deferred income tax, directly to policyholders' surplus.
- Realized capital gains and losses on the sale of invested assets are determined on the basis of the cost of the specific invested assets sold and are included in net income. When the fair value of an invested asset is lower than its cost, an assessment is made to determine whether the decline is temporary or other than temporary. The assessment of other-than-temporary impairment of bonds and stocks is based on both quantitative criteria and qualitative information. A number of factors are considered including, but not limited to, the length of time and the extent to which the fair value has been less than the cost, the financial condition and near term prospects of the issuer, whether the issuer is current on contractually obligated interest and principal payments, general market conditions and industry or sector specific factors.

The Company recognizes an other-than-temporary impairment loss when it concludes it has the intent to sell or it does not have both the intent and ability to retain an impaired security for a period of time sufficient to recover its cost basis or it does not expect to recover the entire cost basis of an impaired security. For invested assets other than loan-backed securities, if the decline is deemed to be other than temporary, the invested asset is written down to fair value. For loan-backed securities, if the decline is deemed to be other than temporary and the Company concludes it has the intent to sell the security or it does not have both the intent and ability to retain the security for a period of time sufficient to recover its amortized cost basis, the security is written down to fair value. If the decline is deemed to be other than temporary and the Company does not expect to recover the entire amortized cost basis of the security even if it has no intent to sell and has the intent and ability to hold the security, the security is written down to the present value of cash flows expected to be collected, discounted at the security's effective interest rate. Writedowns for all invested assets are included in net income as a realized capital loss and the previous cost basis of the invested asset less the amount of the writedown becomes the invested asset's new cost basis.

Insurance premiums are earned on a monthly pro rata basis over the terms of the policies and include estimates of audit premiums and premiums on retrospectively rated policies. Assumed reinsurance premiums are earned over the terms of the reinsurance contracts. Ceded reinsurance premiums are reflected in operating results over the terms of the reinsurance contracts. Unearned premiums represent the portion of premiums written applicable to the unexpired terms of the insurance policies and reinsurance contracts in force. Reinsurance reinstatement premiums are recognized in the same period as the loss event that gave rise to the reinstatement premiums. Accrued audit and retrospective premiums are recorded as an adjustment to premiums earned.

Expenses incurred related to the acquisition of new or renewal insurance contracts, including such costs as commissions and premium taxes, are reflected in operating results as incurred. Expenses incurred are reduced for ceding commissions related to outbound reinsurance contracts.

The Company considers anticipated investment income as a factor in the premium deficiency reserve calculation.

Unpaid losses and loss adjustment expenses (also referred to as loss reserves) include the accumulation of individual case estimates for claims that have been reported and estimates of claims that have been incurred but not reported as well as estimates of the expenses associated with processing and settling all reported and unreported claims, less estimates of anticipated salvage and subrogation recoveries. Estimates are based upon past loss experience modified for current trends as well as prevailing economic, legal and social conditions. With regard to asbestos and toxic waste claims, the Company establishes case reserves and expense reserves for costs of related litigation where sufficient information has been developed to indicate the involvement of a specific insurance policy. In establishing such reserves, the exposure presented by each insured is evaluated. In addition, incurred but not reported (IBNR) reserves are established to cover additional exposures on both known and unasserted claims. Loss reserves are regularly reviewed using a variety of actuarial techniques. Reserve estimates are updated as historical loss experience develops, additional claims are reported and/or settled and new information becomes available. Any changes in estimates are reflected in operating results in the period in which the estimates are changed.

Deferred income tax assets and liabilities are recognized for the expected future tax effects attributable to temporary differences between the financial reporting and tax bases of assets and liabilities, based on enacted tax rates and other provisions of tax law. The effect on deferred income tax assets and liabilities of a change in tax laws or rates is recognized in the period in which such change is enacted. Gross deferred income tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not (a likelihood of more than 50%) that all or some portion of the gross deferred income tax assets will not be realized. The net change in deferred income tax assets and liabilities is excluded from net income and credited or charged directly to policyholders' surplus. Admissibility of gross deferred income tax assets is determined in accordance with statutory accounting principles. Effective January 1, 2012, the Company adopted Statement of Statutory Accounting Principles No. 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10*, which modified the guidance for determining the admissibility of gross deferred income tax assets (see Note 2).

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

During 2013, the Company had no changes in accounting principles.

Effective January 1, 2012, the Company adopted Statement of Statutory Accounting Principles No. 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10* (SSAP No. 101). SSAP No. 101 modified the guidance for determining the admissibility of gross deferred income tax assets. Under the guidance, if an entity is subject to risk-based capital (RBC) reporting requirements, the amount of gross deferred income tax assets that may be admitted is, in part, determined by the entity's RBC level. The Statement prescribes the use of a specific realization period and threshold limitation for determining admitted gross deferred income tax assets based on an entity's RBC level.

Under the previous guidance, Statement of Statutory Accounting Principles No. 10R, *Income Taxes - Revised, A Temporary Replacement of SSAP No. 10* (SSAP No. 10R), if an entity was subject to RBC reporting requirements and exceeded certain RBC thresholds, it could elect to admit a higher amount of gross deferred income tax assets under an alternative calculation in the Statement. The Company met such requirements and elected to admit a higher amount of deferred income tax assets. The additional amount of admitted deferred income tax assets recognized under SSAP No. 10R was separately reported as a write-in for gains and losses in surplus in the Statement of Income and for special surplus funds in the Statement of Liabilities, Surplus and Other Funds. Under SSAP No. 101, entities are no longer required to separately report, as a write-in, any portion of its admitted deferred income tax assets in the Statement of Income or Statement of Liabilities, Surplus and Other Funds. Therefore, the special surplus funds related to the additional admitted deferred income tax assets recognized under SSAP No. 10R were eliminated in conjunction with the adoption of SSAP No. 101.

The adoption of SSAP No. 101 had no effect on the Company's financial condition or results of operations.

During 2013 and 2012, the Company had no corrections of errors.

3. BUSINESS COMBINATIONS AND GOODWILL

Not applicable

4. DISCONTINUED OPERATIONS

Not applicable

5. INVESTMENTS

- A. Mortgage Loans, including Mezzanine Real Estate Loans
- Not applicable
- B. Debt Restructuring
- Not applicable
- C. Reverse Mortgages
- Not applicable
- D. Loan-Backed Securities
1. Prepayment assumptions for loan-backed securities are obtained from third party pricing services or based on internal estimates and are consistent with the current interest rate and economic environment.

2. At December 31, 2013, the Company held no loan-backed securities with a recognized other-than-temporary impairment due to the Company's intent to sell a security or its inability or lack of intent to retain a security for a period of time sufficient to recover its amortized cost basis.

3. At December 31, 2013, the Company held no loan-backed securities for which an other-than-temporary impairment was recognized in 2013 due to the Company's expectation that it will not recover the securities' entire amortized cost basis.

4. The following tables summarize, for all loan-backed securities in an unrealized capital loss position at December 31, 2013, the aggregate gross unrealized capital losses and fair value, by length of time that individual securities have continuously been in an unrealized capital loss position:

Aggregate gross unrealized capital losses:

Less than twelve months	\$208,477
Twelve months or more	24,788

Fair value of securities in continuous unrealized capital loss position:

Less than twelve months	\$13,737,573
Twelve months or more	4,390,870

5. When the fair value of a loan-backed security is lower than its cost, an assessment is made to determine whether the decline is temporary or other than temporary. The assessment is based on both quantitative criteria and qualitative information. A number of factors are considered including, but not limited to, the length of time and the extent to which the fair value has been less than the cost, the financial condition and near term prospects of the issuer, whether the issuer is current on contractually obligated interest and principal payments, general market conditions and industry or sector specific factors.
- E. Repurchase Agreements and/or Securities Lending Transactions
- Not applicable
- F. Real Estate
- Not applicable
- G. Low-Income Housing Tax Credits
- Not applicable

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H. Restricted Assets

1. Restricted assets of the Company were as follows:

	December 31			December 31, 2013		
	2013	2012			Percentage of Gross Restricted Assets to Total Gross Assets	Percentage of Admitted Restricted Assets to Total Admitted Assets
	Gross Restricted Assets	Gross Restricted Assets	Increase	Admitted Restricted Assets		
Bonds on deposit with states	\$114,396,198	\$103,452,385	\$10,943,813	\$114,396,198	1.7%	1.7%
Bonds pledged as collateral	<u>78,191,900</u>	<u>77,840,091</u>	<u>351,809</u>	<u>78,191,900</u>	<u>1.2</u>	<u>1.2</u>
	<u>\$192,588,098</u>	<u>\$181,292,476</u>	<u>\$11,295,622</u>	<u>\$192,588,098</u>	<u>2.9%</u>	<u>2.9%</u>

2&3. At December 31, 2013 and December 31, 2012, the Company had no additional restricted assets.

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

- A. At December 31, 2013, the Company had no investments in joint ventures, partnerships or limited liability companies that exceeded 10% of its total admitted assets.
- B. During 2013, the Company recognized impairment writedowns of \$9,088,779 related to investments in certain limited partnerships. These writedowns were the result of a decline in the Company's equity in the net assets of the limited partnerships, based on valuations provided by the manager of each partnership.

7. INVESTMENT INCOME

- A. Due and accrued investment income over 90 days past due is nonadmitted.
- B. At December 31, 2013, the Company had no due and accrued investment income that was nonadmitted.

8. DERIVATIVE INSTRUMENTS

Not applicable

9. INCOME TAXES

- A. 1. The components of the Company's admitted net deferred income tax asset and changes therein were as follows:

	December 31, 2013		
	Ordinary Income Related	Capital Income Related	Total
Gross deferred income tax assets	\$180,483,612	\$56,986,599	\$237,470,211
Valuation allowance	-	-	-
Adjusted gross deferred income tax assets	180,483,612	56,986,599	237,470,211
Deferred income tax assets nonadmitted	<u>16,842,946</u>	-	<u>16,842,946</u>
Admitted gross deferred income tax assets	163,640,666	56,986,599	220,627,265
Gross deferred income tax liabilities	<u>65,413,891</u>	<u>43,778,260</u>	<u>109,192,151</u>
Admitted net deferred income tax asset	<u>\$ 98,226,775</u>	<u>\$13,208,339</u>	<u>\$111,435,114</u>

	December 31, 2012		
	Ordinary Income Related	Capital Income Related	Total
Gross deferred income tax assets	\$190,621,750	\$57,987,935	\$248,609,685
Valuation allowance	-	-	-
Adjusted gross deferred income tax assets	190,621,750	57,987,935	248,609,685
Deferred income tax assets nonadmitted	<u>44,846,111</u>	-	<u>44,846,111</u>
Admitted gross deferred income tax assets	145,775,639	57,987,935	203,763,574
Gross deferred income tax liabilities	<u>36,557,612</u>	<u>43,842,981</u>	<u>80,400,593</u>
Admitted net deferred income tax asset	<u>\$109,218,027</u>	<u>\$14,144,954</u>	<u>\$123,362,981</u>

	Increase (Decrease)		
	Ordinary Income Related	Capital Income Related	Total
Gross deferred income tax assets	\$(10,138,138)	\$(1,001,336)	\$(11,139,474)
Valuation allowance	-	-	-
Adjusted gross deferred income tax assets	(10,138,138)	(1,001,336)	(11,139,474)
Deferred income tax assets nonadmitted	<u>(28,003,165)</u>	-	<u>(28,003,165)</u>
Admitted gross deferred income tax assets	17,865,027	(1,001,336)	16,863,691
Gross deferred income tax liabilities	<u>28,856,279</u>	<u>(64,721)</u>	<u>28,791,558</u>
Admitted net deferred income tax asset	<u>\$(10,991,252)</u>	<u>\$ (936,615)</u>	<u>\$(11,927,867)</u>

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2. The components of the Company's admitted gross deferred income tax asset calculation, by tax character, were as follows:

	December 31, 2013		
	Ordinary Income Related	Capital Income Related	Total
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 94,964,955	\$13,208,339	\$108,173,294
(b) The lesser of:	3,261,820	-	3,261,820
i. Adjusted gross deferred income tax assets, after application of (a), expected to be realized within three years	3,261,820	-	3,261,820
ii. Adjusted gross deferred income tax assets allowed per threshold limitation	X X X	X X X	398,998,004
(c) Adjusted gross deferred income tax assets, after application of (a) and (b), offset by gross deferred income tax liabilities	65,413,891	43,778,260	109,192,151
Total admitted gross deferred income tax assets	<u>\$163,640,666</u>	<u>\$56,986,599</u>	<u>\$220,627,265</u>

	December 31, 2012		
	Ordinary Income Related	Capital Income Related	Total
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 50,368,467	\$ 7,072,477	\$ 57,440,944
(b) The lesser of:	58,849,560	7,072,477	65,922,037
i. Adjusted gross deferred income tax assets, after application of (a), expected to be realized within three years	58,849,560	7,072,477	65,922,037
ii. Adjusted gross deferred income tax assets allowed per threshold limitation	X X X	X X X	355,925,245
(c) Adjusted gross deferred income tax assets, after application of (a) and (b), offset by gross deferred income tax liabilities	36,557,612	43,842,981	80,400,593
Total admitted gross deferred income tax assets	<u>\$145,775,639</u>	<u>\$57,987,935</u>	<u>\$203,763,574</u>

3. The following were used to determine the realization period and threshold limitation amount in the calculation of admitted gross deferred income tax assets:

	December 31	
	2013	2012
Ratio percentage of the adjusted capital and surplus to the authorized control level RBC	845%	726%
Adjusted capital and surplus	\$2,659,986,690	\$2,372,834,967

4. The availability of tax-planning strategies had no impact on the Company's adjusted gross or admitted net deferred income tax assets at December 31, 2013 or December 31, 2012.

B. There are no temporary differences for which deferred income tax liabilities have not been recognized.

C. 1. Current income taxes incurred and changes therein were as follows:

	Years Ended December 31		Increase (Decrease)
	2013	2012	
Federal income tax	\$103,979,976	\$26,969,102	\$77,010,874
Foreign income tax	83,798	92,723	(8,925)
	<u>104,063,774</u>	<u>27,061,825</u>	<u>77,001,949</u>
Federal income tax on net realized capital gains or losses	18,645,910	5,301,726	13,344,184
Federal and foreign income taxes incurred	<u>\$122,709,684</u>	<u>\$32,363,551</u>	<u>\$90,346,133</u>

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2-4. The components of deferred income tax assets and deferred income tax liabilities and changes therein were as follows:

	December 31		
	2013	2012	Increase (Decrease)
Gross deferred income tax assets			
Ordinary income items			
Loss reserves	\$ 86,528,146	\$ 99,972,482	\$(13,444,336)
Unearned premiums	56,395,803	55,022,067	1,373,736
Compensation and employee benefits	33,874,015	28,231,849	5,642,166
Nonadmitted premiums receivable	1,656,404	1,067,680	588,724
Realized foreign exchange losses	1,368,325	2,676,860	(1,308,535)
Foreign tax credits	378,670	355,710	22,960
Nonadmitted prepaid expenses	-	3,029,430	(3,029,430)
Other	282,249	265,672	16,577
Total gross ordinary income items	180,483,612	190,621,750	(10,138,138)
Ordinary deferred income tax assets nonadmitted	16,842,946	44,846,111	(28,003,165)
Admitted gross ordinary deferred income tax assets	163,640,666	145,775,639	17,865,027
Capital income items			
Investment impairment writedowns	56,973,229	57,974,565	(1,001,336)
Nonadmitted investments in subsidiaries – cost basis	13,370	13,370	-
Total gross capital income items	56,986,599	57,987,935	(1,001,336)
Admitted gross capital deferred income tax assets	56,986,599	57,987,935	(1,001,336)
Total admitted gross deferred income tax assets	220,627,265	203,763,574	16,863,691
Gross deferred income tax liabilities			
Ordinary income items			
Accretion of bond discount	1,854,243	3,105,225	(1,250,982)
Salvage reserves	459,871	497,622	(37,751)
Deferred earnings and unrealized gains related to foreign subsidiary	334,698	310,531	24,167
Taxable accrued dividends	259,945	235,601	24,344
Total gross ordinary income items	2,908,757	4,148,979	(1,240,222)
Capital income items			
Unrealized capital gains	101,185,308	66,038,474	35,146,834
Unrealized foreign exchange gains	3,248,423	3,949,994	(701,571)
Partnership income	1,800,748	6,214,235	(4,413,487)
Realized gain adjustment	48,915	48,911	4
Total gross capital income items	106,283,394	76,251,614	30,031,780
Total gross deferred income tax liabilities	109,192,151	80,400,593	28,791,558
Admitted net deferred income tax asset	\$111,435,114	\$123,362,981	\$(11,927,867)
The change in net deferred income tax in 2013 was as follows:			
Decrease in deferred income tax assets (admitted and nonadmitted)	\$(11,139,474)		
Increase in deferred income tax liabilities	28,791,558		
	(39,931,032)		
Less: Change in deferred income tax on unrealized capital gains or losses	35,148,041		
Change in net deferred income tax	\$ (4,782,991)		

D. The effective income tax rate is different than the statutory federal corporate tax rate. The reasons for the different effective tax rate were as follows for the year ended December 31, 2013:

Net income after capital gains tax and before all other federal and foreign income taxes, per Statement of Income	\$529,713,558
Add: Federal income tax on net realized capital gains or losses	18,645,910
Net income before taxes	\$548,359,468
Tax at statutory federal income tax rate	\$191,925,814
Tax exempt interest	(41,690,654)
Intercompany tax allocation adjustment	(21,648,280)
Loss reserves	(11,571,662)
Compensation and employee benefits	5,587,231
Dividends received deduction	(2,577,523)
Pension expense	2,142,533
Other	542,225
Current federal and foreign income taxes incurred	122,709,684
Change in net deferred income tax	4,782,991
Total statutory income taxes	\$127,492,675

- E. 1. The Company does not have any operating loss or tax credit carryforwards.
2. Federal income taxes incurred and available for recoupment in the event of future net losses are: current year \$807,430,344; preceding year \$252,118,457. This represents the tax refundable on a consolidated basis (as described in (F)) in the event of future tax losses.
3. The Company does not have any protective tax deposits.

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- F. 1. The Company is included in the consolidated federal income tax return of its ultimate parent, The Chubb Corporation (Chubb). In addition to the Company and Chubb, the following entities are included in the consolidated income tax return:

Federal Insurance Company (Federal), Executive Risk Indemnity Inc. (ERII), Great Northern Insurance Company (Great Northern), Vigilant Insurance Company (Vigilant), Chubb Custom Insurance Company (Chubb Custom), Chubb National Insurance Company (Chubb National), Chubb Indemnity Insurance Company (Chubb Indemnity), Executive Risk Specialty Insurance Company (ERSIC), Northwestern Pacific Indemnity Company (NPI), Texas Pacific Indemnity Company, Chubb Insurance Company of New Jersey, Chubb Lloyds Insurance Company of Texas, Chubb Atlantic Indemnity Ltd., Chubb Custom Market Inc., Chubb & Son Inc., Chubb Global Financial Services Corporation, Harbor Island Indemnity Ltd., DHC Corporation, Chubb Computer Services, Inc., Chubb Insurance Solutions Agency, Inc., Chubb Services Corporation, Transit Air Services, Inc., Chubb Re, Inc., Chubb Multinational Manager Inc., Chubb Investment Holdings Inc., Chubb Financial Solutions, Inc., Chubb Financial Solutions (Bermuda) Ltd., Chubb Executive Risk Inc., Sullivan Kelly, Inc., Sullivan Kelly of Arizona, Inc., and Bellemead Development Corporation and its subsidiaries.

2. The Company is a party to an intercompany tax allocation agreement with Chubb, approved by the Company's Board of Directors. Under the provisions of the agreement, the Company is allocated a current tax provision or benefit (in the event of a loss carryback) based on the ratio of its taxable income to the total taxable income of all parties to the consolidated income tax return having taxable income. In years when the affiliated group incurs an alternative minimum tax liability, the excess of the alternative minimum tax over the regular tax is allocated to those companies whose tax preference items gave rise to the alternative minimum tax.

- G. The Company has no federal or foreign income tax loss contingencies.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AFFILIATES AND OTHER RELATED PARTIES

- A-C. Other than dividends paid to its parent, the Company had no non-insurance transactions with affiliates in 2013 or 2012 in excess of 1/2 of 1% of its total admitted assets at December 31, 2013 or December 31, 2012, respectively.
- D. At December 31, 2013, the Company had admitted receivables from affiliates amounting to \$43,538,846, excluding amounts related to the intercompany reinsurance pooling arrangement (see Note 26). Affiliate receivables and payables are generally settled on a quarterly basis.
- E. There are no guarantees or undertakings for the benefit of an affiliate that result in a material contingent exposure.
- F. Management and service contracts and cost-sharing arrangements between the Company and affiliates are as follows:
1. The Company has a management agreement with Federal, whereby Federal acts as manager of the insurance business and provides financial advisory services.
2. Through December 31, 2013, the Company had a service agreement with NPI, whereby the Company acted as an agent to render all services with respect to its operations.
- G. At December 31, 2013, all outstanding shares of the Company were owned by Federal, domiciled in the State of Indiana. Federal is 100% owned by Chubb, a New Jersey domiciled holding corporation.
- H. The Company owns no shares of an upstream intermediate entity or its ultimate parent either directly or indirectly.
- I. At December 31, 2013, no investment in a subsidiary or affiliate exceeded 10% of the Company's total admitted assets.
- J. During 2013, the Company did not recognize any impairment writedowns related to investments in subsidiaries or affiliates.
- K. The Company has no investment in a foreign life insurance subsidiary.
- L. The Company has no investment in a downstream non-insurance holding company.

11. DEBT

Not applicable

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

- A-D. Benefit Plans

Not applicable

- E. Defined Contribution Plan

In accordance with the Company's management agreement with Federal, the Company bears its proportionate share of expenses incurred by Federal for costs related to the defined contribution benefit plan in which Federal participates. The Company's share of expenses related to the plan in 2013 and 2012 was \$3,932,021 and \$3,434,205, respectively.

- F. Multiemployer Plans

Not applicable

- G. Consolidated/Holding Company Plans

In accordance with the Company's management agreement with Federal, the Company bears its proportionate share of expenses incurred by Federal for costs related to the defined benefit plans in which Federal participates. The Company has no legal obligation for benefits under the plans. Net pension cost allocated to the Company in 2013 and 2012 was \$14,789,124 and \$14,160,425, respectively. Net other postretirement benefit cost allocated to the Company in 2013 and 2012 was \$6,545,275 and \$3,809,744, respectively.

- H. Postemployment Benefits and Compensated Absences

In accordance with the Company's management agreement with Federal, the Company bears its proportionate share of expenses incurred by Federal for costs related to postemployment benefits and compensated absences. Federal accrues for postemployment benefits and compensated absences in accordance with Statement of Statutory Accounting Principles No. 11, *Postemployment Benefits and Compensated Absences*.

- I. Impact of Medicare Modernization Act on Postretirement Benefits

Not applicable

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13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

- A. At December 31, 2013, the Company had 1,400 shares of capital stock authorized; 1,107 shares were issued and outstanding with a par value of \$5,000 per share.
- B. At December 31, 2013, the Company had no preferred stock authorized.
- C. The maximum amount of shareholder dividends that may be paid by the Company in 2014 without prior approval of the Insurance Commissioner of Wisconsin, determined as the lesser of (1) 10% of prior year end policyholders' surplus or (2) the greater of net income for the preceding year or the aggregate net income for the prior three years, adjusted for select items, is \$277,142,180.
- D. During 2013, the Company paid the following ordinary dividends in cash to its parent, Federal:

Date Paid	Amount
March 22, 2013	\$54,000,000
June 24, 2013	75,000,000
September 23, 2013	60,000,000
December 23, 2013	60,000,000

- E. Other than the limitations described in (C), there are no restrictions placed on the portion of the Company's policyholders' surplus that may be paid as ordinary dividends to its parent.
- F. At December 31, 2013, no portion of unassigned funds (surplus) was restricted.
- G. The Company has no advances to surplus.
- H. There is no stock held by the Company for special purposes.
- I. At December 31, 2013 and December 31, 2012, the Company had no special surplus funds.
- J. The portion of unassigned funds (surplus) at December 31, 2013 represented by cumulative unrealized capital gains, net of applicable deferred income tax, was \$203,173,141. This amount reflects a decrease of \$629,869 to exclude the net unrealized capital gains related to nonadmitted invested assets.
- K. At December 31, 2013, the Company had no surplus debentures outstanding or similar obligations.
- L&M. The Company has had no quasi-reorganizations during the last 10 years.

14. CONTINGENCIES

- A. At December 31, 2013, the Company had commitments totaling \$34,633,597 related to its investments in limited partnerships. These commitments can be called by the partnerships (generally over a period of five years or less) to fund certain partnership expenses or the purchase of investments.
- B. The Company has received notification of insolvencies related to certain insurance companies, which may result in guaranty fund assessments against the Company. At December 31, 2013, liabilities related to such assessments amounted to \$1,955,000.
- At December 31, 2013 and December 31, 2012, the Company had no amounts receivable for premium tax offsets or policy surcharges related to guaranty fund assessments.
- C. At December 31, 2013, the Company had no material gain contingencies.
- D. During 2013, the Company paid the following amount to settle claims related to extra contractual obligations (ECO) or bad faith claims resulting from lawsuits:

	Direct
Claims related ECO and bad faith losses paid during 2013	\$2,100,000

The number of claims to which the payments relate is as follows:

0-25 Claims	26-50 Claims	51-100 Claims	101-500 Claims	More than 500 Claims
X				

The claim count information is disclosed:

Per Claim	[X]	Per Claimant	[]
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- E. The Company does not write product warranty insurance.
- F. At December 31, 2013, the Company had no material contingent liabilities other than those related to structured settlements disclosed in Note 27. Various lawsuits against the Company have arisen in the course of its business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company. At December 31, 2013, the Company had no loss contingencies related to asset impairment.

15. LEASES

- A. Lessee Operating Leases

The Company has not entered into any lease agreements nor has it been a party to any sale-leaseback transactions.

In accordance with the Company's management agreement with Federal, the Company bears its proportionate share of Federal's rent expense. Rent expense allocated to the Company in 2013 and 2012 was \$7,029,583 and \$6,889,149, respectively.

- B. Lessor Leases

Not applicable

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16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

Not applicable

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

Not applicable

18. GAIN OR LOSS FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

Not applicable

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

Not applicable

20. FAIR VALUE MEASUREMENTS

- A. 1. Based on the fair value hierarchy, the fair value of invested assets carried at fair value, categorized based upon the lowest level of input that was significant to the fair value measurement, was as follows:

<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bonds				
U.S. special revenue	\$ -	\$4,943,400	\$ -	\$ 4,943,400
Total bonds	-	4,943,400	-	4,943,400
Common stocks				
Industrial and miscellaneous	582,309,085	-	-	582,309,085
Total common stocks	582,309,085	-	-	582,309,085
Total invested assets carried at fair value	\$582,309,085	\$4,943,400	\$ -	\$587,252,485
<u>December 31, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bonds				
U.S. special revenue	\$ -	\$9,187,500	\$ -	\$ 9,187,500
Total bonds	-	9,187,500	-	9,187,500
Common stocks				
Industrial and miscellaneous	460,067,218	-	-	460,067,218
Total common stocks	460,067,218	-	-	460,067,218
Total invested assets carried at fair value	\$460,067,218	\$9,187,500	\$ -	\$469,254,718

During 2013, no invested assets carried at fair value were transferred between Levels 1 and 2 of the fair value hierarchy.

- During 2013, no invested assets carried at fair value were categorized within Level 3 of the fair value hierarchy.
- The Company recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period.
- The methods and assumptions used to estimate the fair value of invested assets are described in (C).
- At December 31, 2013, the Company held no derivative financial instruments.

B. Not applicable

- C. The aggregate fair value and admitted asset value of invested assets, categorized based upon the lowest level of input that was significant to the fair value measurement, were as follows:

<u>December 31, 2013</u>	<u>Fair Value</u>	<u>Admitted Asset Value</u>	<u>Level 1</u>	<u>Fair Value Level 2</u>	<u>Level 3</u>
Bonds	\$5,243,445,096	\$5,106,756,018	\$ -	\$5,229,371,252	\$14,073,844
Common stocks	582,309,085	582,309,085	582,309,085	-	-
Cash equivalents	166,103,110	166,103,110	-	166,103,110	-
Short-term investments	30,989,550	30,989,550	330,000	30,659,550	-
	<u>\$6,022,846,841</u>	<u>\$5,886,157,763</u>	<u>\$582,639,085</u>	<u>\$5,426,133,912</u>	<u>\$14,073,844</u>
<u>December 31, 2012</u>	<u>Fair Value</u>	<u>Admitted Asset Value</u>	<u>Level 1</u>	<u>Fair Value Level 2</u>	<u>Level 3</u>
Bonds	\$5,341,997,292	\$4,957,130,929	\$ -	\$5,317,883,615	\$24,113,677
Common stocks	460,067,218	460,067,218	460,067,218	-	-
Cash equivalents	184,840,955	184,840,955	-	184,840,955	-
Short-term investments	47,500,949	47,500,949	16,346,000	31,154,949	-
	<u>\$6,034,406,414</u>	<u>\$5,649,540,051</u>	<u>\$476,413,218</u>	<u>\$5,533,879,519</u>	<u>\$24,113,677</u>

Fair values of bonds are determined by management, utilizing prices obtained from third party, nationally recognized pricing services or, in the case of securities for which prices are not provided by a pricing service, from third party brokers. For bonds that have quoted prices in active markets, market quotations are provided. For bonds that do not trade on a daily basis, the pricing services and brokers provide fair value estimates using a variety of inputs including, but not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, reference data, prepayment rates and measures of volatility. Management reviews on an ongoing basis the reasonableness of the methodologies used by the relevant pricing services and brokers. In addition, management, using the prices received for the securities from the pricing services and brokers, determines the aggregate portfolio price performance and reviews it against applicable indices. If management believes that significant discrepancies exist, it will discuss these with the relevant pricing service or broker to resolve the discrepancies.

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Fair values of stocks are determined by management, utilizing quoted market prices.

The carrying value of cash equivalents and short-term investments approximates fair value due to the short maturities of these investments.

D. At December 31, 2013 and December 31, 2012, the Company held no invested assets for which it was not practicable to estimate the fair value.

21. OTHER ITEMS

A. Extraordinary Items

Not applicable

B. Troubled Debt Restructuring

Not applicable

C. Other Disclosures

Not applicable

D. Business Interruption Insurance Recoveries

During 2013 and 2012, the Company made no recoveries under business interruption insurance policies.

E. State Transferable and Non-Transferable Tax Credits

Not applicable

F. Subprime Mortgage Related Risk Exposure

1. On a direct basis and/or through participation in the intercompany reinsurance pool with affiliate insurers, the Company has underwriting exposure to subprime mortgage related risk and the broader credit crisis, specifically in its directors and officers liability and errors and omissions liability coverages and, to a lesser extent, its fiduciary liability coverages. While the full dimension of this systemic event has been extremely difficult to assess, the Company believes its underwriting strategies, such as shifting the focus of its underwriting in the professional liability classes away from larger to smaller and mid-sized institutions, as well as managing policy limits, have mitigated the Company's exposure to risks associated with the credit crisis. In particular, the Company's practice has been to avoid certain types of insureds, such as the major investment banking firms, the largest commercial banks and mortgage brokers.

2&3. At December 31, 2013, the Company had no investment exposure to subprime mortgage related risk.

4. Pertinent data related to the Company's net underwriting exposure to subprime mortgage related risk is as follows:

Coverage / Line of Business	Year Ended December 31, 2013		December 31, 2013
	Losses Paid	Losses Reported	Case Reserves
Directors and officers liability / Other liability	\$8,465,061	\$8,588,920	\$4,554,607
Errors and omissions liability / Other liability	930,655	977,759	4,348,346
Fiduciary liability / Other liability	365	(23,596)	-
	<u>\$9,396,081</u>	<u>\$9,543,083</u>	<u>\$8,902,953</u>

IBNR reserves of the Company are not identifiable on a policy-by-policy basis and therefore not quantifiable for this particular risk. However, the potential exposures associated with subprime mortgage related risk and the overall credit crisis have been considered in determining the Company's collective IBNR for its professional liability business at December 31, 2013.

G. Offsetting and Netting of Assets and Liabilities

Not applicable

H. Joint and Several Liabilities

Not applicable

22. EVENTS SUBSEQUENT

The Company performed an evaluation of subsequent events through February 26, 2014 for the financial statements which were available for issuance on February 27, 2014. No significant subsequent events were identified.

23. REINSURANCE

A. Unsecured Reinsurance Recoverables

At December 31, 2013, the Company had no unsecured aggregate reinsurance recoverables for paid and unpaid losses and loss adjustment expenses and unearned premiums with any one reinsurer, excluding recoverables related to the intercompany reinsurance pooling arrangement (see Note 26), in excess of 3% of the Company's policyholders' surplus.

B. Reinsurance Recoverables in Dispute

At December 31, 2013, the Company had no reinsurance recoverables in dispute.

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C. Assumed and Ceded Reinsurance

1. The maximum amounts of return commissions which would be due the Company or its reinsurers if all the Company's assumed and ceded reinsurance had been cancelled at December 31, 2013, with the return of unearned premiums, were as follows:

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
Affiliates	\$812,407,212	\$118,896,459	\$269,270,619	\$41,316,778	\$543,136,593	\$77,579,681
All other	<u>2,171,412</u>	<u>576,775</u>	<u>59,915,635</u>	<u>7,766,378</u>	<u>(57,744,223)</u>	<u>(7,189,603)</u>
Total	<u>\$814,578,624</u>	<u>\$119,473,234</u>	<u>\$329,186,254</u>	<u>\$49,083,156</u>	<u>\$485,392,370</u>	<u>\$70,390,078</u>

Direct unearned premiums: \$319,788,504

2. Additional or return commissions, predicated on loss experience or on any other form of profit sharing arrangements, were accrued as follows at December 31, 2013:

	Direct	Assumed Reinsurance	Ceded Reinsurance	Net
Contingent commissions	\$ -	\$17,015	\$ -	\$17,015

3. At December 31, 2013, the Company had no protected cells.

D. Uncollectible Reinsurance

During 2013, the Company wrote off amounts due from reinsurers. These transactions did not have a material effect on the Company's results of operations.

E. Commutation of Ceded Reinsurance

During 2013, the Company transacted a commutation of ceded reinsurance. This transaction did not have a material effect on the Company's results of operations.

F. Retroactive Reinsurance

Not applicable

G. Reinsurance Accounted for as a Deposit

Not applicable

H. Run-Off Agreements

Not applicable

I. Certified Reinsurer Downgraded or Status Subject to Revocation

Not applicable

24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

- A. Accrued retrospective premiums are determined based upon loss experience on business subject to such experience rating adjustment.
- B. Accrued retrospective premiums are recorded as an adjustment to premiums earned.
- C. During 2013, the amount of net premiums written subject to retrospective rating features was \$18,244,562, approximately 1% of total net premiums written.
- D. During 2013 and 2012, the Company had no medical loss ratio rebates required pursuant to the Public Health Service Act.
- E. At December 31, 2013, the Company had no accrued additional retrospective premiums.

25. CHANGES IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

During 2013, the Company experienced overall favorable development of \$107,180,000 on net loss and loss adjustment expense reserves established as of the previous year end. Such development was reflected in operating results in 2013. The most significant amounts of favorable development occurred in the other liability – claims made, commercial multiple peril and other liability – occurrence lines of business. The favorable development experienced in the other liability – claims made line of business occurred primarily in the professional liability classes. The most significant amounts of favorable development occurred in the directors and officers liability and fiduciary liability classes, partially offset by adverse development in the employment practices liability class. The reported loss activity was less than expected, with aggregate favorable emergence from accident years 2010 and prior. The favorable development experienced in the commercial multiple peril line of business occurred primarily in the property component, with the most significant amounts of favorable development occurring in accident years 2012 and 2011. The severity and frequency of late developing property claims that emerged during 2013 were lower than expected, including those related to catastrophes, and the development of existing case reserves was more favorable than expected. The favorable development experienced in the other liability – occurrence line of business occurred primarily in the commercial excess liability class, particularly in accident years 2011 and prior. Favorable development was also experienced, but to a lesser extent, in the personal insurance lines of business, primarily in the homeowners and automobile classes, particularly in accident years 2008 to 2012. Unfavorable development was experienced in the products liability – occurrence line of business, due in large part to asbestos and toxic waste claims in older accident years.

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26. INTERCOMPANY POOLING ARRANGEMENTS

The Company (PI) is a participant in an intercompany reinsurance pool with affiliate insurers, which covers substantially all business. Under the provisions of the intercompany reinsurance pool, each participant company retains a share of its direct and assumed business and cedes the remaining share to the other participant companies. Business is apportioned among the participant companies based upon pre-determined rates of participation, which were as follows during 2013:

	NAIC Company Code	Pooling Percentage
Federal	20281	68.5%
PI	20346	17.0
ERII	35181	8.0
Great Northern	20303	4.0
Vigilant	20397	0.5
Chubb Custom	38989	0.5
Chubb National	10052	0.5
Chubb Indemnity	12777	0.5
ERSIC	44792	0.5

Reinsurance purchased for the benefit of the intercompany reinsurance pool is shared proportionately by each participant company. Related reinsurance balances are reported on the balance sheets of the respective companies. The provision for reinsurance is determined for each company individually based on applicable statutory regulations.

27. STRUCTURED SETTLEMENTS

- A. The Company has periodically entered into structured settlement agreements where annuities have been purchased to settle claims. At December 31, 2013, the loss reserves eliminated related to such agreements, and for which the Company remains contingently liable, were \$6,436,091.
- B. The aggregate present value of annuities purchased from any one life insurance company did not equal or exceed 1% of the Company’s policyholders’ surplus at December 31, 2013.

28. HEALTH CARE RECEIVABLES

Not applicable

29. PARTICIPATING POLICIES

The Company only writes participating policies related to property and casualty contracts.

30. PREMIUM DEFICIENCY RESERVE

- A. Liability carried for premium deficiency reserve at December 31, 2013: \$ -
- B. Date of the most recent evaluation of this liability: January 28, 2014
- C. Was anticipated investment income utilized in this calculation? Yes [X] No []

31. HIGH DEDUCTIBLES

At December 31, 2013, the amount of reserve credit recorded for high deductible policies and reflected in unpaid losses and loss adjustment expenses was \$31,886,127 and the amount receivable related to direct paid claims on high deductible policies was \$1,652,370.

32. DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES OR UNPAID LOSS ADJUSTMENT EXPENSES

At December 31, 2013, the Company did not discount liabilities for unpaid losses or loss adjustment expenses. The tabular discount in workers' compensation case reserves has been offset in IBNR.

33. ASBESTOS/ENVIRONMENTAL RESERVES

- A. On a direct basis and through participation in the intercompany reinsurance pool with affiliate insurers, the Company has exposure to asbestos claims, primarily arising from general liability, excess liability and products liability insurance policies written many years ago. Reserves for these claims cannot be estimated with traditional actuarial loss reserving techniques that rely on historical accident year loss development factors. Instead, the Company relies on an exposure-based analysis that involves a detailed review of individual policy terms and exposures. Because each policyholder presents different liability and coverage issues, the Company’s exposure is generally evaluated on a policyholder-by-policyholder basis. As part of the evaluation, consideration is given to a variety of factors including the available insurance coverage; limits and deductibles; the jurisdictions involved; the number of claimants; the disease mix exhibited by the claimants; the past settlement values of similar claims; the potential role of other insurance, particularly underlying coverage below the Company’s excess liability policies; potential bankruptcy impact; relevant judicial interpretations; and applicable coverage defenses, including asbestos exclusions.

The Company establishes case reserves and expense reserves for costs of related litigation where sufficient information has been developed to indicate the involvement of a specific insurance policy. In addition, IBNR reserves are established to cover additional exposures on both known and unasserted claims. In establishing such reserves, management considers facts currently known and the present state of the law and coverage litigation. However, given the judicial decisions and legislative actions that have broadened the scope of coverage and expanded theories of liability in the past and the possibilities of similar interpretations in the future, it is possible that management’s estimate of loss reserves related to these exposures may increase in future periods as new information becomes available and as claims develop.

NOTES TO FINANCIAL STATEMENTS

The following table provides a reconciliation of the beginning and ending liability for unpaid losses and loss adjustment expenses related to asbestos claims for each of the five most recent years:

	2009	2010	2011	2012	2013
Direct:					
Liability, beginning of year	\$57,045,150	\$81,152,089	\$68,906,816	\$75,159,236	\$80,792,886
Incurred losses and loss adjustment expenses	30,988,127	(2,972,743)	11,686,521	8,530,650	2,377,892
Calendar year payments for losses and loss adjustment expenses	<u>6,881,188</u>	<u>9,272,530</u>	<u>5,434,101</u>	<u>2,897,000</u>	<u>16,281,086</u>
Liability, end of year	<u>\$81,152,089</u>	<u>\$68,906,816</u>	<u>\$75,159,236</u>	<u>\$80,792,886</u>	<u>\$66,889,692</u>
Assumed reinsurance:					
Liability, beginning of year	\$124,846,973	\$109,413,433	\$100,129,450	\$90,564,796	\$87,292,349
Incurred losses and loss adjustment expenses	(3,981,502)	789,395	(1,990,489)	3,790,563	8,686,145
Calendar year payments for losses and loss adjustment expenses	<u>11,452,038</u>	<u>10,073,378</u>	<u>7,574,165</u>	<u>7,063,010</u>	<u>10,997,556</u>
Liability, end of year	<u>\$109,413,433</u>	<u>\$100,129,450</u>	<u>\$ 90,564,796</u>	<u>\$87,292,349</u>	<u>\$84,980,938</u>
Net of ceded reinsurance:					
Liability, beginning of year	\$123,393,838	\$113,025,669	\$104,399,978	\$96,661,321	\$94,900,481
Incurred losses and loss adjustment expenses	(956,798)	525,606	(140,595)	5,244,210	4,173,616
Calendar year payments for losses and loss adjustment expenses	<u>9,411,371</u>	<u>9,151,297</u>	<u>7,598,062</u>	<u>7,005,050</u>	<u>10,080,594</u>
Liability, end of year	<u>\$113,025,669</u>	<u>\$104,399,978</u>	<u>\$ 96,661,321</u>	<u>\$94,900,481</u>	<u>\$88,993,503</u>

- B. The amount of IBNR reserves related to asbestos claims, including an amount for expected loss adjustment expenses, was as follows at December 31, 2013:

Direct	\$40,366,938
Assumed reinsurance	50,462,406
Net of ceded reinsurance	53,567,901

- C. The amount of loss adjustment expense reserves related to asbestos claims, including both case and IBNR reserves, was as follows at December 31, 2013:

Direct	\$6,394,608
Assumed reinsurance	7,835,438
Net of ceded reinsurance	8,085,694

- D. On a direct basis and through participation in the intercompany reinsurance pool with affiliate insurers, the Company has exposure to toxic waste claims, primarily arising from general liability, excess liability and products liability insurance policies written many years ago. Reserves for these claims cannot be estimated with traditional actuarial loss reserving techniques that rely on historical accident year loss development factors. Instead, the Company relies on an exposure-based analysis that involves a detailed review of individual policy terms and exposures. Because each policyholder presents different liability and coverage issues, the Company's exposure is generally evaluated on a policyholder-by-policyholder basis. As part of the evaluation, consideration is given to a variety of factors including the probable liability, available insurance coverage, past settlement values of similar claims, relevant judicial interpretations, applicable coverage defenses as well as facts that are unique to each insured.

The Company establishes case reserves and expense reserves for costs of related litigation where sufficient information has been developed to indicate the involvement of a specific insurance policy. In addition, IBNR reserves are established to cover additional exposures on both known and unasserted claims. In establishing such reserves, management considers facts currently known and the present state of the law and coverage litigation. However, given the judicial decisions and legislative actions that have broadened the scope of coverage and expanded theories of liability in the past and the possibilities of similar interpretations in the future, it is possible that management's estimate of loss reserves related to these exposures may increase in future periods as new information becomes available and as claims develop.

The following table provides a reconciliation of the beginning and ending liability for unpaid losses and loss adjustment expenses related to toxic waste claims for each of the five most recent years:

	2009	2010	2011	2012	2013
Direct:					
Liability, beginning of year	\$35,528,887	\$47,944,296	\$61,606,636	\$85,327,156	\$97,124,630
Incurred losses and loss adjustment expenses	32,698,645	32,387,439	38,192,676	30,065,834	(1,136,301)
Calendar year payments for losses and loss adjustment expenses	<u>20,283,236</u>	<u>18,725,099</u>	<u>14,472,156</u>	<u>18,268,360</u>	<u>15,514,180</u>
Liability, end of year	<u>\$47,944,296</u>	<u>\$61,606,636</u>	<u>\$85,327,156</u>	<u>\$97,124,630</u>	<u>\$80,474,149</u>
Assumed reinsurance:					
Liability, beginning of year	\$25,869,259	\$28,955,858	\$32,643,061	\$31,081,740	\$29,235,040
Incurred losses and loss adjustment expenses	13,247,792	6,746,295	3,803,613	3,788,273	10,496,321
Calendar year payments for losses and loss adjustment expenses	<u>10,161,193</u>	<u>3,059,092</u>	<u>5,364,934</u>	<u>5,634,973</u>	<u>3,406,585</u>
Liability, end of year	<u>\$28,955,858</u>	<u>\$32,643,061</u>	<u>\$31,081,740</u>	<u>\$29,235,040</u>	<u>\$36,324,776</u>
Net of ceded reinsurance:					
Liability, beginning of year	\$29,163,655	\$34,801,858	\$39,750,664	\$42,571,252	\$43,972,866
Incurred losses and loss adjustment expenses	14,965,687	9,281,959	8,683,121	9,690,801	2,731,603
Calendar year payments for losses and loss adjustment expenses	<u>9,327,484</u>	<u>4,333,153</u>	<u>5,862,533</u>	<u>8,289,187</u>	<u>4,906,338</u>
Liability, end of year	<u>\$34,801,858</u>	<u>\$39,750,664</u>	<u>\$42,571,252</u>	<u>\$43,972,866</u>	<u>\$41,798,131</u>

- E. The amount of IBNR reserves related to toxic waste claims, including an amount for expected loss adjustment expenses, was as follows at December 31, 2013:

Direct	\$52,651,825
Assumed reinsurance	27,433,156
Net of ceded reinsurance	31,423,270

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F. The amount of loss adjustment expense reserves related to toxic waste claims, including both case and IBNR reserves, was as follows at December 31, 2013:

Direct	\$26,928,637
Assumed reinsurance	8,777,422
Net of ceded reinsurance	10,617,876

34. SUBSCRIBER SAVINGS ACCOUNTS

Not applicable

35. MULTIPLE PERIL CROP INSURANCE

Not applicable

36. FINANCIAL GUARANTY INSURANCE

Not applicable

37. SUPPLEMENTAL INFORMATION

A. Effective January 1, 2009, the Company modified its methodology for classifying loss adjustment expenses (LAE) to be more consistent with the NAIC Annual Statement Instructions. Certain types of expenses previously categorized as defense and cost containment (DCC) are now being classified as adjusting and other (A&O). Prior period amounts, where presented in the financial statements, were not restated. The impact of this prospectively-applied change in methodology on amounts reported on Schedule P was as follows:

Part 1

No adjustments were made to the cumulative amounts for LAE payments previously reported in the 2008 Annual Statement for the DCC and A&O categories. LAE payments reported in columns 6 through 9 for calendar years 2009 through 2013, as well as the case and IBNR LAE reserves as of December 31, 2013 reported in columns 17 through 22, are classified as DCC and A&O in accordance with the revised methodology. Total losses and LAE incurred amounts included in columns 26 through 28 and the corresponding loss and LAE ratios reflected in columns 29 through 31 were not impacted by the change.

Part 2

No changes were made to the amounts reported in columns 1 through 5. DCC LAE reserves as of December 31, 2009 through December 31, 2013 and paid DCC expenses for calendar years 2009 through 2013 included in columns 6 through 10 by accident year reflect the revised methodology.

Part 3

No changes were made to the amounts reported in columns 1 through 5. Paid DCC expense amounts for calendar years 2009 through 2013 included in columns 6 through 10 by accident year reflect the Company's revised classification methodology and are therefore lower than prior calendar years' contributions to the paid loss and DCC triangle.

Part 4

No changes were made to the amounts reported in columns 1 through 5. IBNR reserves as of December 31, 2009 through December 31, 2013 reported in columns 6 through 10 reflect the Company's revised classification methodology and are therefore lower than prior years' IBNR reserves reported in columns 1 through 5.

B. The prior "Total Net Losses and Expenses Unpaid" (Schedule P, Part 1, Column 24, Line 1) is separately reported by accident year as follows (in thousands):

Schedule P	2003	2002	2001	2000	Prior
Part 1A	\$ 192	\$ 147	\$ 52	\$ 71	\$ 150
Part 1B	59	22	9	27	303
Part 1C	86	8	-	-	358
Part 1D	14,207	10,972	18,533	8,349	52,649
Part 1E	3,641	3,616	2,118	1,685	10,070
Part 1F – Section 1	77	6	58	11	12
Part 1F – Section 2	249	218	229	972	138
Part 1G	310	78	-	-	62
Part 1H – Section 1	21,699	13,068	13,988	12,974	124,362
Part 1H – Section 2	12,481	8,142	6,380	3,702	11,745
Part 1N	-	-	1,082	18	3
Part 1O	3,667	2,235	348	243	889
Part 1P	1	-	-	1	1,031
Part 1R – Section 1	2,666	2,446	2,742	1,648	58,606
Part 1R – Section 2	45	17	15	10	299

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? If yes, complete Schedule Y, Parts 1, 1A and 2.	Yes (X) No ()
1.2	If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?	Yes (X) No () N/A ()
1.3	State Regulating?	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 (X)
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.	12/31/2011
3.2	State the as of date of 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.	12/31/2011
3.3	State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).	06/03/2013
3.4	By what department or departments? Wisconsin	
3.5	Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?	Yes () No () N/A (X)
3.6	Have all of the recommendations within the latest financial examination report been complied with?	Yes (X) No () N/A ()
4.1	During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:	
	4.11 sales of new business?	Yes () No (X)
	4.12 renewals?	Yes () No (X)
4.2	During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:	
	4.21 sales of new business?	Yes () No (X)
	4.22 renewals?	Yes () No (X)

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES

GENERAL

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

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

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 0.0 %

7.22 State the nationality(s) of the foregin 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
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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 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
--------------------------------	--	---------------------	---------------------	----------------------	---------------------

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES

GENERAL

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, 5 Times Square, New York, NY 10036
- 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 the 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 the response to 10.3 is yes, provide information related to this exemption:
- 10.5 Has the reporting entity established an Audit Committee in compliance with domiciliary state insurance laws?

Yes (X) No () N/A ()
- 10.6 If the response to 10.5 is no or n/a, please explain:
11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Walter Brian Barnes - Vice President and Actuary, 15 Mountain View Road, Warren, NJ 07059
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes () No (X)

12.11 Name of real estate holding company

12.12 Number of parcels involved

0

12.13 Total book/adjusted carrying value

\$ 0
- 12.2 If yes, provide explanation
13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

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

13.2 Does this statement contain all business transacted for the reporting entity through its United States branch on risks wherever located?

Yes () No ()

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

Yes (X) No ()

(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.
- 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 (X)
- 14.21 If the response to 14.2 is Yes, provide information related to amendment(s).
- 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 issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

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

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES

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 committee 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 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 (X) No ()
- 22.2

If answer is yes:

22.21

Amount paid as losses or risk adjustment

\$ 0

22.22

Amount paid as expenses

\$ 3,426

22.23

Other amounts paid

\$ 0
- 23.1

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

Yes (X) No ()
- 23.2

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

\$ 43,538,846

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES

INVESTMENT

24.01

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03)

Yes (X) No ()

24.02

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

24.03

For the 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)
Not applicable
.....

24.04

Does the Company's security lending program meet the requirements for a conforming program as outlined in Risk-Based Capital Instructions?

Yes () No () N/A (X)

24.05

If answer to 24.04 is YES, report amount of collateral for conforming programs.

\$ 0

24.06

If answer to 24.04 is NO, report amount of collateral for other programs.

\$ 0

24.07

Does your security lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?

Yes () No () N/A (X)

24.08

Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

Yes () No () N/A (X)

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 (X)

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 reinvented collateral assets reported on Schedule DL, Parts 1 and 2

\$ 0

24.102

Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2

\$ 0

24.103

Total payable for securities lending reported on the liability page

\$ 0

25.1

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

Yes (X) No ()

25.2

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

25.21

Subject to repurchase agreements

\$ 0

25.22

Subject to reverse repurchase agreements

\$ 0

25.23

Subject to dollar repurchase agreements

\$ 0

25.24

Subject to reverse dollar repurchase agreements

\$ 0

25.25

Pledged as collateral

\$ 78,191,900

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

\$ 114,396,198

25.29

Other

\$ 0

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES

INVESTMENT

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
----------------------------	------------------	-------------

- 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?
If no, attach a description with this statement.

Yes () No () N/A (X)
- 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
---------------------------	--------------------------

The Bank of New York Mellon New York, New York

The Northern Trust Company Toronto, Canada

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)
--------------	------------------	------------------------------

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES

INVESTMENT

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
--	-----------	--------------

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)

29.2 If yes, complete the following schedule:

1 CUSIP Number	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
-------------------	--------------------------	-----------------------------------

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

1 Name of Mutual Fund (from question 29.2)	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
--	--	---	------------------------

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES

INVESTMENT

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	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	\$ 5,107,086.018	\$ 5,243,775,096	\$ 136,689,078
30.2 Preferred stocks	\$ 0	\$ 0	\$ 0
30.3 Totals	\$ 5,107,086.018	\$ 5,243,775,096	\$ 136,689,078

30.4 Describe the sources or methods utilized in determining the fair values:
See Note 20(C) of Notes to Financial Statements.
.....

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 (X) No ()

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 (X) 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:
.....
.....

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES

OTHER

33.1 Amount of payments to Trade Associations, service organizations and statistical or Rating Bureaus, if any? \$ 3,018,486

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
Insurance Services Office, Inc.	\$ 1,207,868
.....	\$ 0
.....	\$ 0
.....	\$ 0

34.1 Amount of payments for legal expenses, if any? \$ 409,608

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? \$ 117,361

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
American Insurance Association	\$ 74,917
.....	\$ 0
.....	\$ 0
.....	\$ 0

GENERAL INTERROGATORIES
PART 2 - PROPERTY AND 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 Line (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	\$ 0	\$ 0
2.2	Premium Denominator	\$... 1,550,232,995	\$... 1,501,887,142
2.3	Premium Ratio (Line 2.1/Line 2.2)	..... 0.000	..... 0.000
2.4	Reserve Numerator	\$ 0	\$ 0
2.5	Reserve Denominator	\$... 3,645,555,860	\$... 3,736,967,828
2.6	Reserve Ratio (Line 2.4/Line 2.5)	..... 0.000	..... 0.000

- 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
- \$ 152,407,313
- 3.22 Non-participating policies
- \$ 517,713,240

4. For Mutual reporting entities and Reciprocal Exchange only:
- 4.1 Does the reporting entity issue assessable policies?
- Yes () No ()
- 4.2 Does the reporting entity issue non-assessable policies?
- Yes () No ()
- 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders?
- 0.0 %
- 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 ()
- 5.2 If yes, is the commission paid:
- 5.21 Out of Attorney's-in-fact compensation
- Yes () No () N/A (X)
- 5.22 As a direct expense of the exchange
- Yes () No () N/A (X)

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

.....

.....

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

5.5 If yes, give full information.

.....

.....

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 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 of loss?
None
- 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:
The Company estimates probable maximum insurance losses by analyzing those geographic locations with concentrations of insured exposures, such as the northeast United States and California, combined with probabilistic catastrophe models provided by reputable, external consultants.
- 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?
The Company purchases catastrophe excess of loss reinsurance.
- 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 (X) No ()
- 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 uninsured catastrophic loss.
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes (X) No ()
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 4
- 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 (X) 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 (X) No ()
- 8.2 If yes, give full information.
See Note 23(E) of Notes to Financial Statements.
- 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 the 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
(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
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes () No (X)
Yes () No (X)
Yes () No (X)

GENERAL INTERROGATORIES
PART 2 - PROPERTY AND 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 reporting entity would have been required to charge had it retained the risks. Has this been done?

Yes (X) No () N/A ()

11.1

Has this reporting entity guaranteed policies issued by any other entity and now in force?

Yes () No (X)

11.2

If yes, give full information.

12.1

If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11

Unpaid losses

\$ 0

12.12

Unpaid underwriting expenses (including loss adjustment expenses)

\$ 0

12.2

Of the amount on Line 15.3 of the asset schedule, Page 2, state the amount which is secured by letters of credit, collateral and other funds:

\$ 0

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 (X) N/A ()

12.4

If yes, provide the range of interest rates charged under such notes during the period covered by this statement:

12.41

From

0.000 %

12.42

To

0.000 %

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 the reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies?

Yes (X) No ()

12.6

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

12.61

Letters of credit

\$ 1,166,178

12.62

Collateral and other funds

\$ 0

13.1

Largest net aggregate amount insured in any one risk (excluding workers' compensation):

\$ 109,981,670

13.2

Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision?

Yes () No (X)

13.3

State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount.

0

14.1

Is the company a cedant in a multiple cedant reinsurance contract?

Yes (X) No ()

14.2

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

See Note 26 of Notes to Financial Statements.

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 (X)

14.4

If the answer to 14.3 is no, are the methods described in 14.2 entirely contained in written agreements?

Yes (X) No ()

14.5

If the answer to 14.4 is no, please explain:

15.1

Has the reporting entity guaranteed any financed premium accounts?

Yes () No (X)

15.2

If yes, give full information.

GENERAL INTERROGATORIES
PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

16.1 Does the reporting entity write any warranty business? Yes () No (X)

If yes, disclose the following information for each of the following types of warranty coverage:

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

* Disclose type of coverage:
.....
.....

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5? Yes () No (X)

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

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

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

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

18.1 Do you act as a custodian for health savings accounts? Yes () No (X)

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

18.3 Do you act as an administrator for health savings accounts? Yes () No (X)

18.4 If yes, please provide the balance of the funds administered as of the reporting date. \$..... 0

FIVE-YEAR HISTORICAL DATA

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

	1 2013	2 2012	3 2011	4 2010	5 2009
Gross Premiums Written (Page 8, Part 1B, Columns 1, 2 and 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)	907,784,578	888,288,601	853,895,426	799,682,174	801,813,735
2. Property lines (Lines 1, 2, 9, 12, 21 and 26)	326,967,724	311,978,651	290,979,694	270,563,209	256,252,718
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)	935,760,516	912,549,650	886,567,629	862,280,687	876,140,576
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34)	111,279,979	101,927,266	110,284,494	137,949,219	131,804,344
5. Nonproportional reinsurance lines (Lines 31, 32 and 33)	(480,948)	113,388	1,447,813	(1,508,831)	1,329,516
6. Total (Line 35)	2,281,311,849	2,214,857,556	2,143,175,056	2,068,966,458	2,067,340,889
Net Premiums Written (Page 8, Part 1B, Column 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)	686,749,330	663,412,276	644,356,322	609,664,464	620,962,413
8. Property lines (Lines 1, 2, 9, 12, 21 and 26)	205,948,238	196,356,040	180,309,188	165,176,815	150,006,793
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)	573,389,913	550,869,761	546,292,882	528,630,906	541,671,930
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34)	103,439,220	95,517,604	102,426,054	119,680,067	118,873,280
11. Nonproportional reinsurance lines (Line 31, 32 and 33)	(776,834)	(26,943)	1,153,370	273,859	76,788
12. Total (Line 35)	1,568,749,867	1,506,128,738	1,474,537,816	1,423,426,111	1,431,591,204
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	276,784,927	67,058,009	37,109,894	134,512,622	212,636,059
14. Net investment gain (loss) (Line 11)	259,603,257	245,023,561	249,050,212	248,893,182	185,333,712
15. Total other income (Line 15)	(348,180)	(1,198,589)	(737,725)	(967,313)	(1,401,265)
16. Dividends to policyholders (Line 17)	6,326,446	5,050,197	5,300,201	4,689,224	4,841,204
17. Federal and foreign income taxes incurred (Line 19)	104,063,774	27,061,825	15,147,006	41,503,130	62,466,657
18. Net income (Line 20)	425,649,784	278,770,959	264,975,174	336,246,137	329,260,645
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Column 3)	6,640,456,676	6,465,841,502	6,283,846,454	6,207,721,710	5,989,216,656
20. Premiums and considerations (Page 2, Column 3)					
20.1 In course of collection (Line 15.1)	260,229,638	250,722,660	253,049,993	235,940,219	232,169,956
20.2 Deferred and not yet due (Line 15.2)	90,011,095	86,005,265	82,840,408	82,307,931	80,442,906
20.3 Accrued retrospective premiums (Line 15.3)	0	0	0	0	0
21. Total liabilities excluding protected cell business (Page 3, Line 26)	3,889,034,872	3,969,643,554	3,843,083,618	3,783,579,441	3,789,044,900
22. Losses (Page 3, Line 1)	2,125,077,184	2,232,807,722	2,139,072,310	2,101,433,653	2,095,265,842
23. Loss adjustment expenses (Page 3, Line 3)	714,692,104	718,083,836	722,856,783	716,468,495	681,671,658
24. Unearned premiums (Page 3, Line 9)	809,677,374	789,630,502	784,198,906	764,022,027	771,168,561
25. Capital paid up (Page 3, Line 30 and Line 31)	5,535,000	5,535,000	5,535,000	5,535,000	5,535,000
26. Surplus as regards policyholders (Page 3, Line 37)	2,771,421,804	2,496,197,948	2,440,762,836	2,424,142,269	2,200,171,756
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	310,592,535	364,877,881	329,893,365	337,475,557	344,866,468
Risk-Based Capital Analysis					
28. Total adjusted capital	2,771,421,804	2,496,197,948	2,440,762,836	2,424,142,269	2,200,171,756
29. Authorized control level risk-based capital	314,821,794	326,929,610	316,943,105	325,595,287	316,289,352
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Column 3) (Item divided by Page 2, Line 12, Column 3) x 100.0					
30. Bonds (Line 1)	84.5	84.6	88.4	87.3	88.7
31. Stocks (Line 2.1 and Line 2.2)	10.0	8.2	7.5	7.5	6.4
32. Mortgage loans on real estate (Line 3.1 and Line 3.2)	0.0	0.0	0.0	0.0	0.0
33. Real estate (Lines 4.1, 4.2 and 4.3)	0.0	0.0	0.0	0.0	0.0
34. Cash, cash equivalents and short-term investments (Line 5)	3.3	4.0	0.0	0.8	0.8
35. Contract loans (Line 6)	0.0	0.0	0.0	0.0	0.0
36. Derivatives (Line 7)	0.0	0.0	0.0	0.0	X X X
37. Other invested assets (Line 8)	2.2	3.2	4.0	4.3	4.0
38. Receivables for securities (Line 9)	0.0	0.0	0.1	0.0	0.0
39. Securities lending reinvested collateral assets (Line 10)	0.0	0.0	0.0	0.0	X X X
40. Aggregate write-ins for invested assets (Line 11)	0.0	0.0	0.0	0.0	0.0
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 (Schedule D, Summary, Line 12, Column 1)	0	0	0	0	0
43. Affiliated preferred stocks (Schedule D, Summary, Line 18, Column 1)	0	0	0	0	0
44. Affiliated common stocks (Schedule D, Summary, Line 24, Column 1)	23,909,077	23,315,555	22,533,255	21,728,107	19,763,275
45. Affiliated short-term investments (Schedule DA Verification, Column 5, Line 10)	0	0	0	0	0
46. Affiliated mortgage loans on real estate	0	0	0	0	0
47. All other affiliated	0	0	0	0	0
48. Total of above Line 42 through Line 47	23,909,077	23,315,555	22,533,255	21,728,107	19,763,275
49. Total investment in parent included in Line 42 through Line 47 above	0	0	0	0	0
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Column 1, Line 37 x 100.0)	0.9	0.9	0.9	0.9	0.9

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2013	2 2012	3 2011	4 2010	5 2009
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)	65,865,007	17,457,130	517,911	25,893,752	80,804,257
52. Dividends to stockholders (Line 35)	(249,000,000)	(244,000,000)	(242,000,000)	(220,000,000)	(120,000,000)
53. Change in surplus as regards policyholders for the year (Line 38)	275,223,856	55,435,112	16,620,567	223,970,513	368,435,231
Gross Losses Paid (Page 9, Part 2, Columns 1 and 2)					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)	409,624,521	370,511,073	382,566,613	356,775,616	369,440,494
55. Property lines (Lines 1, 2, 9, 12, 21 and 26)	122,207,582	115,129,779	98,949,733	87,830,279	88,486,769
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)	469,313,859	430,740,860	491,627,558	423,601,284	400,590,020
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34)	30,603,905	40,197,410	55,083,459	63,898,758	58,596,472
58. Nonproportional reinsurance lines (Lines 31, 32, and 33)	2,787,368	4,281,129	2,269,593	3,705,357	5,934,186
59. Total (Line 35)	1,034,537,235	960,860,251	1,030,496,956	935,811,294	923,047,941
Net Losses Paid (Page 9, Part 2, Column 4)					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)	285,700,781	260,099,216	285,471,007	251,163,848	262,773,365
61. Property lines (Lines 1, 2, 9, 12, 21 and 26)	85,719,507	85,853,995	72,331,782	57,743,235	60,222,739
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)	306,082,217	290,719,781	325,635,976	273,537,569	252,579,145
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34)	30,732,352	39,161,583	48,754,429	54,647,877	50,269,121
64. Nonproportional reinsurance lines (Lines 31, 32, and 33)	1,371,939	3,478,034	1,546,679	2,701,085	3,953,863
65. Total (Line 35)	709,606,796	679,312,609	733,739,873	639,793,614	629,798,233
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)	38.8	51.5	53.1	45.3	41.9
68. Loss expenses incurred (Line 3)	13.7	14.6	15.1	16.2	15.7
69. Other underwriting expenses incurred (Line 4)	29.6	29.4	29.2	29.1	28.0
70. Net underwriting gain (loss) (Line 8)	17.9	4.5	2.6	9.4	14.4
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Line 4 plus Line 5 minus Line 15 divided by Page 8, Part 1B, Column 6, Line 35 x 100.0)	29.3	29.4	28.8	29.2	29.0
72. Losses and loss expenses incurred to premiums earned (Page 4, Line 2 plus Line 3 divided by Page 4, Line 1 x 100.0)	52.5	66.1	68.3	61.5	57.7
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Column 6, Line 35 divided by Page 3, Line 37, Column 1 x 100.0)	56.6	60.3	60.4	58.7	65.1
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, Column 11)	(103,772)	(84,418)	(75,551)	(75,724)	(164,273)
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, Column 1 x 100.0)	(4.2)	(3.5)	(3.1)	(3.4)	(9.0)
Two Year Loss Development (000 omitted)					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Column 12)	(170,686)	(162,744)	(152,521)	(227,779)	(227,347)
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, Column 2 x 100.0)	(7.0)	(6.7)	(6.9)	(12.4)	(12.3)

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

Yes () No ()

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 (Columns 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Columns 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	64,471	34,429	18,248	9,764	9,949	4,702	310	43,773	X X X
2. 2004	2,276,327	673,521	1,602,806	800,364	234,139	108,445	17,530	77,084	21,557	16,115	712,667	X X X
3. 2005	2,327,651	663,259	1,664,392	929,488	317,557	134,649	18,177	83,795	23,210	19,097	788,988	X X X
4. 2006	2,286,178	677,782	1,608,396	775,889	244,271	136,068	14,821	85,371	23,551	17,137	714,685	X X X
5. 2007	2,306,748	738,822	1,567,926	791,091	257,724	113,728	13,853	94,664	27,879	23,126	700,027	X X X
6. 2008	2,241,175	705,573	1,535,602	903,814	261,089	103,340	10,686	102,413	29,149	19,896	808,643	X X X
7. 2009	2,142,466	663,946	1,478,520	749,895	227,486	95,942	7,232	99,973	28,598	15,709	686,494	X X X
8. 2010	2,065,827	638,909	1,426,918	773,786	245,634	82,023	6,855	96,409	28,380	16,040	671,349	X X X
9. 2011	2,116,568	664,417	1,452,151	854,496	262,456	62,624	5,114	100,279	29,668	13,500	720,161	X X X
10. 2012	2,203,114	701,227	1,501,887	720,503	223,480	33,229	3,657	90,027	27,104	10,240	589,518	X X X
11. 2013	2,252,596	702,363	1,550,233	325,850	110,248	4,836	549	59,069	17,411	4,552	261,547	X X X
12. Totals	X X X	X X X	X X X	7,689,647	2,418,513	897,132	108,238	899,033	261,209	155,722	6,697,852	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 & Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	Direct and Assumed	Ceded			
1.	238,517	138,185	388,711	123,912	39,482	18,290	47,496	16,520	52,102	23,806	64	445,595	X X X
2.	11,985	3,682	46,685	9,185	3,068	409	8,104	1,167	5,867	1,357	62	59,909	X X X
3.	21,832	7,062	56,515	11,469	3,779	652	10,232	1,471	7,752	1,950	136	77,506	X X X
4.	15,345	3,418	66,182	14,115	3,813	828	12,597	1,644	8,425	1,891	194	84,466	X X X
5.	28,617	8,826	87,352	20,511	7,068	730	17,745	2,006	11,578	2,278	326	118,009	X X X
6.	34,136	9,301	110,749	25,683	7,595	1,214	22,735	2,483	13,760	2,663	523	147,631	X X X
7.	47,643	10,373	123,656	24,539	16,058	3,014	27,730	3,264	18,380	4,134	956	188,143	X X X
8.	73,725	19,527	155,108	27,488	16,192	2,780	39,009	4,013	21,396	4,498	1,845	247,124	X X X
9.	100,994	22,301	204,787	38,496	26,030	3,358	54,812	6,303	28,248	5,513	3,478	338,900	X X X
10.	156,856	57,198	308,903	66,605	32,640	5,740	80,631	9,715	43,197	9,869	6,035	473,100	X X X
11.	151,136	52,855	500,638	110,264	23,242	4,532	113,101	15,285	71,335	17,130	10,932	659,386	X X X
12.	880,786	332,728	2,049,286	472,267	178,967	41,547	434,192	63,871	282,040	75,089	24,551	2,839,769	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter - Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1.	X X X	X X X	X X X	X X X	X X X	X X X	0	0	X X X	365,131	80,464
2.	1,061,602	289,026	772,576	46.6	42.9	48.2	0	0	0.0	45,803	14,106
3.	1,248,042	381,548	866,494	53.6	57.5	52.1	0	0	0.0	59,816	17,690
4.	1,103,690	304,539	799,151	48.3	44.9	49.7	0	0	0.0	63,994	20,472
5.	1,151,843	333,807	818,036	49.9	45.2	52.2	0	0	0.0	86,632	31,377
6.	1,298,542	342,268	956,274	57.9	48.5	62.3	0	0	0.0	109,901	37,730
7.	1,183,277	308,640	874,637	55.2	46.5	59.2	0	0	0.0	136,387	51,756
8.	1,257,648	339,175	918,473	60.9	53.1	64.4	0	0	0.0	181,818	65,306
9.	1,432,270	373,209	1,059,061	67.7	56.2	72.9	0	0	0.0	244,984	93,916
10.	1,465,986	403,368	1,062,618	66.5	57.5	70.8	0	0	0.0	341,956	131,144
11.	1,249,207	328,274	920,933	55.5	46.7	59.4	0	0	0.0	488,655	170,731
12.	X X X	X X X	X X X	X X X	X X X	X X X	0	0	X X X	2,125,077	714,692

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

SCHEDULE P - PART 2 - SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	One Year	Two Year
1. Prior	1,534,443	1,604,990	1,648,933	1,639,453	1,672,818	1,690,608	1,703,903	1,704,706	1,704,125	1,707,275	3,150	2,569
2. 2004	917,837	887,767	843,274	809,744	772,203	736,610	729,660	723,873	716,016	712,539	(3,477)	(11,334)
3. 2005	X X X	994,073	954,098	926,699	877,958	829,659	819,103	810,626	801,936	800,107	(1,829)	(10,519)
4. 2006	X X X	X X X	861,425	865,072	830,438	791,820	776,259	752,984	735,684	730,797	(4,887)	(22,187)
5. 2007	X X X	X X X	X X X	847,389	855,782	812,333	791,867	772,515	756,059	741,951	(14,108)	(30,564)
6. 2008	X X X	X X X	X X X	X X X	971,559	955,476	932,187	917,979	891,714	871,913	(19,801)	(46,066)
7. 2009	X X X	X X X	X X X	X X X	X X X	833,549	821,348	814,852	805,219	789,016	(16,203)	(25,836)
8. 2010	X X X	X X X	X X X	X X X	X X X	X X X	848,768	850,011	849,596	833,546	(16,050)	(16,465)
9. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	975,999	978,778	965,715	(13,063)	(10,284)
10. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	983,871	966,367	(17,504)	X X X
11. 2013	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	825,070	X X X	X X X
12. Totals											(103,772)	(170,686)

SCHEDULE P - PART 3 - SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		
1. Prior	0 0 0	374,893	641,812	830,843	969,075	1,081,796	1,138,378	1,204,594	1,251,450	1,289,976	X X X	X X X
2. 2004	225,121	384,665	473,977	547,994	593,991	618,746	634,303	644,952	652,111	657,140	X X X	X X X
3. 2005	X X X	228,897	418,325	527,995	601,995	644,869	680,680	703,337	715,380	728,403	X X X	X X X
4. 2006	X X X	X X X	203,167	365,257	462,569	532,144	586,938	615,164	632,583	652,865	X X X	X X X
5. 2007	X X X	X X X	X X X	221,191	372,927	465,239	529,599	579,146	613,387	633,242	X X X	X X X
6. 2008	X X X	X X X	X X X	X X X	298,003	489,113	581,086	658,408	706,019	735,379	X X X	X X X
7. 2009	X X X	X X X	X X X	X X X	X X X	216,371	375,575	482,390	562,430	615,119	X X X	X X X
8. 2010	X X X	X X X	X X X	X X X	X X X	X X X	269,760	442,064	535,323	603,320	X X X	X X X
9. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	328,218	536,071	649,550	X X X	X X X
10. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	269,418	526,595	X X X	X X X
11. 2013	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	219,889	X X X	X X X

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1. Prior	832,887	644,322	560,665	473,923	419,985	386,047	366,853	338,325	314,235	295,775
2. 2004	553,423	364,846	252,931	180,521	125,531	83,047	72,592	62,267	51,546	44,437
3. 2005	X X X	596,288	369,576	274,366	198,276	132,425	102,940	79,337	62,678	53,807
4. 2006	X X X	X X X	517,701	366,308	268,237	182,962	141,131	106,508	82,432	63,020
5. 2007	X X X	X X X	X X X	490,574	353,209	260,681	196,935	138,325	107,432	82,580
6. 2008	X X X	X X X	X X X	X X X	532,122	355,649	257,972	189,304	138,987	105,318
7. 2009	X X X	X X X	X X X	X X X	X X X	497,980	324,188	233,671	174,437	123,583
8. 2010	X X X	X X X	X X X	X X X	X X X	X X X	458,571	292,335	220,594	162,616
9. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	493,829	296,673	214,800
10. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	572,998	313,214
11. 2013	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	488,190

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

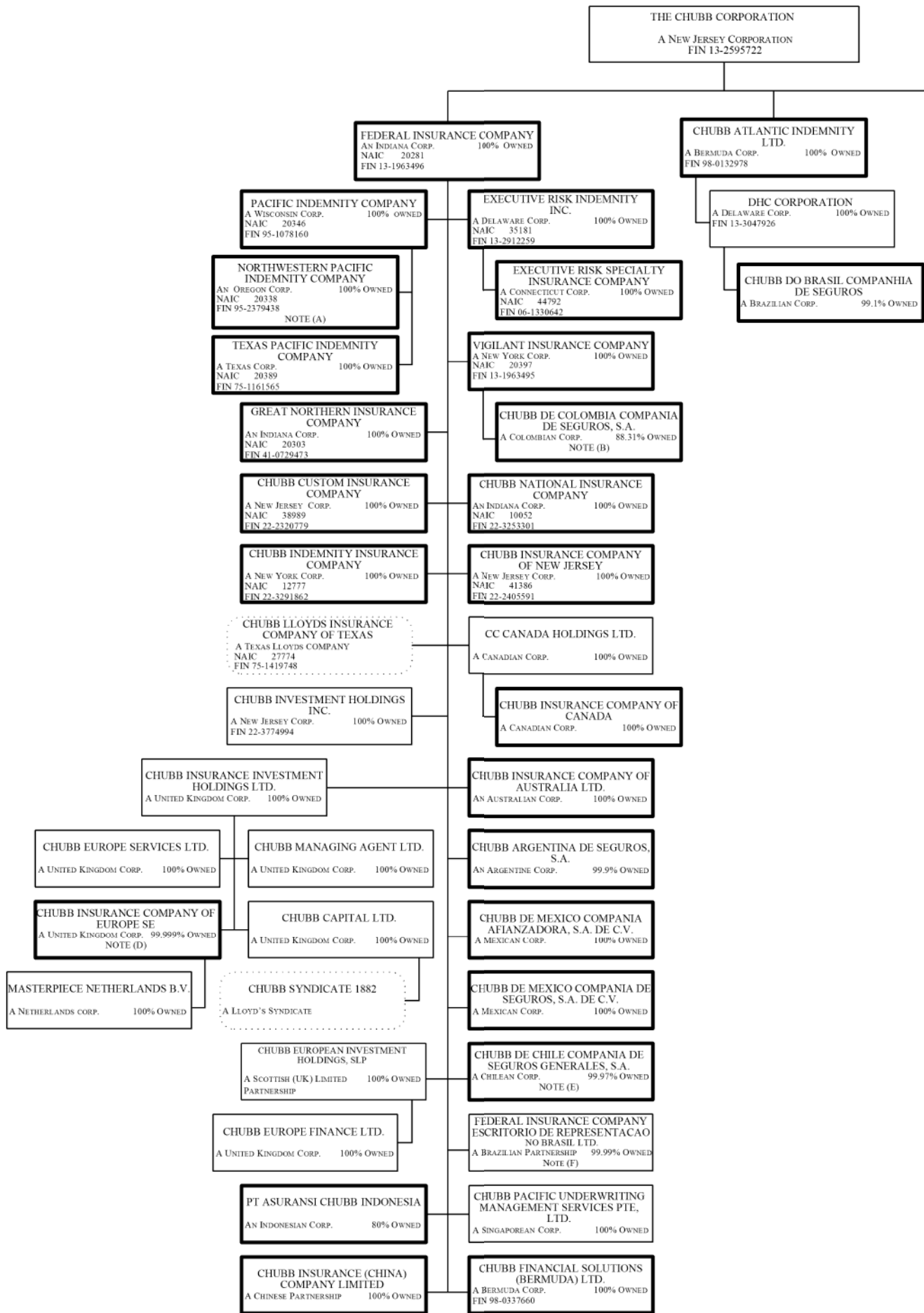
States, Etc.		1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Column 2)
			2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	L	11,633,539	11,171,790	249,998	3,845,063	3,341,806	4,588,264	0	0
2. Alaska	AK	L	752,404	742,028	46,636	139,937	97,071	277,037	0	0
3. Arizona	AZ	L	29,083,732	28,593,933	79,887	13,844,840	12,719,140	12,928,360	0	0
4. Arkansas	AR	L	586,257	621,123	24,868	95,764	107,924	458,956	0	0
5. California	CA	L	40,747,267	37,791,827	2,653,845	27,290,647	2,887,055	147,531,083	0	0
6. Colorado	CO	L	2,364,685	2,182,185	65,781	1,094,542	986,445	3,375,022	0	0
7. Connecticut	CT	L	14,550,888	14,376,586	616,163	7,423,635	3,444,779	15,530,732	0	0
8. Delaware	DE	L	2,478,434	2,472,518	37,114	488,567	546,222	1,340,018	0	0
9. Dist. Columbia	DC	L	4,599,739	4,750,343	166,786	1,135,501	1,194,072	3,587,251	0	0
10. Florida	FL	L	34,669,213	34,516,324	654,506	15,536,376	15,052,787	33,093,391	0	0
11. Georgia	GA	L	10,189,658	10,054,046	328,340	7,085,783	6,001,306	8,491,072	0	0
12. Hawaii	HI	L	800,373	678,455	40,465	168,345	(171,362)	615,880	0	0
13. Idaho	ID	L	590,929	674,477	6,915	46,074	74,746	346,434	0	0
14. Illinois	IL	L	12,170,214	12,719,977	920,380	5,325,918	5,156,473	19,972,772	0	0
15. Indiana	IN	L	4,204,044	4,110,129	68,099	3,718,778	3,287,563	3,063,896	0	0
16. Iowa	IA	L	5,455,934	5,748,969	360,768	2,516,860	2,505,352	6,188,283	0	0
17. Kansas	KS	L	7,543,793	7,592,065	54,196	4,079,236	3,878,193	2,189,295	0	0
18. Kentucky	KY	L	1,320,555	1,275,636	32,610	379,291	(58,904)	1,691,929	0	0
19. Louisiana	LA	L	692,869	895,103	24,948	586,840	(115,717)	1,714,679	0	0
20. Maine	ME	L	6,781,855	6,235,744	24,169	1,714,468	1,455,670	1,403,693	0	0
21. Maryland	MD	L	8,745,931	8,260,545	271,572	3,256,583	4,424,744	7,838,965	0	0
22. Massachusetts	MA	L	74,214,816	72,047,845	326,920	18,269,716	18,186,031	23,262,537	0	0
23. Michigan	MI	L	4,018,550	4,231,425	196,976	1,601,316	791,652	3,934,923	0	0
24. Minnesota	MN	L	5,222,547	5,039,282	88,535	3,475,205	3,020,504	6,748,992	0	0
25. Mississippi	MS	L	371,556	397,834	11,757	639,646	348,736	1,406,276	0	0
26. Missouri	MO	L	4,323,773	4,210,727	115,342	813,556	1,548,199	4,215,970	0	0
27. Montana	MT	L	3,598,518	3,472,701	10,312	555,456	712,443	1,084,459	0	0
28. Nebraska	NE	L	1,106,619	1,221,042	155,429	475,814	383,779	2,790,907	0	0
29. Nevada	NV	L	1,058,320	1,058,065	57,365	183,597	472,394	1,535,945	0	0
30. New Hampshire	NH	L	2,562,925	2,507,998	69,762	835,391	1,206,742	2,921,449	0	0
31. New Jersey	NJ	L	11,447,721	11,023,945	837,132	4,379,468	3,580,213	21,621,291	0	0
32. New Mexico	NM	L	10,059,486	10,021,401	30,993	6,806,220	8,261,286	5,685,219	0	0
33. New York	NY	L	208,981,361	200,509,334	5,856,928	113,430,060	73,032,033	206,348,217	0	0
34. North Carolina	NC	L	6,993,315	7,935,991	228,130	3,194,597	3,007,880	8,749,390	0	0
35. North Dakota	ND	L	100,653	90,984	0	0	8,957	51,856	0	0
36. Ohio	OH	L	26,295,649	25,638,253	0	11,949,174	9,618,064	7,558,963	0	0
37. Oklahoma	OK	L	2,103,873	2,349,639	96,273	533,627	465,598	2,344,933	0	0
38. Oregon	OR	L	6,311,314	5,733,250	31,773	2,683,935	2,860,554	7,138,835	0	0
39. Pennsylvania	PA	L	24,098,648	23,710,686	1,167,997	6,102,896	8,609,397	42,262,369	0	0
40. Rhode Island	RI	L	3,213,188	3,154,607	19,373	737,994	742,525	1,004,864	0	0
41. South Carolina	SC	L	9,643,103	9,415,435	50,561	1,797,738	2,275,541	4,284,320	0	0
42. South Dakota	SD	L	169,188	169,998	5,959	121,343	656,699	900,921	0	0
43. Tennessee	TN	L	5,215,163	4,991,369	147,065	1,249,446	1,198,364	3,663,203	0	0
44. Texas	TX	L	17,735,308	18,960,035	682,949	5,937,820	1,226,162	48,771,738	0	0
45. Utah	UT	L	10,953,769	10,690,976	133,523	3,991,713	4,747,091	4,932,012	0	0
46. Vermont	VT	L	4,712,063	4,507,677	31,350	1,048,127	2,033,792	2,108,731	0	0
47. Virginia	VA	L	12,102,976	12,162,825	280,057	5,066,614	2,632,125	6,985,227	0	0
48. Washington	WA	L	6,719,417	6,303,594	0	3,941,713	4,927,782	4,312,566	0	0
49. West Virginia	WV	L	269,396	186,809	5,092	74,074	(10,176)	330,027	0	0
50. Wisconsin	WI	L	6,282,161	6,172,108	472,874	2,008,761	2,650,424	6,753,106	0	0
51. Wyoming	WY	L	272,324	305,485	0	104,085	155,619	207,533	0	0
52. American Samoa	AS	N	0	0	0	0	0	0	0	0
53. Guam	GU	N	0	0	0	0	0	0	0	0
54. Puerto Rico	PR	N	0	0	0	0	0	0	0	0
55. U.S. Virgin Islands	VI	N	0	0	0	0	0	0	0	0
56. Northern Mariana Islands	MP	N	0	0	0	0	0	0	0	0
57. Canada	CAN	N	0	0	0	0	0	0	0	0
58. Aggregate other alien	OT	X X X	540	540	0	0	(816,460)	521,288	0	0
59. Totals	(a)	51	670,120,553	653,685,663	17,838,473	301,782,150	225,349,315	710,665,079	0	0
DETAILS OF WRITE-INS										
58001. BFA Burkina Faso	X X X		540	540	0	0	(174,012)	153,688	0	0
58002. IDN Indonesia	X X X		0	0	0	0	(60,830)	0	0	0
58003. PNG Papua New Guinea	X X X		0	0	0	0	(67,314)	46,726	0	0
58998. Summary of remaining write-ins for Line 58 from overflow page	X X X		0	0	0	0	(514,304)	320,874	0	0
58999. Totals (Line 58001 through Line 58003 plus Line 58998) (Line 58 above)	X X X		540	540	0	0	(816,460)	521,288	0	0

(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.

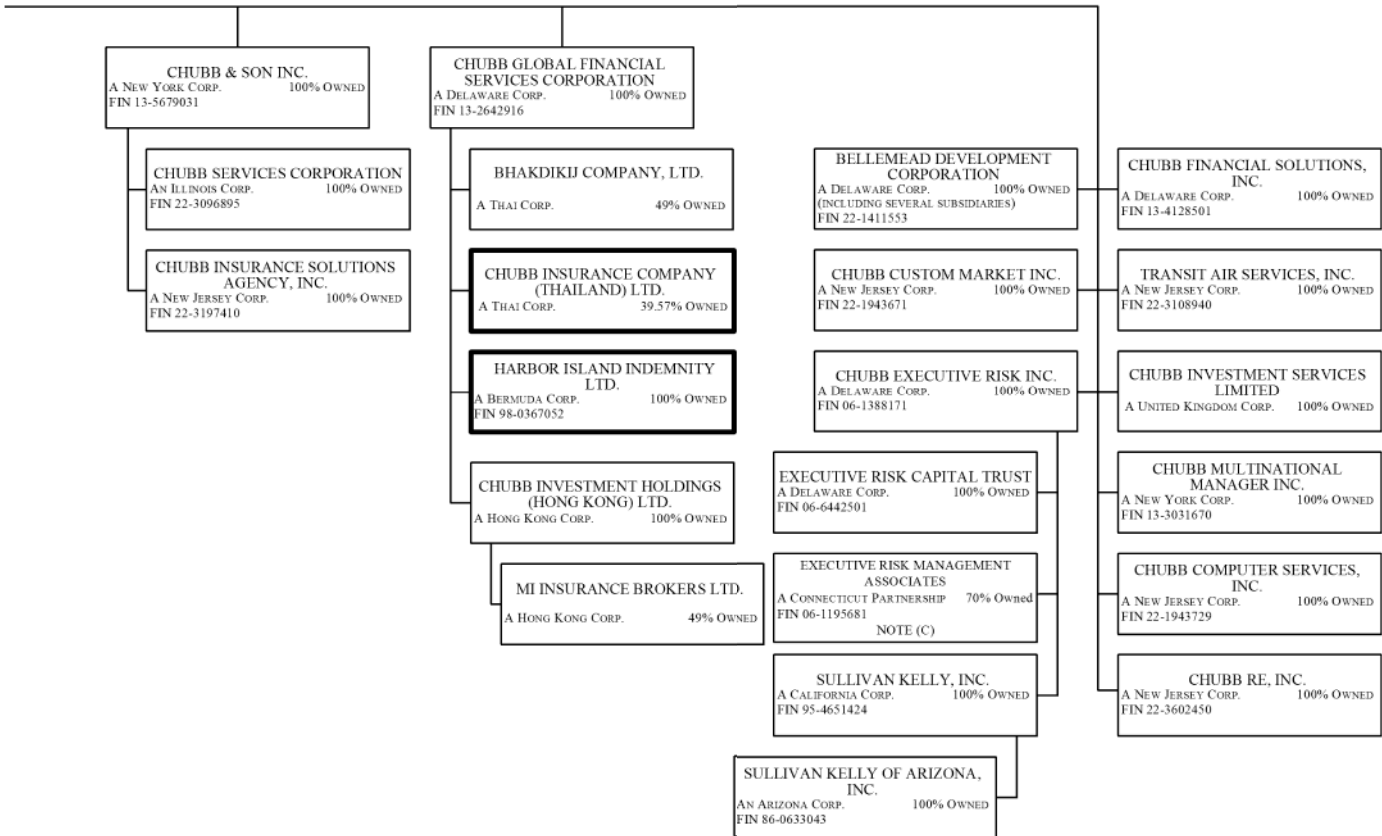
Explanation of basis of allocation of premiums by states, etc.

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

ANNUAL STATEMENT FOR THE YEAR 2013 OF THE PACIFIC INDEMNITY COMPANY
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



ANNUAL STATEMENT FOR THE YEAR 2013 OF THE PACIFIC INDEMNITY COMPANY
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



NOTES

(A) EFFECTIVE FEBRUARY 12, 2014, NORTHWESTERN PACIFIC INDEMNITY COMPANY WAS SOLD TO COTTAGE INSURANCE HOLDINGS, INC., AN UNAFFILIATED COMPANY.

(B) REMAINING OWNERSHIP AS FOLLOWS:
6.13% FEDERAL INSURANCE COMPANY
4.22% THE CHUBB CORPORATION
0.92% PACIFIC INDEMNITY COMPANY
0.42% GREAT NORTHERN INSURANCE COMPANY

(C) REMAINING 30% OWNED BY SULLIVAN KELLY, INC.

(D) REMAINING 0.001% OWNED BY VIGILANT INSURANCE COMPANY

(E) REMAINING 0.03% OWNED BY THE CHUBB CORPORATION

(F) REMAINING 0.01% OWNED BY CHUBB & SON INC.

KEY

INSURANCE AFFILIATE/SUBSIDIARY

NON-INSURANCE AFFILIATE/SUBSIDIARY

LLOYDS COMPANY/ LLOYD'S SYNDICATE

Property and Casualty
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ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012
OF THE CONDITION AND AFFAIRS OF THE
PACIFIC INDEMNITY COMPANY

NAIC Group Code 0038, 0038 NAIC Company Code 20346 Employer's ID Number 95-1078160
(Current Period) (Prior Period)

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

Country of Domicile US

Incorporated/Organized January 16, 1926 Commenced Business February 5, 1926

Statutory Home Office Two Plaza East, Suite 1450, 330 East Kilbourn Ave, Milwaukee, Wisconsin 53202-3146
(Street and Number, City or Town, State, Country and Zip Code)

Main Administrative Office 15 Mountain View Road, Warren, New Jersey 07059 908-903-2000
(Street and Number, City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 15 Mountain View Road, Warren, New Jersey 07059
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Primary Location of Books and Records 15 Mountain View Road, Warren, New Jersey 07059 908-903-2000
(Street and Number, City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.chubb.com

Statutory Statement Contact Ronald Calavano 908-903-2525
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OFFICERS

Dino Ennio Robusto (Chairman)
Paul Joseph Krump (President)
Walter Brian Barnes (Vice President & Actuary)
William Andrew Macan (Vice President & Secretary)

OTHER OFFICERS

Douglas Alan Nordstrom (Vice President & Treasurer)
Richard Glenn Spiro (Senior Vice President)

DIRECTORS OR TRUSTEES

Walter Brian Barnes
James Alan Darling
John Joseph Kennedy
Paul Joseph Krump
William Andrew Macan
Harold Lawrence Morrison, Jr.
Douglas Alan Nordstrom
Dino Ennio Robusto
Richard Glenn Spiro
Jeffrey Allen Updyke

State of New Jersey }
County of Somerset } 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.

Paul Joseph Krump#
President

William Andrew Macan
Vice President & Secretary

Douglas Alan Nordstrom
Vice President & Treasurer

Subscribed and sworn to before me this
26th day of February, 2013

a. Is this an original filing? Yes (X) No ()
b. If no: 1. State the amendment number 0
2. Date filed
3. Number of pages attached 0

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Col 1 - Col 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	4,957,130,929	0	4,957,130,929	5,040,124,071
2. Stocks (Schedule D):				
2.1 Preferred stocks	0	0	0	0
2.2 Common stocks	483,382,773	575,301	482,807,472	427,073,442
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	0	0	0	0
3.2 Other than first liens	0	0	0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	0	0	0	0
4.2 Properties held for the production of income (less \$ 0 encumbrances)	0	0	0	0
4.3 Properties held for sale (less \$ 0 encumbrances)	0	0	0	0
5. Cash (\$ 206,632 , Schedule E - Part 1) , cash equivalents (\$ 184,840,955 , Schedule E - Part 2) and short-term investments (\$ 47,500,949 , Schedule DA)	232,548,536	0	232,548,536	867,211
6. Contract loans (including \$ 0 premium notes)	0	0	0	0
7. Derivatives (Schedule DB)	0	0	0	0
8. Other invested assets (Schedule BA)	187,600,819	0	187,600,819	226,242,109
9. Receivables for securities	0	0	0	4,585,699
10. Securities lending reinvested collateral assets (Schedule DL)	0	0	0	0
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Line 1 through Line 11)	5,860,663,057	575,301	5,860,087,756	5,698,892,532
13. Title plants less \$ 0 charged off (for Title insurers only)	0	0	0	0
14. Investment income due and accrued	63,135,668	0	63,135,668	65,413,890
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	253,100,837	2,378,177	250,722,660	253,049,993
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 2,966,500 earned but unbilled premiums)	86,677,603	672,338	86,005,265	82,840,408
15.3 Accrued retrospective premiums	0	0	0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	14,646,901	0	14,646,901	15,297,397
16.2 Funds held by or deposited with reinsured companies	0	0	0	0
16.3 Other amounts receivable under reinsurance contracts	425,760	0	425,760	0
17. Amounts receivable relating to uninsured plans	0	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon	11,447,672	0	11,447,672	102,376
18.2 Net deferred tax asset	168,209,092	44,846,111	123,362,981	122,001,632
19. Guaranty funds receivable or on deposit	0	0	0	0
20. Electronic data processing equipment and software	0	0	0	0
21. Furniture and equipment, including health care delivery assets (\$ 0)	0	0	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0	0
23. Receivables from parent, subsidiaries and affiliates	40,722,986	0	40,722,986	31,131,181
24. Health care (\$ 0) and other amounts receivable	0	0	0	0
25. Aggregate write-ins for other than invested assets	23,940,322	8,656,469	15,283,853	15,117,045
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 12 to Line 25)	6,522,969,898	57,128,396	6,465,841,502	6,283,846,454
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0	0
28. Total (Line 26 and Line 27)	6,522,969,898	57,128,396	6,465,841,502	6,283,846,454
DETAILS OF WRITE-INS				
1101.	0	0	0	0
1102.	0	0	0	0
1103.	0	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above)	0	0	0	0
2501. Equities and deposits in pools and associations	12,914,115	0	12,914,115	12,556,012
2502. Amounts receivable under high deductible policies	1,622,329	563	1,621,766	2,000,150
2503. State surcharges receivable	747,972	0	747,972	560,883
2598. Summary of remaining write-ins for Line 25 from overflow page	8,655,906	8,655,906	0	0
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)	23,940,322	8,656,469	15,283,853	15,117,045

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE PACIFIC INDEMNITY COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	2,232,807,722	2,139,072,310
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Columnn 6)	46,736	158,949
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	718,083,836	722,856,783
4. Commissions payable, contingent commissions and other similar charges	21,312,280	23,398,144
5. Other expenses (excluding taxes, licenses and fees)	52,501,031	43,016,823
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	7,694,196	8,285,434
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	0	0
7.2 Net deferred tax liability	0	0
8. Borrowed money \$ 0 and interest thereon \$ 0	0	0
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 318,948,938 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)	789,630,502	784,198,906
10. Advance premium	0	0
11. Dividends declared and unpaid:		
11.1 Stockholders	0	0
11.2 Policyholders	13,344,704	12,665,971
12. Ceded reinsurance premiums payable (net of ceding commissions)	96,857,065	80,793,803
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	5,407,689	5,266,921
14. Amounts withheld or retained by company for account of others	1,899,511	1,752,802
15. Remittances and items not allocated	0	0
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 8)	14,967,039	16,246,398
17. Net adjustments in assets and liabilities due to foreign exchange rates	0	0
18. Drafts outstanding	0	0
19. Payable to parent, subsidiaries and affiliates	0	0
20. Derivatives	0	0
21. Payable for securities	14,987,600	5,266,731
22. Payable for securities lending	0	0
23. Liability for amounts held under uninsured plans	0	0
24. Capital notes \$ 0 and interest thereon \$ 0	0	0
25. Aggregate write-ins for liabilities	103,643	103,643
26. Total liabilities excluding protected cell liabilities (Line 1 through Line 25)	3,969,643,554	3,843,083,618
27. Protected cell liabilities	0	0
28. Total liabilities (Line 26 and Line 27)	3,969,643,554	3,843,083,618
29. Aggregate write-ins for special surplus funds	0	26,661,933
30. Common capital stock	5,535,000	5,535,000
31. Preferred capital stock	0	0
32. Aggregate write-ins for other than special surplus funds	0	0
33. Surplus notes	0	0
34. Gross paid in and contributed surplus	520,019,566	520,019,566
35. Unassigned funds (surplus)	1,970,643,382	1,888,546,337
36. Less treasury stock, at cost:		
36.1 0 shares common (value included in Line 30 \$ 0)	0	0
36.2 0 shares preferred (value included in Line 31 \$ 0)	0	0
37. Surplus as regards policyholders (Line 29 to Line 35, less Line 36) (Page 4, Line 39)	2,496,197,948	2,440,762,836
38. Totals (Page 2, Line 28, Column 3)	6,465,841,502	6,283,846,454
DETAILS OF WRITE-INS		
2501. Minnesota workers' compensation premium assessment	103,643	103,643
2502.	0	0
2503.	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)	103,643	103,643
2901. Recognition of additional admitted deferred income tax assets under the provisions of SSAP No. 10R	0	26,661,933
2902.	0	0
2903.	0	0
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0
2999. Totals (Line 2901 through Line 2903 plus Line 2998) (Line 29 above)	0	26,661,933
3201.	0	0
3202.	0	0
3203.	0	0
3298. Summary of remaining write-ins for Line 32 from overflow page	0	0
3299. Totals (Line 3201 through Line 3203 plus Line 3298) (Line 32 above)	0	0

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE PACIFIC INDEMNITY COMPANY

STATEMENT OF INCOME

UNDERWRITING INCOME		1	2
		Current Year	Prior Year
1. Premiums earned (Part 1, Line 35, Column 4)		1,501,887,142	1,452,150,937
DEDUCTIONS			
2. Losses incurred (Part 2, Line 35, Column 7)		773,048,021	771,378,530
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)		219,595,774	219,810,250
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		442,098,713	423,796,532
5. Aggregate write-ins for underwriting deductions		86,625	55,731
6. Total underwriting deductions (Line 2 through Line 5)		1,434,829,133	1,415,041,043
7. Net income of protected cells		0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		67,058,009	37,109,894
INVESTMENT INCOME			
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)		216,905,910	220,039,308
10. Net realized capital gains (losses) less capital gains tax of \$ 5,301,726 (Exhibit of Capital Gains (Losses))		28,117,651	29,010,904
11. Net investment gain (loss) (Line 9 plus Line 10)		245,023,561	249,050,212
OTHER INCOME			
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 1,761,654 , amount charged off \$ 3,025,877)		(1,264,223)	(780,037)
13. Finance and service charges not included in premiums		0	0
14. Aggregate write-ins for miscellaneous income		65,634	42,312
15. Total other income (Line 12 through Line 14)		(1,198,589)	(737,725)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 8 plus Line 11 plus Line 15)		310,882,981	285,422,381
17. Dividends to policyholders		5,050,197	5,300,201
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)		305,832,784	280,122,180
19. Federal and foreign income taxes incurred		27,061,825	15,147,006
20. Net income (Line 18 minus Line 19) (to Line 22)		278,770,959	264,975,174
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)		2,440,762,836	2,424,142,269
22. Net income (from Line 20)		278,770,959	264,975,174
23. Net transfers (to) from Protected Cell accounts		0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 8,997,285		17,457,130	517,911
25. Change in net unrealized foreign exchange capital gain (loss)		(148,226)	(1,850,942)
26. Change in net deferred income tax		(5,529,841)	(6,840,769)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3)		34,267,664	4,002,828
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		1,279,359	(1,680,791)
29. Change in surplus notes		0	0
30. Surplus (contributed to) withdrawn from protected cells		0	0
31. Cumulative effect of changes in accounting principles		0	0
32. Capital changes:			
32.1 Paid in		0	0
32.2 Transferred from surplus (Stock Dividend)		0	0
32.3 Transferred to surplus		0	0
33. Surplus adjustments:			
33.1 Paid in		0	0
33.2 Transferred to capital (Stock Dividend)		0	0
33.3 Transferred from capital		0	0
34. Net remittances from or (to) Home Office		0	0
35. Dividends to stockholders		(244,000,000)	(242,000,000)
36. Change in treasury stock (Page 3, Line 36.1 and Line 36.2, Column 2 minus Column 1)		0	0
37. Aggregate write-ins for gains and losses in surplus		(26,661,933)	(502,844)
38. Change in surplus as regards policyholders for the year (Line 22 through Line 37)		55,435,112	16,620,567
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37)		2,496,197,948	2,440,762,836
DETAILS OF WRITE-INS			
0501. Minnesota workers' compensation premium assessment (net of intercompany pooling)		55,712	55,712
0502. LAD program expense		30,913	35,541
0503. North Carolina private passenger auto escrow (net of intercompany pooling)		0	(35,522)
0598. Summary of remaining write-ins for Line 5 from overflow page		0	0
0599. Totals (Line 0501 through Line 0503 plus Line 0598) (Line 5 above)		86,625	55,731
1401. Miscellaneous income		65,634	42,312
1402.		0	0
1403.		0	0
1498. Summary of remaining write-ins for Line 14 from overflow page		0	0
1499. Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)		65,634	42,312
3701. Change in additional admitted deferred income tax assets recognized under the provisions of SSAP No. 10R		(26,661,933)	(502,844)
3702.		0	0
3703.		0	0
3798. Summary of remaining write-ins for Line 37 from overflow page		0	0
3799. Totals (Line 3701 through Line 3703 plus Line 3798) (Line 37 above)		(26,661,933)	(502,844)

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	1,522,967,415	1,451,696,318
2. Net investment income	247,346,556	247,567,357
3. Miscellaneous income	(21,392,094)	26,136,011
4. Total (Line 1 through Line 3)	1,748,921,877	1,725,399,686
5. Benefit and loss related payments	678,364,503	725,457,368
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	660,031,382	638,659,611
8. Dividends paid to policyholders	4,371,464	5,858,088
9. Federal and foreign income taxes paid (recovered) net of \$ 6,769,584 tax on capital gains (losses)	41,276,647	25,531,254
10. Total (Line 5 through Line 9)	1,384,043,996	1,395,506,321
11. Net cash from operations (Line 4 minus Line 10)	364,877,881	329,893,365
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	901,182,531	563,203,417
12.2 Stocks	39,869,815	38,382,531
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	43,489,682	57,640,862
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	58,337	(206,658)
12.7 Miscellaneous proceeds	4,645,000	(4,645,000)
12.8 Total investment proceeds (Line 12.1 through Line 12.7)	989,245,365	654,375,152
13. Cost of investments acquired (long-term only):		
13.1 Bonds	837,859,266	737,448,607
13.2 Stocks	43,556,257	42,521,563
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	6,747,267	14,264,738
13.6 Miscellaneous applications	(9,720,869)	(5,266,731)
13.7 Total investments acquired (Line 13.1 through Line 13.6)	878,441,921	788,968,177
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	110,803,444	(134,593,025)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	244,000,000	242,000,000
16.6 Other cash provided (applied)	0	0
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(244,000,000)	(242,000,000)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	231,681,325	(46,699,660)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	867,211	47,566,871
19.2 End of year (Line 18 plus Line 19.1)	232,548,536	867,211

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

20.0001 Line 12.1 and line 13.1 reflect bond exchanges	73,693,650	50,431,105
20.0002 Line 12.2 and line 13.2 reflect stock swaps	11,981,854	6,667,449
20.0003	0	0
20.0004	0	0
20.0005	0	0
20.0006	0	0
20.0007	0	0
20.0008	0	0
20.0009	0	0
20.0010	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums December 31 Prior Year- per Column 3, Last Year's Part 1	3 Unearned Premiums December 31 Current Year- per Column 5 Part 1A	4 Premiums Earned During Year (Columns 1 plus 2 minus 3)
1. Fire	27,330,044	13,999,580	13,667,658	27,661,966
2. Allied lines	15,741,224	2,389,631	6,024,638	12,106,217
3. Farmowners multiple peril	0	0	0	0
4. Homeowners multiple peril	284,514,485	156,379,336	163,627,079	277,266,742
5. Commercial multiple peril	227,195,205	124,177,788	121,993,831	229,379,162
6. Mortgage guaranty	0	0	0	0
8. Ocean marine	15,874,988	8,521,532	7,467,708	16,928,812
9. Inland marine	97,669,277	51,323,354	53,084,209	95,908,422
10. Financial guaranty	0	0	0	0
11.1 Medical professional liability - occurrence	(6,866)	1,940	797	(5,723)
11.2 Medical professional liability - claims-made	582,685	294,570	279,434	597,821
12. Earthquake	10,783,429	5,093,175	5,359,432	10,517,172
13. Group accident and health	20,194,501	6,669,163	5,915,265	20,948,399
14. Credit accident and health (group and individual)	0	0	0	0
15. Other accident and health	138,248	67,323	64,586	140,985
16. Workers' compensation	162,525,020	55,524,260	61,288,095	156,761,185
17.1 Other liability - occurrence	154,032,758	77,376,756	79,791,465	151,618,049
17.2 Other liability - claims-made	240,936,187	141,613,326	133,869,130	248,680,383
17.3 Excess Workers' Compensation	992,044	390,217	443,591	938,670
18.1 Products liability - occurrence	37,554,069	18,297,287	18,703,906	37,147,450
18.2 Products liability - claims-made	4,383,074	2,786,779	2,129,728	5,040,125
19.1, 19.2 Private passenger auto liability	36,416,612	18,211,948	18,450,971	36,177,589
19.3, 19.4 Commercial auto liability	25,996,693	11,854,894	12,465,083	25,386,504
21. Auto physical damage	38,960,260	19,208,127	20,027,107	38,141,280
22. Aircraft (all perils)	8,982,310	3,374,071	3,501,041	8,855,340
23. Fidelity	39,623,525	21,739,496	20,690,193	40,672,828
24. Surety	35,420,314	31,291,009	26,412,824	40,298,499
26. Burglary and theft	5,871,806	3,641,648	3,485,037	6,028,417
27. Boiler and machinery	14,302,773	8,059,243	7,819,292	14,542,724
28. Credit	63,608	66,617	43,109	87,116
29. International	0	0	0	0
30. Warranty	77,408	4,898	4,658	77,648
31. Reinsurance - Nonproportional Assumed Property	54,464	141	71	54,534
32. Reinsurance - Nonproportional Assumed Liability	(109,421)	3,440	2,728	(108,709)
33. Reinsurance - Nonproportional Assumed Financial Lines	28,014	60,857	51,336	37,535
34. Aggregate write-ins for other lines of business	0	0	0	0
35. TOTALS	1,506,128,738	782,422,406	786,664,002	1,501,887,142
DETAILS OF WRITE-INS				
3401.	0	0	0	0
3402.	0	0	0	0
3403.	0	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	0	0	0	0

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 Columns 1 + 2 + 3 + 4
1. Fire	12,582,742	1,084,916	0	0	13,667,658
2. Allied lines	5,999,978	24,660	0	0	6,024,638
3. Farmowners multiple peril	0	0	0	0	0
4. Homeowners multiple peril	163,627,079	0	0	0	163,627,079
5. Commercial multiple peril	119,432,937	2,083,568	477,326	0	121,993,831
6. Mortgage guaranty	0	0	0	0	0
8. Ocean marine	7,441,478	26,230	0	0	7,467,708
9. Inland marine	50,253,564	2,830,645	0	0	53,084,209
10. Financial guaranty	0	0	0	0	0
11.1 Medical professional liability - occurrence	797	0	0	0	797
11.2 Medical professional liability - claims-made	256,393	23,041	0	0	279,434
12. Earthquake	5,359,432	0	0	0	5,359,432
13. Group accident and health	3,247,907	2,667,358	0	0	5,915,265
14. Credit accident and health (group and individual)	0	0	0	0	0
15. Other accident and health	64,586	0	0	0	64,586
16. Workers' compensation	64,704,908	89,947	(3,928,700)	421,940	61,288,095
17.1 Other liability - occurrence	65,104,289	11,025,314	484,874	3,176,988	79,791,465
17.2 Other liability - claims-made	112,502,686	21,366,444	0	0	133,869,130
17.3 Excess Workers' Compensation	443,591	0	0	0	443,591
18.1 Products liability - occurrence	17,264,043	1,439,863	0	0	18,703,906
18.2 Products liability - claims-made	2,003,198	126,530	0	0	2,129,728
19.1, 19.2 Private passenger auto liability	18,450,971	0	0	0	18,450,971
19.3, 19.4 Commercial auto liability	11,094,745	1,368,298	0	2,040	12,465,083
21. Auto physical damage	20,001,528	25,579	0	0	20,027,107
22. Aircraft (all perils)	3,501,041	0	0	0	3,501,041
23. Fidelity	18,949,087	1,741,106	0	0	20,690,193
24. Surety	4,629,543	21,783,281	0	0	26,412,824
26. Burglary and theft	2,596,087	888,950	0	0	3,485,037
27. Boiler and machinery	7,706,400	112,892	0	0	7,819,292
28. Credit	43,109	0	0	0	43,109
29. International	0	0	0	0	0
30. Warranty	4,658	0	0	0	4,658
31. Reinsurance - Nonproportional Assumed Property	71	0	0	0	71
32. Reinsurance - Nonproportional Assumed Liability	2,728	0	0	0	2,728
33. Reinsurance - Nonproportional Assumed Financial Lines	51,336	0	0	0	51,336
34. Aggregate write-ins for other lines of business	0	0	0	0	0
35. TOTALS	717,320,912	68,708,622	(2,966,500)	3,600,968	786,664,002
36. Accrued retrospective premiums based on experience					0
37. Earned but unbilled premiums					2,966,500
38. Balance (Sum of Line 35 through Line 37)					789,630,502
DETAILS OF WRITE-INS					
3401.	0	0	0	0	0
3402.	0	0	0	0	0
3403.	0	0	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	0	0	0	0	0

(a) State here basis of computation used in each case.
Pro-rata on unexpired risks

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B-PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Columns 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire	773,064	27,814,846	3,644,149	816,908	4,085,107	27,330,044
2. Allied lines	617,920	16,519,863	43,371	587,029	852,901	15,741,224
3. Farmowners multiple peril	0	0	0	0	0	0
4. Homeowners multiple peril	282,637,493	271,683,026	0	234,589,119	35,216,915	284,514,485
5. Commercial multiple peril	30,448,616	268,824,951	0	25,422,558	46,655,804	227,195,205
6. Mortgage guaranty	0	0	0	0	0	0
8. Ocean marine	0	18,992,070	0	(39,264)	3,156,346	15,874,988
9. Inland marine	76,959,567	106,466,575	0	69,611,392	16,145,473	97,669,277
10. Financial guaranty	0	0	0	0	0	0
11.1 Medical professional liability - occurrence	0	(7,124)	0	0	(258)	(6,866)
11.2 Medical professional liability - claims-made	0	582,685	0	0	0	582,685
12. Earthquake	5,771,874	9,801,179	0	4,790,655	(1,031)	10,783,429
13. Group accident and health	0	20,827,806	0	77	633,228	20,194,501
14. Credit accident and health (group and individual)	0	0	0	0	0	0
15. Other accident and health	0	138,248	0	0	0	138,248
16. Workers' compensation	158,545,569	154,287,146	0	131,593,553	18,714,142	162,525,020
17.1 Other liability - occurrence	29,562,182	157,713,130	0	24,976,584	8,265,970	154,032,758
17.2 Other liability - claims-made	1,430,298	252,948,713	0	1,216,493	12,226,331	240,936,187
17.3 Excess Workers' Compensation	59,502	1,002,488	0	49,388	20,558	992,044
18.1 Products liability - occurrence	5,231,755	38,411,110	0	4,626,346	1,462,450	37,554,069
18.2 Products liability - claims-made	559,730	6,095,562	0	464,576	1,807,642	4,383,074
19.1, 19.2 Private passenger auto liability	21,325,147	33,366,073	0	18,190,869	83,739	36,416,612
19.3, 19.4 Commercial auto liability	180,184	26,994,451	0	232,859	945,083	25,996,693
21. Auto physical damage	19,640,315	37,480,534	0	16,714,831	1,445,758	38,960,260
22. Aircraft (all perils)	0	18,934,757	0	0	9,952,447	8,982,310
23. Fidelity	289,643	40,257,003	0	240,704	682,417	39,623,525
24. Surety	5,447,427	34,666,269	0	4,521,359	172,023	35,420,314
26. Burglary and theft	673,752	5,771,642	0	559,209	14,379	5,871,806
27. Boiler and machinery	5,267,276	15,761,461	0	4,377,955	2,348,009	14,302,773
28. Credit	0	223,462	0	0	159,854	63,608
29. International	0	0	0	0	0	0
30. Warranty	0	77,408	0	0	0	77,408
31. Reinsurance - Nonproportional Assumed Property	X X X	115,396	0	0	60,932	54,464
32. Reinsurance - Nonproportional Assumed Liability	X X X	(36,668)	0	0	72,753	(109,421)
33. Reinsurance - Nonproportional Assumed Financial Lines	X X X	34,660	0	0	6,646	28,014
34. Aggregate write-ins for other lines of business	0	0	0	0	0	0
35. TOTALS	645,421,314	1,565,748,722	3,687,520	543,543,200	165,185,618	1,506,128,738
DETAILS OF WRITE-INS						
3401.	0	0	0	0	0	0
3402.	0	0	0	0	0	0
3403.	0	0	0	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	0	0	0	0	0	0

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes () No (X)
If yes: 1. The amount of such installment premiums \$ 0
2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 0

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE PACIFIC INDEMNITY COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5	6	7	8
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Columns 1 plus 2 minus 3)	Net Losses Unpaid Current Year (Part 2A, Column 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Columns 4 plus 5 minus 6)	Percentage of Losses Incurred (Column 7, Part 2) to Premiums Earned (Column 4, Part 1)
1. Fire	450,204	14,216,992	474,688	14,192,508	17,958,156	16,614,492	15,536,172	56.2
2. Allied lines	128,765	4,087,677	293,091	3,923,351	7,148,445	2,142,528	8,929,268	73.8
3. Farmowners multiple peril	0	0	0	0	0	0	0	0.0
4. Homeowners multiple peril	145,054,970	143,782,971	121,557,805	167,280,136	99,057,023	79,319,138	187,018,021	67.5
5. Commercial multiple peril	5,964,500	103,610,323	8,585,858	100,988,965	245,517,492	203,911,669	142,594,788	62.2
6. Mortgage guaranty	0	0	0	0	0	0	0	0.0
8. Ocean marine	0	11,045,748	1,195,960	9,849,788	17,251,803	16,000,495	11,101,096	65.6
9. Inland marine	22,011,572	42,077,311	20,430,220	43,658,663	26,382,632	28,684,916	41,356,379	43.1
10. Financial guaranty	0	0	0	0	0	0	0	0.0
11.1 Medical professional liability - occurrence	258,600	439,700	366,334	331,966	2,085,168	3,038,282	(621,148)	10,853.5
11.2 Medical professional liability - claims-made	0	242,831	76,501	166,330	3,750,480	4,595,674	(678,864)	(113.6)
12. Earthquake	0	0	0	0	1,533	38	1,495	0.0
13. Group accident and health	0	10,160,125	732,442	9,427,683	16,386,998	14,723,361	11,091,320	52.9
14. Credit accident and health (group and individual)	0	0	0	0	0	0	0	0.0
15. Other accident and health	0	248,440	0	248,440	51,736	202,161	98,015	69.5
16. Workers' compensation	58,017,137	51,031,281	53,149,799	55,898,619	351,141,400	320,308,114	86,731,905	55.3
17.1 Other liability - occurrence	30,468,328	59,569,634	32,576,426	57,461,536	648,859,359	649,830,153	56,490,742	37.3
17.2 Other liability - claims-made	1,148,662	105,553,592	8,006,457	98,695,797	547,746,860	558,741,694	87,700,963	35.3
17.3 Excess Workers' Compensation	160	103,894	7,026	97,028	1,507,547	1,107,991	496,584	52.9
18.1 Products liability - occurrence	1,011,077	11,924,266	1,551,764	11,383,579	102,768,261	91,527,071	22,624,769	60.9
18.2 Products liability - claims-made	0	3,813,753	412,259	3,401,494	8,937,344	7,641,831	4,697,007	93.2
19.1, 19.2 Private passenger auto liability	13,966,406	19,405,220	12,800,872	20,570,754	36,064,564	37,879,942	18,755,376	51.8
19.3, 19.4 Commercial auto liability	1,014,120	12,542,412	1,464,419	12,092,113	32,481,567	31,509,412	13,064,288	51.5
21. Auto physical damage	9,087,325	22,300,995	8,077,776	23,310,544	(927,296)	(60,417)	22,443,665	58.8
22. Aircraft (all perils)	0	12,067,865	6,840,184	5,227,681	6,838,848	5,782,316	6,284,213	71.0
23. Fidelity	52,530	28,248,245	14,317	28,286,458	29,478,821	30,702,720	27,062,559	66.5
24. Surety	(321,471)	1,178,349	(195,261)	1,052,139	7,920,735	6,992,983	1,979,891	4.9
26. Burglary and theft	11	768,927	9	768,929	2,142,779	612,623	2,299,085	38.1
27. Boiler and machinery	2,206,277	7,008,206	1,841,272	7,373,211	2,962,821	2,764,465	7,571,567	52.1
28. Credit	0	561,152	484,329	76,823	581,567	646,809	11,581	13.3
29. International	0	0	0	0	0	0	0	0.0
30. Warranty	0	70,040	0	70,040	35,871	9,457	96,454	124.2
31. Reinsurance- Nonproportional Assumed Property	X X X	1,697,620	280,850	1,416,770	400,993	2,114,684	(296,921)	(544.5)
32. Reinsurance- Nonproportional Assumed Liability	X X X	2,597,415	548,463	2,048,952	17,001,465	20,247,905	(1,197,488)	1,101.6
33. Reinsurance- Nonproportional Assumed Financial Lines	X X X	(13,906)	(26,218)	12,312	1,272,750	1,479,803	(194,741)	(518.8)
34. Aggregate write-ins for other lines of business	0	0	0	0	0	0	0	0.0
35. TOTALS	290,519,173	670,341,078	281,547,642	679,312,609	2,232,807,722	2,139,072,310	773,048,021	51.5
DETAILS OF WRITE-INS								
3401	0	0	0	0	0	0	0	0.0
3402	0	0	0	0	0	0	0	0.0
3403	0	0	0	0	0	0	0	0.0
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0	0	0.0
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	0	0	0	0	0	0	0	0.0

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE PACIFIC INDEMNITY COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Columns 4 plus 5 plus 6 minus 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excluding Incurred But Not Reported (Columns 1 plus 2 minus 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	173,422	7,958,046	223,945	7,907,523	(3,262)	10,325,007	271,112	17,958,156	1,910,952
2. Allied lines	32,806	2,707,822	436,098	2,304,530	1,336,355	4,853,007	1,345,447	7,148,445	449,057
3. Farmowners multiple peril	0	0	0	0	0	0	0	0	0
4. Homeowners multiple peril	41,604,328	35,231,252	35,128,006	41,707,574	43,845,998	70,704,282	57,200,831	99,057,023	23,606,884
5. Commercial multiple peril	12,700,424	90,839,719	14,564,261	88,975,882	17,792,418	180,190,156	41,440,964	245,517,492	105,751,287
6. Mortgage guaranty	0	0	0	0	0	0	0	0	0
8. Ocean marine	0	9,438,722	2,112,892	7,325,830	0	11,580,772	1,654,799	17,251,803	3,456,680
9. Inland marine	4,671,217	11,462,758	4,302,004	11,831,971	23,212,462	13,014,101	21,675,902	26,382,632	2,485,704
10. Financial guaranty	0	0	0	0	0	0	0	0	0
11.1 Medical professional liability - occurrence	0	721,283	62,464	658,819	0	2,319,146	892,797	2,085,168	24,276
11.2 Medical professional liability - claims-made	0	3,163,118	1,869,311	1,293,807	0	3,892,655	1,435,982	3,750,480	1,087,758
12. Earthquake	0	0	0	0	0	1,533	0	1,533	9,407
13. Group accident and health	0	8,943,491	6,494,948	2,448,543	0	14,725,615	787,160	(a) 16,386,998	1,609,948
14. Credit accident and health (group and individual)	0	0	0	0	0	0	0	0	0
15. Other accident and health	0	1,705	0	1,705	0	50,031	0	(a) 51,736	8,101
16. Workers' compensation	176,090,110	113,462,882	163,743,082	125,809,910	211,366,670	206,425,781	192,460,961	351,141,400	70,591,293
17.1 Other liability - occurrence	45,315,667	98,256,983	51,143,957	92,428,693	111,156,262	577,572,329	132,297,925	648,859,359	87,508,685
17.2 Other liability - claims-made	1,922,042	106,218,695	11,415,700	96,725,037	2,334,053	485,012,926	36,325,156	547,746,860	309,050,660
17.3 Excess Workers' Compensation	0	381,156	17,466	363,690	53,536	1,166,829	76,508	1,507,547	321,103
18.1 Products liability - occurrence	32,864,639	36,343,411	29,171,575	40,036,475	32,297,324	58,688,934	28,254,472	102,768,261	72,887,088
18.2 Products liability - claims-made	297,000	4,443,542	1,097,233	3,643,309	579,193	5,770,457	1,055,615	8,937,344	8,769,103
19.1, 19.2 Private passenger auto liability	16,318,386	25,094,929	16,296,574	25,116,741	7,236,066	9,985,018	6,273,261	36,064,564	10,756,125
19.3, 19.4 Commercial auto liability	958,000	19,161,305	1,666,404	18,452,901	149,880	14,568,477	689,691	32,481,567	8,468,132
21. Auto physical damage	302,732	821,881	288,504	836,109	(690,747)	(754,071)	318,587	(927,296)	1,278,491
22. Aircraft (all perils)	0	4,586,839	2,170,475	2,416,364	800	9,046,562	4,624,878	6,838,848	1,277,266
23. Fidelity	0	2,737,463	0	2,737,463	130,569	27,003,492	392,703	29,478,821	5,141,088
24. Surety	568,490	1,772,970	632,576	1,708,884	957,160	6,239,473	984,782	7,920,735	721,183
26. Burglary and theft	0	26,413	0	26,413	79,101	2,104,399	67,134	2,142,779	236,724
27. Boiler and machinery	1,146,942	1,913,660	951,962	2,108,640	297,871	843,987	287,677	2,962,821	563,551
28. Credit	0	935,315	544,820	390,495	0	734,440	543,368	581,567	2,269
29. International	0	0	0	0	0	0	0	0	0
30. Warranty	0	0	0	0	0	35,871	0	35,871	8,918
31. Reinsurance- Nonproportional Assumed Property	X X X	1,337,309	1,269,798	67,511	X X X	458,377	124,895	400,993	0
32. Reinsurance- Nonproportional Assumed Liability	X X X	5,690,973	1,773,471	3,917,502	X X X	17,168,124	4,084,161	17,001,465	83,541
33. Reinsurance- Nonproportional Assumed Financial Lines	X X X	827,698	49,148	778,550	X X X	518,693	24,493	1,272,750	18,562
34. Aggregate write-ins for other lines of business	0	0	0	0	0	0	0	0	0
35. TOTALS	334,966,205	594,481,340	347,426,674	582,020,871	452,131,709	1,734,246,403	535,591,261	2,232,807,722	718,083,836
DETAILS OF WRITE-INS									
3401.	0	0	0	0	0	0	0	0	0
3402.	0	0	0	0	0	0	0	0	0
3403.	0	0	0	0	0	0	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0	0	0	0
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	0	0	0	0	0	0	0	0	0

(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	31,586,050	0	0	31,586,050
1.2 Reinsurance assumed	152,452,583	0	0	152,452,583
1.3 Reinsurance ceded	33,822,261	0	0	33,822,261
1.4 Net claim adjustment services (Line 1.1 plus Line 1.2 minus Line 1.3)	150,216,372	0	0	150,216,372
2. Commission and brokerage:				
2.1 Direct excluding contingent	0	96,253,164	0	96,253,164
2.2 Reinsurance assumed excluding contingent	0	226,508,941	0	226,508,941
2.3 Reinsurance ceded excluding contingent	0	102,403,429	0	102,403,429
2.4 Contingent - direct	0	0	0	0
2.5 Contingent - reinsurance assumed	0	88,870	0	88,870
2.6 Contingent - reinsurance ceded	0	92,145	0	92,145
2.7 Policy and membership fees	0	0	0	0
2.8 Net commission and brokerage (Line 2.1 plus Line 2.2 minus Line 2.3 plus Line 2.4 plus Line 2.5 minus Line 2.6 plus Line 2.7)	0	220,355,401	0	220,355,401
3. Allowances to manager and agents	0	885,505	0	885,505
4. Advertising	0	2,266,911	0	2,266,911
5. Boards, bureaus and associations	407,896	3,744,053	0	4,151,949
6. Surveys and underwriting reports	0	1,505,569	0	1,505,569
7. Audit of assureds' records	0	267,915	0	267,915
8. Salary and related items:				
8.1 Salaries	32,841,297	96,478,459	1,839,320	131,159,076
8.2 Payroll taxes	2,069,853	5,842,693	69,091	7,981,637
9. Employee relations and welfare	9,955,676	29,550,606	485,032	39,991,314
10. Insurance	388,203	1,552,600	0	1,940,803
11. Directors' fees	0	0	0	0
12. Travel and travel items	1,046,586	5,207,466	28,761	6,282,813
13. Rent and rent items	2,761,521	7,174,333	108,569	10,044,423
14. Equipment	173,854	646,448	2,844	823,146
15. Cost or depreciation of EDP equipment and software	1,290,900	6,685,346	43,561	8,019,807
16. Printing and stationery	196,852	889,996	18,530	1,105,378
17. Postage, telephone and telegraph, exchange and express	763,341	2,653,862	17,728	3,434,931
18. Legal and auditing	357,385	1,286,224	2,327,697	3,971,306
19. Totals (Line 3 through Line 18)	52,253,364	166,637,986	4,941,133	223,832,483
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 162,122	3,234,730	30,629,038	0	33,863,768
20.2 Insurance department licenses and fees	0	4,698,476	0	4,698,476
20.3 Gross guaranty association assessments	0	(37,644)	0	(37,644)
20.4 All other (excluding federal and foreign income and real estate)	0	3,360,218	0	3,360,218
20.5 Total taxes, licenses and fees (Line 20.1 plus Line 20.2 plus Line 20.3 plus Line 20.4)	3,234,730	38,650,088	0	41,884,818
21. Real estate expenses	454,174	1,098,344	0	1,552,518
22. Real estate taxes	93,112	260,673	0	353,785
23. Reimbursements by uninsured plans	0	0	0	0
24. Aggregate write-ins for miscellaneous expenses	13,344,022	15,151,933	74,248	28,570,203
25. Total expenses incurred	219,595,774	442,154,425	5,015,381	666,765,580
26. Less unpaid expenses - current year	718,083,836	80,638,119	973,031	799,694,986
27. Add unpaid expenses - prior year	722,856,783	74,086,111	717,933	797,660,827
28. Amounts receivable relating to uninsured plans, prior year	0	0	0	0
29. Amounts receivable relating to uninsured plans, current year	0	0	0	0
30. TOTAL EXPENSES PAID (Line 25 minus Line 26 plus Line 27 minus Line 28 plus Line 29)	224,368,721	435,602,417	4,760,283	664,731,421
DETAILS OF WRITE-INS				
2401. Outside services	7,784,650	14,810,392	74,248	22,669,290
2402. Change in unallocated loss adjustment expense reserve	5,034,755	0	0	5,034,755
2403. Miscellaneous expense	524,617	341,541	0	866,158
2498. Summary of remaining write-ins for Line 24 from overflow page	0	0	0	0
2499. Totals (Line 2401 through Line 2403 plus Line 2498) (Line 24 above)	13,344,022	15,151,933	74,248	28,570,203

(a) Includes management fees of \$ 2,749,100 to affiliates and \$ 2,204,376 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U. S. Government bonds	(a) 2,263,763	2,267,265
1.1 Bonds exempt from U. S. tax	(a) 154,858,138	152,618,132
1.2 Other bonds (unaffiliated)	(a) 53,647,191	53,651,275
1.3 Bonds of affiliates	(a) 0	0
2.1 Preferred stocks (unaffiliated)	(b) 0	0
2.11 Preferred stocks of affiliates	(b) 0	0
2.2 Common stocks (unaffiliated)	11,258,659	11,208,365
2.21 Common stocks of affiliates	0	0
3. Mortgage loans	(c) 0	0
4. Real estate	(d) 0	0
5. Contract loans	0	0
6. Cash, cash equivalents and short-term investments	(e) 422,884	427,376
7. Derivative instruments	(f) 0	0
8. Other invested assets	1,582,087	1,582,087
9. Aggregate write-ins for investment income	511,839	511,839
10. Total gross investment income	224,544,561	222,266,339
11. Investment expenses		(g) 5,015,381
12. Investment taxes, licenses and fees, excluding federal income taxes		(g) 0
13. Interest expense		(h) 0
14. Depreciation on real estate and other invested assets		(i) 0
15. Aggregate write-ins for deductions from investment income		345,048
16. Total deductions (Line 11 through Line 15)		5,360,429
17. Net investment income (Line 10 minus Line 16)		216,905,910
DETAILS OF WRITE-INS		
0901. Miscellaneous investment income	511,839	511,839
0902.	0	0
0903.	0	0
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)	511,839	511,839
1501. Miscellaneous interest expense		345,048
1502.		0
1503.		0
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Totals (Line 1501 through Line 1503 plus Line 1598) (Line 15 above)		345,048
(a) Includes \$ 3,794,484 accrual of discount less \$ 34,128,152 amortization of premium and less \$ 968,287 paid for accrued interest on purchases.	(f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.	
(b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.	(g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.	
(c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.	(h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.	
(d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.	(i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.	
(e) Includes \$ 396,056 accrual of discount less \$ 1,735 amortization of premium and less \$ 17,345 paid for accrued interest on purchases.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Col. 1 + Col. 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U. S. Government bonds	0	0	0	0	0
1.1 Bonds exempt from U. S. tax	(1,010,489)	0	(1,010,489)	673,569	0
1.2 Other bonds (unaffiliated)	9,280,148	969,641	10,249,789	0	750,922
1.3 Bonds of affiliates	0	0	0	0	0
2.1 Preferred stocks (unaffiliated)	0	0	0	0	0
2.11 Preferred stocks of affiliates	0	0	0	0	0
2.2 Common stocks (unaffiliated)	15,628,370	(10,894,144)	4,734,226	46,648,106	0
2.21 Common stocks of affiliates	0	0	0	782,300	0
3. Mortgage loans	0	0	0	0	0
4. Real estate	0	0	0	0	0
5. Contract loans	0	0	0	0	0
6. Cash, cash equivalents and short-term investments	1,146	72,793	73,939	0	(15,602)
7. Derivative instruments	0	0	0	0	0
8. Other invested assets	20,693,088	(942,403)	19,750,685	(21,649,560)	0
9. Aggregate write-ins for capital gains (losses)	0	(378,773)	(378,773)	0	(883,546)
10. Total capital gains (losses)	44,592,263	(11,172,886)	33,419,377	26,454,415	(148,226)
DETAILS OF WRITE-INS					
0901. Foreign exchange loss - underwriting	0	(378,773)	(378,773)	0	(883,546)
0902.	0	0	0	0	0
0903.	0	0	0	0	0
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)	0	(378,773)	(378,773)	0	(883,546)

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	575,301	458,257	(117,044)
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)	0	0	0
6. Contract loans	0	0	0
7. Derivatives (Schedule DB)	0	0	0
8. Other invested assets (Schedule BA)	0	0	0
9. Receivables for securities	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL)	0	0	0
11. Aggregate write-ins for invested assets	0	0	0
12. Subtotals, cash and invested assets (Line 1 to Line 11)	575,301	458,257	(117,044)
13. Title plants (for Title insurers only)	0	0	0
14. Investment income due and accrued	0	0	0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	2,378,177	2,971,043	592,866
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	672,338	502,411	(169,927)
15.3 Accrued retrospective premiums	0	0	0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers	0	0	0
16.2 Funds held by or deposited with reinsured companies	0	0	0
16.3 Other amounts receivable under reinsurance contracts	0	0	0
17. Amounts receivable relating to uninsured plans	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
18.2 Net deferred tax asset	44,846,111	60,734,586	15,888,475
19. Guaranty funds receivable or on deposit	0	0	0
20. Electronic data processing equipment and software	0	0	0
21. Furniture and equipment, including health care delivery assets	0	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
23. Receivable from parent, subsidiaries and affiliates	0	0	0
24. Health care and other amounts receivable	0	0	0
25. Aggregate write-ins for other than invested assets	8,656,469	67,830	(8,588,639)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 12 to Line 25)	57,128,396	64,734,127	7,605,731
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
28. Total (Line 26 and Line 27)	57,128,396	64,734,127	7,605,731
DETAILS OF WRITE-INS			
1101.	0	0	0
1102.	0	0	0
1103.	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0
1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above)	0	0	0
2501. Prepaid expenses	8,655,515	0	(8,655,515)
2502. Amounts receivable under high deductible policies	563	2,671	2,108
2503. Accounts receivable - sundry	391	0	(391)
2598. Summary of remaining write-ins for Line 25 from overflow page	0	65,159	65,159
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)	8,656,469	67,830	(8,588,639)

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

The financial statements have been prepared in accordance with the NAIC *Accounting Practices and Procedures Manual*.

B. Management Estimates

The financial statements include amounts based on informed estimates and judgments of management for transactions that are not yet complete. Such estimates and judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

C. Accounting Policies

Invested assets:

- Cash equivalents and short-term investments are carried at amortized cost, which approximates fair value. Cash equivalents are highly liquid investments with original maturities of three months or less. All other investments with remaining maturities of one year or less at the time of acquisition are classified as short-term investments.
- Bonds not backed by loans with an NAIC designation of 1 or 2 are carried at amortized cost using the interest method.
- Loan-backed securities with an NAIC designation of 1 or 2 are carried at amortized cost using the interest method, adjusted for anticipated prepayments. Prepayment assumptions are reviewed periodically and revised as necessary. Significant changes in estimated cash flows due to revisions in prepayment assumptions are accounted for through a retrospective adjustment to book value.
- Bonds with an NAIC designation of 3 through 6 are carried at the lower of amortized cost or fair value as of the balance sheet date.
- Common stocks are carried at fair value as of the balance sheet date.
- Investments in subsidiaries and affiliates are carried on the equity basis determined in accordance with statutory valuation methods.
- Other invested assets primarily include private equity limited partnerships which are carried at the Company's equity in the net assets of the partnerships based on valuations provided by the manager of each partnership. As a result of the timing of the receipt of valuation data from the investment managers, these investments are generally reported on a three month lag. Net distributions received from the partnerships are recognized as investment income or realized capital gains or losses to the extent such distributions do not exceed the Company's share of undistributed accumulated earnings of the partnership. Distributions received in excess of the Company's share of undistributed accumulated earnings of the partnership reduce the carrying amount of the investment. The Company's share of undistributed losses of the partnerships is recognized as realized capital losses. The Company's share of undistributed earnings of the partnerships is included in unrealized capital gains.
- Unrealized capital gains or losses related to invested assets carried at fair value or accounted for on the equity basis are excluded from income and credited or charged, net of applicable deferred income tax, directly to policyholders' surplus.
- Realized capital gains and losses on the sale of invested assets are determined on the basis of the cost of the specific assets sold and are included in net income. When the fair value of an invested asset is lower than its cost, an assessment is made to determine whether the decline is temporary or other than temporary. For invested assets other than loan-backed securities, if the decline is deemed to be other than temporary, the investment is written down to fair value. For loan-backed securities, if the decline is deemed to be other than temporary and the Company concludes it has the intent to sell the security or it does not have both the intent and ability to retain the security for a period of time sufficient to recover its amortized cost basis, the security is written down to fair value. If the decline is deemed to be other than temporary and the Company does not expect to recover the entire amortized cost basis of the security even if it has no intent to sell and has the intent and ability to hold the security, the security is written down to the present value of cash flows expected to be collected, discounted at the security's effective interest rate. Writedowns for all invested assets are included in net income as a realized capital loss and the previous cost basis of the invested asset less the amount of the writedown becomes the invested asset's new cost basis.

Insurance premiums are earned on a monthly pro rata basis over the terms of the policies and include estimates of audit premiums and premiums on retrospectively rated policies. Assumed reinsurance premiums are earned over the terms of the reinsurance contracts. Ceded reinsurance premiums are reflected in operating results over the terms of the reinsurance contracts. Unearned premiums represent the portion of premiums written applicable to the unexpired terms of the insurance policies and reinsurance contracts in force. Reinsurance reinstatement premiums are recognized in the same period as the loss event that gave rise to the reinstatement premiums. Accrued retrospective premiums are determined based upon loss experience on business subject to such experience rating adjustment. Accrued retrospective premiums are recorded as an adjustment to premiums earned.

Expenses incurred related to the acquisition of new or renewal insurance contracts, including such costs as commissions and premium taxes, are reflected in operating results as incurred. Expenses incurred are reduced for ceding commissions related to outbound reinsurance contracts.

The Company considers anticipated investment income as a factor in the premium deficiency reserve calculation.

Unpaid losses and loss adjustment expenses (also referred to as loss reserves) include the accumulation of individual case estimates for claims that have been reported and estimates of claims that have been incurred but not reported as well as estimates of the expenses associated with processing and settling all reported and unreported claims, less estimates of anticipated salvage and subrogation recoveries. Estimates are based upon past loss experience modified for current trends as well as prevailing economic, legal and social conditions. With regard to asbestos and toxic waste claims, the Company establishes case reserves and expense reserves for costs of related litigation where sufficient information has been developed to indicate the involvement of a specific insurance policy. In establishing such reserves, the exposure presented by each insured is evaluated. In addition, incurred but not reported (IBNR) reserves are established to cover additional exposures on both known and unasserted claims. Loss reserves are regularly reviewed using a variety of actuarial techniques. Reserve estimates are updated as historical loss experience develops, additional claims are reported and/or settled and new information becomes available. Any changes in estimates are reflected in operating results in the period in which the estimates are changed.

Deferred income tax assets and liabilities are recognized for the expected future tax effects attributable to temporary differences between the financial reporting and tax bases of assets and liabilities, based on enacted tax rates and other provisions of tax law. The effect on deferred income tax assets and liabilities of a change in tax laws or rates is recognized in the period in which such change is enacted. Gross deferred income tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not (a likelihood of more than 50%) that all or some portion of the gross deferred income tax assets will not be realized. The net change in deferred income tax assets and liabilities is excluded from net income and credited or charged directly to policyholders' surplus. Admissibility of gross deferred income tax assets is determined in accordance with statutory accounting principles. Effective January 1, 2012, the Company adopted Statement of Statutory Accounting Principles No. 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10*, which modified the guidance for determining the admissibility of gross deferred income tax assets (see Note 2).

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

Effective January 1, 2012, the Company adopted Statement of Statutory Accounting Principles No. 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10* (SSAP No. 101). SSAP No. 101 modified the guidance for determining the admissibility of gross deferred income tax assets. Under the guidance, if an entity is subject to risk-based capital (RBC) reporting requirements, the amount of gross deferred income tax assets that may be admitted is, in part, determined by the entity's RBC level. The Statement prescribes the use of a specific realization period and threshold limitation for determining admitted gross deferred income tax assets based on an entity's RBC level.

NOTES TO FINANCIAL STATEMENTS

Under the previous guidance, Statement of Statutory Accounting Principles No. 10R, *Income Taxes - Revised, A Temporary Replacement of SSAP No. 10* (SSAP No. 10R), if an entity was subject to RBC reporting requirements and exceeded certain RBC thresholds, it could elect to admit a higher amount of gross deferred income tax assets under an alternative calculation in the Statement. The Company met such requirements and elected to admit additional deferred income tax assets. The additional amount of admitted deferred income tax assets recognized under SSAP No. 10R was separately reported as a write-in for gains and losses in surplus in the Statement of Income and for special surplus funds in the Statement of Liabilities, Surplus and Other Funds. Under SSAP No. 101, entities are no longer required to separately report, as a write-in, any portion of its admitted deferred income tax assets in the Statement of Income or Statement of Liabilities, Surplus and Other Funds. Therefore, the special surplus funds related to the additional admitted deferred income tax assets recognized under SSAP No. 10R were eliminated in conjunction with the adoption of SSAP No. 101.

The adoption of SSAP No. 101 had no effect on the Company's financial condition or results of operations.

During 2011, the Company had no changes in accounting principles.

During 2012 and 2011, the Company had no corrections of errors.

3. BUSINESS COMBINATIONS AND GOODWILL

Not applicable

4. DISCONTINUED OPERATIONS

Not applicable

5. INVESTMENTS

A. Mortgage Loans, including Mezzanine Real Estate Loans

Not applicable

B. Debt Restructuring

Not applicable

C. Reverse Mortgages

Not applicable

D. Loan-Backed Securities

- Prepayment assumptions for loan-backed securities are obtained from third party pricing services or based on internal estimates and are consistent with the current interest rate and economic environment.
- At December 31, 2012, the Company held no loan-backed securities with a recognized other-than-temporary impairment due to the Company's intent to sell a security or its inability or lack of intent to retain a security for a period of time sufficient to recover its amortized cost basis.
- At December 31, 2012, the Company held the following loan-backed securities with a recognized other-than-temporary impairment due to the Company's expectation that it will not recover the securities' entire amortized cost basis. Each of these securities has been written down to the present value of cash flows expected to be collected, discounted at the respective security's effective interest rate.

CUSIP	Amortized Value Before Other-Than- Temporary Impairment	Discounted Projected Cash Flows	Recognized Other-Than- Temporary Impairment	Adjusted Carrying Value After Other- Than-Temporary Impairment	Fair Value at Impairment Date	Date of Financial Statement Where Reported
12668BEH2	\$4,962,372	\$4,039,372	\$ 923,000	\$4,039,372	\$3,756,169	September 30, 2009
12668BEH2	3,651,887	3,150,276	<u>501,611</u>	3,150,276	3,648,240	September 30, 2012
			<u>\$1,424,611</u>			

- The following tables summarize, for all loan-backed securities in an unrealized capital loss position at December 31, 2012, the aggregate gross unrealized capital losses and fair value, by length of time that individual securities have continuously been in an unrealized capital loss position:

Aggregate gross unrealized capital losses:

Less than twelve months	\$78,667
Twelve months or more	6,733

Fair value of securities in continuous unrealized capital loss position:

Less than twelve months	\$5,291,846
Twelve months or more	2,451,259

- When the fair value of a loan-backed security is lower than its cost, an assessment is made to determine whether the decline is temporary or other than temporary. The assessment is based on both quantitative criteria and qualitative information and also considers a number of other factors including, but not limited to, the length of time and the extent to which the fair value has been less than the cost, the financial condition and near term prospects of the issuer, whether the issuer is current on contractually obligated interest and principal payments, general market conditions and industry or sector specific factors.

E. Repurchase Agreements and/or Securities Lending Transactions

Not applicable

F. Real Estate

Not applicable

G. Low-Income Housing Tax Credits

Not applicable

NOTES TO FINANCIAL STATEMENTS

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

- A. At December 31, 2012, the Company had no investments in joint ventures, partnerships or limited liability companies that exceeded 10% of its total admitted assets.
- B. During 2012, the Company recognized impairment writedowns of \$942,403 related to investments in certain limited partnerships. These writedowns were the result of a decline in the Company's equity in the net assets of the limited partnerships, based on valuations provided by the manager of each partnership.

7. INVESTMENT INCOME

- A. Due and accrued investment income over 90 days past due is nonadmitted.
- B. At December 31, 2012, the Company had no due and accrued investment income that was nonadmitted.

8. DERIVATIVE INSTRUMENTS

Not applicable

9. INCOME TAXES

- A. 1. The components of the Company's admitted net deferred income tax asset and changes therein were as follows:

	December 31, 2012		
	Ordinary Income Related	Capital Income Related	Total
Gross deferred income tax assets	\$190,621,750	\$57,987,935	\$248,609,685
Valuation allowance	-	-	-
Adjusted gross deferred income tax assets	190,621,750	57,987,935	248,609,685
Deferred income tax assets nonadmitted	44,846,111	-	44,846,111
Admitted gross deferred income tax assets	145,775,639	57,987,935	203,763,574
Gross deferred income tax liabilities	36,557,612	43,842,981	80,400,593
Admitted net deferred income tax asset	<u>\$109,218,027</u>	<u>\$14,144,954</u>	<u>\$123,362,981</u>

	December 31, 2011		
	Ordinary Income Related	Capital Income Related	Total
Gross deferred income tax assets	\$190,148,004	\$59,202,588	\$249,350,592
Valuation allowance	-	-	-
Adjusted gross deferred income tax assets	190,148,004	59,202,588	249,350,592
Deferred income tax assets nonadmitted	60,734,586	-	60,734,586
Admitted gross deferred income tax assets	129,413,418	59,202,588	188,616,006
Gross deferred income tax liabilities	21,987,104	44,627,270	66,614,374
Admitted net deferred income tax asset	<u>\$107,426,314</u>	<u>\$14,575,318</u>	<u>\$122,001,632</u>

	Increase (Decrease)		
	Ordinary Income Related	Capital Income Related	Total
Gross deferred income tax assets	\$ 473,746	\$(1,214,653)	\$ (740,907)
Valuation allowance	-	-	-
Adjusted gross deferred income tax assets	473,746	(1,214,653)	(740,907)
Deferred income tax assets nonadmitted	(15,888,475)	-	(15,888,475)
Admitted gross deferred income tax assets	16,362,221	(1,214,653)	15,147,568
Gross deferred income tax liabilities	14,570,508	(784,289)	13,786,219
Admitted net deferred income tax asset	<u>\$ 1,791,713</u>	<u>\$ (430,364)</u>	<u>\$ 1,361,349</u>

2. The components of the Company's admitted gross deferred income tax asset calculation, by tax character, were as follows:

	December 31, 2012		
	Ordinary Income Related	Capital Income Related	Total
Admitted gross deferred income tax asset calculation per SSAP No. 101:			
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 50,368,467	\$ 7,072,477	\$ 57,440,944
(b) The lesser of:	58,849,560	7,072,477	65,922,037
i. Adjusted gross deferred income tax assets, after application of (a), expected to be realized within three years	58,849,560	7,072,477	65,922,037
ii. Adjusted gross deferred income tax assets allowed per threshold limitation	X X X	X X X	355,925,245
(c) Adjusted gross deferred income tax assets, after application of (a) and (b), offset by gross deferred income tax liabilities	36,557,612	43,842,981	80,400,593
Total admitted gross deferred income tax assets	<u>\$145,775,639</u>	<u>\$57,987,935</u>	<u>\$203,763,574</u>

NOTES TO FINANCIAL STATEMENTS

	December 31, 2011		
	Ordinary Income Related	Capital Income Related	Total
Admitted gross deferred income tax asset calculation per SSAP No. 10R:			
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 56,968,540	\$13,799,537	\$ 70,768,077
(b) The lesser of:	50,457,774	775,781	51,233,555
i. Adjusted gross deferred income tax assets, after application of (a), expected to be realized within three years	50,457,774	775,781	51,233,555
ii. Adjusted gross deferred income tax assets allowed per threshold limitation	X X X	X X X	340,747,136
(c) Adjusted gross deferred income tax assets, after application of (a) and (b), offset by gross deferred income tax liabilities	21,987,104	44,627,270	66,614,374
Total admitted gross deferred income tax assets	<u>\$129,413,418</u>	<u>\$59,202,588</u>	<u>\$188,616,006</u>

3. The following were used to determine the recovery period and threshold limitation amount pursuant to paragraph 11.b. of SSAP No. 101:

	December 31, 2012
Ratio percentage of the adjusted capital and surplus to the authorized control level RBC	726%
Adjusted capital and surplus	\$2,372,834,967

4. The availability of tax-planning strategies had no impact on the Company's adjusted gross or admitted net deferred income tax assets at December 31, 2012 or December 31, 2011.

B. There are no temporary differences for which deferred income tax liabilities have not been recognized.

C. 1. Current income taxes incurred and changes therein were as follows:

	Years Ended December 31		Increase
	2012	2011	
Federal income tax	\$26,969,102	\$15,060,907	\$11,908,195
Foreign income tax	92,723	86,099	6,624
	27,061,825	15,147,006	11,914,819
Federal income tax on net realized capital gains or losses	5,301,726	5,250,425	51,301
Federal and foreign income taxes incurred	<u>\$32,363,551</u>	<u>\$20,397,431</u>	<u>\$11,966,120</u>

- 2-4. The components of deferred income tax assets and deferred income tax liabilities and changes therein were as follows:

	December 31		Increase (Decrease)
	2012	2011	
Gross deferred income tax assets resulting from book/tax differences in			
Ordinary income items:			
Loss reserves	\$ 99,972,482	\$103,754,323	\$ (3,781,841)
Unearned premiums	55,022,067	54,656,950	365,117
Compensation and employee benefits	28,231,849	27,038,150	1,193,699
Nonadmitted prepaid expenses	3,029,430	-	3,029,430
Realized foreign exchange losses	2,676,860	2,928,293	(251,433)
Nonadmitted premiums receivable	1,067,680	1,215,709	(148,029)
Foreign tax credits	355,710	314,221	41,489
Other	265,672	240,358	25,314
Total ordinary income items	<u>190,621,750</u>	<u>190,148,004</u>	<u>473,746</u>
Ordinary deferred income tax assets nonadmitted	<u>44,846,111</u>	<u>60,734,586</u>	<u>(15,888,475)</u>
Admitted ordinary deferred income tax assets	<u>145,775,639</u>	<u>129,413,418</u>	<u>16,362,221</u>
Capital income items:			
Investment impairment writedowns	57,974,565	59,189,218	(1,214,653)
Nonadmitted investments in subsidiaries – cost basis	13,370	13,370	-
Total capital income items	<u>57,987,935</u>	<u>59,202,588</u>	<u>(1,214,653)</u>
Admitted capital deferred income tax assets	<u>57,987,935</u>	<u>59,202,588</u>	<u>(1,214,653)</u>
Total admitted gross deferred income tax assets	<u>203,763,574</u>	<u>188,616,006</u>	<u>15,147,568</u>
Gross deferred income tax liabilities resulting from book/tax differences in			
Ordinary income items:			
Accretion of bond discount	3,105,225	2,771,114	334,111
Salvage reserves	497,622	518,102	(20,480)
Deferred earnings and unrealized gains related to foreign subsidiary	310,531	256,997	53,534
Taxable accrued dividends	235,601	238,403	(2,802)
Total ordinary income items	<u>4,148,979</u>	<u>3,784,616</u>	<u>364,363</u>
Capital income items:			
Unrealized capital gains	66,038,474	57,053,234	8,985,240
Partnership income	6,214,235	1,725,756	4,488,479
Unrealized foreign exchange gains	3,949,994	4,001,873	(51,879)
Realized gain adjustment	48,911	48,895	16
Total capital income items	<u>76,251,614</u>	<u>62,829,758</u>	<u>13,421,856</u>
Total gross deferred income tax liabilities	<u>80,400,593</u>	<u>66,614,374</u>	<u>13,786,219</u>
Admitted net deferred income tax asset	<u>\$123,362,981</u>	<u>\$122,001,632</u>	<u>\$ 1,361,349</u>

NOTES TO FINANCIAL STATEMENTS

The change in net deferred income tax in 2012 was as follows:

Decrease in deferred income tax assets (admitted and nonadmitted)	\$ (740,907)
Increase in deferred income tax liabilities	<u>13,786,219</u>
	(14,527,126)
Less: Change in deferred income tax on unrealized capital gains or losses	<u>8,997,285</u>
Change in net deferred income tax	<u>\$ (5,529,841)</u>

- D. The effective income tax rate is different than the statutory federal corporate tax rate. The reasons for the different effective tax rate were as follows for the year ended December 31, 2012:

Net income after capital gains tax and before all other federal and foreign income taxes, per Statement of Income	\$305,832,784
Add: Federal income tax on net realized capital gains or losses	<u>5,301,726</u>
Net income before taxes	<u>\$311,134,510</u>
Tax at statutory federal income tax rate	\$108,897,079
Tax exempt interest	(44,527,318)
Intercompany tax allocation adjustment	(25,210,303)
Alternative minimum tax credit	(4,269,465)
Dividends received deduction	(2,519,754)
Loss reserves	(1,854,195)
Pension expense	1,776,800
Other	<u>70,707</u>
Current federal and foreign income taxes incurred	32,363,551
Change in net deferred income tax	<u>5,529,841</u>
Total statutory income taxes	<u>\$ 37,893,392</u>

- E. 1. The Company does not have any operating loss or tax credit carryforwards.
2. Federal income taxes incurred and available for recoupment in the event of future net losses are: current year \$295,063,000; preceding year \$211,956,000. This represents the tax refundable on a consolidated basis should the affiliated group incur future tax losses.
3. The Company does not have any protective tax deposits.
- F. 1. The Company is included in the consolidated federal income tax return of its ultimate parent, The Chubb Corporation (Chubb). In addition to the Company and Chubb, the following entities are included in the consolidated income tax return:
- Federal Insurance Company (Federal), Executive Risk Indemnity Inc. (ERII), Great Northern Insurance Company (Great Northern), Vigilant Insurance Company (Vigilant), Chubb Custom Insurance Company (Chubb Custom), Chubb National Insurance Company (Chubb National), Chubb Indemnity Insurance Company (Chubb Indemnity), Executive Risk Specialty Insurance Company (ERSIC), Northwestern Pacific Indemnity Company (NPI), Texas Pacific Indemnity Company, Chubb Insurance Company of New Jersey, Chubb Lloyds Insurance Company of Texas, Chubb Atlantic Indemnity Ltd., Chubb Custom Market Inc., Chubb & Son Inc., Chubb Global Financial Services Corporation, Harbor Island Indemnity Ltd., DHC Corporation, Chubb Computer Services, Inc., Chubb Insurance Solutions Agency, Inc., Chubb Services Corporation, Transit Air Services, Inc., Chubb Re, Inc., Chubb Multinational Manager Inc., Chubb Investment Holdings Inc., Chubb Financial Solutions, Inc., Chubb Financial Solutions (Bermuda) Ltd., Chubb Executive Risk Inc., Sullivan Kelly, Inc., Sullivan Kelly of Arizona, Inc., and Bellemead Development Corporation and its subsidiaries.
2. The Company has entered into an intercompany tax allocation agreement with Chubb, approved by the Company's Board of Directors. Under the provisions of the agreement, the Company is allocated a current tax provision or benefit (in the event of a loss carryback) based on the ratio of its taxable income to the total taxable income of all parties to the consolidated income tax return having taxable income. In years when the affiliated group incurs an alternative minimum tax liability, the excess of the alternative minimum tax over the regular tax is allocated to those companies whose tax preference items gave rise to the alternative minimum tax.
- G. The Company has no federal or foreign income tax loss contingencies.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AFFILIATES AND OTHER RELATED PARTIES

- A-C. Other than dividends paid to its parent, the Company had no non-insurance transactions with affiliates in 2012 or 2011 in excess of 1/2 of 1% of its total admitted assets at December 31, 2012 or December 31, 2011, respectively.
- D. At December 31, 2012, the Company had admitted receivables from affiliates amounting to \$40,722,986, excluding amounts related to the intercompany reinsurance pooling arrangement (see Note 26). Affiliate receivables and payables are generally settled on a quarterly basis.
- E. There are no guarantees or undertakings for the benefit of an affiliate that result in a material contingent exposure.
- F. Management and service contracts and cost-sharing arrangements between the Company and affiliates are as follows:
1. The Company has a management agreement with Federal, whereby Federal acts as manager of the insurance business and provides financial advisory services.
2. The Company has a service agreement with NPI, whereby the Company acts as an agent to render all services with respect to its operations.
- G. All outstanding shares of the Company are owned by Federal, domiciled in the State of Indiana. Federal is 100% owned by Chubb, a New Jersey domiciled holding corporation.
- H. The Company owns no shares of an upstream intermediate entity or its ultimate parent either directly or indirectly.
- I. At December 31, 2012, no investment in a subsidiary or affiliate exceeded 10% of the Company's total admitted assets.
- J. During 2012, the Company did not recognize any impairment writedowns related to investments in subsidiaries or affiliates.
- K. The Company has no investment in a foreign life insurance subsidiary.
- L. The Company has no investment in a downstream non-insurance holding company.

11. DEBT

Not applicable

NOTES TO FINANCIAL STATEMENTS

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

A. Benefit Plans

Not applicable

B. Defined Contribution Plan

In accordance with the Company's management agreement with Federal, the Company bears its proportionate share of expenses incurred by Federal for costs related to the defined contribution benefit plan in which Federal participates. The Company's share of expenses related to the plan in 2012 and 2011 was \$3,434,205 and \$3,966,323, respectively.

C. Multiemployer Plans

Not applicable

D. Consolidated/Holding Company Plans

In accordance with the Company's management agreement with Federal, the Company bears its proportionate share of expenses incurred by Federal for costs related to the defined benefit plans in which Federal participates. The Company has no legal obligation for benefits under the plans. Net pension cost allocated to the Company in 2012 and 2011 was \$14,160,425 and \$12,892,618, respectively. Net other postretirement benefit cost allocated to the Company in 2012 and 2011 was \$3,809,744 and \$3,857,471, respectively.

E. Postemployment Benefits and Compensated Absences

Not applicable

F. Impact of Medicare Modernization Act on Postretirement Benefits

Not applicable

13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

A. At December 31, 2012, the Company had 1,400 shares of capital stock authorized; 1,107 shares were issued and outstanding with a par value of \$5,000 per share.

B. At December 31, 2012, the Company had no preferred stock authorized.

C. The maximum amount of shareholder dividends that may be paid by the Company in 2013 without prior approval of the Insurance Commissioner of Wisconsin, determined as the lesser of (1) 10% of prior year end policyholders' surplus or (2) the greater of net income for the preceding year or the aggregate net income for the prior three years, adjusted for select items, is \$249,619,795.

D. During 2012, the Company paid the following ordinary dividends in cash to its parent, Federal:

Date Paid	Amount
March 22, 2012	\$49,000,000
June 22, 2012	75,000,000
September 21, 2012	60,000,000
December 21, 2012	60,000,000

E. Other than the limitations described in (C), there are no restrictions placed on the portion of the Company's accumulated surplus that may be paid as ordinary dividends to its parent.

F. At December 31, 2012, no portion of unassigned funds (surplus) was restricted.

G. The Company has no advances to surplus.

H. There is no stock held by the Company for special purposes.

I. During 2012, special surplus funds decreased by \$26,661,933. Such funds were previously established under the provisions of SSAP No. 10R and are no longer required due to the Company's adoption of SSAP No. 101 (see Note 2).

J. The portion of unassigned funds (surplus) at December 31, 2012 represented by cumulative unrealized capital gains, net of applicable deferred income tax, was \$137,355,724. This amount reflects a decrease of \$582,279 to exclude the net unrealized capital gains related to nonadmitted invested assets.

K. At December 31, 2012, the Company had no surplus debentures outstanding or similar obligations.

L&M. The Company has had no quasi-reorganizations during the last 10 years.

14. CONTINGENCIES

A. At December 31, 2012, the Company had commitments totaling \$42,556,690 related to its investments in limited partnerships. These commitments can be called by the partnerships (generally over a period of five years or less) to fund certain partnership expenses or the purchase of investments.

B. The Company has received notification of certain insolvencies, which may result in guaranty fund assessments against the Company. At December 31, 2012, liabilities related to such assessments amounted to \$2,108,000.

At December 31, 2012 and December 31, 2011, the Company had no amounts receivable for premium tax offsets or policy surcharges related to guaranty fund assessments.

C. At December 31, 2012, the Company had no material gain contingencies.

D. During 2012, the Company made no loss payments on a direct basis related to extra contractual obligations or bad faith claims resulting from lawsuits.

E. The Company does not write product warranty business.

NOTES TO FINANCIAL STATEMENTS

- F. At December 31, 2012, the Company had no material contingent liabilities other than those related to structured settlements disclosed in Note 27. Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company. At December 31, 2012, the Company had no loss contingencies related to asset impairment.

15. LEASES

A. Lessee Operating Leases

The Company has not entered into any lease agreements nor has it been a party to any sale-leaseback transactions.

In accordance with the Company's management agreement with Federal, the Company bears its proportionate share of Federal's rent expense. Rent expense allocated to the Company in 2012 and 2011 was \$6,822,727 and \$7,679,361, respectively.

B. Lessor Leases

Not applicable

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

Not applicable

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

Not applicable

18. GAIN OR LOSS FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

Not applicable

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

Not applicable

20. FAIR VALUE MEASUREMENTS

- A. 1. The fair value of invested assets (carried at fair value) at December 31, 2012, categorized based upon the lowest level of input that was significant to the fair value measurement, was as follows:

Description	Level 1	Level 2	Level 3	Total
Bonds				
U.S. special revenue	\$ -	\$9,187,500	\$ -	\$ 9,187,500
Total bonds	-	9,187,500	-	9,187,500
Common stocks				
Industrial and miscellaneous	460,067,218	-	-	460,067,218
Total common stocks	460,067,218	-	-	460,067,218
Total invested assets carried at fair value	\$460,067,218	\$9,187,500	\$ -	\$469,254,718

During 2012, no invested assets carried at fair value were transferred between Levels 1 and 2 of the fair value hierarchy.

- During 2012, no invested assets carried at fair value were categorized within Level 3 of the fair value hierarchy.
- The Company recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period.
- The methods and assumptions used to estimate the fair value of financial instruments are described in (C).
- At December 31, 2012, the Company had no derivative financial instruments.

B. Not applicable

- C. The aggregate fair value and admitted asset value of financial instruments, categorized based upon the lowest level of input that was significant to the fair value measurement, were as follows:

December 31, 2012	Fair Value	Admitted Asset Value	Fair Value		
			Level 1	Level 2	Level 3
Bonds	\$5,341,997,292	\$4,957,130,929	\$ -	\$5,317,883,615	\$24,113,677
Common stocks	460,067,218	460,067,218	460,067,218	-	-
Cash equivalents	184,840,955	184,840,955	-	184,840,955	-
Short-term investments	47,500,949	47,500,949	16,346,000	31,154,949	-
	<u>\$6,034,406,414</u>	<u>\$5,649,540,051</u>	<u>\$476,413,218</u>	<u>\$5,533,879,519</u>	<u>\$24,113,677</u>
December 31, 2011	Fair Value	Admitted Asset Value	Fair Value		
			Level 1	Level 2	Level 3
Bonds	\$5,409,085,381	\$5,040,124,071	\$ -	\$5,408,700,367	\$385,014
Common stocks	404,998,444	404,998,444	404,998,444	-	-
Cash equivalents	863,658	863,658	-	863,658	-
Short-term investments	1,005	1,005	1,005	-	-
	<u>\$5,814,948,488</u>	<u>\$5,445,987,178</u>	<u>\$404,999,449</u>	<u>\$5,409,564,025</u>	<u>\$385,014</u>

NOTES TO FINANCIAL STATEMENTS

Fair values of bonds are determined by management, utilizing prices obtained from third party, nationally recognized pricing services or, in the case of securities for which prices are not provided by a pricing service, from third party brokers. For bonds that have quoted prices in active markets, market quotations are provided. For bonds that do not trade on a daily basis, the pricing services and brokers provide fair value estimates using a variety of inputs including, but not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, reference data, prepayment rates and measures of volatility. Management reviews on an ongoing basis the reasonableness of the methodologies used by the relevant pricing services and brokers. In addition, management, using the prices received for the securities from the pricing services and brokers, determines the aggregate portfolio price performance and reviews it against applicable indices. If management believes that significant discrepancies exist, it will discuss these with the relevant pricing service or broker to resolve the discrepancies.

Fair values of stocks are determined by management, utilizing quoted market prices.

The carrying value of cash equivalents and short-term investments approximates fair value due to the short maturities of these investments.

- D. At December 31, 2012 and December 31, 2011, the Company had no financial instruments for which it was not practicable to estimate the fair value.

21. OTHER ITEMS

A. Extraordinary Items

Not applicable

B. Troubled Debt Restructuring

Not applicable

C. Other Disclosures

Not applicable

D. Uncollectible Balances

At December 31, 2012 and December 31, 2011, the Company had admitted premiums receivable of \$336,727,925 and \$335,890,401, respectively. The Company routinely assesses the collectibility of these receivables. Based upon the Company's experience, the portion of premiums receivable at December 31, 2012 that will ultimately be uncollectible is not expected to exceed the nonadmitted amounts totaling \$3,050,515; therefore, no additional provision for uncollectible amounts has been recorded.

E. Business Interruption Insurance Recoveries

During 2012 and 2011, the Company made no recoveries under business interruption insurance policies.

F. State Transferable and Non-Transferable Tax Credits

Not applicable

G. Subprime Mortgage Related Risk Exposure

- On a direct basis and/or through participation in the intercompany reinsurance pool with affiliate insurers, the Company has underwriting exposure to subprime mortgage related risk and the broader credit crisis, specifically in its directors and officers liability and errors and omissions liability coverages and, to a lesser extent, its fiduciary liability coverages. While the full dimension of this systemic event has been extremely difficult to assess, the Company believes its underwriting strategies, such as shifting the focus of its underwriting in the professional liability classes away from larger to smaller and mid-sized institutions, as well as managing policy limits, have mitigated the Company's exposure to risks associated with the credit crisis. In particular, the Company's practice has been to avoid certain types of insureds, such as the major investment banking firms, the largest commercial banks and mortgage brokers.

- 2&3. At December 31, 2012, the Company had no investment exposure to subprime mortgage related risk.

- Pertinent data related to the Company's net underwriting exposure to subprime mortgage related risk is as follows:

Coverage / Line of Business	Year Ended December 31, 2012		Case Reserves at December 31, 2012
	Losses Paid	Losses Reported	
Directors and officers liability / Other liability	\$ 9,261,196	\$ (150,410)	\$4,430,748
Errors and omissions liability / Other liability	1,707,039	4,717,940	4,301,242
Fiduciary liability / Other liability	<u>493,175</u>	<u>419,021</u>	<u>23,961</u>
	<u>\$11,461,410</u>	<u>\$4,986,551</u>	<u>\$8,755,951</u>

IBNR reserves of the Company are not identifiable on a policy-by-policy basis and therefore not quantifiable for this particular risk. However, the potential exposures associated with subprime mortgage related risk and the overall credit crisis have been considered in determining the Company's collective IBNR for its professional liability business at December 31, 2012.

22. EVENTS SUBSEQUENT

The Company performed an evaluation of subsequent events through February 26, 2013 for the financial statements which were available for issuance on February 27, 2013. No significant subsequent events were identified.

23. REINSURANCE

A. Unsecured Reinsurance Recoverables

At December 31, 2012, the Company had no unsecured aggregate reinsurance recoverables for paid and unpaid losses and loss adjustment expenses and unearned premiums with any one reinsurer, excluding recoverables related to the intercompany reinsurance pooling arrangement (see Note 26), in excess of 3% of the Company's policyholders' surplus.

B. Reinsurance Recoverables in Dispute

At December 31, 2012, the Company had no reinsurance recoverables in dispute.

NOTES TO FINANCIAL STATEMENTS

C. Reinsurance Assumed and Ceded

1. The maximum amounts of return commissions which would be due the Company or its reinsurers if all the Company's assumed and ceded reinsurance had been cancelled at December 31, 2012, with the return of unearned premiums, were as follows:

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
Affiliates	\$800,357,008	\$116,022,901	\$255,652,924	\$38,556,969	\$544,704,084	\$77,465,932
All other	1,902,318	501,614	63,296,014	7,851,040	(61,393,696)	(7,349,426)
Total	<u>\$802,259,326</u>	<u>\$116,524,515</u>	<u>\$318,948,938</u>	<u>\$46,408,009</u>	<u>\$483,310,388</u>	<u>\$70,116,506</u>

Direct unearned premiums: \$303,353,614

2. Additional or return commissions, predicated on loss experience or on any other form of profit sharing arrangements, were accrued as follows at December 31, 2012:

	Direct	Assumed Reinsurance	Ceded Reinsurance	Net
Contingent commissions	\$ -	\$29,084	\$ -	\$29,084

3. At December 31, 2012, the Company had no protected cells.

D. Uncollectible Reinsurance

During 2012, the Company wrote off the following amounts due from reinsurers:

Losses incurred	\$ 69,005
Loss adjustment expenses incurred	3,394
Other income	<u>32,443</u>
	<u>\$104,842</u>

Reinsurer	Amount
Continental Casualty Company	\$ 37,334
Lloyds Unauthorized Syndicates	16,847
British National Insurance Company Limited	16,700
Liberty Mutual Insurance Company	14,824
Lloyds Syndicate #2987	5,187
All Other	<u>13,950 *</u>
	<u>\$104,842</u>

* Individual balances less than \$3,230 per reinsurer.

E. Commutation of Ceded Reinsurance

During 2012, the Company transacted commutations of ceded reinsurance. These commutations did not have a significant effect on the Company's results of operations.

F. Retroactive Reinsurance

Not applicable

G. Reinsurance Accounted for as a Deposit

Not applicable

H. Run-Off Agreements

Not applicable

I. Certified Reinsurer Downgraded or Status Subject to Revocation

Not applicable

24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

- A. Accrued retrospective premiums are determined based upon loss experience on business subject to such experience rating adjustment.
- B. Accrued retrospective premiums are recorded as an adjustment to premiums earned.
- C. During 2012, the amount of net premiums written subject to retrospective rating features was \$15,266,106, approximately 1% of total net premiums written.
- D. During 2012 and 2011, the Company had no medical loss ratio rebates required pursuant to the Public Health Service Act.
- E. At December 31, 2012, the Company had no accrued additional retrospective premiums.

NOTES TO FINANCIAL STATEMENTS

25. CHANGES IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

During 2012, the Company experienced overall favorable development of \$88,407,000 on net loss and loss adjustment expense reserves established as of the previous year end. Such development was reflected in operating results in 2012. The most significant amounts of favorable development occurred in the other liability – occurrence and other liability – claims made lines of business. The development experienced in the other liability – occurrence line of business was favorable in all accident years, other than 2010. The overall frequency and severity of prior period liability claims were lower than expected and the effects of underwriting changes that affected these years have been more positive than expected, especially in the commercial excess liability class. The favorable development experienced in the other liability – claims made line of business occurred primarily in the professional liability classes. The most significant amount of favorable development occurred in the directors and officers liability and fiduciary liability classes, partially offset by adverse development in other classes, mainly the employment practices liability class. The aggregate reported loss activity related to accident years 2008 and prior was less than expected. Favorable development was also experienced, but to a lesser extent, in the personal insurance lines of business, primarily in the homeowners and automobile classes, particularly in accident years 2008 to 2011. Unfavorable development was experienced in the products liability – occurrence line of business, due in large part to asbestos and toxic waste claims in accident years prior to 2003.

26. INTERCOMPANY POOLING ARRANGEMENTS

The Company (PI) is a participant in an intercompany reinsurance pool with affiliate insurers, which covers substantially all business. Each participant company retains a share of its direct and assumed business subject to the pooling arrangement and cedes the remaining share to the other participant companies. Business is apportioned among the participant companies based upon pre-determined rates of participation.

During 2012, the business subject to the pooling arrangement was apportioned to the participant companies as follows:

	NAIC Company Code	Pooling Percentage
Federal	20281	68.5%
PI	20346	17.0
ERII	35181	8.0
Great Northern	20303	4.0
Vigilant	20397	0.5
Chubb Custom	38989	0.5
Chubb National	10052	0.5
Chubb Indemnity	12777	0.5
ERSIC	44792	0.5

Reinsurance purchased for the benefit of the intercompany reinsurance pool is shared proportionately by each participant company. Related reinsurance balances are reported on the balance sheets of the respective companies. The provision for reinsurance is determined for each company individually based on applicable statutory regulations.

27. STRUCTURED SETTLEMENTS

- A. The Company has periodically entered into structured settlement agreements where annuities have been purchased to settle claims. At December 31, 2012, the loss reserves eliminated related to such agreements, and for which the Company remains contingently liable, were \$6,585,044.
- B. The aggregate present value of annuities purchased from any one life insurance company did not equal or exceed 1% of the Company's policyholders' surplus at December 31, 2012.

28. HEALTH CARE RECEIVABLES

Not applicable

29. PARTICIPATING POLICIES

The Company only writes participating policies relating to property and casualty contracts.

30. PREMIUM DEFICIENCY RESERVES

- A. Liability carried for premium deficiency reserves at December 31, 2012: \$ -
- B. Date of the most recent evaluation of this liability: January 21, 2013
- C. Was anticipated investment income utilized in this calculation? Yes [X] No []

31. HIGH DEDUCTIBLES

At December 31, 2012, the amount of reserve credit recorded for high deductible policies and reflected in unpaid losses and loss adjustment expenses was \$30,072,663 and the amount receivable related to direct paid claims on high deductible policies was \$1,622,329.

32. DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES OR UNPAID LOSS ADJUSTMENT EXPENSES

At December 31, 2012, the Company did not discount liabilities for unpaid losses or loss adjustment expenses. The tabular discount in workers' compensation case reserves has been offset in IBNR.

33. ASBESTOS/ENVIRONMENTAL RESERVES

- A. The Company has exposure to asbestos claims, primarily arising from general liability, excess liability and products liability insurance policies written many years ago. Reserves for these claims cannot be estimated with traditional actuarial loss reserving techniques that rely on historical accident year loss development factors. Instead, the Company relies on an exposure-based analysis that involves a detailed review of individual policy terms and exposures. Because each policyholder presents different liability and coverage issues, the Company's exposure is generally evaluated on a policyholder-by-policyholder basis. As part of the evaluation, consideration is given to a variety of factors including the available insurance coverage; limits and deductibles; the jurisdictions involved; past settlement values of similar claims; the potential role of other insurance, particularly underlying coverage below the Company's excess liability policies; potential bankruptcy impact; relevant judicial interpretations; and applicable coverage defenses, including asbestos exclusions.

NOTES TO FINANCIAL STATEMENTS

The Company establishes case reserves and expense reserves for costs of related litigation where sufficient information has been developed to indicate the involvement of a specific insurance policy. In addition, IBNR reserves are established to cover additional exposures on both known and unasserted claims. In establishing such reserves, management considers facts currently known and the present state of the law and coverage litigation. However, given the judicial decisions and legislative actions that have broadened the scope of coverage and expanded theories of liability in the past and the possibilities of similar interpretations in the future, it is possible that the Company's estimate of loss reserves relating to these exposures may increase in future periods as new information becomes available and as claims develop.

The following table provides a reconciliation of the beginning and ending liability for unpaid losses and loss adjustment expenses related to asbestos claims for each of the five most recent years:

	2008	2009	2010	2011	2012
Direct:					
Liability, beginning of year	\$55,536,287	\$57,045,150	\$81,152,089	\$68,906,816	\$75,159,236
Incurred losses and loss adjustment expenses	6,993,691	30,988,127	(2,972,743)	11,686,521	8,530,650
Calendar year payments for losses and loss adjustment expenses	<u>5,484,828</u>	<u>6,881,188</u>	<u>9,272,530</u>	<u>5,434,101</u>	<u>2,897,000</u>
Liability, end of year	<u>\$57,045,150</u>	<u>\$81,152,089</u>	<u>\$68,906,816</u>	<u>\$75,159,236</u>	<u>\$80,792,886</u>
Assumed reinsurance:					
Liability, beginning of year	\$131,990,562	\$124,846,973	\$109,413,433	\$100,129,450	\$90,564,796
Incurred losses and loss adjustment expenses	2,281,335	(3,981,502)	789,395	(1,990,489)	3,790,563
Calendar year payments for losses and loss adjustment expenses	<u>9,424,924</u>	<u>11,452,038</u>	<u>10,073,378</u>	<u>7,574,165</u>	<u>7,063,010</u>
Liability, end of year	<u>\$124,846,973</u>	<u>\$109,413,433</u>	<u>\$100,129,450</u>	<u>\$ 90,564,796</u>	<u>\$87,292,349</u>
Net of ceded reinsurance:					
Liability, beginning of year	\$131,531,617	\$123,393,838	\$113,025,669	\$104,399,978	\$96,661,321
Incurred losses and loss adjustment expenses	(917,396)	(956,798)	525,606	(140,595)	5,244,210
Calendar year payments for losses and loss adjustment expenses	<u>7,220,383</u>	<u>9,411,371</u>	<u>9,151,297</u>	<u>7,598,062</u>	<u>7,005,050</u>
Liability, end of year	<u>\$123,393,838</u>	<u>\$113,025,669</u>	<u>\$104,399,978</u>	<u>\$ 96,661,321</u>	<u>\$94,900,481</u>

- B. The amount of IBNR reserves related to asbestos claims, including an amount for expected loss adjustment expenses, was as follows at December 31, 2012:

Direct	\$40,244,623
Assumed reinsurance	49,877,740
Net of ceded reinsurance	53,539,384

- C. The amount of loss adjustment expense reserves related to asbestos claims, including both case and IBNR reserves, was as follows at December 31, 2012:

Direct	\$8,018,023
Assumed reinsurance	8,291,344
Net of ceded reinsurance	9,172,380

- D. The Company has exposure to toxic waste claims, primarily arising from general liability, excess liability and products liability insurance policies written many years ago. Reserves for these claims cannot be estimated with traditional actuarial loss reserving techniques that rely on historical accident year loss development factors. Instead, the Company relies on an exposure-based analysis that involves a detailed review of individual policy terms and exposures. Because each policyholder presents different liability and coverage issues, the Company's exposure is generally evaluated on a policyholder-by-policyholder basis. As part of the evaluation, consideration is given to a variety of factors including the probable liability, available insurance coverage, past settlement values of similar claims, relevant judicial interpretations, applicable coverage defenses as well as facts that are unique to each insured.

The Company establishes case reserves and expense reserves for costs of related litigation where sufficient information has been developed to indicate the involvement of a specific insurance policy. In addition, IBNR reserves are established to cover additional exposures on both known and unasserted claims. In establishing such reserves, management considers facts currently known and the present state of the law and coverage litigation. However, given the judicial decisions and legislative actions that have broadened the scope of coverage and expanded theories of liability in the past and the possibilities of similar interpretations in the future, it is possible that the Company's estimate of loss reserves relating to these exposures may increase in future periods as new information becomes available and as claims develop.

The following table provides a reconciliation of the beginning and ending liability for unpaid losses and loss adjustment expenses related to toxic waste claims for each of the five most recent years:

	2008	2009	2010	2011	2012
Direct:					
Liability, beginning of year	\$30,446,772	\$35,528,887	\$47,944,296	\$61,606,636	\$85,327,156
Incurred losses and loss adjustment expenses	19,973,260	32,698,645	32,387,439	38,192,676	30,065,834
Calendar year payments for losses and loss adjustment expenses	<u>14,891,145</u>	<u>20,283,236</u>	<u>18,725,099</u>	<u>14,472,156</u>	<u>18,268,360</u>
Liability, end of year	<u>\$35,528,887</u>	<u>\$47,944,296</u>	<u>\$61,606,636</u>	<u>\$85,327,156</u>	<u>\$97,124,630</u>
Assumed reinsurance:					
Liability, beginning of year	\$22,868,564	\$25,869,259	\$28,955,858	\$32,643,061	\$31,081,740
Incurred losses and loss adjustment expenses	10,440,088	13,247,792	6,746,295	3,803,613	3,788,273
Calendar year payments for losses and loss adjustment expenses	<u>7,439,393</u>	<u>10,161,193</u>	<u>3,059,092</u>	<u>5,364,934</u>	<u>5,634,973</u>
Liability, end of year	<u>\$25,869,259</u>	<u>\$28,955,858</u>	<u>\$32,643,061</u>	<u>\$31,081,740</u>	<u>\$29,235,040</u>
Net of ceded reinsurance:					
Liability, beginning of year	\$25,240,839	\$29,163,655	\$34,801,858	\$39,750,664	\$42,571,252
Incurred losses and loss adjustment expenses	13,443,934	14,965,687	9,281,959	8,683,121	9,690,801
Calendar year payments for losses and loss adjustment expenses	<u>9,521,118</u>	<u>9,327,484</u>	<u>4,333,153</u>	<u>5,862,533</u>	<u>8,289,187</u>
Liability, end of year	<u>\$29,163,655</u>	<u>\$34,801,858</u>	<u>\$39,750,664</u>	<u>\$42,571,252</u>	<u>\$43,972,866</u>

NOTES TO FINANCIAL STATEMENTS

- E. The amount of IBNR reserves related to toxic waste claims, including an amount for expected loss adjustment expenses, was as follows at December 31, 2012:

Direct	\$68,963,523
Assumed reinsurance	21,466,706
Net of ceded reinsurance	32,116,730

- F. The amount of loss adjustment expense reserves related to toxic waste claims, including both case and IBNR reserves, was as follows at December 31, 2012:

Direct	\$28,649,390
Assumed reinsurance	7,601,961
Net of ceded reinsurance	12,005,334

34. SUBSCRIBER SAVINGS ACCOUNTS

Not applicable

35. MULTIPLE PERIL CROP INSURANCE

Not applicable

36. FINANCIAL GUARANTY INSURANCE

Not applicable

37. SUPPLEMENTAL INFORMATION

- A. Effective January 1, 2009, the Company modified its methodology for classifying loss adjustment expenses (LAE) to be more consistent with the NAIC Annual Statement Instructions. Certain types of expenses previously categorized as defense and cost containment (DCC) are now being classified as adjusting and other (A&O). Prior period amounts, where presented in the financial statements, were not restated. The impact of this prospectively-applied change in methodology on amounts reported on Schedule P was as follows:

Part 1

No adjustments were made to the cumulative amounts for LAE payments previously reported in the 2008 Annual Statement for the DCC and A&O categories. LAE payments reported in columns 6 through 9 for calendar years 2009 through 2012, as well as the case and IBNR LAE reserves as of December 31, 2012 reported in columns 17 through 22, are classified as DCC and A&O in accordance with the revised methodology. Total losses and LAE incurred amounts included in columns 26 through 28 and the corresponding loss and LAE ratios reflected in columns 29 through 31 were not impacted by the change.

Part 2

No changes were made to the amounts reported in columns 1 through 6. DCC LAE reserves as of December 31, 2009 through December 31, 2012 and paid DCC expenses for calendar years 2009 through 2012 included in columns 7 through 10 by accident year reflect the revised methodology.

Part 3

No changes were made to the amounts reported in columns 1 through 6. Paid DCC expense amounts for calendar years 2009 through 2012 included in columns 7 through 10 by accident year reflect the Company's revised classification methodology and are therefore lower than prior calendar years' contributions to the paid loss and DCC triangle.

Part 4

No changes were made to the amounts reported in columns 1 through 6. IBNR reserves as of December 31, 2009 through December 31, 2012 reported in columns 7 through 10 reflect the Company's revised classification methodology and are therefore lower than prior years' IBNR reserves reported in columns 1 through 6.

- B. The prior "Total Net Losses and Expenses Unpaid" (Schedule P, Part 1, Column 24, Line 1) is separately reported by accident year as follows (in thousands):

Schedule P	2002	2001	2000	1999	Prior
Part 1A	\$ 202	\$ 66	\$ 89	\$ 24	\$ 52
Part 1B	75	22	50	31	308
Part 1C	66	-	5	-	292
Part 1D	12,169	19,873	8,681	6,956	47,284
Part 1E	2,435	2,565	1,941	1,358	9,620
Part 1F – Section 1	9	4	4	-	2
Part 1F – Section 2	495	189	735	12	141
Part 1G	81	26	-	-	69
Part 1H – Section 1	15,902	18,077	15,503	15,772	117,510
Part 1H – Section 2	8,169	10,224	5,132	3,720	13,265
Part 1N	-	314	-	-	-
Part 1O	352	718	27	137	3,565
Part 1P	1	-	-	-	1,096
Part 1R – Section 1	2,516	2,296	1,624	2,022	56,659
Part 1R – Section 2	39	30	21	25	658

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES

GENERAL

1.1	Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?	Yes (X) No ()
1.2	If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?	Yes (X) No () N/A ()
1.3	State Regulating?	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 (X) No ()
2.2	If yes, date of change:	08/30/2012
3.1	State as of what date the latest financial examination of the reporting entity was made or is being made.	12/31/2011
3.2	State the as of date of 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.	12/31/2006
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).	04/09/2008
3.4	By what department or departments? Wisconsin	
3.5	Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?	Yes () No () N/A (X)
3.6	Have all of the recommendations within the latest financial examination report been complied with?	Yes () No (X) N/A ()
4.1	During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:	
	4.11 sales of new business?	Yes () No (X)
	4.12 renewals?	Yes () No (X)
4.2	During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:	
	4.21 sales of new business?	Yes () No (X)
	4.22 renewals?	Yes () No (X)

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES

GENERAL

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

5.2 If yes, provide the name of entity, the NAIC company code, and state of domicile 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
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6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes () No (X)

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; 0.0 %

7.22 State the nationality(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
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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 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
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GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES

GENERAL

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, 5 Times Square, New York, NY 10036
- 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 the 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 Model 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 the response to 10.3 is yes, provide information related to this exemption:
- 10.5 Has the reporting entity established an Audit Committee in compliance with domiciliary state insurance laws?

Yes (X) No () N/A ()
- 10.6 If the response to 10.5 is no or n/a, please explain:
11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Walter Brian Barnes - Vice President and Actuary, 15 Mountain View Road, Warren, NJ 07059
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes () No (X)

12.11 Name of real estate holding company

12.12 Number of parcels involved

0

12.13 Total book/adjusted carrying value

\$ 0
- 12.2 If yes, provide explanation
13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

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

13.2 Does this statement contain all business transacted for the reporting entity through its United States branch on risks wherever located?

Yes () No ()

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

Yes (X) No ()

(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.
- 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 (X)
- 14.21 If the response to 14.2 is Yes, provide information related to amendment(s).
- 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, indicated the American Bankers Association (ABA) Routing Number and the name of issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

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

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES

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 committee 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 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 (X) No ()
- 22.2

If answer is yes:

22.21

Amount paid as losses or risk adjustment

\$ 0

22.22

Amount paid as expenses

\$ 8,368

22.23

Other amounts paid

\$ 0
- 23.1

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

Yes (X) No ()
- 23.2

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

\$ 40,722,986

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES

INVESTMENT

24.01	Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03)	Yes (X) No ()
24.02	If no, give full and complete information relating thereto:	
24.03	For the 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) Not applicable	
24.04	Does the Company's security lending program meet the requirements for a conforming program as outlined in Risk-Based Capital Instructions?	Yes () No () N/A (X)
24.05	If answer to 24.04 is YES, report amount of collateral for conforming programs.	\$ 0
24.06	If answer to 24.04 is NO, report amount of collateral for other programs.	\$ 0
24.07	Does your security lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?	Yes () No () N/A (X)
24.08	Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?	Yes () No () N/A (X)
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 (X)
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 reinvented collateral assets reported on Schedule DL, Parts 1 and 2	\$ 0
24.102	Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$ 0
24.103	Total payable for securities lending reported on the liability page	\$ 0
25.1	Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03)	Yes (X) No ()
25.2	If yes, state the amount thereof at December 31 of the current year:	
25.21	Subject to repurchase agreements	\$ 0
25.22	Subject to reverse repurchase agreements	\$ 0
25.23	Subject to dollar repurchase agreements	\$ 0
25.24	Subject to reverse dollar repurchase agreements	\$ 0
25.25	Pledged as collateral	\$ 77,840,091
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	\$ 103,452,385
25.29	Other	\$ 0

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES

INVESTMENT

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
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- 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?
If no, attach a description with this statement.

Yes () No () N/A (X)
- 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
---------------------------	--------------------------

The Bank of New York Mellon New York, New York

The Northern Trust Company Toronto, Canada

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)
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GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES

INVESTMENT

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
--	-----------	--------------

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)

29.2 If yes, complete the following schedule:

1 CUSIP Number	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
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29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from question 29.2)	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
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GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES

INVESTMENT

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	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	\$ 4,973,476,929	\$ 5,358,343,292	\$ 384,866,363
30.2 Preferred stocks	\$ 0	\$ 0	\$ 0
30.3 Totals	\$ 4,973,476,929	\$ 5,358,343,292	\$ 384,866,363

- 30.4 Describe the sources or methods utilized in determining the fair values:
See Note 20(C) of Notes to Financial Statements.
.....
- 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 (X) No ()
- 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 (X) 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:
.....
.....

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES

OTHER

33.1 Amount of payments to Trade Associations, service organizations and statistical or Rating Bureaus, if any? \$ 2,797,717

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
Insurance Services Office, Inc.	\$ 1,142,412
.....	\$ 0
.....	\$ 0
.....	\$ 0

34.1 Amount of payments for legal expenses, if any? \$ 433,404

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? \$ 102,713

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
American Insurance Association	\$ 77,195
.....	\$ 0
.....	\$ 0
.....	\$ 0

GENERAL INTERROGATORIES
PART 2 - PROPERTY AND 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 Line (1.2) above.

\$ 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

\$ 0

1.62 Total incurred claims

\$ 0

1.63 Number of covered lives

..... 0

All years prior to most current three years:

1.64 Total premium earned

\$ 0

1.65 Total incurred claims

\$ 0

1.66 Number of covered lives

..... 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$ 0

1.72 Total incurred claims

\$ 0

1.73 Number of covered lives

..... 0

All years prior to most current three years:

1.74 Total premium earned

\$ 0

1.75 Total incurred claims

\$ 0

1.76 Number of covered lives

..... 0

2. Health Test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	\$ 0	\$ 0
2.2 Premium Denominator	\$... 1,501,887,142	\$... 1,452,150,937
2.3 Premium Ratio (Line 2.1/Line 2.2)	..... 0.000	..... 0.000
2.4 Reserve Numerator	\$ 0	\$ 0
2.5 Reserve Denominator	\$... 3,736,967,828	\$... 3,642,901,622
2.6 Reserve Ratio (Line 2.4/Line 2.5)	..... 0.000	..... 0.000

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

\$ 150,729,926

3.22 Non-participating policies

\$ 494,691,388

4. For Mutual reporting entities and Reciprocal Exchange only:

4.1 Does the reporting entity issue assessable policies?

Yes () No ()

4.2 Does the reporting entity issue non-assessable policies?

Yes () No ()

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

..... 0.0 %

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 ()

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation

Yes () No () N/A (X)

5.22 As a direct expense of the exchange

Yes () No () N/A (X)

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

.....

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?

Yes () No ()

5.5 If yes, give full information.

.....

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 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 of loss?
- None
- 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:
- The Company estimates probable maximum insurance losses by analyzing those geographic locations with concentrations of insured exposures, such as the northeastern part of the U.S. and California, combined with automated probability catastrophe models provided by reputable, external consultants.
- 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?
- The Company purchases catastrophe excess of loss reinsurance.
- 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 (X) No ()
- 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 uninsured catastrophic loss.
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes (X) No ()
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 4
- 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 (X) 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 (X) No ()
- 8.2 If yes, give full information.
- See Note 23(E) of Notes to Financial Statements.
- 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 the 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
- (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,
- (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement.
- Yes () No (X)
Yes () No (X)
Yes () No (X)

GENERAL INTERROGATORIES
PART 2 - PROPERTY AND 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 reporting entity would have been required to charge had it retained the risks. Has this been done?

Yes (X) No () N/A ()

11.1

Has this reporting entity guaranteed policies issued by any other entity and now in force?

Yes () No (X)

11.2

If yes, give full information.

12.1

If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11

Unpaid losses

\$ 0

12.12

Unpaid underwriting expenses (including loss adjustment expenses)

\$ 0

12.2

Of the amount on Line 15.3 of the asset schedule, Page 2, state the amount which is secured by letters of credit, collateral and other funds:

\$ 0

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 (X) N/A ()

12.4

If yes, provide the range of interest rates charged under such notes during the period covered by this statement:

12.41

From

0.000 %

12.42

To

0.000 %

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 the reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies?

Yes (X) No ()

12.6

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

12.61

Letters of credit

\$ 10,137,235

12.62

Collateral and other funds

\$ 3,954,042

13.1

Largest net aggregate amount insured in any one risk (excluding workers' compensation):

\$ 109,981,670

The calculation does not consider the impact of certain terrorist attacks.

13.2

Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision?

Yes () No (X)

13.3

State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount.

0

14.1

Is the company a cedant in a multiple cedant reinsurance contract?

Yes (X) No ()

14.2

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

See Note 26 of Notes to Financial Statements.

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 (X)

14.4

If the answer to 14.3 is no, are the methods described in 14.2 entirely contained in written agreements?

Yes (X) No ()

14.5

If the answer to 14.4 is no, please explain:

15.1

Has the reporting entity guaranteed any financed premium accounts?

Yes () No (X)

15.2

If yes, give full information.

GENERAL INTERROGATORIES
PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

16.1 Does the reporting entity write any warranty business? Yes () No (X)

If yes, disclose the following information for each of the following types of warranty coverage:

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

* Disclose type of coverage:
.....
.....

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5? Yes () No (X)

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

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

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

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

18.1 Do you act as a custodian for health savings accounts? Yes () No (X)

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

18.3 Do you act as an administrator for health savings accounts? Yes () No (X)

18.4 If yes, please provide the balance of the funds administered as of the reporting date. \$..... 0

FIVE-YEAR HISTORICAL DATA

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

	1 2012	2 2011	3 2010	4 2009	5 2008
Gross Premiums Written (Page 8, Part 1B, Columns 1, 2 and 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)	888,288,601	853,895,426	799,682,174	801,813,735	878,187,694
2. Property lines (Lines 1, 2, 9, 12, 21 and 26)	311,978,651	290,979,694	270,563,209	256,252,718	259,550,361
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)	912,549,650	886,567,629	862,280,687	876,140,576	923,547,099
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34)	101,927,266	110,284,494	137,949,219	131,804,344	146,554,287
5. Nonproportional reinsurance lines (Lines 31, 32 and 33)	113,388	1,447,813	(1,508,831)	1,329,516	6,395,201
6. Total (Line 35)	2,214,857,556	2,143,175,056	2,068,966,458	2,067,340,889	2,214,234,642
Net Premiums Written (Page 8, Part 1B, Column 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)	663,412,276	644,356,322	609,664,464	620,962,413	677,673,526
8. Property lines (Lines 1, 2, 9, 12, 21 and 26)	196,356,040	180,309,188	165,176,815	150,006,793	149,815,719
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)	550,869,761	546,292,882	528,630,906	541,671,930	568,908,730
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34)	95,517,604	102,426,054	119,680,067	118,873,280	126,176,278
11. Nonproportional reinsurance lines (Line 31, 32 and 33)	(26,943)	1,153,370	273,859	76,788	659,131
12. Total (Line 35)	1,506,128,738	1,474,537,816	1,423,426,111	1,431,591,204	1,523,233,384
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	67,058,009	37,109,894	134,512,622	212,636,059	147,054,868
14. Net investment gain (loss) (Line 11)	245,023,561	249,050,212	248,893,182	185,333,712	150,611,764
15. Total other income (Line 15)	(1,198,589)	(737,725)	(967,313)	(1,401,265)	(990,634)
16. Dividends to policyholders (Line 17)	5,050,197	5,300,201	4,689,224	4,841,204	6,772,119
17. Federal and foreign income taxes incurred (Line 19)	27,061,825	15,147,006	41,503,130	62,466,657	45,675,239
18. Net income (Line 20)	278,770,959	264,975,174	336,246,137	329,260,645	244,228,640
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Column 3)	6,465,841,502	6,283,846,454	6,207,721,710	5,989,216,656	5,687,697,888
20. Premiums and considerations (Page 2, Column 3)					
20.1 In course of collection (Line 15.1)	250,722,660	253,049,993	235,940,219	232,169,956	251,781,605
20.2 Deferred and not yet due (Line 15.2)	86,005,265	82,840,408	82,307,931	80,442,906	85,961,524
20.3 Accrued retrospective premiums (Line 15.3)	0	0	0	0	0
21. Total liabilities excluding protected cell business (Page 3, Line 26)	3,989,643,554	3,843,083,618	3,783,579,441	3,789,044,900	3,855,961,363
22. Losses (Page 3, Line 1)	2,232,807,722	2,139,072,310	2,101,433,653	2,095,265,842	2,104,892,233
23. Loss adjustment expenses (Page 3, Line 3)	718,083,836	722,856,783	716,468,495	681,671,658	663,897,508
24. Unearned premiums (Page 3, Line 9)	789,630,502	784,198,906	764,022,027	771,168,561	818,709,418
25. Capital paid up (Page 3, Line 30 and Line 31)	5,535,000	5,535,000	5,535,000	5,535,000	5,535,000
26. Surplus as regards policyholders (Page 3, Line 37)	2,496,197,948	2,440,762,836	2,424,142,269	2,200,171,756	1,831,736,525
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	364,877,881	329,893,365	337,475,557	344,866,468	399,642,261
Risk-Based Capital Analysis					
28. Total adjusted capital	2,496,197,948	2,440,762,836	2,424,142,269	2,200,171,756	1,831,736,525
29. Authorized control level risk-based capital	326,929,610	316,943,105	325,595,287	316,289,352	312,377,965
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Column 3) (Item divided by Page 2, Line 12, Column 3) x 100.0					
30. Bonds (Line 1)	84.6	88.4	87.3	88.7	89.3
31. Stocks (Line 2.1 and Line 2.2)	8.2	7.5	7.5	6.4	5.5
32. Mortgage loans on real estate (Line 3.1 and Line 3.2)	0.0	0.0	0.0	0.0	0.0
33. Real estate (Lines 4.1, 4.2 and 4.3)	0.0	0.0	0.0	0.0	0.0
34. Cash, cash equivalents and short-term investments (Line 5)	4.0	0.0	0.8	0.8	1.4
35. Contract loans (Line 6)	0.0	0.0	0.0	0.0	0.0
36. Derivatives (Line 7)	0.0	0.0	0.0	X X X	X X X
37. Other invested assets (Line 8)	3.2	4.0	4.3	4.0	3.8
38. Receivables for securities (Line 9)	0.0	0.1	0.0	0.0	0.1
39. Securities lending reinvested collateral assets (Line 10)	0.0	0.0	0.0	X X X	X X X
40. Aggregate write-ins for invested assets (Line 11)	0.0	0.0	0.0	0.0	0.0
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 (Schedule D, Summary, Line 12, Column 1)	0	0	0	0	0
43. Affiliated preferred stocks (Schedule D, Summary, Line 18, Column 1)	0	0	0	0	0
44. Affiliated common stocks (Schedule D, Summary, Line 24, Column 1)	23,315,555	22,533,255	21,728,107	19,763,275	19,210,949
45. Affiliated short-term investments (Schedule DA Verification, Column 5, Line 10)	0	0	0	0	0
46. Affiliated mortgage loans on real estate	0	0	0	0	0
47. All other affiliated	0	0	0	0	0
48. Total of above Line 42 through Line 47	23,315,555	22,533,255	21,728,107	19,763,275	19,210,949
49. Total investment in parent included in Line 42 through Line 47 above	0	0	0	0	0
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Column 1, Line 37 x 100.0)	0.9	0.9	0.9	0.9	1.0

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2012	2 2011	3 2010	4 2009	5 2008
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)	17,457,130	517,911	25,893,752	80,804,257	(66,305,734)
52. Dividends to stockholders (Line 35)	(244,000,000)	(242,000,000)	(220,000,000)	(120,000,000)	(120,000,000)
53. Change in surplus as regards policyholders for the year (Line 38)	55,435,112	16,620,567	223,970,513	368,435,231	(11,126,840)
Gross Losses Paid (Page 9, Part 2, Columns 1 and 2)					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)	370,511,073	382,566,613	356,775,616	369,440,494	440,564,993
55. Property lines (Lines 1, 2, 9, 12, 21 and 26)	115,129,779	98,949,733	87,830,279	88,486,769	91,214,682
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)	430,740,860	491,627,558	423,601,284	400,590,020	408,197,015
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34)	40,197,410	55,083,459	63,898,758	58,596,472	53,192,210
58. Nonproportional reinsurance lines (Lines 31, 32, and 33)	4,281,129	2,269,593	3,705,357	5,934,186	12,190,029
59. Total (Line 35)	960,860,251	1,030,496,956	935,811,294	923,047,941	1,005,358,929
Net Losses Paid (Page 9, Part 2, Column 4)					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)	260,099,216	285,471,007	251,163,848	262,773,365	289,479,553
61. Property lines (Lines 1, 2, 9, 12, 21 and 26)	85,853,995	72,331,782	57,743,235	60,222,739	58,540,083
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)	290,719,781	325,635,976	273,537,569	252,579,145	272,579,346
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34)	39,161,583	48,754,429	54,647,877	50,269,121	49,027,183
64. Nonproportional reinsurance lines (Lines 31, 32, and 33)	3,478,034	1,546,679	2,701,085	3,953,863	9,931,255
65. Total (Line 35)	679,312,609	733,739,873	639,793,614	629,798,233	679,557,420
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)	51.5	53.1	45.3	41.9	47.8
68. Loss expenses incurred (Line 3)	14.6	15.1	16.2	15.7	14.6
69. Other underwriting expenses incurred (Line 4)	29.4	29.2	29.1	28.0	28.0
70. Net underwriting gain (loss) (Line 8)	4.5	2.6	9.4	14.4	9.6
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Line 4 plus Line 5 minus Line 15 divided by Page 8, Part 1B, Column 6, Line 35 x 100.0)	29.4	28.8	29.2	29.0	28.3
72. Losses and loss expenses incurred to premiums earned (Page 4, Line 2 plus Line 3 divided by Page 4, Line 1 x 100.0)	66.1	68.3	61.5	57.7	62.4
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Column 6, Line 35 divided by Page 3, Line 37, Column 1 x 100.0)	60.3	60.4	58.7	65.1	83.2
One Year Loss Development (000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Column 11)	(84,418)	(75,551)	(75,724)	(164,273)	(79,156)
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, Column 1 x 100.0)	(3.5)	(3.1)	(3.4)	(9.0)	(4.3)
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, Column 12)	(162,744)	(152,521)	(227,779)	(227,347)	(154,310)
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, Column 2 x 100.0)	(6.7)	(6.9)	(12.4)	(12.3)	(9.6)

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? If no, please explain:

Yes () No ()

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 (Columns 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Columns 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	34,195	19,500	37,323	14,189	6,962	2,579	635	42,212	X X X
2. 2003	2,060,994	653,671	1,407,323	814,189	254,422	142,835	24,102	76,265	20,952	14,361	733,813	X X X
3. 2004	2,276,327	673,521	1,602,806	796,045	233,052	105,573	16,455	76,670	21,382	16,074	707,399	X X X
4. 2005	2,327,651	663,259	1,664,392	918,577	315,155	129,661	17,703	82,237	22,423	19,015	775,194	X X X
5. 2006	2,286,178	677,782	1,608,396	759,627	241,526	129,001	14,519	83,107	23,336	16,909	692,354	X X X
6. 2007	2,306,748	738,822	1,567,926	774,755	253,741	105,688	13,315	93,246	27,620	22,870	679,013	X X X
7. 2008	2,241,175	705,573	1,535,602	872,301	250,711	93,610	9,181	99,515	28,527	18,802	777,007	X X X
8. 2009	2,142,466	663,946	1,478,520	695,742	213,475	85,929	5,766	95,416	27,660	13,862	630,186	X X X
9. 2010	2,065,827	638,909	1,426,918	712,692	232,162	59,494	4,701	90,822	26,948	13,776	599,197	X X X
10. 2011	2,116,568	664,417	1,452,151	743,370	235,933	31,112	2,478	90,547	27,151	10,230	599,467	X X X
11. 2012	2,203,114	701,227	1,501,887	382,000	117,827	5,876	631	61,932	18,191	4,222	313,159	X X X
12. Totals	X X X	X X X	X X X	7,503,493	2,367,504	926,102	123,040	856,719	246,769	150,756	6,549,001	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 & Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	Direct and Assumed	Ceded			
1.	244,971	147,642	372,822	125,906	36,272	15,606	47,419	18,329	48,880	21,910	43	420,971	X X X
2.	22,197	4,111	41,559	9,298	2,931	571	7,251	1,283	5,760	1,335	64	63,100	X X X
3.	13,249	3,682	54,170	11,007	3,219	427	9,946	1,563	6,553	1,489	111	68,969	X X X
4.	26,927	7,563	65,240	12,964	5,547	1,033	12,312	1,910	9,321	2,189	207	93,688	X X X
5.	21,825	6,125	83,995	16,374	5,847	878	16,981	2,170	10,654	2,206	314	111,549	X X X
6.	36,889	10,207	111,098	24,829	9,494	936	23,848	2,685	13,986	2,647	565	154,011	X X X
7.	52,139	18,433	143,460	32,498	15,618	2,616	31,539	3,514	18,467	3,610	988	200,552	X X X
8.	73,763	21,560	170,587	32,056	19,543	3,394	40,788	4,882	22,801	5,026	1,905	260,564	X X X
9.	99,797	28,292	208,634	37,169	26,149	3,975	55,265	6,136	27,383	5,646	3,178	336,010	X X X
10.	152,468	37,099	282,169	51,996	35,659	4,994	75,586	9,086	39,009	8,130	5,772	473,586	X X X
11.	185,223	62,713	652,644	181,494	24,611	5,666	118,332	16,484	70,801	17,362	10,894	767,892	X X X
12.	929,448	347,427	2,186,378	535,591	184,890	40,096	439,267	68,042	273,615	71,550	24,041	2,950,892	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter - Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1.	X X X	X X X	X X X	X X X	X X X	X X X	0	0	X X X	344,245	76,726
2.	1,112,987	316,074	796,913	54.0	48.4	56.6	0	0	0.0	50,347	12,753
3.	1,065,425	289,057	776,368	46.8	42.9	48.4	0	0	0.0	52,730	16,239
4.	1,249,822	380,940	868,882	53.7	57.4	52.2	0	0	0.0	71,640	22,048
5.	1,111,037	307,134	803,903	48.6	45.3	50.0	0	0	0.0	83,321	28,228
6.	1,169,004	335,980	833,024	50.7	45.5	53.1	0	0	0.0	112,951	41,060
7.	1,326,649	349,090	977,559	59.2	49.5	63.7	0	0	0.0	144,668	55,884
8.	1,204,569	313,819	890,750	56.2	47.3	60.2	0	0	0.0	190,734	69,830
9.	1,280,236	345,029	935,207	62.0	54.0	65.5	0	0	0.0	242,970	93,040
10.	1,449,920	376,867	1,073,053	68.5	56.7	73.9	0	0	0.0	345,542	128,044
11.	1,501,419	420,368	1,081,051	68.1	59.9	72.0	0	0	0.0	593,660	174,232
12.	X X X	X X X	X X X	X X X	X X X	X X X	0	0	X X X	2,232,808	718,084

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.

Note: Effective January 1, 2009, the Company modified its methodology for classifying loss adjustment expenses as either Defense and Cost Containment or Adjusting and Other. See Note 37 of Notes to Financial Statements.

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	1,327,732	1,396,366	1,502,901	1,564,947	1,576,267	1,608,924	1,635,276	1,649,263	1,650,331	1,649,981	(350)	718
2. 2003	845,042	821,108	785,120	767,017	746,217	746,924	738,361	737,669	737,406	737,175	(231)	(494)
3. 2004	X X X	917,837	887,767	843,274	809,744	772,203	736,610	729,660	723,873	716,016	(7,857)	(13,644)
4. 2005	X X X	X X X	994,073	954,098	926,699	877,958	829,659	819,103	810,626	801,936	(8,690)	(17,167)
5. 2006	X X X	X X X	X X X	861,425	865,072	830,438	791,820	776,259	752,984	735,684	(17,300)	(40,575)
6. 2007	X X X	X X X	X X X	X X X	847,389	855,782	812,333	791,867	772,515	756,059	(16,456)	(35,808)
7. 2008	X X X	X X X	X X X	X X X	X X X	971,559	955,476	932,187	917,979	891,714	(26,265)	(40,473)
8. 2009	X X X	X X X	X X X	X X X	X X X	X X X	833,549	821,348	814,852	805,219	(9,633)	(16,129)
9. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	848,768	850,011	849,596	(415)	828
10. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	975,999	978,778	2,779	X X X
11. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	983,871	X X X	X X X
12. Totals											(84,418)	(162,744)

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	0 0 0	327,790	611,365	796,751	935,126	1,034,875	1,119,821	1,163,828	1,218,151	1,255,980	X X X	X X X
2. 2003	208,073	355,241	446,559	528,091	578,747	617,231	645,004	657,579	669,473	678,500	X X X	X X X
3. 2004	X X X	225,121	384,665	473,977	547,994	593,991	618,746	634,303	644,952	652,111	X X X	X X X
4. 2005	X X X	X X X	228,897	418,325	527,995	601,995	644,869	680,680	703,337	715,380	X X X	X X X
5. 2006	X X X	X X X	X X X	203,167	365,257	462,589	532,144	586,938	615,164	632,583	X X X	X X X
6. 2007	X X X	X X X	X X X	X X X	221,191	372,927	465,239	529,599	579,146	613,387	X X X	X X X
7. 2008	X X X	X X X	X X X	X X X	X X X	298,003	489,113	581,086	658,408	706,019	X X X	X X X
8. 2009	X X X	X X X	X X X	X X X	X X X	X X X	216,371	375,575	482,390	562,430	X X X	X X X
9. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	269,760	442,064	535,323	X X X	X X X
10. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	328,218	536,071	X X X	X X X
11. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	269,418	X X X	X X X

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Prior	702,949	518,306	440,155	415,363	373,716	344,847	322,936	311,722	291,775	276,006
2. 2003	490,568	314,582	204,161	145,302	100,207	75,138	63,111	55,081	46,551	38,229
3. 2004	X X X	553,423	364,846	252,931	180,521	125,531	83,047	72,592	62,267	51,546
4. 2005	X X X	X X X	596,288	369,576	274,366	198,276	132,425	102,940	79,337	62,678
5. 2006	X X X	X X X	X X X	517,701	366,308	268,237	182,962	141,131	106,508	82,432
6. 2007	X X X	X X X	X X X	X X X	490,574	353,209	260,681	196,935	138,325	107,432
7. 2008	X X X	X X X	X X X	X X X	X X X	532,122	355,649	257,972	189,304	138,987
8. 2009	X X X	X X X	X X X	X X X	X X X	X X X	497,980	324,188	233,671	174,437
9. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	458,571	292,335	220,594
10. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	493,829	296,673
11. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	572,998

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

States, Etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
		2	3						
	Active Status	Direct Premiums Written	Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Column 2)
1. Alabama	AL	L	10,459,272	9,825,452	184,205	11,077,680	9,162,811	5,091,521	0
2. Alaska	AK	L	720,464	700,549	32,808	3,530	65,447	319,903	0
3. Arizona	AZ	L	28,038,428	27,962,980	58,424	12,208,432	15,934,679	14,054,060	0
4. Arkansas	AR	L	738,958	663,616	13,132	186,581	(17,407)	446,796	0
5. California	CA	L	33,956,117	35,430,418	1,748,581	16,191,863	34,030,074	171,934,675	0
6. Colorado	CO	L	2,564,673	2,497,955	88,055	1,306,434	1,248,706	3,483,119	0
7. Connecticut	CT	L	14,185,767	15,347,376	423,300	12,448,137	14,552,620	19,509,588	0
8. Delaware	DE	L	2,473,372	2,508,093	31,550	723,477	700,053	1,282,363	0
9. Dist. Columbia	DC	L	4,537,624	4,304,391	179,832	1,372,703	1,412,315	3,528,680	0
10. Florida	FL	L	32,552,102	33,180,831	451,953	12,942,226	13,967,813	33,576,980	0
11. Georgia	GA	L	9,995,612	10,513,379	269,296	3,297,678	2,953,873	9,575,549	0
12. Hawaii	HI	L	656,775	781,227	46,352	347,326	691,266	955,587	0
13. Idaho	ID	L	732,941	718,645	5,293	52,267	125,601	317,762	0
14. Illinois	IL	L	14,131,948	14,700,990	663,129	4,067,091	7,476,115	20,142,217	0
15. Indiana	IN	L	4,008,155	4,016,002	88,321	2,851,226	1,532,645	3,495,111	0
16. Iowa	IA	L	6,109,353	6,375,002	150,878	4,142,755	2,952,806	6,199,791	0
17. Kansas	KS	L	7,805,156	7,748,696	53,433	5,256,456	5,018,956	2,390,338	0
18. Kentucky	KY	L	1,255,800	1,289,327	30,883	402,372	350,789	2,130,124	0
19. Louisiana	LA	L	1,107,267	1,104,885	28,358	473,075	571,650	2,417,236	0
20. Maine	ME	L	5,749,910	5,543,444	42,405	613,593	627,033	1,662,491	0
21. Maryland	MD	L	8,018,914	8,246,676	186,115	4,987,808	5,286,433	6,670,804	0
22. Massachusetts	MA	L	70,379,401	67,795,483	353,243	26,931,618	21,167,890	23,346,222	0
23. Michigan	MI	L	4,013,954	4,403,671	202,872	1,280,105	576,648	4,744,587	0
24. Minnesota	MN	L	4,999,163	4,872,367	26,980	3,107,336	1,179,323	7,203,693	0
25. Mississippi	MS	L	340,259	517,153	33,706	401,445	530,365	1,697,186	0
26. Missouri	MO	L	4,545,539	4,523,231	110,199	2,144,799	1,798,355	3,481,327	0
27. Montana	MT	L	3,359,958	3,331,319	12,152	685,332	402,707	927,472	0
28. Nebraska	NE	L	1,461,083	1,580,165	128,307	597,958	552,809	2,882,942	0
29. Nevada	NV	L	1,218,727	1,210,699	27,601	181,590	166,021	1,247,148	0
30. New Hampshire	NH	L	2,252,027	2,323,409	63,848	538,689	1,050,173	2,550,098	0
31. New Jersey	NJ	L	10,712,544	10,429,798	631,395	3,017,269	4,485,785	22,420,546	0
32. New Mexico	NM	L	10,058,533	10,061,622	24,395	5,119,273	4,192,262	4,230,153	0
33. New York	NY	L	203,400,563	198,158,931	3,419,907	88,584,424	130,576,311	246,746,244	0
34. North Carolina	NC	L	7,901,215	6,945,782	352,943	3,528,336	3,771,229	8,936,107	0
35. North Dakota	ND	L	46,791	32,408	0	8,134	7,312	42,899	0
36. Ohio	OH	L	24,746,059	24,049,898	0	16,855,343	18,734,283	9,890,073	0
37. Oklahoma	OK	L	2,348,865	2,033,570	164,259	477,805	344,120	2,412,962	0
38. Oregon	OR	L	5,179,033	4,755,764	32,425	1,116,016	3,091,103	6,962,216	0
39. Pennsylvania	PA	L	22,888,117	23,613,795	715,041	9,277,460	14,776,162	39,755,868	0
40. Rhode Island	RI	L	3,117,437	3,154,282	12,807	1,014,171	1,225,899	1,000,333	0
41. South Carolina	SC	L	9,320,582	9,174,448	51,471	3,552,011	3,853,736	3,806,517	0
42. South Dakota	SD	L	194,598	158,777	9,766	35,330	61,700	365,565	0
43. Tennessee	TN	L	4,658,982	4,635,515	129,361	5,391,260	5,441,576	3,714,285	0
44. Texas	TX	L	19,840,642	21,756,765	616,380	5,503,991	9,632,515	53,483,396	0
45. Utah	UT	L	10,349,050	10,019,352	34,611	3,845,703	5,187,694	4,176,634	0
46. Vermont	VT	L	4,312,694	4,223,209	32,722	594,948	164,617	1,123,086	0
47. Virginia	VA	L	12,135,598	11,740,503	260,173	7,695,637	8,654,608	9,419,716	0
48. Washington	WA	L	5,830,173	5,513,713	0	1,953,021	2,638,487	3,326,497	0
49. West Virginia	WV	L	124,122	168,506	2,956	46,532	181,843	414,277	0
50. Wisconsin	WI	L	5,370,180	5,372,409	392,815	2,079,500	2,464,534	6,111,443	0
51. Wyoming	WY	L	298,399	228,821	0	1,427	25,795	155,999	0
52. American Samoa	AS	N	0	0	0	0	0	0	0
53. Guam	GU	N	0	0	0	0	0	0	0
54. Puerto Rico	PR	N	0	0	0	0	0	0	0
55. U.S. Virgin Islands	VI	N	0	0	0	0	0	0	0
56. Northern Mariana Islands	MP	N	0	0	0	0	0	0	0
57. Canada	CAN	N	0	0	0	0	0	0	0
58. Aggregate other alien	OT	X X X	218,418	515,041	0	0	(1,121,121)	1,337,748	0
59. Totals	(a)	51	645,421,314	640,759,340	12,619,238	290,519,173	364,459,019	787,097,914	0
DETAILS OF WRITE-INS									
58001. BGR Bulgaria	X X X	0	0	0	0	(326)	0	0	0
58002. BFA Burkina Faso	X X X	125,348	125,348	0	0	(132,373)	327,700	0	0
58003. COG Congo (Brazzaville)	X X X	0	0	0	0	(3,643)	0	0	0
58998. Summary of remaining write-ins for Line 58 from overflow page	X X X	93,070	389,693	0	0	(984,779)	1,010,048	0	0
58999. Totals (Line 58001 through Line 58003 plus Line 58998) (Line 58 above)	X X X	218,418	515,041	0	0	(1,121,121)	1,337,748	0	0

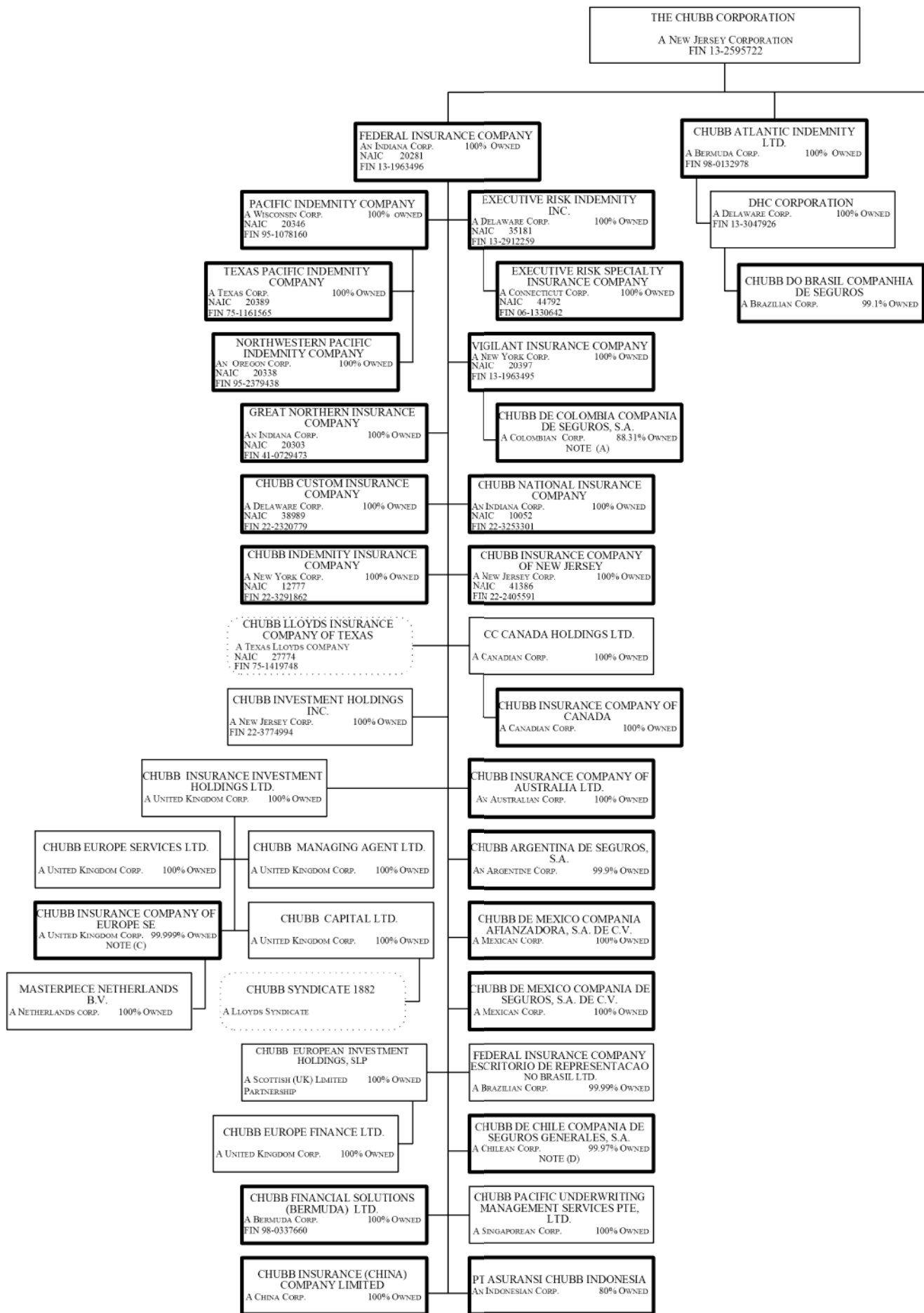
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer;
(E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

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

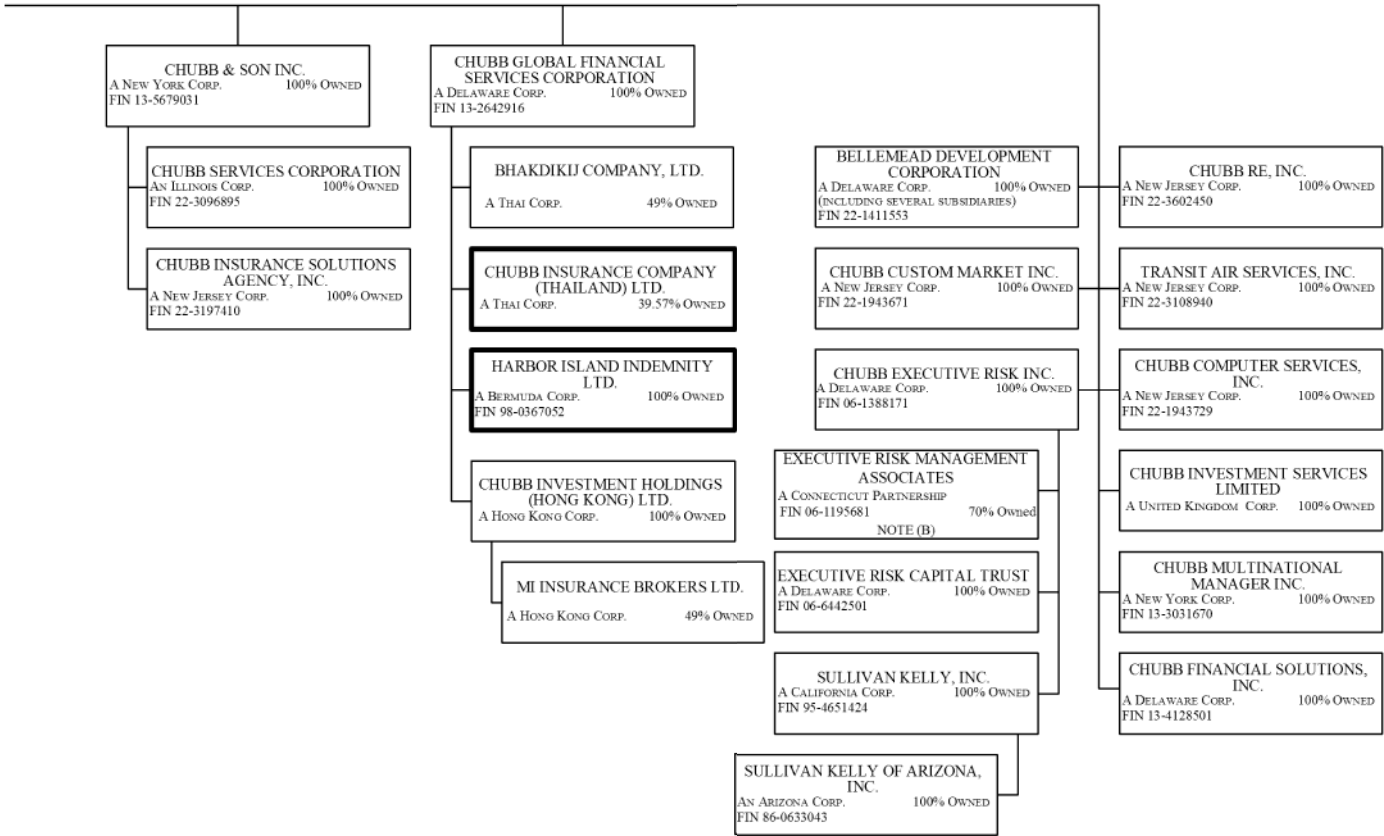
Fire, Allied Lines, Homeowners Multiple Peril, Commercial Multiple Peril, Earthquake, Burglary and Theft, and Boiler and Machinery: Location of property.
Ocean Marine: State within which the policy is negotiated and placed. Yacht: State of the predominant mooring location. Inland Marine: State of principal exposure. Ocean Cargo: Location of the producer.
Accident and Health: State of residence.
Workers' Compensation: Location of employee's main place of work.
Liability Other Than Auto: Location of risk, except Products / Contractual Liability - State of principal location.
Auto Liability and Physical Damage: State where vehicle is garaged. Aircraft: Location of airport from which aircraft principally operates.
Fidelity: U.S. Government Employees and Public Officials - Location of employees; All Other - Location of principal office of employer.
Surety: Judicial and Court Bonds - Location of court; License and Miscellaneous Indemnity Bonds - Location of obligee; All Other Bonds - Location of risk.
Credit: Where the insured is domiciled.
With respect to international commercial insurance products (1) for U.S. based insureds with emerging international operations, but no physical presence internationally, or (2) that are placed as part of a controlled master program, allocation is to the situs of the contract, which is typically the headquarter state or principal business location of the first named insured. Exceptions to this are monoline marine or other insurance products that are designed to insure specifically identified international exposures independent of the insured's operations.

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

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE PACIFIC INDEMNITY COMPANY
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



ANNUAL STATEMENT FOR THE YEAR 2012 OF THE PACIFIC INDEMNITY COMPANY
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



NOTES

(A) REMAINING OWNERSHIP AS FOLLOWS:
6.13% FEDERAL INSURANCE COMPANY
4.22% THE CHUBB CORPORATION
0.92% PACIFIC INDEMNITY COMPANY
0.42% GREAT NORTHERN INSURANCE COMPANY

(B) REMAINING 30% OWNED BY SULLIVAN KELLY, INC.

(C) REMAINING 0.001% OWNED BY VIGILANT INSURANCE COMPANY

(D) REMAINING 0.03% OWNED BY THE CHUBB CORPORATION

Key

INSURANCE AFFILIATE/SUBSIDIARY

NON-INSURANCE AFFILIATE/SUBSIDIARY

LOYDYS COMPANY/SYNDICATE

**Property and Casualty
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