American Family Mutual Insurance Company and Consolidated Property and Casualty Subsidiaries

Consolidated Property and Casualty Statutory Financial Statements

December 31, 2013 and 2012

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Independent Auditor's Report

To the Board of Directors and Shareholder of
American Family Mutual Insurance Company:

We have audited the accompanying statutory financial statements of American Family Mutual Insurance Company and its Consolidated Property and Casualty Subsidiaries (the "Companies"), which comprise the statutory balance sheets as of December 31, 2013 and 2012, and the related statutory statements of income, of changes in policyholders' surplus, and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin (OCI), the Ohio Department of Insurance (ODI) and the Illinois Department of Insurance (IDI). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We did not audit the financial statements of Homesite Group, Inc., an indirect wholly-owned subsidiary of American Family Mutual Insurance Company acquired on December 31, 2013, which statements reflect total net statutory capital and surplus recorded as an affiliated common stock constituting 2.8 percent of consolidated total admitted assets at December 31, 2013. The financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Homesite Group, Inc., is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Companies' preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companies' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the consolidated financial statements are prepared by the Companies on the basis of the accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin (OCI), the Ohio Department of Insurance (ODI) and the Illinois Department of Insurance (IDI) which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the consolidated financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America are material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the consolidated financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Companies as of December 31, 2013 and 2012, or the results of their operations or their cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the Companies as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin (OCI), the Ohio Department of Insurance (ODI) and the Illinois Department of Insurance (IDI) described in Note 1.

Emphasis of Matter

As discussed in Note 1m to the consolidated financial statements, the Companies changed the manner in which they account for employee pension and postretirement benefits and agent termination benefits as of January 1, 2013. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplemental Schedules of Consolidation are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audits and the report of the other auditors, the Supplemental Schedules of Consolidation are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The Supplemental Schedules of Consolidation are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies.

PricewaterhouseCoopers LLP

February 28, 2014

American Family Mutual Insurance Company and Consolidated Property and Casualty Subsidiaries

Consolidated Property and Casualty Statutory Balance Sheets

December 31, 2013 and 2012

(in thousands of dollars)	**2013**	**2012**
Admitted Assets		
Bonds	$ 6,969,917	$ 6,851,985
Common stocks, including investments in unconsolidated subsidiaries	3,503,017	2,514,381
Real estate (net of accumulated depreciation of $212,399 and $202,751)	235,717	242,438
Cash, cash equivalents and short-term investments	338,334	311,729
Other invested assets	721,034	509,267
Total cash and invested assets	11,768,019	10,429,800
Property and casualty premiums receivable and agents' balances	1,027,620	987,123
Accrued investment income	73,895	75,181
Deferred tax assets	233,119	419,915
Electronic data processing equipment and softw are (net)	13,096	14,518
Other assets	94,456	106,974
Total admitted assets	$ 13,210,205	$ 12,033,511

	2013	**2012**
Liabilities		
Property and casualty losses and loss adjustment expenses	$ 3,367,903	$ 3,421,963
Property and casualty unearned premiums	2,214,077	2,112,232
Drafts outstanding	93,419	118,478
Agent termination benefits	575,156	614,192
Employee pension and other benefits	187,743	172,590
Accrued expenses	309,584	242,539
Income taxes payable	15,343	31,256
Debt	502,204	-
Other liabilities	153,079	155,301
Total liabilities	7,418,508	6,868,551
Policyholders' Surplus		
Special surplus funds	1,250	1,250
Unassigned surplus	5,790,447	5,163,710
Total policyholders' surplus	5,791,697	5,164,960
Total liabilities and policyholders' surplus	$ 13,210,205	$ 12,033,511

The accompanying notes are an integral part of these statutory financial statements.

American Family Mutual Insurance Company and Consolidated Property and Casualty Subsidiaries
Consolidated Property and Casualty
Statutory Statements of Income
Years Ended December 31, 2013 and 2012

(in thousands of dollars)	**2013**	**2012**
Premiums and other income		
Property and casualty premiums earned	$ 5,494,011	$ 5,304,416
Net investment income	277,549	308,092
Net realized investment gains (losses)	128,903	202,879
Other income	34,363	38,309
Total premiums and other income	5,934,826	5,853,696
Losses and expenses		
Property and casualty losses and loss adjustment expenses incurred	3,989,775	3,869,408
Commissions	515,946	500,553
Other underwriting expenses	1,117,568	1,106,795
Dividends to policyholders	2,232	1,691
Total losses and expenses	5,625,521	5,478,447
Income (loss) before income tax expense (benefit)	309,305	375,249
Income tax (benefit)	18,449	38,611
Net income (loss)	$ 290,856	$ 336,638

The accompanying notes are an integral part of these statutory financial statements.

American Family Mutual Insurance Company and Consolidated Property and Casualty Subsidiaries
Consolidated Property and Casualty
Statutory Statements of Changes in Policyholders' Surplus
Years Ended December 31, 2013 and 2012

(in thousands of dollars)	**2013**	**2012**
Special surplus funds		
Beginning balance	$ 1,250	$ 81,783
SSAP 101/10R	-	(80,533)
Ending balance	1,250	1,250
Unassigned surplus		
Beginning balance	5,163,710	4,577,137
Net income (loss)	290,856	336,638
Net change in unrealized capital gains (losses) of investments, net of deferred income tax	363,074	133,541
Change in nonadmitted assets	(47,165)	170,207
Change in net deferred income tax	(21,896)	(30,629)
Pension & termination benefits adjustments	41,937	(23,239)
Other	(69)	55
Ending balance	5,790,447	5,163,710
Total policyholders' surplus	$ 5,791,697	$ 5,164,960

The accompanying notes are an integral part of these statutory financial statements.

American Family Mutual Insurance Company and Consolidated Property and Casualty Subsidiaries
Consolidated Property and Casualty
Statutory Statements of Cash Flows
Years Ended December 31, 2013 and 2012

(in thousands of dollars)	2013	2012
Cash from Operations		
Premiums collected net of reinsurance	$ 5,557,324	$ 5,339,911
Net investment income	349,818	370,715
Miscellaneous income	35,806	38,503
Benefit and loss related payments	(4,003,701)	(3,992,394)
Commissions, expenses paid and aggregate write-ins for deductions	(1,580,665)	(1,490,775)
Dividends paid to policyholders	(2,231)	(2,058)
Federal income taxes (paid) recovered, net of tax on capital gains (losses)	(34,247)	(44,512)
Net cash provided by (used in) operations	322,104	219,390
Cash from Investments		
Proceeds from investments sold, matured, or repaid:		
Bonds	3,602,573	4,135,971
Stocks	323,003	633,963
Real estate	1,589	2,770
Other invested assets	79,253	78,523
Net gains or (losses) on cash and short-term investments	(1,534)	(653)
Miscellaneous proceeds	18,622	21,372
Total investment proceeds	4,023,506	4,871,946
Cost of investments acquired (long-term only):		
Bonds	3,712,154	4,435,096
Stocks	133,371	367,701
Capital contribution to affiliate	680,237	253,670
Real estate	4,157	3,654
Other invested assets	219,160	175,573
Miscellaneous applications	213	-
Total investments acquired	4,749,292	5,235,694
Net cash provided by (used in) investments	(725,786)	(363,748)
Cash from Financing and Miscellaneous sources		
Borrowed funds received	500,000	-
Other cash provided (applied)	(79,324)	(71,856)
Net cash provided by (used in) financing and miscellaneous sources	420,676	(71,856)
Reconciliation of Cash, Cash Equivalents and Short-Term Investments		
New reporting entity included in the consolidation	9,611	-
Net change in cash, cash equivalents and short-term investments	26,605	(216,214)
Cash, cash equivalents and short-term investments		
Beginning of year	311,729	527,943
End of year	$ 338,334	$ 311,729
Income taxes paid (received)	$ 42,690	$ 46,165

The accompanying notes are an integral part of these statutory financial statements.

1. Nature of Operations and Significant Statutory Accounting Policies

American Family Mutual Insurance Company (herein referred to as AFMIC) is the parent of its wholly-owned subsidiaries, American Family Brokerage, Inc. (AFBI), American Family Securities, LLC (AFS), The AssureStart Insurance Agency, LLC (AIA), and AmFam, Inc. AmFam, Inc.'s wholly-owned subsidiaries are American Family Life Insurance Company (AFLIC), American Standard Insurance Company of Wisconsin (ASIC), American Family Insurance Company (AFIC), American Standard Insurance Company of Ohio (ASICO), American Family Financial Services, Inc. (AFFS), Midvale Indemnity Company (MIC), Homesite Group, Inc. (Homesite) and PGC Holdings Corp. (PGC). In 2013, Lumbermens Casualty Insurance Company was renamed to MIC. AmFam, Inc., a non-insurance holding company, is the managing member and AFLIC is a non-managing member of New Ventures, LLC (NV), an indirect, wholly-owned subsidiary of AFMIC. AFMIC and its subsidiaries are herein referred to collectively as the "Companies" or the "Company." For purposes of these financial statements, the Company has consolidated only ASIC, ASICO, AFIC and MIC (MIC for 2013 only) (herein referred to as AFMIC and consolidated property and casualty subsidiaries).

AFMIC and AFIC are engaged principally in the writing of automobile insurance, homeowners insurance, health insurance, commercial insurance, and other property and casualty insurance. ASIC and ASICO are engaged principally in the writing of non-standard automobile and cycle insurance. In 2011, ASIC started assuming property reinsurance mainly outside the Companies' existing geographic operating territory in order to diversify the Companies' risk. AFLIC markets whole life, term life, universal life, deferred annuity, and fixed annuity products to provide financial protection for qualified individuals, families and business enterprises. AFLIC ceased selling new variable universal life and variable annuities in 2009. AFLIC also supports a small amount of group life insurance and structured settlements business primarily as a service to its affiliates. AFFS was substantially engaged in the business of making direct loans to qualified individuals and business enterprises. AFFS ceased issuing new loans on November 1, 2007, and existing loans are in run-off. These companies sell these lines of business predominantly through a multi-line, exclusive agency force in nineteen states. AFIC sells insurance in the states of Ohio, Georgia, and Utah only. ASICO sells insurance in the states of Ohio and Georgia only. AFBI is an insurance agency which provides brokerage services to its affiliates and administers the federal Write Your Own Flood Program on behalf of AFMIC. AFS is a non-clearing registered broker-dealer. NV was formed in 2010 to support the Companies' non-insurance business development efforts.

On August 27, 2013, AFMIC acquired AIA (see Note 2). AIA is a managing general agent and utilizes MIC to underwrite policies for small commercial businesses direct to the consumer. On December 31, 2013, AmFam, Inc. acquired 100% of the ownership interest in Homesite (see Note 2). Homesite specializes in direct-to-consumer homeowners, renters and condominium insurance. Homesite sells their products primarily through alliances with other insurers, mortgage companies, and real estate companies. Homesite's wholly-owned subsidiary, Homesite Indemnity Corporation (HIC), is a property and casualty writer domiciled in Kansas. Homesite's other subsidiary, Homesite Securities Company, LLC (HSC), owns Homesite Insurance Agency (HIA) and has seven wholly-owned insurance subsidiaries: Homesite Insurance Company of Georgia (HGA), Homesite Insurance Company of New York (HNY), Homesite Insurance Company of California (HCA), Homesite Insurance Company of the Midwest (HMW), Homesite Insurance Company of Illinois (HIL), Homesite Insurance Company of Florida (HFL), and Homesite Insurance Company (HCT). HSC also owns and controls Texas-South of Homesite, Inc. (HTX), which is the attorney-in-fact for Homesite Lloyd's of Texas (HLTX).

On October 1, 2012, AmFam, Inc. acquired MIC as a shell company (see Note 2). On December 31, 2012, AmFam, Inc. acquired 100% of the ownership interest in PGC (see Note 2). PGC is the ultimate parent of the group of companies referred to generally as the Permanent General Companies. The Permanent General Companies specialize in writing non-standard private passenger personal automobile insurance, primarily to consumers interested in acquiring an insurance policy to comply with state minimum insurance requirements. PGC's business is primarily written online and over the phone. PGC wholly-owns Permanent General Assurance Corp of OH (PGACO), Permanent General Companies, Inc. (PGCI), PGC Holdings Corp. Statutory Trust I (PGSTI), and PGC Holdings Corp. Statutory Trust II (PGSTII). PGACO's wholly-owned subsidiary is The General Automobile Insurance Company, Inc. (GAIC). PGCI's wholly-owned subsidiary is Permanent General Assurance Corporation (PGAC), which in turn wholly-owns PGA Service Corporation (PGASC). PGASC's wholly-owned subsidiaries are The General Automobile Insurance Services of Texas, Inc. (GAIT), The General Automobile Insurance Services of Ohio, Inc. (GAIO), The General Automobile Insurance Services of Georgia, Inc. (GAIG), The General Automobile Insurance Services, Inc. (GAI), and The General Automobile Insurance Services of Louisiana, Inc. (GAIL).

AFMIC and its consolidated property and casualty subsidiaries are licensed in a total of 44 states and the District of Columbia with active sales in 20 states.

The Company has recorded its investments in AmFam, Inc., AFLIC, AFFS, AFS, AFBI, AIA, NV, MIC (2012 only), PGC, PGACO, PGCI, PGSTI, PGSTII, GAIC, PGAC, PGASC, GAIT, GAIO, GAIG, GAI, GAIL, Homesite, HIC, HSC, HIA, HGA, HNY, HCA, HMW, HIL, HFL, HCT, HTX, and HLTX on the equity basis of accounting (see Note 1(b)). This is the same basis of accounting used in preparing the Company's Annual Statement filed with state insurance departments for AFMIC and its property and casualty subsidiaries.

The accompanying financial statements have been prepared principally for filing with regulatory agencies and, as such, are prepared in conformity with accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin (OCI), the Ohio Department of Insurance (ODI) and the Illinois Department of Insurance (IDI) (statutory accounting practices).

AFMIC and ASIC are domiciled in Wisconsin, AFIC and ASICO are domiciled in Ohio and MIC is domiciled in Illinois. Prescribed statutory accounting practices (STAT) include the National Association of Insurance Commissioners' (NAIC) "Accounting Practices and Procedures Manual," state laws, regulations, and general administrative rules applicable to all insurance enterprises domiciled in a particular state. In addition, the OCI, ODI and IDI have a right to permit other specific practices that may deviate from prescribed practices. Annual approval is obtained from the OCI, ODI and IDI to file consolidated audited financial statements in lieu of separate audited financial statements for each insurer based upon the 100% pooling reinsurance agreement. No permitted differences in statutory accounting practices between the OCI, ODI or IDI and the NAIC are used in the preparation of the statutory financial statements.

The accompanying financial statements have been prepared in accordance with STAT which requires management to make estimates and assumptions that 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying statutory financial statements vary materially from financial statements prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) primarily because on a STAT basis: a) bonds are generally carried at amortized cost rather than being valued at fair value; b) policy acquisition costs, such as commissions and other costs directly related to acquiring business, are charged to operations as incurred and not deferred; c) deferred tax assets (DTAs) are generally limited to those temporary differences which reverse in the following three years and offset deferred tax liabilities (DTLs); d) PGC, Homesite and non-property and casualty insurance companies are excluded from this consolidation; e) reinsurance recoverables on unpaid losses are offset against the liability for property and casualty losses and loss adjustment expenses; f) money market mutual funds are reported as short-term investments rather than cash equivalents; g) liabilities for employee and agent benefit plans are based upon accumulated benefit obligations rather than projected benefit obligations (2012 only); h) the STAT purchase method of accounting relies on carryover basis of accounting and the resulting goodwill will be amortized over a period of ten years; i) for statutory purposes certain assets are considered non-admitted and therefore excluded from surplus; see Note 1(l) below for a description of these items; and j) debt is recorded on a cost basis rather than at fair value.

The effect of the foregoing differences in the accompanying consolidated statutory financial statements is material. Consolidated GAAP policyholders' equity is $6,580,946,000 and $6,136,828,000 as of December 31, 2013 and 2012, respectively. Consolidated GAAP net income is $378,835,000 and $360,511,000 for the years ended December 31, 2013 and 2012, respectively.

The significant accounting policies used in the preparation of these statements include:

a. Principles of Consolidation

The accompanying consolidated property and casualty statutory financial statements include the accounts of AFMIC and its wholly-owned property and casualty subsidiaries (ASIC, AFIC, ASICO, and MIC (MIC for 2013 only)) after elimination of all significant intercompany balances and activity.

b. Cash and Invested Assets

Investments in bonds rated "1" (highest quality), or "2" (high quality), by the Securities Valuation Office ("SVO") of the NAIC are reported in the financial statements at amortized cost. Bonds rated "3" (medium quality), “4” (low quality), “5” (lower quality) or “6” (lowest quality) by the SVO are reported at the lower of amortized cost or fair value. The interest method is used to amortize any purchase premium or discount, including estimates of future prepayments obtained from independent sources. Valuations for loan-backed securities include anticipated prepayments at the date of purchase and are adjusted for updated prepayment information using the retrospective method.

Investments in commercial mortgage backed securities (CMBS) and non-agency residential mortgage backed securities (RMBS) utilize a two-step process to obtain a valuation and rating in accordance with SSAP 43R, *Loan Backed and Structured Securities*. The first step derives a rating for valuation by comparing the current amortized cost to the modeled range of values assigned to the six NAIC designations for each security. This determines whether the securities are stated at the lower of amortized cost or fair value per the above rules. The second step utilizes the same modeled range of values to derive a rating for reporting using the current carrying value as determined in the first step.

Ratings and valuations for investments in asset backed and other structured securities (other than Equipment Trust Certificates and Credit Tenant Leases) that are otherwise rated by a credit rating provider (CRP) are calculated using a two-step process. The first step derives a rating for valuation based on the CRP rating and the NAIC model valuation table. The second step utilizes the model valuation table to derive a rating for reporting using the current carrying value as determined in the first step. Securities whose initial rating is NAIC 1 or NAIC 6 in step one are not further modified by step two.

Common stocks are generally reported in the financial statements at fair value, which is based primarily on values published by the SVO and quoted market prices. When SVO-published values or quoted market prices are not used, fair value is estimated using independent pricing services.

Cash and cash equivalents represent cash and securities that have maturities of three months or less at purchase, and are carried at amortized cost, which approximates fair value. Short-term investments represent securities that had maturities of one year or less at purchase and consist primarily of money market funds carried at amortized cost, which approximates fair value.

Other invested assets consist primarily of investments in limited partnerships. The limited partnerships are carried at the Companies' pro rata share of the limited partnerships' GAAP equity, which approximates fair value. Unlike GAAP, changes in the carrying amounts of limited partnerships are recorded as unrealized gains or losses in unassigned surplus. These investments typically reflect a reporting lag of up to three months, dependent upon receipt of the limited partnership's financial statements. The Company also holds Low Income Housing Tax Credits that are recorded at amortized cost.

Derivative instruments are accounted for on a fair value basis and reported as other invested assets or other liabilities, as applicable, on the balance sheets. When derivatives meet specific criteria, they may be designated as accounting hedges and accounted for as fair value, cash flow, or foreign currency hedges. The Company did not elect to apply hedge accounting for the derivative instruments that were utilized during the reporting period. As a result, unrealized gains and losses on open derivative positions are recognized within unassigned surplus, with an adjustment to the derivative instrument. Interim settlements involving the receipt or payment of cash are included as a component of net investment income. The gain or loss recognized upon exiting a derivative position is recognized within net realized investment gains (losses). Cash flows from the derivatives are reported in cash from investments within the statements of cash flows.

Real estate assets consist of land, buildings and building improvements. Land is reported at cost. Buildings and improvements are carried at cost, less accumulated depreciation computed on the straight-line method over estimated useful lives ranging from twenty to forty-five years.

Investment income is recorded when earned. Dividend income is recorded on the ex-dividend date. Realized gains and losses on sales of investments are determined on a specific identification basis and are recorded directly in the accompanying consolidated property and casualty statutory statements of income. Unrealized gains and losses resulting from changes in the fair value of common stocks, those bonds rated 3-6, and limited partnerships are credited or charged to net change in unrealized capital gains (losses) of investments, a component of the Companies' unassigned surplus, net of deferred taxes. If there is a decline in an investment's net realizable value that is other-than-temporary, the decline is recorded as a realized loss and the cost of the investment is reduced to either its present value of expected future cash flows or its fair value depending on security type.

AFMIC carries its investments in AmFam, Inc., AFLIC, AFFS, AFS, AFBI, AIA, NV, MIC (2012 only), PGC, PGACO, PGCI, PGSTI, PGSTII, GAIC, PGAC, PGASC, GAIT, GAIO, GAIG, GAI, GAIL, Homesite, HIC, HSC, HIA, HGA, HNY, HCA, HMW, HIL, HFL, HCT, HTX, and HLTX at their underlying net equity (on a statutory basis for AFLIC, MIC, PGACO, GAIC, PGAC, HIC, HIL, HCT, HNY, HCA, HMW, HFL, HGA and HLTX, and on a GAAP basis for AmFam, Inc., AFFS, AFS, AFBI, AIA, NV, PGC, PGCI, PGSTI, PGSTII, PGASC, GAIT, GAIO, GAIG, GAI, GAIL, Homesite, HSC, HIA and HTX). For statutory purposes, AFBI and PGASC and its subsidiaries (2012 only) are nonadmitted because those companies do not undergo separate audits. Dividends received and interest earned from these companies is recorded as net investment income.

c. Fair Value Measurements

Financial assets and financial liabilities recorded on the balance sheets at fair value are categorized based on the reliability of inputs to the valuation techniques as follows:

Level 1 Financial assets and financial liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company can access.

Level 2 Financial assets and financial liabilities whose values are based on the following:
Quoted prices for similar assets or liabilities in active markets;
Quoted prices for identical or similar assets or liabilities in non-active markets; or
Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs may reflect the Company's estimates of the assumptions that market participants would use in valuing the financial assets and financial liabilities.

The availability of observable inputs varies by instrument. In situations where fair value is based on internally developed pricing models or inputs that are unobservable in the market, the determination of fair value requires more judgment. In many instances, inputs used to measure fair value fall into different levels of the fair value hierarchy. In those instances, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is categorized is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

d. Premiums

Premiums written are recorded on the effective date of the contract and earned on a pro rata basis over the terms of the policies. Premiums earned include premiums assumed and are presented net of premiums ceded under various reinsurance contracts.

Premiums receivable consists of accounts receivable for uncollected premium balances, bills receivable for premiums, and amounts due from agents and brokers. AFMIC routinely assesses the collectability of these receivables. Any premiums receivable which are greater than 90 days past due are nonadmitted. As of December 31, 2013 and 2012, nonadmitted amounts are $2,705,000 and $3,073,000, respectively. Based upon the Companies' experience, premiums receivable of $4,069,000 and $3,866,000 as of December 31, 2013 and 2012, respectively, are estimated to be uncollectible in excess of nonadmitted amounts; therefore, a corresponding additional provision for uncollectible amounts has been recorded in 2013 and 2012.

AFMIC considers an account delinquent if payment is not received according to the contractual terms of the related insurance policy. Typically, accounts are charged off after attempts to collect the funds are exhausted by internal and external sources. AFMIC generally does not charge interest on delinquent accounts.

The Companies annually evaluate whether a premium deficiency exists relating to short-duration contracts for each of its major lines of business. Anticipated investment income is considered as part of this evaluation. A premium deficiency of $3,088,000 existed at December 31, 2013 attributable to health lines with 50% of the balance subject to ceding under a reinsurance contract for a net premium deficiency of $1,544,000. A premium deficiency of $6,911,000 existed at December 31, 2012 attributable to health lines with 50% of the balance subject to ceding under a reinsurance contract for a net premium deficiency of $3,456,000.

e. Acquisition Costs

Costs that are directly related to the acquisition of new or renewal insurance contracts are expensed as incurred.

f. Liabilities for Losses and Loss Adjustment Expenses

The liability for property and casualty losses and loss adjustment expenses includes amounts determined on the basis of claim evaluation and other estimates for reported losses, and includes estimates for losses incurred but not reported and anticipated salvage and subrogation recoveries. These estimates are continually reviewed and updated and any adjustments are reflected currently. Accordingly, losses and loss adjustment expenses are charged to income as incurred.

Reinsurance recoveries are recorded as a reduction of losses and loss adjustment expenses in accordance with contract terms. The liabilities for property and casualty losses and unearned premiums are determined after deducting a share of reinsurance placed with other reinsurers.

Due to the reasonably complex and dynamic process of establishing these reserves, which can be influenced by a variety of factors and assumptions, the actual ultimate losses and loss adjustment expenses which may emerge in future years may vary from the amounts recorded in these consolidated financial statements.

g. Reinsurance

In the normal course of business, the Companies seek to limit their exposure to loss on any single insured and to certain aggregate loss limits. This is accomplished by ceding insurance to other insurance companies or reinsurers under quota share, excess of loss contracts and coinsurance contracts. Liabilities related to insurance contracts are reported after the effects of reinsurance. Estimated reinsurance recoverable is recognized in a manner consistent with the liabilities related to the underlying reinsured contracts. After reinsurance cessions to external parties including American Republic Insurance Company and National Flood Insurance Program, ASIC, AFIC and ASICO cede the remainder of their insurance business to AFMIC under 100% quota share reinsurance contracts. Effective January 1, 2013, MIC entered into a 100% quota share agreement with AFMIC.

In 2011, ASIC started assuming property reinsurance mainly outside the Companies' existing geographic operating territory in order to diversify the Companies' risk. Property and casualty earned premiums assumed under reinsurance contracts under this program during 2013 and 2012 were $68,478,000 and $66,988,000, respectively.

The Companies do not enter into finite reinsurance contracts; all reinsurance contracts involve a significant transfer of risk. Ceded reinsurance transactions do not relieve the Company of its primary obligation to the policyholder.

h. Federal Income Taxes

The Companies file a consolidated federal income tax return with the following entities:

American Family Mutual Insurance Company (Parent Company)
American Standard Insurance Company of Wisconsin
American Family Life Insurance Company
American Family Financial Services, Inc.
AmFam, Inc.
American Family Brokerage, Inc.
American Family Insurance Company
American Standard Insurance Company of Ohio
Midvale Indemnity Company
PGC Holdings Corp. and Subsidiaries

Starting in 2014, Homesite and its direct and indirect subsidiaries will be included in the consolidated federal income tax return.

The consolidated federal income tax is allocated to each member company in the following manner: Companies having tax profits on a separate return basis will incur federal tax expense based on their separate return taxable incomes. Companies with tax losses on a separate return basis will be compensated (at the current federal tax rate) for the reduction in the consolidated tax liability resulting from their losses. Such compensation shall come directly from profitable companies that utilize those tax losses to reduce their taxable incomes. A loss company may have to repay this current year compensation back to the profitable company if the profitable company later incurs losses that, on a separate return basis, may be carried back to offset its current year income. The reduction of the consolidated tax liability due to tax credits shall be allocated to the individual Companies producing such credits. Special additional taxes are similarly allocated to each member company.

The reporting of federal and foreign income taxes under STAT is similar to the reporting requirements under GAAP except for the following differences. Under STAT, the calculation of state income taxes incurred is limited to taxes due on the current year's taxable income and any adjustments due to changes in prior year returns. Therefore, deferred state income taxes are not recorded. Under GAAP, there is a requirement to reduce the amount of DTAs by a valuation allowance if it is more likely than not that some portion of the DTA will not be realized. STAT requires that the gross DTAs be subject to an admissibility test which also includes the more likely than not valuation allowance. Under STAT, any changes in DTAs and DTLs are to be recognized as a separate component of the change in unassigned surplus. Therefore, changes in the DTAs and DTLs will not be included in current year income. This differs from GAAP, which reports the change in deferred taxes (deferred tax provision) as a component of the total tax provision (sum of federal current and deferred) rather than as a direct adjustment to unassigned surplus. The gross change in the DTA/DTL related to unrealized capital gains and losses is charged directly to surplus by netting against the unrealized capital gains and losses.

i. Real Estate

The Company has not recognized any impairment on real estate, there are no receivables on land held for sale, and the Company has no obligations for improvements.

j. Furniture and Equipment, and Electronic Data Processing Equipment and Software

Furniture and equipment, and electronic data processing equipment and software ("EDP") are carried at cost less accumulated depreciation. Furniture and equipment includes auto, furniture and equipment, leasehold improvements and telephone. EDP includes electronic data processing equipment, and purchased and internally-developed software. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, ranging from three to forty-five years. The Company reviews fixed assets for impairment when there is reason to believe that a fixed asset's carrying value might not be recoverable, and charges any impairments as an operating expense in the statements of income.

The gross cost, accumulated depreciation, net cost, non-admitted assets, and net admitted assets of major classes as of December 31 are as follows:

	2013					
(in thousands of dollars)	**Gross Cost**	**Accumulated Depreciation**	**Net Cost**	**Non Admitted Asset**	**Net Admitted Asset**	**Depreciation Expense**
Furniture and equipment	$ 229,761	$ (143,035)	$ 86,726	$ 86,726	$ -	$ 10,869
EDP equipment and software	651,806	(438,733)	213,073	199,977	13,096	13,588
	$ 881,567	$ (581,768)	$ 299,799	$ 286,703	$ 13,096	$ 24,457

	2012					
(in thousands of dollars)	**Gross Cost**	**Accumulated Depreciation**	**Net Cost**	**Non Admitted Asset**	**Net Admitted Asset**	**Depreciation Expense**
Furniture and equipment	$ 198,823	$ (143,296)	$ 55,527	$ 55,527	$ -	$ 11,555
EDP equipment and software	581,063	(407,154)	173,909	159,391	14,518	16,591
	$ 779,886	$ (550,450)	$ 229,436	$ 214,918	$ 14,518	$ 28,146

k. Leases

The Company leases various office equipment and real estate under various noncancelable operating lease agreements with various expiration dates through 2018 and thereafter. Lease expense for 2013 and 2012, prior to allocation to nonconsolidated affiliates, was $32,779,000 and $37,916,000, respectively.

As of December 31, 2013, the minimum aggregate lease commitments, prior to allocations to nonconsolidated affiliates, were as follows:

(in thousands of dollars) **Year ending December 31**	**Operating Leases**
2014	$ 38,169
2015	37,688
2016	38,629
2017	38,384
2018 and thereafter	39,752
Total	$ 192,622

Certain lease commitments have renewal options extending through the year 2025. Some of these renewals are subject to adjustments in future periods.

The Company does not have any significant activity from acting as a lessor.

l. Nonadmitted Assets

Certain assets designated as "nonadmitted assets," primarily consisting of DTAs, premium receivables greater than 90 days past due, State of Missouri guaranty funds receivable, a portion of electronic data processing equipment, non-operating software, furniture and equipment, and common stock of certain affiliated companies, have been excluded from the balance sheets through a direct charge against unassigned surplus. Changes in nonadmitted assets are reported as a direct adjustment to surplus in the statements of changes in policyholders' surplus.

The nonadmitted assets as of December 31 are as follows:

(in thousands of dollars)	2013	2012
Common stocks	$ 1,458	$ 19,195
Other invested assets	692	50
Uncollected premiums	2,705	3,072
Net deferred tax assets	84	12,960
EDP and software	199,977	159,391
Furniture and fixtures	86,726	55,527
All other	15,333	9,615
Total nonadmitted assets	$ 306,975	$ 259,810

m. Adoption of New Accounting Guidance

Accounting for Pension, Other Post-Retirement Benefits, and Agent Termination Benefits

In March 2012, the NAIC adopted new guidance—SSAP 102 and SSAP 92—for the accounting for pension and other postretirement benefits. The new standards became effective for the Company beginning January 1, 2013. Under the new rules, the unfunded benefit obligations are recognized on the balance sheet, and impacts statutory surplus. Further, nonvested participants are now included in the statutory measurement of the obligation and expense. In addition, the new guidance discontinues the previous statutory provision to allow for asset smoothing. The initial adoption of this new guidance was recorded through an adjustment to surplus. Companies can make an election to recognize the entire adjustment to surplus as a result of adopting this new guidance or over a period not to exceed 10 years. The Company elected to recognize the entire adjustment to surplus in the current year. Adopting this new accounting guidance increased the Company's liability for pension and other postretirement benefits by approximately $257,925,000, which reduced unassigned surplus by approximately $248,195,000, after tax, as of January 1, 2013. This adjustment to unassigned surplus is included in the current year change for the pension and termination benefits adjustment line of the statutory statements of changes in policyholders' surplus.

n. Future Adoption of New Accounting Matters

Guaranty Fund and Other Assessments

In December 2013, the NAIC adopted revised guidance—SSAP35R— for the accounting for guaranty fund and other assessments, specifically related to fees payable to the federal government by health insurers. Revisions to the standard regarding the Affordable Care Act (ACA) 9010 assessment become effective for annual reporting periods beginning January 1, 2014. Revisions adopt, with modifications, ASU 2011-06, the liability related to the 9010 ACA assessment shall be estimated and recorded once the Company provides qualifying health insurance in the fee year (typically January 1 of the calendar year in which the assessment must be paid to the US Treasury). In the data year (the calendar year immediately before the fee year), the Company is to reclassify from unassigned surplus to special surplus an amount equal to its estimated subsequent fee year assessment. The segregation in special surplus is to be accrued monthly throughout the data year. The guidance is expected to have an immaterial impact on the results of operations, financial position and disclosures.

o. Reclassifications

Certain reclassifications have been made in the accompanying financial statements to allow for consistent financial reporting.

p. Subsequent Events

The Company has evaluated events subsequent to December 31, 2013 through February 28, 2014, the date these financial statements were available to be issued. Based on this evaluation, no events have occurred subsequent to December 31, 2013 that require disclosure or adjustment to the financial statements at that date or for the year then ended.

2. Acquisitions

On December 31, 2013, AFMIC, through AmFam, Inc., acquired 100% of the ownership interest in Homesite for $666,447,000 in cash, including direct costs of the acquisition. The purpose of this acquisition was to broaden distribution channels and to spread the concentration of risk. Homesite specializes in direct-to-consumer homeowners, renters and condominium insurance. Homesite sells its products primarily through alliances with other insurers, mortgage companies, and real estate companies. As of December 31, 2013, Homesite had policies in force in 46 states and the District of Columbia. AmFam, Inc. accounted for the transaction under the STAT purchase method of accounting which resulted in the recognition of $300,120,000 of goodwill, none of which was amortized during 2013.

On August 27, 2013, AFMIC acquired 100% of the Class A units of AIA for $4,000,000 cash and its existing investment in Business Insurance Direct, LLC (BID). No goodwill was recorded as a result of this acquisition. The class A units of AIA entitle AFMIC to 100% voting capital interest and 80% nonvoting profits interest. AFMIC acquired 100% of the Class A units of BID on January 14, 2013 for $1,500,000 in cash. In exchange for 100% of the Class B units of AIA, BID contributed all of its net assets to AIA (principally computer software, prepaid assets and cash). AIA is a managing general agent and utilizes MIC to underwrite policies for small commercial businesses direct to the consumer. As of December 31, 2013, AIA had four policies in force in one state and had a carrying value of $13,666,000.

On December 31, 2012, AFMIC, through AmFam, Inc., acquired 100% of the ownership interest in PGC for $241,636,000 in cash, including direct costs of the acquisition. The Permanent General Companies specialize in non-standard private passenger personal automobile insurance, primarily to consumers interested in acquiring an insurance policy to comply with state minimum insurance requirements. As of December 31, 2013, PGC had policies in force in 27 states. PGC's business is primarily written on a direct basis (e.g. online and over the phone). PGC also generates business through independent insurance agencies and referral partners.

AmFam, Inc. accounted for the transaction under the STAT purchase method of accounting which resulted in recognition of $130,938,000 of goodwill, none of which was amortized during 2012. Goodwill amortization expense was $13,061,000 for the year ended December 31, 2013. In 2013, there was a measurement period adjustment of $1,063,000 to increase DTAs and decrease goodwill, which was the result of utilization of a NOL from PGC.

On October 1, 2012, AFMIC, through AmFam, Inc., acquired 100% of the ownership interest in MIC, as a shell company, for $15,328,000. In connection with the acquisition, MIC and Lumbermens Mutual Casualty Company (LMC, MIC's former parent) entered into a reinsurance agreement pursuant to which LMC assumes via a 100% quota share reinsurance basis all of the gross liabilities and obligations relating to MIC's pre-closing insurance business. AFMIC's goal in the transaction was to obtain the 41 full state insurance licenses permitting MIC to write property and casualty insurance in various states. AmFam, Inc. accounted for the transaction under the STAT purchase method of accounting which resulted in recognition of $3,838,000 of goodwill. Goodwill amortization expense was $384,000 for the year ended December 31, 2013.

The goodwill recorded by AmFam, Inc. for these acquisitions is included as part of its investment in Homesite, PGC and MIC. Therefore, it is included as part of common stock. AFMIC has accounted for these transactions on a basis consistent with that described in Note 1(b). The transaction did not have an impact on unassigned surplus at the time of acquisition.

3. Financial Instruments

a. Fair Value of Financial Instruments

The fair value guidance establishes a hierarchy for inputs used in determining fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Fair value is a market-based measure considered from the perspective of a market participant who owns an asset or owes a liability. Accordingly, when market observable data is not readily available, the Company's own assumptions are set to reflect those that market participants would be presumed to use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including during periods of market disruption. In periods of market disruption, the ability to observe prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from one level of the hierarchy to another.

When available, the Company uses the market approach to estimate the fair value of its financial instruments, which is based on quoted prices that are readily and regularly available in active markets. Generally, these are the most liquid of the Company's holdings and valuation of these securities does not involve management judgment. Matrix pricing and other similar techniques are other examples of the market approach. Matrix pricing values a particular security by utilizing the prices of securities with similar ratings, maturities, industry classifications, and/or coupons and interpolating among known values of these similar instruments to derive a price.

When quoted prices in active markets are not available, the Company uses the income approach, or a combination of the market and income approaches, to estimate the fair value of its financial instruments. The income approach involves using discounted cash flow and other standard valuation methodologies. The inputs in applying these market standard valuation methodologies include, but are not limited to, interest rates, benchmark yields, bid/ask spreads, dealer quotes, liquidity, term to maturity, estimated future cash flows, credit risk and default projections, collateral performance, deal and tranche attributes, and general market data.

The following valuation techniques and inputs were used to estimate the fair value of each class of significant financial instruments:

Level 1 Measurements

Bonds: *U.S. Government:* Comprised of U.S. Treasuries valued based on unadjusted quoted prices for identical assets in markets that are generally active.

Common Stocks: Comprised of actively traded, exchange listed U.S. and international equity securities and mutual funds. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.

Short-term Investments: Comprised of actively traded money market funds that have daily quoted net asset values for identical assets that the Company can access. The fair value of Level 1 short-term U.S. Treasury Notes is determined using unadjusted quoted prices for identical assets in markets that are generally active.

Level 2 Measurements

Bonds: The majority of the Company's Level 2 fixed income securities are priced by either the SVO or by leading, nationally recognized providers of market data and analytics if no SVO price is available. These securities are principally valued using the market and income approaches. When available, recent trades of identical or similar assets are used to price these securities. However, because many fixed income securities do not actively trade on a daily basis, pricing models are often used to determine security prices. The pricing models discount future cash flows at estimated market interest rates. These rates are derived by calculating the appropriate spreads over comparable U.S. Treasury securities based on credit quality, industry, and structure of the asset. Observable inputs used by the models include benchmark yields, bid/ask spreads, dealer quotes, liquidity, term to maturity, credit risk and default projections, collateral performance, deal and tranche attributes, and general market data. Inputs may vary depending on type of security.

A small segment of Level 2 and Level 3 securities are priced internally using matrix pricing, broker quotes, and benchmark and spread analysis, or through third party vendors that specialize in difficult-to-price securities. Pricing for specific security types is as follows:

Corporates: Valued based on inputs including quoted prices for identical or similar assets in markets that are not active, benchmark yield curves, bid/ask spreads, and credit quality.

Municipals: Valued based on inputs including quoted prices for identical or similar assets in markets that are not active, benchmark yield curves, bid/ask spreads, and credit quality.

Common Stocks: Comprised principally of shares in Federal Home Loan Bank of Chicago (FHLBC) stock as discussed in Note 14. While not actively traded, the valuation for this investment is perpetually quoted at $100 by the FHLB.

Short-term Investments: Short-term investments are valued based on quoted prices for identical or similar assets in markets that are not active, benchmark yield curves, bid/ask spreads, and credit quality.

Derivative Instruments: Over-the-counter (OTC) derivatives, including interest rate swaps, are valued using models that rely on inputs such as interest rate yield curves that are observable for substantially the full term of the contract. These models discount cash flows at each coupon date and the valuation of interest rate swaps is the difference between the values of the discounted cash flows of the fixed and floating legs of the swap. Fair value is the estimated amount that the Company would receive (pay) to terminate the derivative contracts at the reporting date. Derivative assets (liabilities) are reported gross of collateral payable (receivable) for purposes of fair value disclosures in Note 3(a).

Level 3 Measurements

Bonds: The majority of Level 3 bonds are valued externally using a pricing vendor that specializes in pricing esoteric securities. The vendor's pricing model uses projected cash flows, prepay, default and severity assumptions, benchmark yields, weighted average lives and credit spreads as inputs. The Company also holds one bond which is backed by property tax payments made by the Company and consistently priced at par as a result. Pricing for specific security types of Level 3 bonds carried at fair value are as follows:

Municipals: Valued internally based on a discounted cash flow model.

Corporates: Valued internally based on the mid-point of indicative bid and ask quotes.

Other Invested Assets – Limited Partnership Interests (LPs): Valued using capital account balances as reported by the various limited partnerships, which approximate fair value.

The following summarizes the Company's financial assets carried at fair value on a recurring basis as of December 31. The fixed income securities' fair value does not agree to the amount presented on the statutory balance sheets as the vast majority of the Company's fixed income securities are carried at amortized cost. The carrying value for these fixed income securities is described in Note 1(b).

2013

(in thousands of dollars)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2013
Financial assets				
Bonds				
Municipals	$ -	$ 9,041	$ 13,545	$ 22,586
Corporates	-	82,426	1,506	83,932
Common stocks	1,749,427	10,000	-	1,759,427
Short-term investments	218,196	-	-	218,196
Derivative assets	-	37,406	-	37,406
Total fair value financial assets	$ 1,967,623	$ 138,873	$ 15,051	$ 2,121,547
Derivative liabilities	-	505	-	505
Total fair value financial liabilities	$ -	$ 505	$ -	$ 505

2012

(in thousands of dollars)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2012
Financial assets				
Bonds				
Municipals	$ -	$ 5,560	$ -	$ 5,560
Corporates	-	47,328	-	47,328
Common stocks	1,529,186	6,789	-	1,535,975
Short-term investments	99,039	-	-	99,039
Derivative assets	-	955	-	955
Total fair value financial assets	$ 1,628,225	$ 60,632	$ -	$ 1,688,857
Derivative liabilities	-	10,960	-	10,960
Total fair value financial liabilities	$ -	$ 10,960	$ -	$ 10,960

The following provides a summary of changes in fair value during 2013 of Level 3 financial assets carried at fair value:

2013

(in thousands of dollars)	Balance as of January 1, 2013	Total Realized and Unrealized Gains (Losses) included in Net Income	Total Realized and Unrealized Gains (Losses) included in OCI on Balance Sheet	Purchases	Sales	Settlements	Net Transfers In and/or (Out) of Level 3	Balance as of December 31, 2013	Total Gains (Losses) included in Net Income for Instruments Still Held at December 31, 2013
Financial assets									
Bonds									
Municipals	$ -	$ -	$ (455)	$ -	$ -	$ -	$ 14,000	$ 13,545	$ -
Corporates	-	-	(9)	549	-	(27)	993	1,506	-
Total recurring Level 3 financial assets	$ -	$ -	$ (464)	$ 549	$ -	$ (27)	$ 14,993	$ 15,051	$ -

No Level 3 securities were carried at fair value during 2012.

The following summarizes the fair value of the Company's financial assets by asset type as of December 31:

2013

(in thousands of dollars)	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)
Bonds	$ 7,051,100	$ 6,969,917	$ 306,997	$ 6,697,277	$ 46,826
Common stocks - unaffiliated	1,759,427	1,759,427	1,749,427	10,000	-
Cash equivalents	1,368	1,367	-	1,368	-
Short-term investments	328,525	328,252	302,053	26,472	-
Derivative assets	37,406	37,406	-	37,406	-
Other invested assets - LPs	665,472	664,780	-	-	665,472
Total financial assets	$ 9,843,298	$ 9,761,149	$ 2,358,477	$ 6,772,523	$ 712,298
Derivative liabilities	$ 505	$ 505	$ -	$ 505	$ -
Total financial liabilities	$ 505	$ 505	$ -	$ 505	$ -

2012

(in thousands of dollars)	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)
Bonds	$ 7,296,386	$ 6,851,985	$ 141,261	$ 7,119,563	$ 35,562
Common stocks - unaffiliated	1,535,975	1,535,975	1,529,186	6,789	-
Short-term investments	192,377	192,241	171,749	20,628	-
Derivative assets	955	955	-	955	-
Other invested assets - LPs	499,035	498,985	-	-	499,035
Total financial assets	$ 9,524,728	$ 9,080,141	$ 1,842,196	$ 7,147,935	$ 534,597
Derivative liabilities	$ 10,960	$ 10,960	$ -	$ 10,960	$ -
Total financial liabilities	$ 10,960	$ 10,960	$ -	$ 10,960	$ -

The Company's primary source for statutory valuations is the SVO. If the SVO does not provide a price for a security, the Company utilizes a leading third party pricing provider as the secondary pricing source. In all cases the Company's internal pricing policy is to use a consistent source for individual securities in order to maintain the integrity of its valuation process. On a quarterly basis, SVO price quotes are validated against a third party pricing source. For securities not priced by the SVO, a sample of prices is validated by comparison to recent trade activity obtained from reputable online trading sites. In addition, investment managers may be consulted to corroborate prices received from outside sources based on their knowledge of market trends and activity. As necessary, the Company utilizes a pricing service that specializes in difficult-to-value securities to price esoteric or illiquid securities. Material discrepancies between the primary and secondary sources are investigated, reconciled and updated as warranted. This may involve challenging a price from the primary source if the Company determines the price provided does not meet expectations based on observed market, sector, or security trends and activity.

On an annual basis, the Company reviews quality control measures and data assumptions from its pricing sources to determine if any significant changes have occurred that may indicate issues or concerns regarding their evaluation or market coverage. In addition, an annual analysis is performed on a sample of securities to further validate the inputs, assumptions, and methodologies used by the primary source to price those securities.

During the course of the valuation process, if it is determined the material inputs used to price a security are unobservable, the Company will transfer that security to Level 3. Level 3 securities have historically represented a nominal percentage of the total investment portfolio and have generally consisted of illiquid or thinly traded CDO and private placement deals, bonds of issuers in the process of restructuring or bankruptcy, or other esoteric or difficult-to-price securities with little liquidity.

All transfers into or out of a particular level are recognized as of the beginning of the reporting period. The Company recorded a $14,993,000 transfer into Level 3 in 2013 for two securities. The first is a municipal bond that was initially valued based on its December 2012 purchase price but has subsequently been valued internally using a discounted cash flow model utilizing unobservable inputs. The second is a security that was previously priced by a third party pricing service using observable inputs, but pricing for this security was discontinued in 2013. This bond is now priced manually using unobservable inputs. There were no other material transfers into or out of Levels 1, 2, or 3 during 2013 or 2012.

b. Common Stocks – Unaffiliated

The aggregate cost of unaffiliated stocks at December 31, 2013 and 2012 was $683,248,000 and $807,737,000, respectively. Net unrealized appreciation of unaffiliated stocks stated at fair value includes gross unrealized gains of $1,076,583,000 and $728,625,000 and gross unrealized losses of $404,000 and $387,000 at December 31, 2013 and 2012, respectively.

The fair value and unrealized losses, categorized by stocks in loss positions for less than 12 months and stocks in loss positions for more than 12 months, at December 31 are as follows:

	2013							
	Less than 12 Months			12 Months or More			Total	
(in thousands of dollars, except number of issues)	Number of Issues	Fair Value	Unrealized Losses	Number of Issues	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities:								
Common stock - nonaffiliated	17	$ 4,391	$ (404)	-	$ -	$ -	$ 4,391	$ (404)
Total	17	$ 4,391	$ (404)	-	$ -	$ -	$ 4,391	$ (404)

	2012							
	Less than 12 Months			12 Months or More			Total	
(in thousands of dollars, except number of issues)	Number of Issues	Fair Value	Unrealized Losses	Number of Issues	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities:								
Common stock - nonaffiliated	100	$ 11,495	$ (365)	12	$ 97	$ (22)	$ 11,592	$ (387)
Total	100	$ 11,495	$ (365)	12	$ 97	$ (22)	$ 11,592	$ (387)

The Company believes that unrealized losses related to these stocks are temporary. In determining whether these unrealized losses are temporary, the Company considers severity of impairment, duration of impairment, forecasted market price recovery, and the intent and ability of the Company to hold the investment until the market price has recovered.

During 2013 and 2012, the Company recorded other-than-temporary impairments (OTTI) in its stock portfolio, resulting in a total realized loss of $728,000 and $1,034,000, respectively.

Proceeds from sales of stocks during 2013 and 2012 were $300,934,000 and $610,129,000, respectively. These amounts exclude spin-offs, tax-free exchanges, taxable exchanges and returns of capital. Gross gains of $65,518,000 and $57,360,000, and gross losses of $5,318,000 and $22,074,000 were realized on those sales during 2013 and 2012, respectively. The basis of the securities sold was determined using specific identification.

c. Financial Information for Unconsolidated Subsidiaries

Condensed financial information regarding AFMIC's material indirect wholly-owned subsidiary, AFLIC, which has not been consolidated is shown as follows:

(in thousands of dollars)	December 31, 2013	December 31, 2012
Balance Sheets		
Assets	$ 5,074,042	$ 4,839,910
Liabilities	$ 4,251,248	$ 4,103,521
Statutory surplus	822,794	736,389
Liabilities and stockholders' equity	$ 5,074,042	$ 4,839,910

(in thousands of dollars)	Year Ended December 31, 2013	Year Ended December 31, 2012
Results of Operations		
Revenues	$ 603,837	$ 612,029
Realized gains (losses), net of tax	1,195	6,552
Expenses	501,936	523,258
Income (loss) before income tax expense (benefit)	103,096	95,323
Income tax expense (benefit)	36,893	26,069
Net income (loss)	$ 66,203	$ 69,254

Condensed financial information regarding AmFam, Inc., AFS, AFFS, AFBI, AIA, GAIC, NV, MIC, PGAC, PGACO, PGC, PGCI, PGSTI, PGSTII, PGASC, GAIT, GAIO, GAIG, GAI, GAIL, Homesite, HIC, HSC, HIA, HGA, HNY, HCA, HMW, HIL, HFL, HCT, HTX, and HLTX which are also direct or indirect wholly-owned operating subsidiaries of AFMIC, are not included in the above tables as they are considered immaterial.

d. Bonds

The carrying value and fair value of bonds, including short-term investments, at December 31 are as follows:

(in thousands of dollars)	2013			
	Carrying Value	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Description of Securities:				
U.S. governments	$ 713,215	$ 2,032	$ (14,034)	$ 701,213
States, territories and possessions (direct and guaranteed)	264,862	5,971	(2,738)	268,095
Political subdivisions of states, territories and possessions (direct and guaranteed)	628,250	19,712	(7,801)	640,161
Special revenue and special assessment obligations and all nonguaranteed obligations of agencies and nonguaranteed obligations of agencies and authorities of governments and their political subdivisions	3,794,453	86,718	(59,016)	3,822,155
Industrial and miscellaneous	1,897,388	65,901	(15,288)	1,948,001
Totals	$7,298,168	$ 180,334	$ (98,877)	$7,379,625

(in thousands of dollars)	2012			
	Carrying Value	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Description of Securities:				
U.S. governments	$ 266,459	$ 5,306	$ (364)	$ 271,401
States, territories and possessions (direct and guaranteed)	224,502	15,672	(330)	239,844
Political subdivisions of states, territories and possessions (direct and guaranteed)	588,564	43,520	(533)	631,551
Special revenue and special assessment obligations and all nonguaranteed obligations of agencies and nonguaranteed obligations of agencies and authorities of governments and their political subdivisions	3,890,104	245,896	(3,870)	4,132,130
Industrial and miscellaneous	2,074,597	140,666	(1,426)	2,213,837
Totals	$7,044,226	$ 451,060	$ (6,523)	$7,488,763

The fair value and unrealized losses, categorized by bonds in loss positions for less than 12 months and bonds in loss positions for more than 12 months, at December 31 are as follows:

	2013							
	Less Than 12 Months			12 Months or More			Total	
(in thousands of dollars, except number of issues)	Number of Issues	Fair Value	Unrealized Losses	Number of Issues	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities:								
U.S. governments	38	$ 270,583	$ (12,786)	7	$ 20,979	$ (1,248)	$ 291,562	$ (14,034)
States, territories and possessions (direct and guaranteed)	24	102,138	(2,738)	-	-	-	102,138	(2,738)
Political subdivisions of states, territories and possessions (direct and guaranteed)	66	189,453	(6,034)	6	28,819	(1,767)	218,272	(7,801)
Special revenue and special assessment obligations and all nonguaranteed obligations of agencies and nonguaranteed obligations of agencies and authorities of government and their political subdivisions	372	1,455,185	(53,264)	28	70,689	(5,752)	1,525,874	(59,016)
Industrial and miscellaneous	200	523,195	(13,715)	12	33,237	(1,573)	556,432	(15,288)
	700	$2,540,554	$ (88,537)	53	$ 153,724	$ (10,340)	$2,694,278	$ (98,877)

	2012							
	Less Than 12 Months			12 Months or More			Total	
(in thousands of dollars, except number of issues)	Number of Issues	Fair Value	Unrealized Losses	Number of Issues	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities:								
U.S. governments	10	$ 64,849	$ (364)	-	$ -	$ -	$ 64,849	$ (364)
States, territories and possessions (direct and guaranteed)	6	19,913	(330)	-	-	-	19,913	(330)
Political subdivisions of states, territories and possessions (direct and guaranteed)	14	58,986	(533)	-	-	-	58,986	(533)
Special revenue and special assessment obligations and all nonguaranteed obligations of agencies and nonguaranteed obligations of agencies and authorities of government and their political subdivisions	75	293,721	(3,864)	1	334	(6)	294,055	(3,870)
Industrial and miscellaneous	51	171,004	(1,020)	3	9,291	(406)	180,295	(1,426)
	156	$ 608,473	$ (6,111)	4	$ 9,625	$ (412)	$ 618,098	$ (6,523)

If the Company has the intent to sell or will more likely-than-not be required to sell a structured fixed income security prior to full recovery, the Company writes down the security to its current fair value with the entire write-down recorded as a realized investment loss in the statements of income. If the Company does not have the intent to sell but the security is in an unrealized loss position, the Company determines if any of the decline in value is due to a credit-related loss (the present value of the expected future cash flows (PVCF) is less than amortized cost). Other-than-temporary credit impairments are recorded as a realized investment loss in the statements of income when the PVCF is less than the amortized cost.

The Company recognized no OTTI in realized investment loss due to the intent to sell structured securities in 2013 and 2012, respectively. There were no credit-related impairments recorded on structured securities in 2013 and 2012, and the Company does not hold any structured securities with a recognized other-than-temporary credit-related impairment.

In determining whether losses on non-structured securities are expected to be temporary, the Company considers severity of impairment, duration of impairment, forecasted market price recovery and the intent and ability of the Company to hold the investment until the market price recovers or the investment matures to assist in determining if a potential credit loss exists. Additionally the Company may rely on the details of settlements reached in bankruptcy proceedings or other restructurings to determine ultimate collectability of these investments.

In 2013 and 2012, credit-related OTTI of $0 and $2,507,000, respectively, was recorded on non-structured securities. The Company recognized $6,751,000 and $1,968,000 of OTTI due to the intent to sell non-structured securities in 2013 and 2012, respectively.

During 2013 and 2012, for its bond portfolio, the Company recorded total OTTI in investment losses in the statements of income of $6,751,000 and $4,475,000, respectively. These amounts include both credit-related impairments as well as impairments taken due to the intent to sell securities. The Company believes that all other unrealized investment losses related to bonds are temporary.

Subprime mortgages are residential loans to borrowers with weak credit profiles. Alt A mortgages are residential loans to borrowers who have credit profiles above subprime but do not conform to traditional (“prime”) mortgage underwriting guidelines. The Company had insignificant exposure to subprime and Alt A mortgages at December 31, 2013 and 2012.

The carrying value and fair value of bonds, including short-term investments, at December 31, 2013 by contractual maturity are shown as follows. Expected maturities may differ from contractual maturities because borrowers may exercise the right to call or prepay obligations with or without penalties. Because most mortgage-backed and asset-backed securities provide for periodic payments throughout their lives, they are listed in a separate category as follows:

	December 31, 2013	
(in thousands of dollars)	**Carrying Value**	**Fair Value**
Due in one year or less	$ 711,444	$ 716,962
Due after one year through five years	1,569,847	1,608,072
Due after five years through ten years	2,746,448	2,755,042
Due after ten years	1,087,888	1,111,033
Subtotal	6,115,627	6,191,109
Mortgage-backed securities	809,883	811,120
Asset-backed securities	372,658	377,396
Total	$ 7,298,168	$ 7,379,625

Proceeds from sales of bonds during 2013 and 2012 were $3,214,491,000 and $3,563,912,000, respectively. Gross gains of $125,814,000 and $181,472,000 and gross losses of $57,343,000 and $9,282,000 were realized on those sales during 2013 and 2012, respectively. The basis of the securities sold was determined using specific identification.

At December 31, 2013 and 2012, investments with an amortized value of $29,749,000 and $26,178,000, respectively, were on deposit with various regulatory authorities to comply with insurance laws.

e. Real Estate

Real estate assets (excluding land held for sale) were disposed of at a net realized gain of $359,000 and $787,000 during 2013 and 2012, respectively. The assets disposed in 2013 primarily consisted of an office building and a drive-in claims office. The assets disposed in 2012 primarily consisted of an unoccupied office building and three drive-in claims offices.

The Company owns certain properties with the intent to develop and sell the land. Lots are listed and sold through licensed real estate brokers following planned marketing and sale methods. Timing of sales is determined by market conditions, and the Company recognized a gain on the sale of these lots of $0 and $815,000 as of December 31, 2013 and 2012, respectively. The Company has entered into an agreement to sell land with an adjusted book value of $449,000 in 2014.

f. Other Invested Assets

During 2013 and 2012, the Company recorded OTTI in the other invested assets portfolio of $2,426,000 and $8,007,000, respectively. The other-than-temporarily impaired investments were generally mature partnerships that had completed their initial investment period. Some were in the process of liquidating investment holdings. These partnerships may have experienced losses due to poor performance of a specific investment, poor performance of a particular sector, or unfavorable market conditions in general. As there was no clear indication of full recovery of value of these investments, OTTI losses were realized.

The Company believes that no additional other invested assets in the portfolio are other-than-temporarily impaired. In making this determination, the Company considers severity of impairment, age of the partnership, percent of the total commitment funded, performance of the underlying investments, sector of the underlying investments, and the intent and ability of the Company to hold the investment until the value has fully recovered.

Low Income Housing Tax Credits (LIHTC)

The schedule of LIHTC unexpired tax credits and the required holding periods as of December 31, 2013 are listed as follows:

Entity Description	Years of Unexpired Tax Credits	Required Holding Period
MAHF XII	-	2014
MAHF XIII	1	2015
MAHF XVI	5	2019
MO TAX VI	3	2017
MAHF XVIII	7	2021
MAHF XIX	7	2021

None of the above LIHTC properties are currently subject to any regulatory reviews or contingent commitments.

Transferable and Non-transferable State Tax Credits

The carrying value of transferable state tax credits and total unused transferable state tax credits were not material to the Company as of December 31, 2013 and 2012. The Company did not hold any non-transferable state tax credits as of December 31, 2013 and 2012.

g. Derivative Instruments

Interest rate risk is the risk that the Company will incur a market value loss due to adverse changes in interest rates relative to the interest rate characteristics of its interest bearing assets and liabilities. The Company is subject to interest rate risk with respect to both its investment portfolio and its general operations.

In order to mitigate interest rate risk with respect to the Company's investment portfolio and general operations, the Company has entered into certain interest rate derivatives. The interest rate derivatives are used to hedge interest rate risk. The Company does not use derivatives for speculative purposes, and did not use derivatives for replication or other income generation purposes during 2013 or 2012.

Derivative instruments are accounted for on a fair value basis on the balance sheets. Unrealized gains and losses are recognized in surplus; realized gains and losses on derivative positions are recognized in the statements of income. All derivative instruments are subject to enforceable master netting agreements and the Company elects to net derivative asset and derivative liability positions with the same counterparty on the balance sheet. Cash collateral payable (receivable) is netted with derivative assets (liabilities) and the net amount is recorded in other invested assets (liabilities) on the balance sheet. These derivative instruments are not separately presented on the balance sheets and statements of income due to their immaterial effect on the Company's financial condition, cash flows, and results of operations.

Derivative instruments as of December 31, 2013 and 2012, are as follows:

(in thousands of dollars)

	2013					
			Balance Sheet		Statement of Changes in Policyholders' Surplus	
Derivatives designated as:	**Notional Value**	**Purpose**	**Classification**	**Fair Value**	**Classification**	**Amount Realized**
Non-hedging instruments						
Assets:						
Interest rate swaps	$ 1,150,000	Manage interest rate risk	Other assets	$ 37,406	Unassigned surplus	$ 36,565
Liabilities:						
Interest rate swaps	50,000	Manage interest rate risk	Other liabilities	(505)	Unassigned surplus	10,326
Total open positions	$1,200,000			$ 36,901		$ 46,891
Closed:						
Interest rate swaps	$ 535,000	Manage interest rate risk	N/A		Realized capital gain (loss)	$ 4,778
Total closed positions						$ 4,778
Total						$ 51,669

(in thousands of dollars)

	2012					
			Balance Sheet		Statement of Changes in Policyholders' Surplus	
Derivatives designated as:	**Notional Value**	**Purpose**	**Classification**	**Fair Value**	**Classification**	**Amount Realized**
Non-hedging instruments						
Assets:						
Interest rate swaps	$ 320,000	Manage interest rate risk	Other assets	$ 955	Unassigned surplus	$ 853
Liabilities:						
Interest rate swaps	880,000	Manage interest rate risk	Other liabilities	(10,960)	Unassigned surplus	(9,378)
Total open positions	$1,200,000			$ (10,005)		$ (8,525)

The following table provides gross and net amounts for the Company's derivative instruments:

(in thousands of dollars)

2013						
					Amounts Not Offset on Balance Sheet	
Derivatives Designated as:	Gross Amount	Counterparty Netting	Cash Collateral (Received) Pledged	Net Amount on Balance Sheet	Securities Collateral (Received) Pledged	Net Amount
Assets	$ 38,542	$ (1,136)	$ (22,084)	$ 15,322	$ (6,115)	$ 9,207
Liabilities	(1,641)	1,136	220	(285)	523	238
Total	$ 36,901	$ -	$ (21,864)	$ 15,037	$ (5,592)	$ 9,445

(in thousands of dollars)

2012						
					Amounts Not Offset on Balance Sheet	
Derivatives Designated as:	Gross Amount	Counterparty Netting	Cash Collateral (Received) Pledged	Net Amount on Balance Sheet	Securities Collateral (Received) Pledged	Net Amount
Assets	$ 2,496	$ (1,541)	$ -	$ 955	$ -	$ 955
Liabilities	(12,501)	1,541	4,247	(6,713)	9,470	2,757
Total	$ (10,005)	$ -	$ 4,247	$ (5,758)	$ 9,470	$ 3,712

Collateral pledged as initial margin to the Chicago Mercantile Exchange (CME) is not subject to a master netting agreement and is therefore excluded from collateral pledged (received) in the previous table.

Counterparty credit risk is evaluated closely to ensure that the party, or collateral, backing the derivative transaction will meet the financial obligations of the contract. For bilateral over-the-counter transactions the amount of counterparty exposure depends on the creditworthiness of and collateral provided by the counterparty. The Company actively monitors and evaluates the financial qualifications of counterparties and requires counterparties to provide sufficient collateral security through the execution of a legally enforceable Credit Support Annex (CSA). The CSA requires collateral to be exchanged when predetermined exposure limits are exceeded and permits either party to net collateral transfers due for transactions covered under the agreements. As of December 31, 2013 and 2012, the Company pledged bonds with a carrying value of $523,000 and $9,460,000 and fair value of $523,000 and $9,470,000, respectively, as collateral to counterparties. Bonds pledged by the Company as collateral are included in bonds on the balance sheets. As of December 31, 2013, counterparties pledged bonds with a fair value of $6,115,000 to the Company. There were no bonds pledged by counterparties at December 31, 2012. Bonds pledged by counterparties as collateral are not included on the Company's balance sheets. The Company pledged cash of $220,000 and $4,070,000 as collateral to counterparties and counterparties pledged $16,740,000 and $0 in cash collateral to the Company as of December 31, 2013 and 2012, respectively. Cash collateral pledged to (by) the Company is netted with derivative assets (liabilities) on the balance sheets as previously described.

Certain OTC swap contracts were transacted and cleared through the central clearinghouse at the CME, where the CME serves as the counterparty for both parties to the swap contract. Rather than directly posting collateral to/from a traditional counterparty as in a bilateral agreement, the Company posts initial and variation margin per CME's requirements. Initial margin, which may consist of cash and/or securities, protects against "shock" events and is not used to settle market value variation movements. After initial execution of the swap contract, the CME uses a market-standard model to price (mark to market) accepted trades, and that price serves as the basis for variation margin requirements. Similar to the movement of collateral between counterparties in a bilateral agreement, centrally cleared swap contracts require variation margin to be posted (received) by the Company as the market value of the swap contract moves further out of (into) the money. As of December 31, 2013 and 2012, the Company pledged initial margin in the form of bonds with a carry value and fair value of $0 and $974,000 and cash of $12,276,000 and $5,000, respectively, to the CME. In addition, the Company pledged $0 and $177,000 in cash as variation margin to the CME as of December 31, 2013 and 2012, respectively. In return, the CME posted $5,344,000 and $0 in cash as variation margin to the Company as of December 31, 2013 and 2012, respectively. Cash pledged as variation margin by (to) the Company is netted with derivative assets (liabilities) on the balance sheets as previously described. Bonds pledged by the Company as margin are included in bonds, available-for-sale, on the balance sheets.

Counterparty credit exposure by counterparty credit rating as it relates to open interest rate derivative contracts as of December 31, 2013 and 2012, is as follows:

(in thousands of dollars)	2013			
Rating	**Number of Counterparties**	**Notional Value**	**Credit Exposure**	**Exposure, Net of Collateral**
Centrally Cleared	1	$ 575,000	$ 11,885	$ 6,541
A+	2	450,000	18,761	2,021
A	1	125,000	6,760	645
A-	1	50,000	-	-
Total	5	$ 1,200,000	$ 37,406	$ 9,207

(in thousands of dollars)	2012			
Rating	**Number of Counterparties**	**Notional Value**	**Credit Exposure**	**Exposure, Net of Collateral**
Centrally Cleared	1	$ 100,000	$ -	$ -
A+	2	650,000	955	955
A	2	450,000	-	-
A-	-	-	-	-
Total	5	$ 1,200,000	$ 955	$ 955

h. Net Investment Income

Net investment income for the years ended December 31 is summarized as follows:

(in thousands of dollars)	**2013**	**2012**
Bonds	$ 236,918	$ 244,655
Common stocks	40,772	44,020
Real estate	48,039	56,040
Other	26,795	48,762
Total investment income	352,524	393,477
Investment expenses	(74,975)	(85,385)
Net investment income	$ 277,549	$ 308,092

4. Federal Income Taxes

The components of the net deferred tax assets (liabilities) at December 31 are as follows:

(in thousands of dollars)

1.	2013 Ordinary	2013 Capital	2013 Total	2012 Ordinary	2012 Capital	2012 Total
(a) Gross deferred tax assets (DTAs)	$ 761,032	$ 120	$ 761,152	$ 781,843	$ 6,882	$ 788,725
(b) Statutory valuation allowance adjustment	2,016	-	2,016	-	-	-
(c) Adjusted gross deferred tax assets ((a) - (b))	759,016	120	759,136	781,843	6,882	788,725
(d) Deferred tax assets nonadmitted	84	-	84	12,959	-	12,959
(e) Subtotal (net deferred tax assets) ((c) - (d))	758,932	120	759,052	768,884	6,882	775,766
(f) Deferred tax liablilities	82,047	443,886	525,933	49,769	306,082	355,851
(g) Net admitted deferred tax assets ((e) - (f))	$ 676,885	$ (443,766)	$ 233,119	$ 719,115	$ (299,200)	$ 419,915

2. Admission calculation components of SSAP No. 101	2013 Ordinary	2013 Capital	2013 Total	2012 Ordinary	2012 Capital	2012 Total
(a) Fed inc tax paid in prior years recov through loss carrybacks	$ 45,412	$ -	$ 45,412	$ 69,800	$ -	$ 69,800
(b) Adjusted gross deferred tax assets expected to be realized (Excluding the amount of def tax assets from (a) above after application of the threshold limitation (the lesser of b(1) and b(2) below)	302,641	(642)	301,999	343,349	6,882	350,231
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	302,641	(642)	301,999	343,349	6,882	350,231
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXXXX	XXXXX	831,808	XXXXX	XXXXX	709,559
(c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from (a) and (b) above) offset by gross deferred tax liabilities	410,879	762	411,641	355,727	-	355,727
(d) Deferred tax assets admitted as the result of application of SSAP 101, Total (a)+(b)+(c)	$ 758,932	$ 120	$ 759,052	$ 768,876	$ 6,882	$ 775,758

3.	2013	2012
(a) Ratio percentage used to determine recovery period and threshold limitation amount	798	794
(b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	$5,545,386	$4,800,761

4. Impact of Tax Planning Strategies	2013 Ordinary Percent	2013 Capital Percent	2013 Total Percent	2012 Ordinary Percent	2012 Capital Percent	2012 Total Percent
(a) Adjusted gross DTAs (% of total adjusted gross DTAs)	-	-	-	49.08	0.50	49.58
(b) Net admitted adjusted gross DTAs (% of total net admitted adjusted gross DTAs)	-	-	-	7.06	0.89	7.95

(c) Does the company's tax-planning strategies include the use of reinsurance? No

The components of current income tax expense (benefit) are as follows:

(in thousands of dollars)	**2013**	**2012**
Current Income Tax		
Federal	$ (5,011)	$ 922
Foreign	-	-
Subtotal	(5,011)	922
Federal income tax on net capital gains	22,646	45,318
Other - taxes incurred for audit	381	1,564
Other - prior year underaccrual (overaccrual)	433	(9,193)
Federal and foreign income taxes incurred	$ 18,449	$ 38,611

The main components of the net DTAs and DTLs as of December 31 are as follows:

(in thousands of dollars)	**2013**	**2012**
DTAs		
Ordinary		
Discounting of unpaid losses	$ 63,782	$ 75,339
Unearned premiums	159,825	152,374
Investments	16,018	35,236
Fixed assets	74	-
Compensation and benefits accrual	250,407	257,712
Pension accrual	15,849	18,698
Receivables - nonadmitted	106,901	86,404
Tax credit carryforward	142,484	151,608
NOL carryforward	1,943	-
Other (including items <5% of total ordinary assets)	3,749	4,472
Subtotal	761,032	781,843
Statutory valuation allowance adjustment	2,016	-
Nonadmitted DTAs	84	12,959
Admitted ordinary deferred tax assets	758,932	768,884
Capital		
Investments	120	6,882
Subtotal	120	6,882
Statutory valuation allowance adjustment	-	-
Nonadmitted DTAs	-	-
Admitted capital deferred tax assets	120	6,882
Admitted deferred tax assets	$ 759,052	$ 775,766

(in thousands of dollars)	**2013**	**2012**
DTLs		
Ordinary		
Investments	$ 4,261	$ -
Fixed assets	77,786	49,766
Other (including items <5% of total ordinary liabilities)	-	3
Subtotal	82,047	49,769
Capital		
Investments	443,886	306,082
Subtotal	443,886	306,082
Deferred tax liabilities	525,933	355,851
Net deferred tax assets (liabilities)	$ 233,119	$ 419,915

The components of the change in net deferred tax as of December 31 are as follows:

(in thousands of dollars)	**2013**	**2012**	**Change**
Total DTAs	$ 759,136	$ 788,725	$ (29,589)
Total DTLs	525,933	355,851	170,082
Net DTAs (DTLs)	$ 233,203	$ 432,874	(199,671)
Tax effect of investment unrealized gains (losses)			156,025
Non-ledger bonds			(793)
Foreign exchange gains (losses)			(38)
Employee and agent benefit plans			22,581
Change in net deferred tax			$ (21,896)

The actual federal income tax expense on operations for 2013 and 2012 differed from expected tax expense (benefit) as follows:

(in thousands of dollars)	**2013** Amount	**2013** Tax Effect at 35%	**2013** Effective Tax Rate	**2012** Amount	**2012** Tax Effect at 35%	**2012** Effective Tax Rate
Income (loss) before taxes	$ 309,305	$ 108,257	35.00 %	$ 375,249	$ 131,337	35.00 %
Tax exempt interest	(121,618)	(42,566)	(13.76)	(130,233)	(45,582)	(12.15)
Dividends received deduction	(29,803)	(10,431)	(3.37)	(32,467)	(11,364)	(3.03)
Tax-exempt interest and dividend deduction proration	22,676	7,937	2.57	24,355	8,524	2.27
Treasury inflation protected securities	11	4	-	96	34	0.01
50% meals and entertainment adjustment	2,469	864	0.28	2,270	795	0.21
Other current year permanent items	(4,557)	(1,595)	(0.52)	1,684	590	0.16
Change in prior year permanent items	(2,606)	(912)	(0.29)	338	118	0.03
Nonadmitted assets	(58,564)	(20,497)	(6.63)	(41,920)	(14,672)	(3.90)
Audit interest	(108)	(38)	(0.01)	797	279	0.07
Excluded gain on stock contribution	(713)	(250)	(0.08)	(597)	(209)	(0.06)
Deferred tax balance and audit adjustments	509	178	0.06	(1,656)	(579)	(0.15)
Valuation allowance	(1,707)	(597)	(0.19)			
Foreign tax credit and penalties	(22)	(8)	-	(90)	(31)	(0.01)
Taxable income (loss)	$ 115,272	$ 40,345	13.04 %	$ 197,826	$ 69,240	18.45 %
Federal income tax incurred		18,449	5.96		38,611	10.29
Change in net deferred income tax		21,896	7.08		30,629	8.16
Total statutory income taxes (excluding taxes on unrealized gains/losses)		$ 40,345	13.04 %		$ 69,240	18.45 %

(in thousands of dollars)

The Company reported the following loss carry forwards:

	12/31/2013	12/31/2012
AMT credit carry forwards, which do not expire, in the amount of:	$ 142,484	$ 151,608

The following are income tax expenses incurred in the current and prior years that are available for recoupment in the event of future net losses:

Year	Amount
2013	$ 12,809
2012	39,402
2011	16,024

On a consolidated basis the Company reported the following carry forwards available for recoupment:

	12/31/2013	12/31/2012
AMT credit carry forwards, which do not expire, in the amount of:	$ 142,484	$ 151,608

On a consolidated basis the following is income tax expense for 2013, 2012, and 2011 that is available for recoupment in the event of future net losses:

Year	Amount
2013	$ 54,962
2012	68,039
2011	32,585

The guidance for accounting for uncertainty in income taxes prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Interest and penalties on tax uncertainties are classified as a federal tax expense. The total amount of interest accrued was $1,396,000 and $1,454,000 as of December 31, 2013 and 2012, respectively. The Company does not expect to have a significant change in unrecognized tax benefits in the next twelve months.

The examinations of the Company’s consolidated federal income tax returns for the years 2008 and prior are closed, and the years 2009 through 2011 are currently under IRS audit.

5. Employee Benefit Plans

The Companies have non-contributory pension plans (herein referred to as the “Plans”) covering substantially all employees. Employees providing services to the Companies are employees of AFMIC. For employees hired before January 1, 2009, and Agency Sales Managers hired before January 1, 2010, the benefits are based on years of credited service and highest average compensation (as defined in the Plans). In 2012, the Company eliminated the cost of living adjustment that had applied to a participant’s earned accrued benefit payable upon retirement. This benefit plan change became effective for employees that retire starting on or after January 3, 2013. This benefit plan change was committed to and communicated to impacted employees in 2012, and the impact of which was recognized in the financial statements as of and for the year ended December 31, 2012. The benefit plan change was accounted for as a negative plan amendment and reduced the projected benefit obligation by $67,989,000. For employees hired on or after January 1, 2009, and Agency Sales Managers hired on or after January 1, 2010, benefits are determined under a cash balance formula (as defined in the Plans). The asset valuation method used in 2013 for the funding calculation was the Two-Year Smoothed Value method. The new benefit restrictions, required under the Pension Protection Act of 2006, do not apply in 2013 given the funded status of the Plans.

The Companies provide certain health care benefits to certain grandfathered agents and substantially all employees. In addition, the Companies provide most employees with a life insurance benefit. Upon retirement, agents and employees are eligible to continue certain of these benefits. For the life insurance program, the Companies absorb substantially all of the cost. In 2012, the Company decided to eliminate the Company-provided life insurance benefit for retirees. This benefit plan change became effective for employees that retire starting on or after January 3, 2013. This benefit plan change was committed to and communicated to impacted employees in 2012, and the impact of which was recognized in the financial statements as of and for the year ended December 31, 2012. The benefit plan change was accounted for as both a negative plan amendment and a curtailment, and reduced the projected benefit obligation by $18,715,000. The Company also contributes toward eligible employees' postretirement health care using a fixed amount for each year of eligible service. The Companies' portions of the costs of these programs are unfunded. The Companies sponsor no other significant postretirement benefit plans. The Companies use a measurement date of December 31 for pension and other postretirement benefit plans.

The following table reflects the pension plans' funded status, the Companies' accrued postretirement benefits liability, and amounts recognized in the Companies' consolidated balance sheets at December 31:

Change in benefit obligation (in thousands of dollars)

Pension Benefits

	Overfunded		Underfunded	
	2013	2012	2013	2012
1. Benefit obligation at beginning of year	$ -	$ -	$ 967,601	$ 995,825
2. Service cost	-	-	52,199	53,950
3. Interest cost	-	-	36,014	38,814
4. Contribution by plan participants	-	-	-	-
5. Actuarial (gain)/loss	-	-	(79,928)	55,122
6. Foreign currency exchange rate changes	-	-	-	-
7. Benefits paid	-	-	(106,277)	(101,611)
8. Plan amendments	-	-	-	(74,499)
9. Business combinations, divestitures, curtailments, settlements, and special termination benefits	-	-	-	-
10. Benefit obligation, end of year	$ -	$ -	$ 869,609	$ 967,601

Postretirement Benefits

	Overfunded		Underfunded	
	2013	2012	2013	2012
1. Benefit obligation at beginning of year	$ -	$ -	$ 36,611	$ 51,081
2. Service cost	-	-	12,245	2,838
3. Interest cost	-	-	1,923	1,620
4. Contribution by plan participants	-	-	-	-
5. Actuarial (gain)/loss	-	-	501	644
6. Foreign currency exchange rate changes	-	-	-	-
7. Benefits paid	-	-	(1,219)	(772)
8. Plan amendments	-	-	-	(14,790)
9. Business combinations, divestitures, curtailments, settlements, and special termination benefits	-	-	-	(4,010)
10. Benefit obligation, end of year	$ -	$ -	$ 50,061	$ 36,611

Postemployment & Compensated Absence Benefits

	Overfunded		Underfunded	
	2013	2012	2013	2012
1. Benefit obligation at beginning of year	$ -	$ -	$ 69,108	$ 120,274
2. Service cost	-	-	563	-
3. Interest cost	-	-	7,245	(4,692)
4. Contribution by plan participants	-	-	-	-
5. Actuarial (gain)/loss	-	-	-	-
6. Foreign currency exchange rate changes	-	-	-	-
7. Benefits paid	-	-	(7,628)	(15,119)
8. Plan amendments	-	-	-	-
9. Business combinations, divestitures, curtailments, settlements, and special termination benefits	-	-	-	(31,355)
10. Benefit obligation, end of year	$ -	$ -	$ 69,288	$ 69,108

(in thousands of dollars)	Pension Benefits 2013	Pension Benefits 2012	Postretirement Benefits 2013	Postretirement Benefits 2012	Postemployment 2013	Postemployment 2012
Change in plan assets						
a. Fair value of plan assets at beginning of year	$670,302	$633,590	$ -	$ -	$ -	$ -
b. Actual return on plan assets	84,542	67,162	-	-	-	-
c. Foreign currency exchange rate changes	-	-	-	-	-	-
d. Reporting entity contribution	83,360	71,161	1,219	772	7,628	15,118
e. Plan participants' contributions	-	-	-	-	-	-
f. Benefits paid	(106,277)	(101,611)	(1,219)	(772)	(7,628)	(15,118)
g. Business combinations, divestitures, and settlements	-	-	-	-	-	-
h. Fair value of plan assets at end of year	$ 731,927	$ 670,302	$ -	$ -	$ -	$ -

Funded status

	Pension Benefits 2013	Pension Benefits 2012	Postretirement Benefits 2013	Postretirement Benefits 2012
Overfunded				
a. Assets (nonadmitted)				
1. Prepaid benefit costs	$ -	$ -	$ -	$ -
2. Overfunded Plan assets	-	-	-	-
3. Total assets (nonadmitted)	$ -	$ -	$ -	$ -
Underfunded				
b. Liabilities recognized				
1. Accrued benefit costs	$ 21,530	$ 28,490	$ 50,541	$ 46,049
2. Liability for pension benefits	116,152	98,006	(480)	-
3. Total liabilities recognized	$ 137,682	$ 126,496	$ 50,061	$ 46,049
c. Unrecognized liabilities	$ -	$170,803	$ -	$ -

Components of net periodic benefit cost

	Pension Benefits 2013	Pension Benefits 2012	Postretirement Benefits 2013	Postretirement Benefits 2012	Postemployment & Compensated Absence Benefits 2013	Postemployment & Compensated Absence Benefits 2012
a. Service cost	$ 42,008	$ 53,950	$ 3,252	$ 2,838	$ 563	$ -
b. Interest cost	36,014	38,814	1,923	1,620	7,245	(4,692)
c. Expected return on plan assets	(49,720)	(54,772)	-	-	-	-
d. Incremental (asset) / obligation	(3,669)	(3,669)	-	-	-	-
e. Prior service cost / (credit)	22,357	17,947	335	117	-	-
f. Actuarial (Gain) / loss	3,097	(5,029)	157	(594)	-	-
g. Gain or loss recognized due to a settlement or curtailment	26,312	420	-	-	-	(31,355)
h. Net periodic cost	$ 76,399	$ 47,661	$ 5,667	$ 3,981	$ 7,808	$ (36,047)

The Company recognized additional pension expenses in connection with settlement accounting, which resulted from lump sum distributions exceeding service and interest cost during the year, of $26,312,000 and $420,000 for 2013 and 2012, respectively.

(In thousands of dollars)

Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost

		Pension Benefits		Postretirement Benefits	
		2013	**2012**	**2013**	**2012**
a.	Items not yet recognized as a component of net periodic cost - prior year	$ 268,809	$ 310,245	$ (9,483)	$ 8,197
b.	Net transition asset or obligation recognized	3,669	3,669	-	-
c.	Net prior service cost or credit arising during the period	10,191	(74,499)	8,993	(14,790)
d.	Net prior service cost or credit recognized	(3,097)	5,029	(157)	594
e.	Net gain and loss arising during the period	(114,751)	42,732	501	644
f.	Net gain and loss recognized	(48,669)	(18,367)	(334)	(4,128)
g.	Items not yet recognized as a component of net periodic cost - current year	$ 116,152	$ 268,809	$ (480)	$ (9,483)

Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year as components of net periodic benefit costs

		Pension Benefits		Postretirement Benefits	
		2013	**2012**	**2013**	**2012**
a.	Net transition asset or obligation	$ (3,669)	$ (3,669)	$ -	$ -
b.	Net prior service cost or credit	(7,083)	2,353	157	402
c.	Net recognized gains and losses	11,212	25,151	126	51

Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit costs

		Pension Benefits		Postretirement Benefits	
		2013	**2012**	**2013**	**2012**
a.	Net transition asset or obligation	$ (25,683)	$ (29,353)	$ -	$ -
b.	Net prior service cost or credit	(60,163)	(67,257)	(4,986)	(13,823)
c.	Net recognized gains and losses	201,998	365,419	4,506	4,340

Weighted-average assumptions used to determine net periodic benefit cost as of December 31:	2013	2012
a. Weighted-average discount rate	3.77 %	4.06 %
b. Expected long-term rate of return on plan assets	7.75	8.00
c. Rate of compensation increase	3.75	4.00
Weighted-average assumptions used to determine projected benefit obligations as of December 31:		
d. Weighted-average discount rate	4.62 %	3.77 %
e. Rate of compensation increase	3.75	3.75

The accumulated benefit obligation at December 31, 2013 and 2012 was $697,536,000 and $800,709,000, respectively.

Assumed health care cost trend rates do not have a significant effect on the amounts reported for the health care plans.

Annual rates of increase in the per capita costs of 7.75% (Pre-65) and 7.25% (Post-65) of covered health care benefits were assumed for 2013. Rates will gradually decrease to 5.00% by 2022. Annual rates of increase in the per capita costs of 7.75% (Pre-65) and 7.25% (Post-65) of covered health care benefits were assumed for 2012.

Expected Cash Flows

Information about the expected cash flows for the pension and other postretirement benefits plans follows:

(in thousands of dollars)	Pension Benefits	Postretirement Benefits
Employer contributions		
2014 (expected)	$4,000 - $424,000	$ 2,471
Expected benefit payments		
2014	58,347	2,471
2015	63,116	2,784
2016	66,045	2,906
2017	68,245	2,908
2018	70,006	3,129
2019 - 2023	350,602	18,145

Expected contributions include a qualified pension benefits contribution within the range of $0 (minimum contribution) and $402,000,000 (maximum contribution) and postretirement contribution of $2,471,000 expected to be paid from the Companies’ assets in 2014.

The overall investment objective of the Plan is to maximize the risk adjusted return on assets over a long-term period, while ensuring the Plan is able to meet current and future obligations to plan participants. The primary considerations in developing target asset allocations are the Plan's overall investment objective, the investment objectives for the various assets, the necessary level of diversification, and maintaining an acceptable level of risk. In 2013 the Company modified its target asset allocations to improve the risk adjusted return of the plan assets. The existing allocations are within the Company's tolerance for variation from target allocation. The target allocation, asset allocation, and fair value of plan assets for the Companies' pension plans at the end of 2013 and 2012, by asset category, follows.

(in thousands of dollars)	Target Allocation		Percentage of Plan Assets, Year End		Fair Value of Plan Assets, Year End	
Asset Category	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Equity	54 %	54 %	56 %	55 %	$ 410,747	$ 368,031
Debt	40	35	33	32	238,608	215,761
Private equity	5	5	10	11	71,554	72,965
Commodities	1	1	1	1	5,225	5,756
Other (cash and cash equivalents)	-	5	-	1	1,157	5,113
Total	100 %	100 %	100 %	100 %	$ 727,291	$ 667,626

The equity portfolio seeks to provide a solid long-term return with a diversified basket of domestic and international equity securities.

- Northern Trust Russell Top 200 Index Equity Fund
  This passive domestic large cap equity index portfolio fund seeks to mirror the risk characteristics and return performance of the Russell 200 Index. The Fund is composed principally of the individual common stock included in the Russell 200 Index. This fund was added in 2013 and comprised about 20% of the Plan assets at year end 2013.

- Ballie Gifford International Equity Fund
  This actively managed international fund objective is to diversify equity risk through investment in foreign developed market and emerging market equities and to outperform the MSCI All Country World ex-U.S. Index. This fund comprised about 14% and 9% of the Plan assets at year end 2013 and 2012, respectively.

- Silchester International Equity Fund
  This actively managed international fund objective is to diversify equity risk through investment in foreign equities mainly in developed markets and to outperform the MSCI EAFE Index. This fund comprised about 8% and 7% of the Plan assets at year end 2013 and 2012, respectively.

- Robeco Boston Partners Mid Cap Value Equity Fund
  This actively managed domestic mid-cap fund objective is to generate long-term growth of capital and to outperform the Russell Midcap Value Index. This fund was added in 2013 and comprised about 4% of the Plan assets at year end 2013.

- MFS International Value Equity Fund
  This actively managed international fund's objective is long-term growth of capital appreciation. The Fund is composed principally of equity securities of foreign companies believed to be undervalued relative to their long-term potential. This fund was added in 2013 and comprised about 4% of the Plan assets at year end 2013.

- Northern Trust Active Small Cap Core Equity Fund
  This actively managed domestic small cap fund objective is to focus on small cap domestic equity investments with diversity. The fund seeks to outperform the benchmarked Russell 2000 Index. This fund was added in 2013 and comprised about 3% of the Plan assets at year end 2013.

- Wellington Emerging Markets Equity Fund
  This actively managed international emerging markets fund objective is to diversify equity risk through investment in emerging markets equities and to outperform the MSCI Emerging Markets Index. This fund comprised about 3% and 5% of the Plan assets at year end 2013 and 2012, respectively.

- Schroders Commodities Fund
  The objective of this actively managed commodities fund is to add diversification and to outperform the average returns in the following four commodity indices, equally weighted: (1) the Standard & Poor's Goldman Sachs Total Return Index, (2) the Dow Jones-UBS Commodity Total Return Index, (3) the Reuters/Jeffries Commodity Research Bureau's Total Return Index, and (4) the Rogers International Commodity Index Total Return. This fund comprised about 1% of the Plan assets at year end for both 2013 and 2012.

- Northern Trust Collective Russell 1000 Index Equity Fund
  This passive domestic large cap equity index portfolio fund seeks to mirror the risk characteristics and return performance of the Russell 1000 Index. The Fund is composed principally of the individual common stocks included in the Russell 1000 Index. This fund was eliminated in 2013 and comprised about 25% of the Plan assets at year end 2012.

- Ironbridge Domestic Small Cap Equity Portfolio
  This actively managed small cap equity fund objective is to focus on small cap domestic equity investment and to outperform the Russell 2000 Index. This fund was eliminated in 2013 and comprised about 10% of the Plan assets at year end 2012.

The pension bond fund seeks to maximize total return by investing in fixed income securities. The fund offers diverse exposure to the fixed income market by investing in a combination of investment grade bonds including corporate debt securities, U.S. Treasury and agency securities, mortgage-backed securities and asset-backed securities, and cash equivalents. The objective is to outperform Barclays' U.S. Aggregate Index. This fund comprised 33% and 32% of the Plan assets at year end 2013 and 2012, respectively.

The alternative investments objective is to add diversification and produce superior long-term returns when compared to more traditional investment opportunities. This fund comprised 10% and 11% of the Plan assets at year end 2013 and 2012, respectively.

The Companies have no significant concentrations of risk within Plan assets.

The following table summarizes the Plan's financial assets measured at fair value on a recurring basis as of December 31, 2013 and 2012:

	Assets at fair value as of December 31, 2013			
(in thousands of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Bonds				
U.S Government securities	$ 2,111	$ -	$ -	$ 2,111
Corporate bonds and notes	-	197,986	-	197,986
Municipal bonds	-	765	-	765
Foreign bonds	-	37,746	-	37,746
Equity securities				-
Common stocks	29,159	-	-	29,159
Mutual funds	143,813	235,781	-	379,594
Foreign stocks	1,994	-	-	1,994
Short-term investments	-	1,157	-	1,157
Commodities	-	5,225	-	5,225
Limited partnerships*	-	-	71,554	71,554
Total financial assets at fair value	$ 177,077	$ 478,660	$ 71,554	$ 727,291

	Assets at fair value as of December 31, 2012			
(in thousands of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Bonds				
U.S Government securities	$ 27,351	$ 70,427	$ -	$ 97,778
Corporate bonds and notes	-	96,803	-	96,803
Municipal bonds	-	1,143	-	1,143
Foreign bonds	-	20,037	-	20,037
Equity securities				
Common stocks	61,398	-	-	61,398
Mutual funds	168,909	137,724	-	306,633
Short-term investments	-	5,113	-	5,113
Commodities	-	5,756	-	5,756
Limited partnerships*	-	-	72,965	72,965
Total financial assets at fair value	$ 257,658	$ 337,003	$ 72,965	$ 667,626

* Limited partnerships were valued using 9/30 capital account valuations provided by the various limited partnerships.

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2013 and 2012:

	Limited Partnerships	
(in thousands of dollars)	**2013**	**2012**
Balance, beginning of year*	$ 72,965	$ 71,542
Purchases, sales, issuance and settlements, net	(1,411)	1,423
Balance, end of year*	$ 71,554	$ 72,965

*Based on 9/30 capital account valuations by the various limited partnerships

Plan assets at fair value are categorized in the same manner as the Company assets, based on the reliability of inputs to the valuation techniques as described in Note 1(c).

Below is a summary of significant valuation techniques specific to Plan assets:

Level 1 Measurements

Equity Securities:

Common stocks: Comprised of actively traded, exchange listed U.S. and international equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Plan can access.

Mutual funds: Comprised of actively traded U.S. and international mutual funds comprised of equity securities that have daily quoted net asset values for identical assets that the Plan can access.

Bonds:

U.S. Treasuries: Valuation is based on unadjusted quoted prices for identical assets in markets that are generally active.

Level 2 Measurements

Equity Securities:

Mutual funds: Comprised of non-actively traded U.S. and international mutual funds comprised of equity securities that have daily quoted net asset values for identical assets that the Plan can access.

Bonds:

U.S. Government and Agencies: Valued using the market and income approaches based on inputs including quoted prices for identical or similar assets in markets that are not active, benchmark yield curves, bid/ask spreads, and projected cash flows.

Corporate bonds and notes, Foreign bonds, and Municipal bonds: Valued using the market and income approaches based on inputs including quoted prices for identical or similar assets in markets that are not active, benchmark yield curves, bid/ask spreads, credit quality, and projected cash flows.

Short-term Investments:

Commercial paper and other short-term investments are valued based on inputs including amortized cost, which approximates fair value, and quoted prices for identical or similar assets in markets that are not active.

Commodity funds:

Comprised of an investment in an actively managed limited partnership investment fund traded in non-active markets with underlying investments in commodity-linked exchange traded funds, common stocks, future contracts, and swaps. Valued using the market approach based on capital account valuations, which are quoted monthly by the fund manager.

Level 3 Measurements

Limited partnerships: Comprised of limited partnership interests in investment funds. Valued using capital account valuations as reported by the various limited partnerships, which approximates fair value.

The expected long-term rate of return on these plan assets was 7.75% and 8.0% in 2013 and 2012, respectively. The expected rate of return on plan assets is based upon an analysis of historical returns for each asset class. The expected returns by asset class contemplate a risk free interest rate environment as of the measurement date and then add a risk premium. The risk premium is a range of percentages and is based upon information and other factors such as expected reinvestment returns and asset manager performance. Finally, an underlying inflation assumption is incorporated to determine the overall expected long-term rate of return assumption.

Other Plans

The Companies also participate in a qualified contributory 401(k) Plan (herein referred to as the "Plan"). Substantially all employees are eligible to enter into the Plan. Employee participation in the Plan is optional; participants contribute at least 1%, but no more than 30% of base compensation, subject to Internal Revenue Service limitations. The Companies are required to make contributions each payroll period, as defined, to a trust fund. The Companies' contributions are based on a formula with a dollar-for-dollar match on the first 3% of eligible contributions plus 50 cents per dollar on the next 2% of eligible contributions. The maximum annual contribution of the Companies is 4% of eligible contributions. Beginning on January 1, 2011, Agency Sales Managers began receiving an employer fixed match each pay period. This fixed match is the same as the employee match. The Companies recognized expenses of $17,568,000 and $18,285,000 related to the Plan in 2013 and 2012, respectively.

A liability of $43,806,000 and $43,101,000 was accrued for earned but untaken vacation as of December 31, 2013 and 2012, respectively. A liability of $17,291,000 and $16,001,000 was accrued for unused sick leave as of December 31, 2013 and 2012, respectively. In 2012, the Company committed to and communicated a change to the sick leave plan which was treated as a negative plan amendment. The change in the liability was reflected as an offset to the statement of income for 2012.

6. Agent Termination Benefits

Exclusive agents of American Family are eligible to receive benefits upon termination after a period of covered service. Years of service exclude time under an advance compensation plan, not to exceed two years. For agents appointed prior to January 1, 2009 that have more than 10 years of covered service, benefits are based on a percentage of service fees during the period of up to 12 months prior to termination (as defined in the agreement). For agents appointed on or after January 1, 2009 that have eight or more years of covered service, benefits are based on a cash balance formula that utilize sales and service fees (as defined in the agreement).

The Companies use a measurement date of December 31 for their agent termination benefits plan.

The following sets forth the status of the agent termination benefits plan's obligation reconciled with amounts reported in the Companies' consolidated balance sheets at December 31:

(in thousands of dollars)	2013	2012
Change in benefit obligation		
Benefit obligation at beginning of year	$ 638,555	$ 590,843
Service cost	83,888	31,792
Interest cost	26,077	22,991
Contribution by plan participants	-	-
Actuarial (gain)/loss	(144,492)	18,596
Foreign currency exchange rate changes	-	-
Benefits paid	(28,872)	(25,667)
Plan amendments	-	-
Business combinations, divestitures, curtailments, settlements, and special termination benefits	-	-
Benefit obligation, end of year	$ 575,156	$ 638,555
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Actual return on plan assets	-	-
Foreign currency exchange rate changes	-	-
Reporting entity contribution	28,872	25,667
Plan participants' contributions	-	-
Benefits paid	(28,872)	(25,667)
Business combinations, divestitures, and settlements	-	-
Fair value of plan assets at end of year	$ -	$ -
Funded status		
Overfunded		
Assets		
Prepaid benefit costs	$ -	$ -
Overfunded Plan assets	-	-
Total assets	$ -	$ -
Underfunded		
Liabilities recognized		
Accrued benefit costs	$ 657,340	$ 614,192
Liability for pension benefits	(82,184)	-
Total liabilities recognized	$ 575,156	$ 614,192
Unrecognized liabilities	$ -	$ 24,363

(in thousands of dollars)	2013	2012
Components of net periodic benefit cost		
Service cost	$ 34,006	$ 31,791
Interest cost	26,077	22,991
Expected return on plan assets	-	-
Amortization of unrecognized transition obligation or transition asset	-	-
Amount of recognized (gains)/losses	(200)	(240)
Amount of prior service cost recognized	12,137	-
Amount of gain or loss recognized due to a settlement or curtailment	-	-
Net periodic cost	$ 72,020	$ 54,542

Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost

	2013	2012
Items not yet recognized as a component of net periodic cost - prior year	$ 24,363	$ 5,526
Net transition asset or obligation recognized	-	-
Net prior service cost or credit arising during the period	49,882	-
Net prior service cost or credit recognized	(12,137)	-
Net gain and loss arising during the period	(144,492)	18,596
Net gain and loss recognized	200	241
Items not yet recognized as a component of net periodic cost - current year	$ (82,184)	$ 24,363

Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year components of net periodic benefit costs

	2013	2012
Net transition asset or obligation	$ -	$ -
Net prior service cost or credit	12,137	12,626
Net recognized gains and losses	(5,070)	(169)

Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost

	2013	2012
Net transition asset or obligation	$ -	$ -
Net prior service cost or credit	37,745	-
Net recognized gains and losses	(119,929)	24,363

	2013	2012
Assumptions used to determine projected benefit obligation as of December 31:		
Discount rate	4.75 %	3.90 %
Service fees increase		
AFMIC		
First 8 years after appointment	21.00	21.00
After first 8 years of appointment	3.25	4.75
ASIC		
First 6 years after appointment	8.00	8.00
After first 6 years of appointment	(4.00)	(3.00)
Expected return on plan assets	N/A	N/A
Assumptions used to determine net periodic benefit cost as of December 31:		
Discount rate	3.90	4.15
Service fees increase		
AFMIC		
First 8 years after appointment	21.00	21.00
After first 8 years of appointment	4.75	4.75
ASIC		
First 6 years after appointment	8.00	8.00
After first 6 years of appointment	(3.00)	(3.00)
Expected return on plan assets	N/A	N/A

The accumulated benefit obligation at December 31, 2013 and 2012 was $495,704,000 and $536,600,000, respectively.

Expected Cash Flows
Information about the expected cash flows for the agent termination benefits plan follows:

(in thousands of dollars)	
Expected benefit payments	
2014	$ 27,055
2015	30,638
2016	33,348
2017	36,950
2018	37,219
2019-2023	214,344

The above table reflects vested benefits expected to be paid from the Companies' assets.

7. Liability for Losses and Loss Adjustment Expenses

Activity in the liability for losses and loss adjustment expenses for property and casualty insurance, including health insurance, is summarized as follows:

(in thousands of dollars)	**2013**	**2012**
Net balance as of January 1	$ 3,421,963	$ 3,561,446
Incurred losses and loss adjustment expenses related to		
Current year	4,190,387	4,164,297
Prior years	(200,612)	(294,889)
Total incurred	3,989,775	3,869,408
Paid losses and loss adjustment expenses related to		
Current year	2,580,696	2,619,793
Prior years	1,463,139	1,389,098
Total paid	4,043,835	4,008,891
Reinsurance payable in dispute	-	-
Net balance as of December 31	$ 3,367,903	$ 3,421,963

The estimated cost of loss and loss adjustment expenses attributable to insured events of prior years decreased by $200,612,000 and $294,889,000 during 2013 and 2012, respectively. Increases or decreases of this nature occur as the result of claim settlements during the current year, and as additional information is received regarding individual claims, causing changes from their original estimates. Increases or decreases of this nature occur as the result of claim settlements during the current year, and as additional information is received regarding individual claims, causing changes from their original estimates. The reserve releases in the past two years are primarily seen in the homeowners and commercial lines of insurance, as underwriting changes have led to better-than-expected loss and LAE experience. Recent development trends in legal expense payments are also taken into account in evaluating the overall adequacy of unpaid loss adjustment expenses.

8. Related Parties

AFMIC guarantees loans, notes and other debt and financial obligations of any kind incurred by AFFS to a maximum of $10,000,000 and $25,000,000 at December 31, 2013 and 2012, respectively. There was no outstanding principal or interest guaranteed by AFMIC at December 31, 2013 and 2012.

In 2013 and 2012, AFMIC and ASIC have each agreed to lend up to a maximum of $5,000,000 in short-term demand notes to AFFS with interest calculated at the same rate as the 30 day commercial paper rate published by the Federal Reserve. In 2012, the lending maximums were $25,000,000 and $10,000,000 for AFMIC and ASIC, respectively. As of December 31, 2013 and 2012, AFFS had $0 and $3,500,000, respectively, of outstanding short-term demand notes payable to AFMIC and $1,000,000 and $0, respectively, of outstanding short-term demand notes payable to ASIC.

As of December 31, 2013 and 2012, on a consolidated basis, the Companies reported $71,066,000 and $79,991,000, respectively, due from affiliates and $25,025,000 and $28,924,000, respectively, due to affiliates. Terms of the settlement require that these amounts be settled within 30 days.

AFMIC has agreed to provide certain management and information systems services to its wholly-owned subsidiaries. AFMIC shares certain administrative, occupancy, marketing and tax expenses with other affiliated companies. Such expenses are allocated by AFMIC at cost in proportion to estimated utilization. Allocation methods are refined periodically in light of current operations and resources utilized by the Company. Allocated expenses amounted to approximately $178,877,000 and $177,870,000 for 2013 and 2012, respectively.

During 2013, AFMIC contributed $680,237,000 to AmFam, Inc., of which the majority was used to fund the acquisition of Homesite. During 2012, AFMIC contributed $253,670,000 to AmFam, Inc. to fund the acquisitions of PGC and MIC.

9. Commitments and Contingencies

The Company has various leases for property and equipment used in the normal course of business. These lease commitments are summarized in Note 1(k).

The Companies are contingently liable for cessions to reinsurers to the extent that any reinsurer might be unable to meet its obligations assumed under the various reinsurance contracts.

AFMIC enters into contractual agreements that require capital contributions to limited partnerships. These contributions are recorded on the financial statements as other invested assets. Capital is typically contributed to the partnerships over multiple years. At any time, AFMIC will have commitments to the partnerships that have not yet been funded. As of December 31, 2013 and 2012, AFMIC was obligated to contribute $410,756,000 and $336,466,000, respectively, in additional capital to various limited partnerships. These contributions are callable under the commitments to the partnerships over the lives of the partnerships.

The Companies are at times involved in lawsuits which are related to their operations. In most cases, such lawsuits involve claims under insurance policies and other contracts of the Companies. Such lawsuits, either individually or in the aggregate, are not expected to have a material effect on the Companies' consolidated financial statements.

From time to time, mandatory assessments are levied on AFMIC and its insurance subsidiaries by the property and casualty guaranty fund associations of states in which the Companies are licensed. These assessments are to cover losses to policyholders of insolvent or rehabilitated insurance companies. Guaranty fund assessment liabilities, as of December 31, 2013 and 2012, were $24,113,000 and $25,241,000, respectively. Guaranty fund assets related to future premium tax credits were $13,352,000 and $13,994,000 for the years ended December 31, 2013 and 2012, respectively. Such estimates are subject to change as the associations determine more precisely the losses that have occurred and how such losses will be allocated to insurance companies.

10. Structured Settlements

AFMIC has purchased annuities of which the claimant is the payee, but for which AFMIC is contingently liable. At December 31, 2013 and 2012, the present values of all such annuities were $118,296,000 and $128,688,000, of which $54,964,000 and $62,219,000 were from nonaffiliated life insurers, respectively.

The total value of all annuities from AFLIC (an affiliated company) exceeds 1% of the Company's policyholders' surplus and is listed as follows. The aggregate amount of annuities due from all other life insurers as of December 31, 2013 is also shown as follows:

Life Insurance Company and Location	Licensed in Company's State of Domicile Yes/No	Statement Value (i.e., Present Value) of Annuities
(in thousands of dollars)		
American Family Life Insurance Company		
Madison, WI (An affiliated Company)	Yes	$ 63,332
All other in aggregate	No	54,964
		$ 118,296

11. Capital and Surplus, and Dividend Restrictions

Outstanding shares of subsidiary and affiliate common stock:

	ASIC	AFIC	ASICO	MIC
Par value	$ 500	$ 10,000	$ 10,000	$ 100
Number of shares authorized	10,000	850	850	50,000
Number of shares issued and outstanding	6,000	100	100	35,000
Class of shares	Class A	Class A	Class A	n/a

The Companies' surplus may be available for distribution to its policyholders. Such distributions as dividends may be subject to prior regulatory approval. AFMIC paid $2,232,000 and $1,691,000 of workers compensation policyholder dividends in 2013 and 2012, respectively. There were no restrictions placed on the Companies' surplus, including for whom the surplus is being held.
The portion of unassigned funds (surplus) represented or (reduced) by cumulative gross unrealized gains (losses) was $2,384,457,000 and $1,856,631,000 at December 31, 2013 and 2012, respectively.

12. Reinsurance

The following table summarizes assumed and ceded unearned premiums and the related commission equity at December 31:

	2013					
	Assumed		**Ceded**		**Assumed Less Ceded**	
(in thousands of dollars)	**Unearned Premiums**	**Commission Equity**	**Unearned Premiums**	**Commission Equity**	**Unearned Premiums**	**Commission Equity**
	$ 31,439	$ 6,555	$ 99,603	$ 3,018	$ (68,164)	$ 3,537
Totals	$ 31,439	$ 6,555	$ 99,603	$ 3,018	$ (68,164)	$ 3,537
Direct unearned premium reserve	$2,282,242					

	2012					
	Assumed		**Ceded**		**Assumed Less Ceded**	
(in thousands of dollars)	**Unearned Premiums**	**Commission Equity**	**Unearned Premiums**	**Commission Equity**	**Unearned Premiums**	**Commission Equity**
	$ 29,305	$ 6,631	$ 94,610	$ 3,416	$ (65,305)	$ 3,215
Totals	$ 29,305	$ 6,631	$ 94,610	$ 3,416	$ (65,305)	$ 3,215
Direct unearned premium reserve	$2,177,552					

Earned premiums ceded under reinsurance contracts during 2013 and 2012 were $170,258,000 and $184,099,000, respectively. Written premiums ceded under reinsurance contracts during 2013 and 2012 were $175,224,000 and $127,508,000, respectively. Unearned premiums ceded under reinsurance contracts were $99,603,000 and $94,610,000 at December 31, 2013 and 2012, respectively. Loss and loss adjustment expenses ceded under reinsurance contracts were $41,710,000 and $51,485,000 for the years ended December 31, 2013 and 2012, respectively.

These ceded reinsurance transactions do not relieve the Company of its primary obligation to the policyholder.

13. Asbestos and Environmental Reserves

AFMIC has environmental exposure from its business owners, other commercial multiple peril and general liability policies. The environmental claims include Superfund, Landfills and Underground Storage Tanks. Since the Company wrote very little commercial lines business prior to the introduction of the absolute pollution exclusion, its exposure to Superfund claims is immaterial to the Company. AFMIC also has environmental exposure from its participation in reinsurance pools. AFMIC had asbestos claims exposure from its participation in reinsurance pools. During 2012, these contracts were commuted and AFMIC no longer has asbestos exposure.

AFMIC's methodology for reserving for reported losses is to establish a liability based on what AFMIC estimates it will ultimately pay. For Bulk and IBNR reserves, AFMIC has established a loss adjustment expense reserve for its anticipated defense of such claims. This reserve was based on 1) an assessment of its amount of exposure (yearly writings), 2) the types of business written, and 3) loss and loss expense experience to date.

The following are AFMIC's asbestos and environmental reserves reported net of reinsurance at December 31:

(in thousands of dollars)	**2013**	**2012**
Asbestos		
Beginning reserves	$ -	$ 10,791
Incurred losses and loss adjustment expenses	-	(1,206)
Calendar year payments for losses and loss adjustment expenses	-	(9,585)
Ending reserves	$ -	$ -

	2013	**2012**
Environmental		
Beginning reserves	$ 3,700	$ 9,372
Incurred losses and loss adjustment expenses	187	(3,134)
Calendar year payments for losses and loss adjustment expenses	(187)	(2,538)
Ending reserves	$ 3,700	$ 3,700

Of the environmental reserves reported above, $2,838,000 and $3,700,000 relate to IBNR loss and IBNR loss adjustment expense reserves as of December 31, 2013 and 2012, respectively.

14. Long-Term Debt

The Company is a member of the FHLBC. Through its membership the Company executed a 30-year fixed rate advance of $500,000,000 from the FHLBC on November 20, 2013, which was used to partially finance the acquisition of Homesite on December 31, 2013. See Note 2 for further details of this acquisition. The Company pays monthly interest to FHLBC at a fixed annual interest rate of 5.12%, and principal is due in a balloon payment at the end of the advance's 30-year term. The Company paid $782,000 in interest on the advance during 2013 and accrued interest of $2,204,000 as of December 31, 2013. The advance is fully collateralized with member stock and qualified securities with a book value of $626,153,000 and market value of $619,931,000 as of December 31, 2013. There were no advances outstanding at December 31, 2012.

The Company purchased an additional 40,943 common shares of FHLBC stock for $4,094,000 in connection with this financing. The Company held 100,000 shares and $10,000,000 in carrying value and 59,057 shares and $5,906,000 in carrying value at December 31, 2013 and 2012, respectively. The Company's borrowing capacity net of outstanding advances was $0 and $118,114,000 as of December 31, 2013 and 2012, respectively. The shares in FHLBC stock are considered Class B shares and are recorded as common stocks in the statutory balance sheet.

American Family Mutual Insurance Company and Consolidated Property and Casualty Subsidiaries

Supplemental Schedule of Consolidation

Consolidated Property and Casualty Statutory Balance Sheet

December 31, 2013

(in thousands of dollars)	ASIC	ASICO	AFIC	MIC	AFMIC	Eliminations	Ref No.	AFMIC Consol.
Admitted Assets								
Bonds	$ 316,725	$ 6,487	$ 19,704	$ 3,309	$ 6,623,692			$ 6,969,917
Common stocks, including investments in unconsolidated subsidiaries	-	-	-	-	3,857,585	(354,568)	(1)	3,503,017
Real estate (net of accumulated depreciation of $212,399)	-	-	-	-	235,717			235,717
Cash, cash equivalents and short-term investments	22,024	3,503	2,099	9,435	301,273			338,334
Other invested assets	-	2	2	-	721,030			721,034
Total cash and invested assets	338,749	9,992	21,805	12,744	11,739,297	(354,568)		11,768,019
Property and casualty premiums receivable and agents' balances	17,112	-	57	(13)	1,020,654	(10,190)	(3)	1,027,620
Accrued investment income	2,761	149	271	16	70,698			73,895
Deferred tax asset	(96)	-	-	-	233,215			233,119
Electronic data processing equipment and software (net)	-	-	-	-	13,096			13,096
Other assets	35,309	462	910	4	152,677	(94,906)	(2),(3)	94,456
Total admitted assets	$ 393,835	$ 10,603	$ 23,043	$ 12,751	$ 13,229,637	$ (459,664)		$ 13,210,205
Liabilities								
Property and casualty losses and loss adjustment expenses	$ -	$ -	$ -	$ -	$ 3,381,877	$ (13,974)	$ (3)	$ 3,367,903
Property and casualty unearned premiums	-	-	-	-	2,214,077			2,214,077
Drafts outstanding	11,029	2,433	2,611	-	77,346			93,419
Agents termination benefits payable	-	-	-	-	575,156			575,156
Employee pensions and other benefits	-	-	-	-	187,743			187,743
Accrued expenses	55,291	-	1	1,396	333,828	(80,932)	(2)	309,584
Income taxes payable	11	-	(1)	(473)	15,806			15,343
Debt	-	-	-	-	502,204			502,204
Other liabilities	8,855	732	4,049	(270)	149,903	(10,190)	(3)	153,079
Total liabilities	75,186	3,165	6,660	653	7,437,940	(105,096)		7,418,508
Policyholders' Surplus								
Special surplus funds	-	-	-	-	1,250			1,250
Unassigned surplus	318,649	7,438	16,383	12,098	5,790,447	(354,568)	(1)	5,790,447
Total policyholders' surplus	318,649	7,438	16,383	12,098	5,791,697	(354,568)		5,791,697
Total liabilities and policyholders' surplus	$ 393,835	$ 10,603	$ 23,043	$ 12,751	$ 13,229,637	$ (459,664)		$ 13,210,205

References

(1) Elimination of affiliated common stock of property and casualty subsidiaries.

(2) Elimination of intercompany payables/receivables and intercompany balances related to underwriting expenses reinsured.

(3) Elimination of affiliated reinsurance premium.

American Family Mutual Insurance Company and Consolidated Property and Casualty Subsidiaries
Supplemental Schedule of Consolidation
Consolidated Property and Casualty Statutory Balance Sheet
December 31, 2012

(in thousands of dollars)	ASIC	ASICO	AFIC	AFMIC	Eliminations	Ref No.	AFMIC Consol.
Admitted Assets							
Bonds	$ 324,493	$ 6,505	$ 19,115	$ 6,501,872			$ 6,851,985
Common stocks, including investments in unconsolidated subsidiaries	-	-	-	2,847,930	(333,549)	(1)	2,514,381
Real estate (net of accumulated depreciation of $202,751)	-	-	-	242,438			242,438
Cash, cash equivalents and short-term investments	7,080	1,316	4,124	299,209			311,729
Other invested assets	-	2	2	509,263			509,267
Total cash and invested assets	331,573	7,823	23,241	10,400,712	(333,549)		10,429,800
Property and casualty premiums receivable and agents' balances	15,899	-	78	979,692	(8,546)	(3)	987,123
Accrued investment income	3,036	149	270	71,726			75,181
Deferred tax asset	(117)	-	-	420,032			419,915
Electronic data processing equipment and software (net)	-	-	-	14,518			14,518
Other assets	34,117	(385)	(1,440)	152,211	(77,529)	(2),(3)	106,974
Total admitted assets	$ 384,508	$ 7,587	$ 22,149	$ 12,038,891	$ (419,624)		$ 12,033,511
Liabilities							
Property and casualty losses and loss adjustment expenses	$ -	$ -	$ -	$ 3,434,136	$ (12,173)	$ (3)	$ 3,421,963
Property and casualty unearned premiums	-	-	-	2,112,232			2,112,232
Drafts outstanding	16,329	347	5,098	96,704			118,478
Agents termination benefits payable	-	-	-	614,192			614,192
Employee pensions and other benefits	-	-	-	172,590			172,590
Accrued expenses	49,313	(355)	(1,704)	260,641	(65,356)	(2)	242,539
Income taxes payable	-	1	(38)	31,293			31,256
Other liabilities	8,134	424	3,146	152,143	(8,546)	(3)	155,301
Total liabilities	73,776	417	6,502	6,873,931	(86,075)		6,868,551
Policyholders' Surplus							
Special surplus funds	-	-	-	1,250			1,250
Unassigned surplus	310,732	7,170	15,647	5,163,710	(333,549)	(1)	5,163,710
Total policyholders' surplus	310,732	7,170	15,647	5,164,960	(333,549)		5,164,960
Total liabilities and policyholders' surplus	$ 384,508	$ 7,587	$ 22,149	$ 12,038,891	$ (419,624)		$ 12,033,511

References
(1) Elimination of affiliated common stock of property and casualty subsidiaries.
(2) Elimination of intercompany payables/receivables and intercompany balances related to underwriting expenses reinsured.
(3) Elimination of affiliated reinsurance premium.

American Family Mutual Insurance Company and Consolidated Property and Casualty Subsidiaries
Supplemental Schedule of Consolidation
Consolidated Property and Casualty Statement of Income
Year Ended December 31, 2013

(in thousands of dollars)	ASIC	ASICO	AFIC	MIC	AFMIC	Eliminations	Ref No.	AFMIC Consol.
Premiums and other income								
Property and casualty premiums earned	$ -	$ -	$ -	$ -	$ 5,494,011			$ 5,494,011
Net investment income	9,604	286	869	15	266,775			277,549
Net realized investment gains (losses)	1,541	-	-	-	127,362			128,903
Other income	(379)	-	-	-	34,742			34,363
Total premiums and other income	10,766	286	869	15	5,922,890	-		5,934,826
Losses and expenses								
Property and casualty losses and loss adjustment expenses incurred	-	-	-	-	3,989,775			3,989,775
Commissions	-	-	-	-	515,946			515,946
Other underwriting expenses	-	-	-	-	1,117,568			1,117,568
Dividends to policyholders	-	-	-	-	2,232			2,232
Total benefits and expenses	-	-	-	-	5,625,521	-		5,625,521
Income (loss) before income tax expense (benefit)	10,766	286	869	15	297,369	-		309,305
Income tax expense (benefit)	2,768	17	132	(592)	16,124			18,449
Net income (loss)	$ 7,998	$ 269	$ 737	$ 607	$ 281,245	$ -		$ 290,856
Special surplus funds								
Beginning balance	$ -	$ -	$ -	$ -	$ 1,250			$ 1,250
SSAP10R	-	-	-	-	-			-
Ending balance	-	-	-	-	1,250	-		1,250
Unassigned surplus								
Beginning balance	310,732	7,170	15,647	11,491	5,163,710	(345,040)	(1)	5,163,710
Net income (loss)	7,998	269	737	607	281,245			290,856
Net change in unrealized capital gains (losses) of investments, net of deferred income tax	8	-	-	-	372,594	(9,528)	(2)	363,074
Change in nonadmitted assets	-	-	(5)	-	(47,160)			(47,165)
Change in net deferred income tax	(18)	-	5	-	(21,883)			(21,896)
Pension & termination benefits adjustments	-	-	-	-	41,937			41,937
Other	(71)	-	-	-	2			(69)
Ending balance	318,649	7,439	16,384	12,098	5,790,445	(354,568)		5,790,447
Total policyholders' surplus	$ 318,649	$ 7,439	$ 16,384	$ 12,098	$ 5,791,695	$ (354,568)		$ 5,791,697

References:

(1) Elimination of property and casualty subsidiaries' surplus.

(2) Elimination of unrealized gain related to affiliated common stock of property and casualty subsidiaries.

American Family Mutual Insurance Company and Consolidated Property and Casualty Subsidiaries
Supplemental Schedule of Consolidation
Consolidated Property and Casualty Statement of Income
Year Ended December 31, 2012

(in thousands of dollars)	ASIC	ASICO	AFIC	AFMIC	Eliminations	Ref No.	AFMIC Consol.
Premiums and other income							
Property and casualty premiums earned	$ -	$ -	$ -	$ 5,304,416			$ 5,304,416
Net investment income	9,732	283	899	297,178			308,092
Net realized investment gains (losses)	6,338	-	165	196,376			202,879
Other income	10	-	-	38,299			38,309
Total premiums and other income	16,080	283	1,064	5,836,269	-		5,853,696
Losses and expenses							
Property and casualty losses and loss adjustment expenses incurred	-	-	-	3,869,408			3,869,408
Commissions	-	-	-	500,553			500,553
Other underwriting expenses	-	-	-	1,106,795			1,106,795
Dividends to policyholders	-	-	-	1,691			1,691
Total benefits and expenses	-	-	-	5,478,447	-		5,478,447
Income (loss) before income tax expense (benefit)	16,080	283	1,064	357,822	-		375,249
Income tax expense (benefit)	4,407	22	28	34,154			38,611
Net income (loss)	$ 11,673	$ 261	$ 1,036	$ 323,668	$ -		$ 336,638
Special surplus funds							
Beginning balance	$ -	$ -	$ -	$ 81,783			$ 81,783
SSAP10R	-	-	-	(80,533)			(80,533)
Ending balance	-	-	-	1,250	-		1,250
Unassigned surplus							
Beginning balance	299,006	6,909	14,610	4,577,137	(320,525)	(1)	4,577,137
Net income (loss)	11,673	261	1,036	323,668			336,638
Net change in unrealized capital gains (losses) of investments, net of deferred income tax	49	-	-	146,516	(13,024)	(2)	133,541
Change in nonadmitted assets	-	(6)	(16)	170,229			170,207
Change in net deferred income tax	(2)	6	16	(30,649)			(30,629)
Pension & termination benefits adjustments	-	-	-	(23,239)			(23,239)
Other	6	-	1	48			55
Ending balance	310,732	7,170	15,647	5,163,710	(333,549)		5,163,710
Total policyholders' surplus	$ 310,732	$ 7,170	$ 15,647	$ 5,164,960	$ (333,549)		$ 5,164,960

References:

(1) Elimination of property and casualty subsidiaries' surplus.

(2) Elimination of unrealized gain related to affiliated common stock of property and casualty subsidiaries.

American Family Mutual Insurance Company and Consolidated Property and Casualty Subsidiaries
Supplemental Schedule of Consolidation
Consolidated Property and Casualty Statement of Cash Flows
Year Ended December 31, 2013

(in thousands of dollars)	ASIC	ASICO	AFIC	MIC	AFMIC	Eliminations	Ref No.	AFMIC Consol.
Cash from Operations								
Premiums collected, net of reinsurance	$ (288)	$ 312	$ 812	$ (267)	$ 5,554,894	$ 1,861	(1)	$ 5,557,324
Net investment income	12,806	304	880	54	335,774			349,818
Miscellaneous income	452	-	-	-	35,354			35,806
Benefit and loss related payments	25	(193)	(1,566)	-	(4,010,130)	8,163	(2)	(4,003,701)
Commissions, expenses paid and aggregate write-ins for deductions	708	-	-	(253)	(1,581,120)			(1,580,665)
Dividends paid to policyholders	-	-	-	-	(2,231)			(2,231)
Federal income taxes (paid) recovered, net of tax on capital gains (losses)	(2,644)	(18)	(93)	119	(31,611)			(34,247)
Net cash from operations	11,059	405	33	(347)	300,930	10,024		322,104
Cash from Investments								
Proceeds from investments sold, matured, or repaid								
Bonds	189,503	-	-	-	3,413,070			3,602,573
Stocks	-	-	-	-	323,003			323,003
Real estate	-	-	-	-	1,589			1,589
Other invested assets	-	-	-	-	79,253			79,253
Net gains or (losses) on cash, cash equivalents and short-term investments	-	-	-	-	(1,534)			(1,534)
Miscellaneous proceeds	103	-	-	-	18,519			18,622
Total investment proceeds	189,606	-	-	-	3,833,900	-		4,023,506
Cost of investments acquired (long-term only)								
Bonds	183,346	-	601	-	3,528,207			3,712,154
Stocks	-	-	-	-	133,371			133,371
Capital contribution to affiliate	-	-	-	-	680,237			680,237
Real estate	-	-	-	-	4,157			4,157
Other invested assets	-	-	-	-	219,160			219,160
Miscellaneous applications	213	-	-	-	-			213
Total investment acquired	183,559	-	601	-	4,565,132	-		4,749,292
Net cash from investments	6,047	-	(601)	-	(731,232)	-		(725,786)
Cash from Financing and Miscellaneous Sources								
Borrowed funds received	-	-	-	-	500,000			500,000
Other cash provided (applied)	(2,161)	1,781	(1,458)	171	(67,633)	(10,024)	(1),(2)	(79,324)
Net cash from financing and miscellaneous sources	(2,161)	1,781	(1,458)	171	432,367	(10,024)		420,676
Reconciliation of Cash, Cash Equivalents and Short-Term Investments								
New reporting entity included in the consolidation	-	-	-	9,611	-	-		9,611
Net change in cash, cash equivalents and short-term investments	14,945	2,186	(2,026)	9,435	2,065	-		26,605
Cash, cash equivalents and short-term investments								
Beginning of year	7,080	1,316	4,124	-	299,209			311,729
End of year	$ 22,025	$ 3,502	$ 2,098	$ 19,046	$ 301,274	$ -		$ 338,334

References:
(1) Elimination of the change in intercompany reinsurance premium.
(2) Elimination of the change in intercompany loss and LAE reinsurance.

American Family Mutual Insurance Company and
Consolidated Property and Casualty Subsidiaries
Supplemental Schedule of Consolidation
Consolidated Property and Casualty Statement of Cash Flows
Year Ended December 31, 2012

(in thousands of dollars)	ASIC	ASICO	AFIC	AFMIC	Eliminations	Ref No.	AFMIC Consol.
Cash from Operations							
Premiums collected, net of reinsurance	$ 9	$ 522	$ 6,517	$ 5,361,954	$ (29,091)	(1)	$ 5,339,911
Net investment income	12,402	299	913	357,101			370,715
Miscellaneous income	(1,588)	-	-	40,091			38,503
Benefit and loss related payments	(167)	566	8,899	(4,007,503)	5,811	(2)	(3,992,394)
Commissions, expenses paid and aggregate write-ins for deductions	295	-	-	(1,491,070)			(1,490,775)
Dividends paid to policyholders	-	-	-	(2,058)			(2,058)
Federal income taxes (paid) recovered, net of tax on capital gains (losses)	(4,763)	(28)	(115)	(39,606)			(44,512)
Net cash from operations	6,188	1,359	16,214	218,909	(23,280)		219,390
Cash from Investments							
Proceeds from investments sold, matured, or repaid							
Bonds	190,788	-	2,959	3,942,224			4,135,971
Stocks	-	-	-	633,963			633,963
Real estate	-	-	-	2,770			2,770
Other invested assets	-	-	-	78,523			78,523
Net gains or (losses) on cash, cash equivalents and short-term investments	-	-	-	(653)			(653)
Miscellaneous proceeds	508	-	-	20,864			21,372
Total investment proceeds	191,296	-	2,959	4,677,691	-		4,871,946
Cost of investments acquired (long-term only)							
Bonds	205,412	-	2,813	4,226,871			4,435,096
Stocks	-	-	-	367,701			367,701
Capital contribution to affiliate	-	-	-	253,670			253,670
Real estate	-	-	-	3,654			3,654
Other invested assets	-	-	-	175,573			175,573
Miscellaneous applications	-	-	-	-			-
Total investment acquired	205,412	-	2,813	5,027,469	-		5,235,694
Net cash from investments	(14,116)	-	146	(349,778)	-		(363,748)
Cash from Financing and Miscellaneous Sources							
Other cash provided (applied)	(676)	(917)	(13,283)	(80,260)	23,280	(1),(2)	(71,856)
Net cash from financing and miscellaneous sources	(676)	(917)	(13,283)	(80,260)	23,280		(71,856)
Reconciliation of Cash, Cash Equivalents and Short-Term Investments							
Net change in cash, cash equivalents and short-term investments	(8,604)	442	3,077	(211,129)	-		(216,214)
Cash, cash equivalents and short-term investments							
Beginning of year	15,684	874	1,047	510,338			527,943
End of year	$ 7,080	$ 1,316	$ 4,124	$ 299,209	$ -		$ 311,729

References:

(1) Elimination of the change in intercompany reinsurance premium.
(2) Elimination of the change in intercompany loss and LAE reinsurance.

SUPPLEMENTAL INFORMATION

Independent Auditor's Report on Supplemental Financial Information

To the Board of Directors of
American Family Mutual Insurance Company:

We have audited the consolidated statutory financial statements (the "financial statements") of American Family Mutual Insurance Company and its Consolidated Property and Casualty Subsidiaries (the "Companies") as of December 31, 2013 and for the year then ended and our report thereon appears on page one of this document. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Supplemental Summary Investment Schedule, Supplemental Investment Risk Interrogatories and Supplemental Schedule of Reinsurance Disclosures (the "supplemental schedules") of the Companies as of December 31, 2013 and for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The effects on the supplemental schedules of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America are material; they are described in Note 1. As a consequence, the supplemental schedules do not present fairly, in conformity with accounting principles generally accepted in the United States of America, such information of the Company as of December 31, 2013 and for the year then ended. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audits and the report of the other auditors, the supplemental schedules are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

February 28, 2014

American Family Mutual Insurance Company and Consolidated Property and Casualty Subsidiaries
Supplemental Summary Investment Schedule
December 31, 2013 — Schedule I

		Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
		Amount	Percentage	Amount	Percentage
1.	Bonds:				
1.1	U.S. treasury securities	$ 314,506,848	2.67%	$ 314,506,848	2.67%
1.2	U.S. government agency obligations:				
1.21	Issued by U.S. government agencies	1,964,580	0.02%	1,964,580	0.02%
1.22	Issued by U.S. government sponsored agencies	5,165,328	0.04%	5,165,328	0.04%
1.3	Non-U.S. government (including Canada, excluding mortgage-backed securities)	-	0.00%	-	0.00%
1.4	Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41	States, territories and general obligations	264,861,979	2.25%	264,861,979	2.25%
1.42	Political subdivisions of states, territories and possessions and political subdivisions general obligations	621,207,170	5.28%	621,207,170	5.28%
1.43	Revenue and assessment obligations	3,261,470,518	27.72%	3,261,470,518	27.72%
1.44	Industrial development and similar obligations	-	0.00%	-	0.00%
1.5	Mortgage-backed securities (includes residential and commercial MBS):				
1.51	Pass-through securities:				
1.511	Issued or Guaranteed by GNMA	94,713,370	0.80%	94,713,370	0.80%
1.512	Issued or Guaranteed by FNMA and FHLMC	499,512,861	4.24%	499,512,861	4.24%
1.513	All other	-	0.00%	-	0.00%
1.52	CMOs and REMICs:				
1.521	Issued or guaranteed by GNMA, FNMA, FHLMC or VA	28,304,511	0.24%	28,304,511	0.24%
1.522	Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	-	0.00%	-	0.00%
1.523	All Other	187,010,235	1.59%	187,010,235	1.59%
2.	Other debt and other fixed income securities (excluding short term):				
2.1	Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	1,466,184,479	12.46%	1,466,184,479	12.46%
2.2	Unaffiliated Non-U.S. securities(including Canada)	225,014,838	1.91%	225,014,838	1.91%
2.3	Affiliated securities	-	0.00%	-	0.00%
3.	Equity interests:				
3.1	Investments in mutual funds	-	0.00%	-	0.00%
3.2	Preferred stocks:				
3.21	Affiliated	-	0.00%	-	0.00%
3.22	Unaffiliated	-	0.00%	-	0.00%
3.3	Publicly traded equity securities (excluding preferred stocks):				
3.31	Affiliated	-	0.00%	-	0.00%
3.32	Unaffiliated	1,749,427,067	14.87%	1,749,427,067	14.87%
3.4	Other equity securities:				
3.41	Affiliated	1,743,590,207	14.82%	1,743,590,207	14.82%
3.42	Unaffiliated	10,000,000	0.08%	10,000,000	0.08%
3.5	Other equity interests including tangible personal property under lease:				
3.51	Affiliated	-	0.00%	-	0.00%
3.52	Unaffiliated	-	0.00%	-	0.00%
4.	Mortgage loans:				
4.1	Construction and land development	-	0.00%	-	0.00%
4.2	Agricultural	-	0.00%	-	0.00%
4.3	Single family residential properties	-	0.00%	-	0.00%
4.4	Multifamily residential properties	-	0.00%	-	0.00%
4.5	Commercial loans	-	0.00%	-	0.00%
4.6	Mezzanine real estate loans	-	0.00%	-	0.00%
5.	Real estate investments:				
5.1	Property occupied by company	228,942,583	1.95%	228,942,583	1.95%
5.2	Property held for production of income (includes $0 of property acquired in satisfaction of debt)	6,326,365	0.05%	6,326,365	0.05%
5.3	Property held for sale ($0 including property acquired in satisfaction of debt)	448,581	0.00%	448,581	0.00%
6.	Contract loans	-	0.00%	-	0.00%
7.	Derivatives	15,322,072	0.13%	15,322,072	0.13%
8.	Receivables for securities	14,990,725	0.13%	14,990,725	0.13%
9.	Securities Lending	-	0.00%	-	0.00%
10.	Cash, cash equivalents and short-term investments	338,333,517	2.88%	338,333,517	2.88%
11.	Other invested assets	690,721,201	5.87%	690,721,201	5.87%
12.	Total invested assets	$ 11,768,019,035	100.00%	$ 11,768,019,035	100.00%

See Independent Auditor’s Report on Supplemental Information

1. State the reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 13,210,301,513 *

2. State by investment category the 10 largest exposures to a single issuer/borrower/investment, excluding U.S. government, U.S. government agency securities and those U.S. Government money market funds listed in the Appendix to the SVO Purposes and Procedures Manual as exempt, property occupied by the company and policy loans.

	1	2	3	4
	Issuer	**Description of Exposure**	**Amount**	**Percentage of Total Admitted Assets**
2.01	AMFAM INC.	AFFILIATE STOCK	$ 1,743,572,540	13.199%
2.02	JP MORGAN REAL ESTATE INCOME AND GROWTH, LP	LIMITED PARTNERSHIP	117,803,800	0.892%
2.03	NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY	MUNICIPAL BOND	82,294,230	0.623%
2.04	WISCONSIN (STATE OF)	MUNICIPAL BOND	67,892,339	0.496%
2.05	NEW YORK N Y	MUNICIPAL BOND	65,505,751	0.467%
2.06	CALIFORNIA (STATE OF)	MUNICIPAL BOND	61,631,368	0.466%
2.07	PORT AUTHORITY OF NEW YORK & NEW JERSEY	MUNICIPAL BOND	61,584,186	0.460%
2.08	EXXON MOBIL CORP	COMMON STOCK	60,746,312	0.450%
2.09	NEW YORK STATE DORMITORY AUTHORITY	MUNICIPAL BOND	59,410,532	0.447%
2.10	PARTNERS GROUP, USA INC	LIMITED PARTNERSHIP	55,210,032	0.418%

3. State the amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

	Bonds	1	2	Preferred Stocks	1	2
3.01	NAIC-1	$ 6,213,711,851	47.037%	P/RP-1	N/A	N/A
3.02	NAIC-2	$ 686,388,388	5.196%	P/RP-2	N/A	N/A
3.03	NAIC-3	$ 202,559,699	1.533%	P/RP-3	N/A	N/A
3.04	NAIC-4	$ 177,441,495	1.343%	P/RP-4	N/A	N/A
3.05	NAIC-5	$ 19,434,199	0.147%	P/RP-5	N/A	N/A
3.06	NAIC-6	$ -	0.000%	P/RP-6	N/A	N/A

4. State the amounts and percentages on assets held in foreign investments:

4.01	Are assets held in foreign investment less than 2.5% of the reporting entity's total admitted assets?		Yes [X]	No [ ]
4.02	Total admitted assets held in foreign investments	$ 261,998,773	1.983%	
4.03	Foreign-currency-denominated investments	$ -	0.000%	
4.04	Insurance liabilities denominated in that same foreign currency	$ -	0.000%	

If response to 4.01 above is yes, responses are not required for interrogatories 5-10

5. Aggregate foreign investment exposure by NAIC sovereign rating: N/A

		1	2
5.01	Countries rated NAIC-1	$	%
5.02	Countries rated NAIC-2	$	%
5.03	Countries rated NAIC-3 or below	$	%

*This amount agrees to the combined annual statement and is different than the consolidated property and casualty balance sheet due to a reclassification adjustment of deferred tax liability to deferred tax asset of $95,770.

American Family Mutual Insurance Company and Consolidated Property and Casualty Subsidiaries
Supplemental Investment Risk Interrogatories
December 31, 2013 — Schedule II

6. Two largest foreign investment exposures to a single country, categorized by NAIC sovereign rating: N/A

		1	2
Countries rated NAIC-1:			
6.01	Country:	$	%
6.02	Country:	$	%
Countries rated NAIC-2:			
6.03	Country:	$	%
6.04	Country:	$	%
Countries rated NAIC-3 or below:			
6.05	Country:	$	%
6.06	Country:	$	%

	1	2
7. Aggregate unhedged foreign currency exposure N/A	$	%

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign rating: N/A

		1	2
8.01	Countries rated NAIC-1	$	%
8.02	Countries rated NAIC-2	$	%
8.03	Countries rated NAIC-3 or below	$	%

9. Two largest unhedged currency exposures to a single country, categorized by NAIC sovereign rating: N/A

Countries rated NAIC-1:

		1	2
9.01	Country:	$	%
9.02	Country:	$	%
	Countries rated NAIC-2:		
9.03	Country:	$	%
9.04	Country:	$	%
	Countries rate NAIC-3 or below:		
9.05	Country:	$	%
9.06	Country:	$	%

10. List the 10 largest non-sovereign (i.e. non-governmental) foreign issues: N/A

	1 Issuer	2 NAIC Rating	3	4
10.01			$	%
10.02			$	%
10.03			$	%
10.04			$	%
10.05			$	%
10.06			$	%
10.07			$	%
10.08			$	%
10.09			$	%
10.10			$	%

11. State the amounts and percentages of the reporting entity's total admitted assets held in Canadian investment and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 11.01 is yes, responses are not required for the remainder of interrogatory 11.

11.02	Total admitted assets held in Canadian investments	$	16,630,877	0.126%
11.03	Canadian-currency-denominated investments	$	-	0.000%
11.04	Canadian-denominated insurance liabilities	$	-	0.000%
11.05	Unhedged Canadian currency exposure	$	-	0.000%

12. State the aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of interrogatory 12.

	1		2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$	-	0.000 %
	Largest 3 investments with contractual sales restrictions			
12.03				
12.04				
12.05				

13. State the amounts and percentages of admitted assets held in the largest 10 equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting equity's total admitted assets? Yes [ ] No [X]

If response to 13.01 is yes, responses are not required for the remainder of interrogatory 13. $ 4,181,462,475 31.653%

	1 Name of Issuer		2	3
13.02	AMFAM, INC.	$	1,743,572,540	13.199%
13.03	JP MORGAN REAL ESTATE INCOME AND GROWTH, LP	$	117,803,800	0.892%
13.04	EXXON MOBIL CORP	$	60,746,312	0.460%
13.05	PARTNERS GROUP, USA INC	$	55,210,032	0.418%
13.06	APPLE INC	$	40,241,965	0.305%
13.07	MARANON SR CREDIT FUND II, LP	$	37,992,719	0.288%
13.08	MICROSOFT CORPORATION	$	37,819,565	0.286%
13.09	PFIZER INC	$	35,036,340	0.265%
13.10	GENERAL ELECTRIC CO	$	34,774,775	0.263%
13.11	JP MORGAN INFRASTRUCTURE FUND	$	30,000,000	0.227%

14. State the amounts and percentages of the entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

	1		2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	-	0.000 %
	Largest 3 investments held in nonaffiliated, privately placed equities:			
14.03				
14.04				
14.05				

15. State the aggregate amounts and percentages of the entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interest less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$ -	0.000 %

Largest 3 investments held in general partnership interests:

15.03
15.04
15.05

16. State the aggregate amounts and percentages of the reporting entity's total admitted assets held in mortgage loans: $ - 0.000 %

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		$ -	0.000 %
16.03		$ -	0.000 %
16.04		$ -	0.000 %
16.05		$ -	0.000 %
16.06		$ -	0.000 %
16.07		$ -	0.000 %
16.08		$ -	0.000 %
16.09		$ -	0.000 %
16.10		$ -	0.000 %
16.11		$ -	0.000 %

State the aggregate amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

16.12	Construction loans	$ -	0.000 %
16.13	Mortgage loans over 90 days past due	$ -	0.000 %
16.14	Mortgage loans in the process of foreclosure	$ -	0.000 %
16.15	Mortgage loans foreclosed	$ -	0.000 %
16.16	Restructured mortgage loans	$ -	0.000 %

17. State the aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date: N/A

	Loan-to-Value	Residential		Commercial		Agricultural	
		1	2	3	4	5	6
17.01	above 95%	$ -	0.000 %	$ -	0.000 %	$ -	0.000 %
17.02	91% to 95%	$ -	0.000 %	$ -	0.000 %	$ -	0.000 %
17.03	81% to 90%	$ -	0.000 %	$ -	0.000 %	$ -	0.000 %
17.04	71% to 80%	$ -	0.000 %	$ -	0.000 %	$ -	0.000 %
17.05	below 70%	$ -	0.000 %	$ -	0.000 %	$ -	0.000 %

18. State the aggregate amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate: $ 6,774,946 0.051%

18.01 Are assets held in real estate reported in less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

	Description 1	2	3
	Largest 5 investments in any one parcel or group of contiguous parcels of real estate:		
18.02		$ -	0.000 %
18.03		$ -	0.000 %
18.04		$ -	0.000 %
18.05		$ -	0.000 %
18.06		$ -	0.000 %

19. State the amounts and percentages of the reporting entity's total admitted assets held in mezzanine real estate loans: N/A
Yes [X] No [ ]

	Description 1	2	3
19.02	Aggregate statement value	$ -	0.000 %
	Largest 3 investments in mezzanine real estate loans:		
19.03		$ -	0.000 %
19.04		$ -	0.000 %
19.05		$ -	0.000 %

20. State the amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements: N/A
Yes [X] No [ ]

		At Year-End		At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
20.01	Securities lending (do not include assets held as collateral for such transactions)	$ -	$ -	$ -	$ -	$ -
20.02	Repurchase agreements	$ -	$ -	$ -	$ -	$ -
20.03	Reverse repurchase agreements	$ -	$ -	$ -	$ -	$ -
20.04	Dollar repurchase agreements	$ -	$ -	$ -	$ -	$ -
20.05	Dollar reverse repurchase agreements	$ -	$ -	$ -	$ -	$ -

21. State the amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps and floors: N/A

		Owned		Written	
		1	2	3	4
21.01	Hedging	$ -	$ -	$ -	$ -
21.02	Income generation	$ -	$ -	$ -	$ -
21.03	Other	$ -	$ -	$ -	$ -

22. State the amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps and forwards: N/A

		At Year-End		At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
22.01	Hedging	$ 14,408,081	$ 0.109%	$ 12,142,944	$ 12,213,819	$ 14,828,534
22.02	Income generation	$ -	$ 0.000%	$ -	$ -	$ -
22.03	Replications	$ -	$ 0.000%	$ -	$ -	$ -
22.04	Other	$ -	$ 0.000%	$ -	$ -	$ -

23. State the amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

		At Year-End		At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
23.01	Hedging	$ -	0.000%	$ -	$ -	$ -
23.02	Income generation	$ -	0.000%	$ -	$ -	$ -
23.03	Replications	$ -	0.000%	$ -	$ -	$ -
23.04	Other	$ -	0.000%	$ -	$ -	$ -

1 Disclose any risks reinsured under a quota share reinsurance contract, entered into, renewed or amended on or after January 1, 1994, with any other entity 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)? If yes, indicate the number of reinsurance contracts containing such provisions and if the amount of reinsurance credit taken reflects the reduction in quota share coverage caused by any applicable limiting provision(s). No

2 Disclose if the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), entered into, renewed or amended on or after January 1, 1994, 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 that would have similar results: No

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. An unconditional or unilateral right by either party to commute the reinsurance contract, 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 schedules, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

3 Disclose if 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), entered into, renewed or amended on or after January 1, 1994, 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: No

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.

4	If affirmative disclosure is required for items 2 or 3 above, provide the following information for each reinsurance contracts entered into, renewed or amended on or after January 1, 1994: a. A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting items 2 or 3; b. A brief discussion of management's principal objectives in entering into the reinsurance contract including the economic purposes to be achieved; and c. The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income.	No
5	Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62 - Property and Casualty Reinsurance, disclose if the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates), entered into, renewed or amended on or after January 1, 1994, 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?	No
6	If affirmative disclosure is required for item 5 above, explain why the contract(s) is (are) treated differently for GAAP and SAP.	No