



ANNUAL STATEMENT

For the Year Ended December 31, 2013
of the Condition and Affairs of the

Appalachian Insurance Company

NAIC Group Code.....0065, 0065 (Current Period) (Prior Period)	NAIC Company Code..... 10316	Employer's ID Number..... 05-0284861
Organized under the Laws of Rhode Island Incorporated/Organized..... April 14, 1941	State of Domicile or Port of Entry Rhode Island Commenced Business..... January 1, 1942	Country of Domicile US
Statutory Home Office	270 Central Avenue..... Johnston RI US 02919-4949 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	
Main Administrative Office	270 Central Avenue..... Johnston RI US..... 02919-4949 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	401-275-3000 <i>(Area Code) (Telephone Number)</i>
Mail Address	P.O. Box 7500..... Johnston RI US 02919-0750 <i>(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)</i>	
Primary Location of Books and Records	270 Central Avenue..... Johnston RI US 02919-4949 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	401-275-3000 <i>(Area Code) (Telephone Number)</i>
Internet Web Site Address	www.fmglobal.com	
Statutory Statement Contact	Jeffrey Black <i>(Name)</i> jeffrey.black@fmglobal.com <i>(E-Mail Address)</i>	401-415-1559 <i>(Area Code) (Telephone Number) (Extension)</i> 401-946-8306 <i>(Fax Number)</i>

OFFICERS

Name	Title	Name	Title
1. Shivan Sivaswamy Subramaniam	President & Chief Executive Officer	2. Jonathan Irving Mishara #	Senior Vice President & Secretary
3. William Alfred Mekrut	Vice President & Treasurer		

OTHER

Jeffrey Alfred Burchill	Senior Vice President	Jonathan William Hall	Executive Vice President
Paul Edward LaFleche	Senior Vice President	Thomas Alan Lawson	Executive Vice President
Jeanne Ruth Lieb	Senior Vice President	Jonathan Irving Mishara #	Senior Vice President
Enzo Rebula	Senior Vice President		

DIRECTORS OR TRUSTEES

Frank Thomas Connor	Walter Joseph Galvin	John Anderson Luke Jr	Jonathan Douglas Mariner
Gracia Catherine Martore	Christine Mary McCarthy	John Ross Paloian	David Pulman
Edward Joseph Rapp	Shivan Sivaswamy Subramaniam	James Conrad Thyen	Alfred Joseph Verrecchia

State of Rhode Island
County of Providence

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

_____ (Signature) Shivan Sivaswamy Subramaniam _____ 1. (Printed Name) President & Chief Executive Officer _____ (Title)	_____ (Signature) Jonathan Irving Mishara _____ 2. (Printed Name) Senior Vice President & Secretary _____ (Title)	_____ (Signature) Theresa Ann Molloy _____ 3. (Printed Name) Vice President & Controller _____ (Title)
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Subscribed and sworn to before me
This 21st day of February 2014

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

John A. Soares III Notary Public
Expires July 5, 2017

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	189,824,820		189,824,820	155,116,258
2. Stocks (Schedule D):				
2.1 Preferred stocks.....	2,500,000		2,500,000	2,500,000
2.2 Common stocks.....			.0	
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			.0	
3.2 Other than first liens.....			.0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			.0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			.0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			.0	
5. Cash (\$.....(8,427), Schedule E-Part 1), cash equivalents (\$.....8,235,713, Schedule E-Part 2) and short-term investments (\$.....25,041,052, Schedule DA).....	33,268,338		33,268,338	44,934,813
6. Contract loans (including \$.....0 premium notes).....			.0	
7. Derivatives (Schedule DB).....			.0	
8. Other invested assets (Schedule BA).....			.0	
9. Receivables for securities.....			.0	
10. Securities lending reinvested collateral assets (Schedule DL).....	26,749,898		26,749,898	10,784,358
11. Aggregate write-ins for invested assets.....	.0	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	252,343,056	.0	252,343,056	213,335,429
13. Title plants less \$.....0 charged off (for Title insurers only).....			.0	
14. Investment income due and accrued.....	1,311,773		1,311,773	1,383,225
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	15,530,556		15,530,556	16,833,853
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			.0	
15.3 Accrued retrospective premiums.....			.0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	21,006,279		21,006,279	1,816,552
16.2 Funds held by or deposited with reinsured companies.....			.0	
16.3 Other amounts receivable under reinsurance contracts.....			.0	
17. Amounts receivable relating to uninsured plans.....			.0	
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0	
18.2 Net deferred tax asset.....	737,000	473,000	264,000	223,000
19. Guaranty funds receivable or on deposit.....			.0	
20. Electronic data processing equipment and software.....			.0	
21. Furniture and equipment, including health care delivery assets (\$.....0).....			.0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
23. Receivables from parent, subsidiaries and affiliates.....			.0	
24. Health care (\$.....0) and other amounts receivable.....			.0	
25. Aggregate write-ins for other than invested assets.....	2,556	.0	2,556	30,890
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	290,931,220	473,000	290,458,220	233,622,949
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
28. TOTALS (Lines 26 and 27).....	290,931,220	473,000	290,458,220	233,622,949

DETAILS OF WRITE-INS

1101.....			.0	
1102.....			.0	
1103.....			.0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0
2501. Cash clearing accounts.....	2,556		2,556	30,890
2502.....			.0	
2503.....			.0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	2,556	.0	2,556	30,890

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8).....	56,837,673	27,714,979
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6).....		11,345,005
3. Loss adjustment expenses (Part 2A, Line 35, Column 9).....	3,908,146	3,639,056
4. Commissions payable, contingent commissions and other similar charges.....		
5. Other expenses (excluding taxes, licenses and fees).....		
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	22,224	8,039
7.1 Current federal and foreign income taxes (including \$.....614,000 on realized capital gains (losses)).....	7,501,442	7,523,262
7.2 Net deferred tax liability.....		
8. Borrowed money \$.....0 and interest thereon \$.....0.....		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....42,356 and including warranty reserves of \$.....0 and accrued accident and health experience rating refunds including \$.....0 for medical loss ratio rebate per the Public Health Service Act).....	718	658
10. Advance premium.....		
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	2,644	
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19).....		
14. Amounts withheld or retained by company for account of others.....		
15. Remittances and items not allocated.....	935,033	113,758
16. Provision for reinsurance (including \$.....0 certified) (Schedule F, Part 8).....	1,535,456	1,585,153
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....		
19. Payable to parent, subsidiaries and affiliates.....	10,099,385	1,149,219
20. Derivatives.....		
21. Payable for securities.....		
22. Payable for securities lending.....	26,749,898	10,784,358
23. Liability for amounts held under uninsured plans.....		
24. Capital notes \$.....0 and interest thereon \$.....0.....		
25. Aggregate write-ins for liabilities.....	0	11,919
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	107,592,619	63,875,406
27. Protected cell liabilities.....		
28. Total liabilities (Lines 26 and 27).....	107,592,619	63,875,406
29. Aggregate write-ins for special surplus funds.....	0	0
30. Common capital stock.....	3,525,000	3,525,000
31. Preferred capital stock.....		
32. Aggregate write-ins for other than special surplus funds.....	0	0
33. Surplus notes.....		
34. Gross paid in and contributed surplus.....	7,577,528	7,577,528
35. Unassigned funds (surplus).....	171,763,073	158,645,015
36. Less treasury stock, at cost:		
36.1 .....0.000 shares common (value included in Line 30 \$.....0).....		
36.2 .....0.000 shares preferred (value included in Line 31 \$.....0).....		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39).....	182,865,601	169,747,543
38. TOTALS (Page 2, Line 28, Col. 3).....	290,458,220	233,622,949

DETAILS OF WRITE-INS

2501. Miscellaneous accounts payable.....		11,919
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	0	11,919
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	0
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page.....	0	0
3299. Totals (Lines 3201 thru 3203 plus 3298) (Line 32 above).....	0	0

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4).....	64,517,198	66,120,171
DEDUCTIONS		
2. Losses incurred (Part 2, Line 35, Column 7).....	30,703,364	37,529,401
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	1,947,913	1,987,013
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	18,050,425	16,440,868
5. Aggregate write-ins for underwriting deductions.....	0	0
6. Total underwriting deductions (Lines 2 through 5).....	50,701,702	55,957,282
7. Net income of protected cells.....		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	13,815,496	10,162,889
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	5,046,055	6,207,991
10. Net realized capital gains (losses) less capital gains tax of \$.....614,000 (Exhibit of Capital Gains (Losses)).....	1,139,442	3,561,205
11. Net investment gain (loss) (Lines 9 + 10).....	6,185,497	9,769,196
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0).....	0	500
13. Finance and service charges not included in premiums.....		
14. Aggregate write-ins for miscellaneous income.....	(501)	(4,661)
15. Total other income (Lines 12 through 14).....	(501)	(4,161)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	20,000,492	19,927,924
17. Dividends to policyholders.....		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17).....	20,000,492	19,927,924
19. Federal and foreign income taxes incurred.....	6,973,131	5,547,000
20. Net income (Line 18 minus Line 19) (to Line 22).....	13,027,361	14,380,924
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	169,747,543	155,035,031
22. Net income (from Line 20).....	13,027,361	14,380,924
23. Net transfers (to) from Protected Cell accounts.....		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....0.....		
25. Change in net unrealized foreign exchange capital gain (loss).....		
26. Change in net deferred income tax.....	432,000	(120,000)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3).....	(391,000)	9,000
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....	49,697	442,588
29. Change in surplus notes.....		
30. Surplus (contributed to) withdrawn from protected cells.....		
31. Cumulative effect of changes in accounting principles.....		
32. Capital changes:		
32.1 Paid in.....		
32.2 Transferred from surplus (Stock Dividend).....		
32.3 Transferred to surplus.....		
33. Surplus adjustments:		
33.1 Paid in.....		
33.2 Transferred to capital (Stock Dividend).....		
33.3. Transferred from capital.....		
34. Net remittances from or (to) Home Office.....		
35. Dividends to stockholders.....		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1).....		
37. Aggregate write-ins for gains and losses in surplus.....	0	0
38. Change in surplus as regards policyholders for the year (Lines 22 through 37).....	13,118,058	14,712,512
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	182,865,601	169,747,543
DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0
1401. Miscellaneous balances (charged off) / recovered.....	(501)	(4,661)
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	(501)	(4,661)
3701.		
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	0	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	65,823,199	65,162,579
2. Net investment income.....	5,518,452	6,783,499
3. Miscellaneous income.....	(501)	(1,174)
4. Total (Lines 1 through 3).....	71,341,150	71,944,904
5. Benefit and loss related payments.....	32,115,402	38,431,389
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	19,715,062	19,940,640
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....1,917,722 tax on capital gains (losses).....	7,608,951	(1,563,687)
10. Total (Lines 5 through 9).....	59,439,415	56,808,342
11. Net cash from operations (Line 4 minus Line 10).....	11,901,735	15,136,562
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	46,137,867	61,415,624
12.2 Stocks.....		
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....		
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	46,137,867	61,415,624
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	79,493,931	54,803,548
13.2 Stocks.....		
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....		
13.7 Total investments acquired (Lines 13.1 to 13.6).....	79,493,931	54,803,548
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(33,356,064)	6,612,076
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	9,787,854	(8,987,450)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	9,787,854	(8,987,450)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	(11,666,475)	12,761,188
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	44,934,813	32,173,625
19.2 End of year (Line 18 plus Line 19.1).....	33,268,338	44,934,813

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

20.0001		
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UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

	1	2	3	4
Line of Business	Net Premiums Written per Column 6, Part 1B	Unearned Premiums December 31 Prior Year- per Col. 3, Last Year's Part 1	Unearned Premiums December 31 Current Year- per Col. 5, Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire.....	41,252	106	113	41,245
2. Allied lines.....	72,823	181	200	72,804
3. Farmowners multiple peril.....				.0
4. Homeowners multiple peril.....				.0
5. Commercial multiple peril.....				.0
6. Mortgage guaranty.....				.0
8. Ocean marine.....				.0
9. Inland marine.....	148,159	371	405	148,125
10. Financial guaranty.....				.0
11.1 Medical professional liability - occurrence.....				.0
11.2 Medical professional liability - claims-made.....				.0
12. Earthquake.....				.0
13. Group accident and health.....				.0
14. Credit accident and health (group and individual).....				.0
15. Other accident and health.....				.0
16. Workers' compensation.....				.0
17.1 Other liability - occurrence.....				.0
17.2 Other liability - claims-made.....				.0
17.3 Excess workers' compensation.....				.0
18.1 Products liability - occurrence.....				.0
18.2 Products liability - claims-made.....				.0
19.1, 19.2 Private passenger auto liability.....				.0
19.3, 19.4 Commercial auto liability.....				.0
21. Auto physical damage.....				.0
22. Aircraft (all perils).....				.0
23. Fidelity.....				.0
24. Surety.....				.0
26. Burglary and theft.....				.0
27. Boiler and machinery.....				.0
28. Credit.....				.0
29. International.....				.0
30. Warranty.....				.0
31. Reinsurance - nonproportional assumed property.....	64,255,024			64,255,024
32. Reinsurance - nonproportional assumed liability.....				.0
33. Reinsurance - nonproportional assumed financial lines.....				.0
34. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0
35. TOTALS.....	64,517,258	658	718	64,517,198

DETAILS OF WRITE-INS

3401. ....				.0
3402. ....				.0
3403. ....				.0
3498. Summary of remaining write-ins for Line 34 from overflow page.....	.0	.0	.0	.0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	.0	.0	.0	.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

	1	2	3	4	5
Line of Business	Amount Unearned (Running One Year or Less from Date of Policy) (a)	Amount Unearned (Running More Than One Year from Date of Policy) (a)	Earned But Unbilled Premium	Reserve for Rate Credits and Retrospective Adjustments Based on Experience	Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire.....	.113				.113
2. Allied lines.....	.200				.200
3. Farmowners multiple peril.....					.0
4. Homeowners multiple peril.....					.0
5. Commercial multiple peril.....					.0
6. Mortgage guaranty.....					.0
8. Ocean marine.....					.0
9. Inland marine.....	.405				.405
10. Financial guaranty.....					.0
11.1 Medical professional liability - occurrence.....					.0
11.2 Medical professional liability - claims-made.....					.0
12. Earthquake.....					.0
13. Group accident and health.....					.0
14. Credit accident and health (group and individual).....					.0
15. Other accident and health.....					.0
16. Workers' compensation.....					.0
17.1 Other liability - occurrence.....					.0
17.2 Other liability - claims-made.....					.0
17.3 Excess workers' compensation.....					.0
18.1 Products liability - occurrence.....					.0
18.2 Products liability - claims-made.....					.0
19.1, 19.2 Private passenger auto liability.....					.0
19.3, 19.4 Commercial auto liability.....					.0
21. Auto physical damage.....					.0
22. Aircraft (all perils).....					.0
23. Fidelity.....					.0
24. Surety.....					.0
26. Burglary and theft.....					.0
27. Boiler and machinery.....					.0
28. Credit.....					.0
29. International.....					.0
30. Warranty.....					.0
31. Reinsurance - nonproportional assumed property.....					.0
32. Reinsurance - nonproportional assumed liability.....					.0
33. Reinsurance - nonproportional assumed financial lines.....					.0
34. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0	.0
35. TOTALS.....	.718	.0	.0	.0	.718
36. Accrued retrospective premiums based on experience.....					
37. Earned but unbilled premiums.....					.0
38. Balance (sum of Lines 35 through 37).....					.718

DETAILS OF WRITE-INS

3401. ....					.0
3402. ....					.0
3403. ....					.0
3498. Summary of remaining write-ins for Line 34 from overflow page.....	.0	.0	.0	.0	.0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	.0	.0	.0	.0	.0

(a) State here basis of computation used in each case: Daily Pro Rata

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Line of Business	1	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written (Cols. 1 + 2 + 3 - 4 - 5)
	Direct Business (a)	2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire.....	2,062,547				2,021,295	41,252
2. Allied lines.....	3,641,103				3,568,280	72,823
3. Farmowners multiple peril.....						.0
4. Homeowners multiple peril.....						.0
5. Commercial multiple peril.....						.0
6. Mortgage guaranty.....						.0
8. Ocean marine.....	2,611,066				2,611,066	.0
9. Inland marine.....	7,407,926				7,259,767	148,159
10. Financial guaranty.....						.0
11.1 Medical professional liability - occurrence.....						.0
11.2 Medical professional liability - claims-made.....						.0
12. Earthquake.....						.0
13. Group accident and health.....						.0
14. Credit accident and health (group and individual).....						.0
15. Other accident and health.....						.0
16. Workers' compensation.....						.0
17.1 Other liability - occurrence.....						.0
17.2 Other liability - claims-made.....						.0
17.3 Excess workers' compensation.....						.0
18.1 Products liability - occurrence.....						.0
18.2 Products liability - claims-made.....						.0
19.1, 19.2 Private passenger auto liability.....						.0
19.3, 19.4 Commercial auto liability.....						.0
21. Auto physical damage.....						.0
22. Aircraft (all perils).....						.0
23. Fidelity.....						.0
24. Surety.....						.0
26. Burglary and theft.....						.0
27. Boiler and machinery.....						.0
28. Credit.....						.0
29. International.....						.0
30. Warranty.....						.0
31. Reinsurance - nonproportional assumed property.....	.XXX	64,270,267		10,000	5,243	64,255,024
32. Reinsurance - nonproportional assumed liability.....	.XXX					.0
33. Reinsurance - nonproportional assumed financial lines.....	.XXX					.0
34. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0	.0	.0
35. TOTALS.....	15,722,642	64,270,267	.0	10,000	15,465,651	64,517,258

DETAILS OF WRITE-INS

3401. ....						.0
3402. ....						.0
3403. ....						.0
3498. Summary of remaining write-ins for Line 34 from overflow page.....	.0	.0	.0	.0	.0	.0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	.0	.0	.0	.0	.0	.0

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire.....				0			0	0.0
2. Allied lines.....				0			0	0.0
3. Farmowners multiple peril.....				0			0	0.0
4. Homeowners multiple peril.....				0			0	0.0
5. Commercial multiple peril.....				0			0	0.0
6. Mortgage guaranty.....				0			0	0.0
8. Ocean marine.....				0			0	0.0
9. Inland marine.....				0	3,000	3,000	0	0.0
10. Financial guaranty.....				0			0	0.0
11.1 Medical professional liability - occurrence.....				0			0	0.0
11.2 Medical professional liability - claims-made.....				0			0	0.0
12. Earthquake.....				0			0	0.0
13. Group accident and health.....				0			0	0.0
14. Credit accident and health (group and individual).....				0			0	0.0
15. Other accident and health.....				0			0	0.0
16. Workers' compensation.....				0	130,814	130,814	0	0.0
17.1 Other liability - occurrence.....	9,936		3,557	6,379	17,577,726	7,840,315	9,743,790	0.0
17.2 Other liability - claims-made.....				0			0	0.0
17.3 Excess workers' compensation.....				0			0	0.0
18.1 Products liability - occurrence.....	595,211		211,284	383,927	39,126,133	19,740,850	19,769,210	0.0
18.2 Products liability - claims-made.....				0			0	0.0
19.1, 19.2 Private passenger auto liability.....				0			0	0.0
19.3, 19.4 Commercial auto liability.....				0			0	0.0
21. Auto physical damage.....				0			0	0.0
22. Aircraft (all perils).....				0			0	0.0
23. Fidelity.....				0			0	0.0
24. Surety.....				0			0	0.0
26. Burglary and theft.....				0			0	0.0
27. Boiler and machinery.....				0			0	0.0
28. Credit.....				0			0	0.0
29. International.....				0			0	0.0
30. Warranty.....				0			0	0.0
31. Reinsurance - nonproportional assumed property.....	XXX	1,190,364		1,190,364			1,190,364	1.9
32. Reinsurance - nonproportional assumed liability.....	XXX			0			0	0.0
33. Reinsurance - nonproportional assumed financial lines.....	XXX			0			0	0.0
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	0.0
35. TOTALS.....	605,147	1,190,364	214,841	1,580,670	56,837,673	27,714,979	30,703,364	47.6

DETAILS OF WRITE-INS

3401.				0			0	0.0
3402.				0			0	0.0
3403.				0			0	0.0
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0	0	0	0	XXX
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0	0	0	0	0	0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable	4 Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire.....				.0				.0	
2. Allied lines.....				.0				.0	
3. Farmowners multiple peril.....				.0				.0	
4. Homeowners multiple peril.....				.0				.0	
5. Commercial multiple peril.....				.0				.0	
6. Mortgage guaranty.....				.0				.0	
8. Ocean marine.....				.0				.0	
9. Inland marine.....	3,000			3,000				3,000	
10. Financial guaranty.....				.0				.0	
11.1 Medical professional liability - occurrence.....				.0				.0	
11.2 Medical professional liability - claims-made.....				.0				.0	
12. Earthquake.....				.0				.0	
13. Group accident and health.....				.0				(a) .0	
14. Credit accident and health (group and individual).....				.0				(a) .0	
15. Other accident and health.....				.0				(a) .0	
16. Workers' compensation.....	138,158		110,526	27,632	735,236	632,054		130,814	146,835
17.1 Other liability - occurrence.....	6,489,865		1,081,333	5,408,532	19,501,571	7,332,377		17,577,726	1,255,568
17.2 Other liability - claims-made.....				.0				.0	
17.3 Excess workers' compensation.....				.0				.0	
18.1 Products liability - occurrence.....	13,797,517		2,180,274	11,617,243	45,514,942	18,006,052		39,126,133	2,505,743
18.2 Products liability - claims-made.....				.0				.0	
19.1, 19.2 Private passenger auto liability.....				.0				.0	
19.3, 19.4 Commercial auto liability.....				.0				.0	
21. Auto physical damage.....				.0				.0	
22. Aircraft (all perils).....				.0				.0	
23. Fidelity.....				.0				.0	
24. Surety.....				.0				.0	
26. Burglary and theft.....				.0				.0	
27. Boiler and machinery.....				.0				.0	
28. Credit.....				.0				.0	
29. International.....				.0				.0	
30. Warranty.....				.0				.0	
31. Reinsurance - nonproportional assumed property.....	XXX			.0	XXX			.0	
32. Reinsurance - nonproportional assumed liability.....	XXX			.0	XXX			.0	
33. Reinsurance - nonproportional assumed financial lines.....	XXX			.0	XXX			.0	
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0		0	0
35. TOTALS.....	20,428,540	0	3,372,133	17,056,407	65,751,749	0	25,970,483	56,837,673	3,908,146
DETAILS OF WRITE-INS									
3401. ....				.0				.0	
3402. ....				.0				.0	
3403. ....				.0				.0	
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0	0	0		0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0	0	0	0	0		0	0

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

UNDERWRITING AND INVESTMENT EXHIBIT**PART 3 - EXPENSES**

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct.....	24,736,287			24,736,287
1.2 Reinsurance assumed.....	347,899			347,899
1.3 Reinsurance ceded.....	23,257,000			23,257,000
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	1,827,186	0	0	1,827,186
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....				0
2.2 Reinsurance assumed, excluding contingent.....		16,492,452		16,492,452
2.3 Reinsurance ceded, excluding contingent.....		541,114		541,114
2.4 Contingent - direct.....				0
2.5 Contingent - reinsurance assumed.....				0
2.6 Contingent - reinsurance ceded.....				0
2.7 Policy and membership fees.....				0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7).....	0	15,951,338	0	15,951,338
3. Allowances to manager and agents.....				0
4. Advertising.....	8	20,765		20,773
5. Boards, bureaus and associations.....				0
6. Surveys and underwriting reports.....				0
7. Audit of assureds' records.....				0
8. Salary and related items:				
8.1 Salaries.....	83,429	1,221,154	10,272	1,314,855
8.2 Payroll taxes.....	4,427	66,951	435	71,813
9. Employee relations and welfare.....	20,847	294,170	2,911	317,928
10. Insurance.....	127	7,352	4	7,483
11. Directors' fees.....				0
12. Travel and travel items.....	2,747	52,437	75	55,259
13. Rent and rent items.....	7,032	67,834		74,866
14. Equipment.....	580	25,186	42	25,808
15. Cost or depreciation of EDP equipment and software.....				0
16. Printing and stationery.....	909	11,503	102	12,514
17. Postage, telephone and telegraph, exchange and express.....	621	28,871	1,512	31,004
18. Legal and auditing.....				0
19. Totals (Lines 3 to 18).....	120,727	1,796,223	15,353	1,932,303
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....0.....		263,282		263,282
20.2 Insurance department licenses and fees.....		39,682		39,682
20.3 Gross guaranty association assessments.....				0
20.4 All other (excluding federal and foreign income and real estate).....				0
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....	0	302,964	0	302,964
21. Real estate expenses.....				0
22. Real estate taxes.....				0
23. Reimbursements by uninsured plans.....				0
24. Aggregate write-ins for miscellaneous expenses.....	0	(100)	1,498	1,398
25. Total expenses incurred.....	1,947,913	18,050,425	16,851	(a).....20,015,189
26. Less unpaid expenses - current year.....	3,908,146	22,225		3,930,371
27. Add unpaid expenses - prior year.....	3,639,056	8,040		3,647,096
28. Amounts receivable relating to uninsured plans, prior year.....				0
29. Amounts receivable relating to uninsured plans, current year.....				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29).....	1,678,823	18,036,240	16,851	19,731,914

DETAILS OF WRITE-INS

2401. Bank activity fees.....			1,498	1,498
2402. Other income.....		(100)		(100)
2403.				0
2498. Summary of remaining write-ins for Line 24 from overflow page.....	0	0	0	0
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above).....	0	(100)	1,498	1,398

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....2,064,878	1,991,093
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....2,793,700	2,796,590
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.11 Preferred stocks of affiliates.....	(b).....175,000	175,000
2.2 Common stocks (unaffiliated).....	.....	.....
2.21 Common stocks of affiliates.....	.....	.....
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....	.....
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e).....67,168	67,168
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	.....33,055	33,055
10. Total gross investment income.....	5,133,802	5,062,906
11. Investment expenses.....	.....	(g).....16,851
12. Investment taxes, licenses and fees, excluding federal income taxes.....	.....	(g).....
13. Interest expense.....	.....	(h).....
14. Depreciation on real estate and other invested assets.....	.....	(i).....0
15. Aggregate write-ins for deductions from investment income.....	.....	0
16. Total deductions (Lines 11 through 15).....	.....	16,851
17. Net investment income (Line 10 minus Line 16).....	.....	5,046,055

DETAILS OF WRITE-INS

0901. ICMA Loan Interest Income.....	1,260	1,260
0902. Securities Lending Interest Income.....	31,795	31,795
0903. ....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	33,055	33,055
1501. ....	.....	.....
1502. ....	.....	.....
1503. ....	.....	.....
1598. Summary of remaining write-ins for Line 15 from overflow page.....	.....	0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....	.....	0

- (a) Includes \$.....112,041 accrual of discount less \$.....512,986 amortization of premium and less \$.....150,739 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....	957,228	.....	957,228	.....	.....
1.1 Bonds exempt from U.S. tax.....	.....	.....	0	.....	.....
1.2 Other bonds (unaffiliated).....	796,214	.....	796,214	.....	.....
1.3 Bonds of affiliates.....	.....	.....	0	.....	.....
2.1 Preferred stocks (unaffiliated).....	.....	.....	0	.....	.....
2.11 Preferred stocks of affiliates.....	.....	.....	0	.....	.....
2.2 Common stocks (unaffiliated).....	.....	.....	0	.....	.....
2.21 Common stocks of affiliates.....	.....	.....	0	.....	.....
3. Mortgage loans.....	.....	.....	0	.....	.....
4. Real estate.....	.....	.....	0	.....	.....
5. Contract loans.....	.....	.....	0	.....	.....
6. Cash, cash equivalents and short-term investments.....	.....	.....	0	.....	.....
7. Derivative instruments.....	.....	.....	0	.....	.....
8. Other invested assets.....	.....	.....	0	.....	.....
9. Aggregate write-ins for capital gains (losses).....	0	0	0	0	0
10. Total capital gains (losses).....	1,753,442	0	1,753,442	0	0

DETAILS OF WRITE-INS

0901. ....	.....	.....	0	.....	.....
0902. ....	.....	.....	0	.....	.....
0903. ....	.....	.....	0	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	0	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			.0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.0
2.2 Common stocks.....			.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			.0
3.2 Other than first liens.....			.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			.0
4.2 Properties held for the production of income.....			.0
4.3 Properties held for sale.....			.0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			.0
6. Contract loans.....			.0
7. Derivatives (Schedule DB).....			.0
8. Other invested assets (Schedule BA).....			.0
9. Receivables for securities.....			.0
10. Securities lending reinvested collateral assets (Schedule DL).....			.0
11. Aggregate write-ins for invested assets.....	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	.0	.0	.0
13. Title plants (for Title insurers only).....			.0
14. Investment income due and accrued.....			.0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....			.0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.0
15.3 Accrued retrospective premiums.....			.0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....			.0
16.2 Funds held by or deposited with reinsured companies.....			.0
16.3 Other amounts receivable under reinsurance contracts.....			.0
17. Amounts receivable relating to uninsured plans.....			.0
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0
18.2 Net deferred tax asset.....	473,000	82,000	(391,000)
19. Guaranty funds receivable or on deposit.....			.0
20. Electronic data processing equipment and software.....			.0
21. Furniture and equipment, including health care delivery assets.....			.0
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0
23. Receivables from parent, subsidiaries and affiliates.....			.0
24. Health care and other amounts receivable.....			.0
25. Aggregate write-ins for other than invested assets.....	.0	.0	.0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	473,000	82,000	(391,000)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
28. TOTALS (Lines 26 and 27).....	473,000	82,000	(391,000)

DETAILS OF WRITE-INS

1101.....			.0
1102.....			.0
1103.....			.0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0
2501. Loss Clearing.....			.0
2502. Equities and deposits in pools and associates.....			.0
2503.....			.0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	.0	.0	.0

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

A. Accounting Practices, Impact of NAIC/State Differences

The accompanying financial statements of Appalachian Insurance Company ("Company") have been prepared on the basis of accounting practices prescribed or permitted by the Rhode Island Division of Insurance.

The state of Rhode Island requires insurance companies domiciled in the state of Rhode Island to prepare their statutory financial statements in accordance with the National Association of Insurance Commissioner' (NAIC) *Accounting Practices and Procedures Manual* subject to any deviations prescribed or permitted by the Rhode Island Division of Insurance.

B. Use of Estimates

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

C. Accounting Policies

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

Net investment income earned consists primarily of interest and dividends less investment related expenses. Interest is recognized on an accrual basis and dividends are recognized on an ex-dividend basis. Net realized capital gains (losses) are recognized on a specific identification basis when securities are sold, redeemed or otherwise disposed. Realized capital losses include writedowns for impairments considered to be other than temporary.

In addition, the Company utilizes the following accounting policies:

1. Short-term investments are stated at amortized cost using the interest method.
2. Non loan-backed bonds with NAIC designations 1 or 2 are stated at amortized cost using the interest method. Non loan-backed bonds with NAIC designations of 3 through 6 are stated at the lower of amortized value or fair value. See paragraph 6 for loan-backed and structured securities.
3. The Company has no common stock.
4. Preferred stocks are stated at cost.
5. The Company has no mortgage loans.
6. U.S. government agency loan-backed and structured securities are valued at amortized value. Other loan-backed and structured securities are valued at either amortized value or fair value, depending on many factors including: the type of underlying collateral, whether modeled by NAIC vendor, whether rated (by either NAIC approved rating organization or NAIC Securities Valuation Office), and relationship of amortized value to par value and amortized value to fair value.
7. The Company has no interest in subsidiaries.
8. The Company has no investments in joint ventures, partnerships and limited liability corporations.
9. The Company has no derivatives.
10. The Company does not anticipate investment income when evaluating the need for premium deficiency reserves.
11. Unpaid losses and loss adjustment expenses (including Asbestos and Environmental reserves) include amounts determined from individual case estimates and an amount for IBNR (incurred-but-not-reported) loss estimates. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.
12. The Company has not changed its capitalization policy from the prior period.
13. The Company has no "pharmaceutical rebate receivables."

Note 2 – Accounting Changes and Correction of Errors – Not applicableNote 3 – Business Combinations and Goodwill – Not applicableNote 4 – Discontinued Operations – Not applicableNote 5 – Investments

A. Mortgage Loans – Not applicable

B. Troubled Debt Restructuring for Creditors – Not applicable

C. Reverse Mortgages – Not applicable

D. Loan-Backed and Structured Securities

1. Description of Sources Used to Determine Prepayment Assumptions

Loan-backed bonds and structured securities are valued at amortized costs using the constant interest rate method, not including anticipated prepayment at the date of purchase. Loan-backed securities are valued using an effective yield based on current prepayment assumptions obtained from Bloomberg. Prepayment assumptions are reviewed periodically and updated in response to changes in market interest rates.

NOTES TO FINANCIAL STATEMENTSNote 5 – Investments (continued from preceding page)

2. Other-Than-Temporary-Impairment (OTTI) Loss Recognized in the Aggregate – Not applicable
3. OTTI by CUSIP – Not applicable
4. Impaired Securities for Which OTTI Not Recognized

The aggregate amount of unrealized losses and the associated fair value for loan-backed securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss are as follows:

- a. Aggregate amount of unrealized loss

1. Less than twelve months	\$	4,047
2. Twelve months or longer		-
3. Total	\$	4,047

- b. Aggregate fair value of securities with unrealized loss

1. Less than twelve months	\$	1,495,785
2. Twelve months or longer		-
3. Total	\$	1,495,785

5. OTTI Additional Information

All loan-backed and structured securities in an unrealized loss position were reviewed to determine whether other-than-temporary impairments should be recognized. The Company asserts that it has the intent and ability to hold these securities long enough to allow the cost basis of these securities to be recovered. These conclusions are supported by a detailed analysis of the underlying credit and cash flows of each security. Unrealized losses are primarily attributable to credit spread widening and increased liquidity discounts. It is possible that the Company could recognize other-than-temporary impairments in the future on some of the securities, if future events, information and the passage of time causes it to conclude that declines in value are other-than temporary.

- E. Repurchase Agreements and/or Securities Lending Transactions

1. Policies Requiring Collateral

Under a securities lending program with an agent, the Company has temporarily loaned certain debt securities. Borrowers of these securities must deposit an amount of cash and/or securities equal to 102% of the fair value of domestic securities or 105% of the fair value of foreign securities loaned as of the transaction date. The collateral level is monitored daily and additional cash calls are made by the agent if needed to retain the 102% or 105% collateral amount. The agent holds any securities pledged as collateral in trust for the borrower, and invests any cash collateral pledged as collateral in high quality short term securities. The cash collateral received under the securities lending agreement and invested in short term securities is included in the "Securities lending reinvested collateral assets" on Page 2 Line 10 and the offsetting liability in the "Payable for securities lending" on Page 3 Line 22.

2. Collateral Pledged – Not applicable
3. Collateral Received

- a. Aggregate Amount of Cash Collateral Received:

1. Repurchase Agreement – Not Applicable
2. Securities Lending

Securities Lending	Fair Value
a. Open	-
b. 30 Days or Less	\$ 26,749,898
c. 31 to 60 Days	-
d. 61 to 90 Days	-
e. Greater Than 90 Days	-
f. Subtotal	\$ 26,749,898
g. Securities Received	-
h. Total Collateral Received	\$ 26,749,898

3. Dollar Repurchase Agreement – Not Applicable

- b. The aggregate fair value of all securities acquired from the sale, trade or use of accepted collateral is \$26,749,898.
- c. The securities acquired from the use of the cash collateral are managed by the agent using conservative guidelines regarding the type, duration and quality of investments permitted.
4. The Company has no collateral administered by an affiliated agent.

NOTES TO FINANCIAL STATEMENTSNote 5 – Investments (continued from preceding page)

5. Collateral Reinvestment

a. Aggregate Amount of Cash Collateral Reinvested:

1. Repurchase Agreement – Not Applicable
2. Securities Lending

Securities Lending	Amortized Cost	Fair Value
a. Open	-	-
b. 30 Days or Less	\$ 26,749,898	\$ 26,749,898
c. 31 to 60 Days	-	-
d. 61 to 90 Days	-	-
e. 91 to 120 Days	-	-
f. 121 to 180 Days	-	-
g. 181 to 365 Days	-	-
h. 1 to 2 Years	-	-
i. 2 to 3 Years	-	-
j. Greater Than 3 Years	-	-
k. Subtotal	\$ 26,749,898	\$ 26,749,898
g. Securities Received	-	-
h. Total Collateral Reinvested	\$ 26,749,898	\$ 26,749,898

3. Dollar Repurchase Agreement – Not Applicable

- b. The agent matches the maturity dates of the cash collateral with the expected return dates of that collateral.

6. In addition to the cash collateral, the Company also receives collateral in the form of government securities. These securities are held by the agent and are not traded or repledged. The current fair value of the securities collateral is \$39,063,394.
7. The Company has no collateral with transactions that extend beyond one year.

F. Writedowns for Impairments of Real Estate, Real Estate Sales, Retail Land Sales Operations and Real Estate with Participating Mortgage Loan Features – Not applicable

G. Low Income Housing Tax Credits – Not applicable

NOTES TO FINANCIAL STATEMENTSNote 5 – Investments (continued from preceding page)

H. Restricted Assets

1. Restricted Assets (including pledged) summarized by restricted asset category

Restricted Asset Category	Gross Restricted							Percentage		
	Current Year							8	9	10
	1	2	3	4	5	6	7			
	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
a. Subject to contractual obligation for which liability is not shown										
b. Collateral held under securities lending agreements	\$26,749,898				\$26,749,898	\$10,784,358	\$15,965,540	\$26,749,898	9.2%	9.2%
c. Subject to repurchase agreements										
d. Subject to reverse repurchase agreements										
e. Subject to dollar repurchase agreements										
f. Subject to dollar reverse repurchase agreements										
g. Placed under contract options										
h. Letter stock or securities restricted to sale										
i. On deposit with states	\$5,733,881				\$5,733,881	\$5,757,311	(\$23,430)	\$5,733,881	2.0%	2.0%
j. On deposit with other regulatory bodies										
k. Pledged as collateral not captured in other categories										
l. Other restricted assets										
m. Total restricted assets	\$32,483,779				\$32,483,779	\$16,541,669	\$15,942,110	\$32,483,779	11.2%	11.2%

(a) Subset of column 1

(b) Subset of column 3

2. Detail of Assets Pledged as Collateral Not Captured in Other Categories – Not applicable

3. Detail of Other Restricted Assets – Not applicable

Note 6 – Joint Ventures, Partnerships and Limited Liability Companies – Not applicableNote 7 – Investment Income

A. Accrued Investment Income

The Company non-admits investment income due and accrued if the amounts are over 90 days past due.

B. Amounts Non-admitted

There were no accrued investment income amounts over 90 days past due as of December 31, 2013 and as of December 31, 2012.

NOTES TO FINANCIAL STATEMENTS

Note 8 – Derivative Instruments – Not applicable

Note 9 – Income Taxes

A. Deferred Tax Asset/(Liability)

1. Component of Net Deferred Tax Asset/(Liability)

	2013			2012			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 Ordinary	8 Capital	9 (Col 7+8) Total
a) Gross deferred tax assets	723,000	160,000	883,000	348,000	160,000	508,000	375,000	-	375,000
b) Statutory valuation allowance adjustment	-	-	-	-	-	-	-	-	-
c) Adjusted gross deferred tax assets (1a-1b)	723,000	160,000	883,000	348,000	160,000	508,000	375,000	-	375,000
d) Deferred tax assets nonadmitted	473,000	-	473,000	82,000	-	82,000	391,000	-	391,000
e) Subtotal net admitted deferred tax assets (1c-1d)	250,000	160,000	410,000	266,000	160,000	426,000	(16,000)	-	(16,000)
f) Deferred tax liabilities	-	146,000	146,000	-	203,000	203,000	-	(57,000)	(57,000)
g) Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)	250,000	14,000	264,000	266,000	(43,000)	223,000	(16,000)	57,000	41,000

2. Admission Calculation Components:

	2013			2012			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 Ordinary	8 Capital	9 (Col. 7+8) Total
a) Federal income taxes paid in prior years recoverable through loss carrybacks	70,000	160,000	230,000	42,000	160,000	202,000	28,000	-	28,000
b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below:	34,000	-	34,000	21,000	-	21,000	13,000	-	13,000
1) Adjusted gross deferred tax assets expected to be realized following the balance sheet date	34,000	-	34,000	21,000	-	21,000	13,000	-	13,000
2) Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	27,469,440	XXX	XXX	24,979,884	XXX	XXX	2,489,556
c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	146,000	-	146,000	203,000	-	203,000	(57,000)	-	(57,000)
d) Deferred tax assets admitted as the result of application of SSAP 101. Total (2(a)+2(b)+2(c))	250,000	160,000	410,000	266,000	160,000	426,000	(16,000)	-	(16,000)

NOTES TO FINANCIAL STATEMENTS

Note 9 – Income Taxes (continued from preceding page)

3. Other Admissibility Criteria

	2013	2012
a. Ratio percentage used to determine recovery period and threshold limitation amount	1,219.43%	1,507.80%
b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	\$ 182,601,601	\$ 169,747,543

4. Impact of Tax Planning Strategies

	2013		2012		Change	
	1 Ordinary	2 Capital	3 Ordinary	4 Capital	5 (Col 1-3) Ordinary	6 (Col 2-4) Capital
a. Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character, as a percentage						
1) Adjusted gross DTAs amount from Note 9A1(c)	723,000	160,000	348,000	160,000	375,000	-
2) Adjusted gross DTAs (% of Total Adjusted Gross DTA's)	0.0%	71.8%	0.0%	47.6%	0.0%	24.2%
3) Adjusted gross DTAs amount from Note 9A1(e)	250,000	160,000	266,000	160,000	(16,000)	-
4) Net admitted adjusted gross DTAs (% of total net admitted adjusted gross DTA's)	0.0%	254.0%	0.0%	90.7%	0.0%	163.3%

b. Does the company's tax-planning strategies include use of reinsurance? Yes [] No [X]

B. Deferred Tax Liabilities Not Recognized - Not applicable

C. Current and Deferred Income Taxes

1. Current Income Tax

	1 2013	2 2012	3 (Col. 1-2) Change
a) Federal	6,973,131	5,547,000	1,426,131
b) Foreign			
c) Subtotal	6,973,131	5,547,000	1,426,131
d) Federal income tax on net capital gains	614,000	1,918,000	(1,304,000)
e) Utilization of capital loss carry-forwards			
f) Other			
g) Federal and Foreign income taxes incurred	7,587,131	7,465,000	122,131

NOTES TO FINANCIAL STATEMENTS

Note 9 – Income Taxes (continued from preceding page)

2. Deferred Tax Assets

	1	2	3
	2013	2012	(Col. 1-2)
			Change
a. Ordinary:			
1. Discounting of unpaid losses	723,000	348,000	375,000
2. Unearned premium reserve			
3. Policyholder reserves			
4. Investments			
5. Deferred acquisition costs			
6. Policyholder dividends accrual			
7. Fixed assets			
8. Compensation and benefits accrual			
9. Pension accrual			
10. Receivables - nonadmitted			
11. Net operating loss carry-forward			
12. Tax credit carry-forward			
13. Other (including items <5% of total ordinary assets)			
14. Other assets - nonadmitted			
99. Subtotal	723,000	348,000	375,000
b. Statutory valuation allowance adjustment			
c. Nonadmitted	473,000	82,000	391,000
d. Admitted ordinary deferred tax assets (2a99-2b-2c)	250,000	266,000	(16,000)
e. Capital:			
1. Investments	160,000	160,000	-
2. Net capital loss carry-forward			
3. Real estate			
4. Other (including items <5% of total capital tax assets)			
99. Subtotal	160,000	160,000	-
f. Statutory valuation allowance adjustment			
g. Nonadmitted			
h. Admitted capital deferred tax assets (2e99-2f-2g)	160,000	160,000	-
i. Admitted deferred tax assets (2d+2h)	410,000	426,000	(16,000)

3. Deferred Tax Liabilities

	1	2	3
	2013	2012	(Col. 1-2)
			Change
a. Ordinary:			
1. Investments			
2. Fixed assets			
3. Deferred and uncollected premium			
4. Policyholder reserves			
5. Other (including items <5% of total ordinary tax assets)			
6. Additional acquisition costs-installment premiums			
7. Discount of accrued salvage and subrogation			
8. Guaranty funds receivable			
99. Subtotal			
b. Capital:			
1. Investments			
2. Real estate			
3. Other (including items <5% of total capital tax assets)	146,000	203,000	(57,000)
99. Subtotal	146,000	203,000	(57,000)
c. Deferred Tax Liabilities (3a99+3b99)	146,000	203,000	(57,000)

4. Net Deferred Tax Assets (2i-3c)

264,000 223,000 41,000

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate

Among the more significant book to tax adjustments were the following:

	2013	Effective Tax Rate (%)
Provision computed at statutory rate	7,215,131	35.0
Dividends received deduction	(60,000)	(0.3)
Totals	7,155,131	34.7
Federal and foreign income taxes incurred	6,973,131	33.8
Realized capital gains (losses) tax	614,000	3.0
Change in net deferred income taxes	(432,000)	(2.1)
Total statutory income taxes	7,155,131	34.7

NOTES TO FINANCIAL STATEMENTSNote 9 – Income Taxes (continued from preceding page)

E. Operating Loss and Tax Credit Carryforwards and Protective Tax Deposits

- At December 31, 2013, the Company did not have any unused operating loss carryforwards available to offset against future taxable income.
- The following is the amount of consolidated Federal income tax expense for 2013 and 2012 that is available for recoupment in the event of future net losses:

Year	Amount
2013	382,727,000
2012	274,702,000

- The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

F. Consolidated Federal Income Tax Return

- The Company's federal income tax return is consolidated with the following entities:

Factory Mutual Insurance Company (Parent)	FMIC Holdings, Inc.
Affiliated FM Insurance Company	TSB Loss Control Consultants, Inc.
Appalachian Insurance Company	Corporate Insurance Services, Inc.
Risk Engineering Insurance Company Limited	Watch Hill Insurance Company

- The method of allocation among companies is subject to a written agreement, approved by the Board of Directors, whereby allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return. Intercompany tax balances are settled annually.

G. Federal or Foreign Income Tax Loss Contingencies

The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

Note 10 – Information Concerning Parent, Subsidiaries and Affiliates

A. Nature of Relationships

All of the common stock outstanding of the Company is owned by FMIC Holdings, Inc. (Johnston, RI), which is a wholly-owned subsidiary of the Factory Mutual Insurance Company, (NAIC #21482) Johnston, RI.

B. Detail of Transactions Greater than ½% of Admitted Assets

The Company lists its transactions with affiliates on Schedule Y Part 2. There were no non-insurance transactions between the Company and any affiliates, which exceeded one-half of 1% of admitted assets.

C. Change in Terms of Intercompany Arrangements – Not applicable

D. Amounts Due to or from Related Parties

The Company reported \$10,099,385 and \$1,149,219 due to Parent as of December 31, 2013 and 2012, respectively.

Settlement terms/procedures are 60 days from the end of each quarter.

E. Guarantees or Undertakings for Related Parties – Not applicable

F. Management, Service Contracts, Cost Sharing Agreements

The Company receives certain accounting, management and other services from an insurance affiliate. Management fees are charged as part of a cost sharing agreement approved by the state of domicile.

G. Nature of Relationships that Could Affect Operations

The Company is owned by FMIC Holdings Inc., a wholly owned subsidiary of Factory Mutual Insurance Company (NAIC #21482).

H. Amounts Deducted for Investment in Upstream Company – Not applicable

I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets – Not applicable

J. Write down for Impairments of Investments in Affiliates – Not applicable

K. Foreign Insurance Subsidiary Valued Using CARVM – Not applicable

L. Downstream Holding Company Valued Using Look-Through Method – Not applicable

Note 11 – Debt – Not applicable

NOTES TO FINANCIAL STATEMENTS

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

A. Defined Benefit Plans

The Company has no employees. All services necessary for functioning of the Company are provided by its parent, Factory Mutual Insurance Company (NAIC #21482), pursuant to a management and services agreement, which provides for compensatory expense allocations. Included in the expense allocations were amounts related to non-contributory retirement income plans and postretirement benefit plans sponsored by Factory Mutual Insurance Company. Refer to Note 12G for the amounts and allocation methodology.

B. Description of Investment Policies – Not applicable

C. Fair Value of Plan Assets – Not applicable

D. Rate of Return Assumptions – Not applicable

E. Defined Contribution Plans

The Company has no employees. All services necessary for functioning of the Company are provided by its parent, Factory Mutual Insurance Company (NAIC #21482), pursuant to a management and services agreement, which provides for compensatory expense allocations. Included in the expense allocations were amounts related to savings plans sponsored by Factory Mutual Insurance Company. Refer to Note 12G for the amounts and allocation methodology.

F. Multiemployer Plans – Not applicable

G. Consolidated/Holding Company Plans

As stated above in Note 12A and Note 12E, the Company has no employees. All services necessary for functioning of the Company are provided by its parent, Factory Mutual Insurance Company (NAIC #21482), pursuant to a management and services agreement, which provides for compensatory expense allocations. Included in the expense allocations were amounts for defined benefit plans and defined contribution plans sponsored by Factory Mutual Insurance Company, as follows:

The net expense allocated to the Company related to defined benefit plans was \$1,490,780 in 2013 and \$972,180 in 2012.

The net expense allocated to the Company related to defined contribution plans was \$364,000 in 2013 and \$352,000 in 2012.

The net expense incurred by the Company for these plans is based on the percentage allocations per the intercompany pooling agreement discussed below in Note 26. The Company has no legal obligation for benefits under the plans

H. Postemployment Benefits and Compensated Absences – Not applicable

I. Impact of Medicare Modernization Act on Postretirement Benefits – Not applicable

Note 13 – Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

A. Outstanding Shares

All of the common stock, 705,000 shares (\$5 par value), is owned by FMIC Holdings, Inc. (Johnston, RI), which is a wholly-owned subsidiary of Factory Mutual Insurance Company, (NAIC #21482) Johnston, RI.

B. Dividend Rate of Preferred Stock – Not applicable

C. Dividend Restrictions

The amount of dividends, which can be paid by state of Rhode Island domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner, is subject to restrictions relating to statutory surplus and net income. The maximum dividend payout which may be made without prior approval is the lesser of:

- a. 10% of surplus as regards policyholders as of the 31st day of December next preceding, or
- b. Net income, not including realized gains, for the twelve month period ending the 31st day of December next preceding, but shall not include pro rata distributions of any class of the insurer's own securities.

For 2013, the maximum dividend payout that could have been made without prior approval was \$10,819,719. For 2014, the maximum dividend payout that may be made without prior approval is \$11,887,919.

D. Dates and Amounts of Dividends Paid – Not applicable

E. Amount of Ordinary Dividends That May Be Paid – Not applicable

F. Restrictions on Unassigned Funds – Not applicable

G. Mutual Surplus Advances – Not applicable

H. Company Stock Held for Special Purposes – Not applicable

I. Changes in Special Surplus Fund – Not applicable

J. Changes in Unassigned Funds

The portion of unassigned funds (surplus) represented by cumulative unrealized gains and losses is zero.

K. Surplus Notes – Not applicable

L. Impact of Quasi-Reorganizations – Not applicable

M. Date of Quasi-Reorganizations – Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 14 – Contingencies

- A. Contingent Commitments – Not applicable
- B. Guaranty Fund and Other Assessments – Not applicable
- C. Gain Contingencies – Not applicable
- D. Extra Contractual Obligations and Bad Faith Losses – Not applicable
- E. Product Warranties – Not applicable
- F. Other Contingencies

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

Note 15 – Leases – Not applicableNote 16 – Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk – Not applicableNote 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

- A. Transfers of Receivables Reported as Sales – Not applicable
- B. Transfer and Servicing of Financial Assets

- 1. Loaned Securities

Under a securities lending program with an agent, the Company has temporarily loaned certain debt securities with a fair value of \$64,414,696 and \$55,541,863 at December 31, 2013 and December 31, 2012, respectively. Borrowers of these securities must deposit an amount of cash and/or securities equal to 102% of the fair value of domestic securities or 105% of foreign securities. The Company continues to receive the interest on the loaned debt securities as a beneficial owner, and the loaned debt securities are included in the investment portfolio of the Company. The agent holds any securities pledged as collateral in trust for the borrower, and invests any cash collateral pledged in high quality short term securities. There are no collateral transactions that extend beyond one year.

- 2. Servicing Asset and Liabilities – Not applicable
- 3. Servicing Assets and Liabilities Subsequently Measured at Fair Value – Not applicable
- 4. Securitized Financial Assets that Transfer as a Sale – Not applicable
- 5. Transfers of Financial Assets Accounted for as Secured Borrowing – Not applicable
- 6. Transfers of Receivables with Recourse – Not applicable
- 7. Repurchase Agreements – Not applicable

- C. Wash Sales – Not applicable

Note 18 – Gain or Loss from Uninsured Plans and the Uninsured Portion of Partially Insured Plans – Not applicableNote 19 – Direct Premium Written/Produced by Managing General Agents/Third Party Administrators – Not applicableNote 20 – Fair Value Measurements

- A. Inputs Used for Invested Assets Measured at Fair Value

- 1. Items Measured and Reported at Fair Value by Levels 1, 2 and 3

The Company categorizes its invested assets that are measured at fair value into the three-level fair value hierarchy. Item 4 provides a discussion of each of these three levels. However, the Company has no invested assets carried at fair value at the reporting date.

- 2. Rollforward of Level 3 Items

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

- 3. Policy on Transfers Into and Out of Level 3

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred into or out of Level 3. The Company has no assets measured at fair value in the Level 3 category.

- 4. Inputs and Techniques Used for Fair Value

The valuation techniques required by the Fair Value Measurements guidance (SSAP 100) are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1 Quoted prices for identical instruments in active markets
- Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable
- Level 3 Significant inputs to the valuation model are unobservable

NOTES TO FINANCIAL STATEMENTSNote 20 – Fair Value Measurements (continued from preceding page)

The Company retains independent pricing vendors to assist in valuing invested assets when the prices are not available from the SVO.

When available, the Company uses quoted market prices to determine the fair value of investment securities, and they are included in Level 1.

When quoted market prices are unavailable, the Company uses quotes from independent pricing vendors based on recent trading activity and other relevant information, including market interest rate curves, referenced credit spreads and estimated prepayment rates, where applicable. These investments are included in Level 2 and are primarily comprised of fixed income securities which are NAIC rated 3 or below.

In infrequent circumstances, the pricing is not available from the pricing vendor and is based on significant unobservable inputs. In those circumstances, the investment security is classified in Level 3. There are no Level 3 investments at reporting date.

5. Derivative Fair Values – Not applicable

B. Other Fair Value Disclosures – Not applicable

C. Fair Values for All Financial Instruments by Levels 1, 2 and 3

The table below reflects the fair value and admitted values of all admitted assets and liabilities that are financial instruments. The fair values are also categorized into the three-level fair value hierarchy as described in Note 20A.

Type of Financial Instrument - Assets	Fair Value	Admitted Value	Level 1	Level 2	Level 3
Bonds	\$ 190,575,601	\$ 189,824,820	\$ -	\$ 189,824,820	\$ -
Cash, cash equivalents and short-term investments	33,268,338	33,268,338	33,268,338	-	-
Securities lending reinvested collateral assets	26,749,898	26,749,898	26,749,898	-	-
Total assets	\$ 250,593,837	\$ 249,843,056	\$ 60,018,236	\$ 189,824,820	\$ -

D. Financial Instruments for which it is not Practicable to Estimate Fair Values – Not applicable

Note 21 – Other Items – Not applicableNote 22 – Events Subsequent

Subsequent events have been considered through February 21, 2014 for these statutory financial statements which are to be issued February 21, 2014. There were no events occurring subsequent to the end of the year that merited recognition or disclosure in these statements.

A. ACA Fee Assessment Payable – Not applicable

B. Assessment Expected to Impact RBC – Not applicable

Note 23 – Reinsurance

A. Unsecured Reinsurance Recoverable – Not applicable

B. Reinsurance Recoverable in Dispute – Not applicable

C. Reinsurance Assumed and Ceded and Protected Cells

- The following table summarizes ceded and assumed unearned premiums and the related commission equity at the end of the current year, as applicable:

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve (1)	Commission Equity (2)	Premium Reserve (3)	Commission Equity (4)	Premium Reserve (5)	Commission Equity (6)
a. Affiliates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. All Other	-	-	42,356	1,482	(42,356)	(1,482)
c. TOTAL	\$ -	\$ -	\$ 42,356	\$ 1,482	\$ (42,356)	\$ (1,482)
d. Direct Unearned Premium Reserve \$43,075						

- Profit Sharing Arrangements – Not applicable

- Protected Cells – Not applicable

D. Uncollectible Reinsurance – Not applicable

E. Commutation of Ceded Reinsurance – Not applicable

F. Retroactive Reinsurance – Not applicable

G. Reinsurance Accounted for as a Deposit – Not applicable

H. Run-Off Agreements – Not applicable

I. Certified Reinsurer Rating Downgraded or Status Subject to Revocation – Not applicable

Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination – Not applicable

NOTES TO FINANCIAL STATEMENTS**Note 25 – Changes in Incurred Losses and Loss Adjustment Expenses**

- A. As a result of changes in estimate of insured events related to prior years, the provision for losses and loss adjustment expenses increased by \$31,000,000. This increase in the prior years was primarily attributable to the reserve strengthening for asbestos and environmental due to the Company's exposure analysis.

No additional premium or return of premiums have been accrued as a result of prior year effects.

Note 26 – Intercompany Pooling Arrangements

- A. Factory Mutual Insurance Company (lead insurer), NAIC #21482, Affiliated FM Insurance Company, NAIC #10014, and Appalachian Insurance Company, NAIC #10316, are members of the FM Global Group and have entered into a Tripartite Quota Share Pooling Agreement (the agreement). The agreement became effective January 1, 1982. The current pooling percentages, amended as of January 1, 2005, are 86% Factory Mutual Insurance Company, 12% Affiliated FM Insurance Company, and 2% Appalachian Insurance Company. The percentages represent the policyholder's surplus of each company compared to the combined policyholder's surplus for the three companies.

All business written by each of the pool participants is subject to pooling. Also, reinsurance may be ceded on a facultative and/or treaty basis by any pool participant prior to pooling. There are no discrepancies between the assumed and ceded reinsurance schedules of the pool participants. Each pool participant establishes its respective provision for reinsurance Schedule F - Part 8 and the write-off of uncollectible reinsurance for its own facultative and treaty cessions. Uncollectible reinsurance has been furnished to insurance departments of those states where the company is licensed.

The parties agreed to pool net premiums earned, net losses and loss adjustment expenses incurred, and other underwriting expenses incurred. Each company agreed to cede and/or assume from the others that amount of net premium earned, reported in the NAIC Annual Statement, Page 4, Line 1, less that amount of dividends to policyholders reported on Page 4, Line 17, net losses and loss adjustment expenses incurred included in the NAIC Annual Statement, Page 4 Lines 2 and 3 and other underwriting expenses incurred reported in the NAIC Annual Statement, Page 4, Line 4, required to bring its share to the agreed upon percentage of the total.

The pooling activity is recorded and settled as current accident and occurrence year transactions for Schedule P reporting purposes. The pooling results are considered as written and earned in the current accident year. The pooling results of losses and loss adjustment expenses paid and incurred are reflected in the current occurrence year.

The amount due to / from the lead entity and the pool participants as of December 31, 2013 are as follows:

Name of Insurer	Amounts Receivable	Amounts Payable
Factory Mutual Insurance Company (lead insurer)	\$ 81,968,850	\$ 72,138,221
Affiliated FM Insurance Company	\$ 37,280,385	\$ 76,320,796
Appalachian Insurance Company	\$ 34,857,835	\$ 5,648,053

The Combined Annual Statement eliminates the results of all intercompany activity.

Note 27 – Structured Settlements – Not applicable**Note 28 – Health Care Receivables – Not applicable****Note 29 – Participating Policies – Not applicable****Note 30 – Premium Deficiency Reserves**

- A. The Company evaluated whether a premium deficiency reserve is required as of December 31, 2013 and determined that a premium deficiency reserve is not applicable. This evaluation was completed on February 1, 2014.

The Company does not anticipate investment income when evaluating the need for premium deficiency reserves.

1. Liability carried for premium deficiency reserve	\$ -
2. Date of most recent evaluation of this liability	February 1, 2014
3. Was anticipated investment income utilized in the calculation?	NO

Note 31 – High Deductibles – Not applicable**Note 32 – Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses – Not applicable****Note 33 – Asbestos and Environmental Reserves**

- A. Five-Year Rollforward of Asbestos Reserves, Direct, Assumed and Net

The Company has potential exposure involving asbestos, environmental impairment liability, and other types of tort-related claims, which applies only to the casualty and assumed reinsurance business now in runoff. Management has indicated that liabilities are recognized for known claims (including the cost of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy, and the Company's liabilities can be reasonably estimated. Additional reserves for such claims are established to cover further exposures on both known and unasserted claims based on facts currently known and the present state of the law and coverage litigation. The reserves for these types of claims are included in the foregoing loss and loss adjustment expense reserves and are subject to considerable uncertainty, due to the potential severity of the claims and the uncertain legal climate.

1. Direct – Asbestos	2009	2010	2011	2012	2013
a. Beginning reserves:	\$ 105,497,000	\$ 66,622,000	\$ 49,527,000	\$ 42,317,000	\$ 37,892,000
b. Incurred losses & loss adjustment expense:	(26,183,000)	(10,002,000)	2,000	1,087,000	35,400,000
c. Calendar year payments for losses & loss adjustment expense:	12,692,000	7,093,000	7,212,000	5,512,000	1,392,000
d. Ending Reserves:	\$ 66,622,000	\$ 49,527,000	\$ 42,317,000	\$ 37,892,000	\$ 71,900,000

NOTES TO FINANCIAL STATEMENTS

Note 33 – Asbestos and Environmental Reserves (continued from preceding page)

2. Assumed Reinsurance – Asbestos	2009	2010	2011	2012	2013
a. Beginning reserves:					
b. Incurred losses & loss adjustment expense:			NONE		
c. Calendar year payments for losses & loss adjustment expense:					
d. Ending Reserves:					

3. Net of Ceded Reinsurance – Asbestos	2009	2010	2011	2012	2013
a. Beginning reserves:	\$ 38,145,000	\$ 28,865,000	\$ 32,274,000	\$ 27,897,000	\$ 21,699,000
b. Incurred losses & loss adjustment expense:	(5,476,000)	5,164,000	(435,000)	(2,114,000)	22,070,000
c. Calendar year payments for losses & loss adjustment expense:	3,804,000	1,755,000	3,942,000	4,084,000	1,239,000
d. Ending Reserves:	\$ 28,865,000	\$ 32,274,000	\$ 27,897,000	\$ 21,699,000	\$ 42,530,000

B. Asbestos IBNR and Bulk Reserve, Direct, Assumed and Net

1. Direct	\$ 66,957,000
2. Assumed	NONE
3. Net	\$ 39,639,000

C. Asbestos LAE Reserve, Direct, Assumed and Net

1. Direct	\$ 24,452,000
2. Assumed	NONE
3. Net	\$ 12,142,000

D. Five-Year Rollforward of Environmental Reserves, Direct, Assumed and Net

The Company has potential exposure involving asbestos, environmental impairment liability, and other types of tort-related claims, which applies only to the casualty and assumed reinsurance business now in runoff. Management has indicated that liabilities are recognized for known claims (including the cost of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy, and the Company's liabilities can be reasonably estimated. Additional reserves for such claims are established to cover further exposures on both known and unasserted claims based on facts currently known and the present state of the law and coverage litigation. The reserves for these types of claims are included in the foregoing loss and loss adjustment expense reserves and are subject to considerable uncertainty, due to the potential severity of the claims and the uncertain legal climate.

1. Direct – Environmental	2009	2010	2011	2012	2013
a. Beginning reserves:	\$ 16,299,000	\$ 15,459,000	\$ 15,288,000	\$ 14,141,000	\$ 13,894,000
b. Incurred losses & loss adjustment expense:	(641,000)	-	-	-	12,600,000
3. Calendar year payments for losses & loss adjustment expense:	199,000	171,000	1,147,000	247,000	373,000
4. Ending Reserves:	\$ 15,459,000	\$ 15,288,000	\$ 14,141,000	\$ 13,894,000	\$ 26,121,000

2. Assumed Reinsurance – Environmental	2009	2010	2011	2012	2013
a. Beginning reserves:					
b. Incurred losses & loss adjustment expense:			NONE		
c. Calendar year payments for losses & loss adjustment expense:					
d. Ending Reserves:					

3. Net of Ceded Reinsurance – Environmental	2009	2010	2011	2012	2013
a. Beginning reserves:	\$ 6,757,000	\$ 5,724,000	\$ 4,490,000	\$ 5,057,000	\$ 7,457,000
b. Incurred losses & loss adjustment expense:	(984,000)	(1,197,000)	825,000	2,623,000	8,902,000
c. Calendar year payments for losses & loss adjustment expense:	49,000	37,000	258,000	223,000	265,000
d. Ending Reserves:	\$ 5,724,000	\$ 4,490,000	\$ 5,057,000	\$ 7,457,000	\$ 16,094,000

E. Environmental IBNR and Bulk Reserve, Direct, Assumed and Net

1. Direct	\$ 23,841,000
2. Assumed	NONE
3. Net	\$ 14,967,000

F. Environmental LAE Reserve, Direct, Assumed and Net

1. Direct	\$ 8,897,000
2. Assumed	NONE
3. Net	\$ 4,993,000

NOTES TO FINANCIAL STATEMENTS

Note 34 – Subscriber Savings Accounts – Not Applicable

Note 35 – Multiple Peril Crop Insurance – Not Applicable

Note 36 – Financial Guaranty Insurance – Not Applicable

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES - GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []
 If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] N/A []
- 1.3 State regulating? Rhode Island
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change: _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2012
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2012
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 01/10/2014
- 3.4 By what department or departments?
Rhode Island Division of Insurance
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [] No [] N/A [X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [] No [] N/A [X]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No [X]
- 4.12 renewals? Yes [] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No [X]
- 4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1
Name of Entity | 2
NAIC Co. Code | 3
State of Domicile |
|---------------------|--------------------|------------------------|
| | | |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]
- 6.2 If yes, give full information: _____
-
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control%
- 7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)
- | 1
Nationality | 2
Type of Entity |
|------------------|---------------------|
| | |
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company. _____
-
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.
- | 1
Affiliate Name | 2
Location (City, State) | 3
FRB | 4
OCC | 5
FDIC | 6
SEC |
|---------------------|-----------------------------|----------|----------|-----------|----------|
| | | | | | |
9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young, LLP 200 Clarendon Street, Boston, MA 02116
-
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [] No [X]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption: _____
-
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [] No [X]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption: _____

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES - GENERAL

- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes No N/A
 10.6 If the answer to 10.5 is no or n/a, please explain.

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

Kathleen Odomirok, FCAS, MAAA - Executive Director, Ernst & Young LLP 200 Clarendon Street, Boston, MA 02116

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

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

12.2 If yes, provide explanation.

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

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

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

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

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

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes No

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

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

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

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

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

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

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

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

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

PART 1 - COMMON INTERROGATORIES - BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes No

17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes No

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

PART 1 - COMMON INTERROGATORIES - FINANCIAL

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

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

20.11 To directors or other officers \$.....0

20.12 To stockholders not officers \$.....0

20.13 Trustees, supreme or grand (Fraternal only) \$.....0

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

20.21 To directors or other officers \$.....0

20.22 To stockholders not officers \$.....0

20.23 Trustees, supreme or grand (Fraternal only) \$.....0

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

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

21.21 Rented from others

21.22 Borrowed from others

21.23 Leased from others

21.24 Other

PART 1 - COMMON INTERROGATORIES - FINANCIAL

- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment
- 22.22 Amount paid as expenses
- 22.23 Other amounts paid
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [] No [X]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount.

PART 1 - COMMON INTERROGATORIES - INVESTMENT

- 24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 24.03)? Yes [] No [X]
- 24.02 If no, give full and complete information relating thereto.
JP Morgan Worldwide Securities Services holds custody of the securities.

- 24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet (an alternative is to reference Note 17 where this information is also provided).
The market value and collateral value of securities loaned as of year end 2013 is \$64,414,696 and \$65,813,292, respectively. The amount of cash collateral carried on the balance sheet is \$26,749,898. See Note 17 for description of the securities lending program.
- 24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [X] No [] N/A []
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$.....65,813,292
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs.
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [X] No [] N/A []
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [] No [] N/A [X]
- 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [X] No [] N/A []
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$.....26,749,898
- 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$.....26,749,898
- 24.103 Total payable for securities lending reported on the liability page. \$.....26,749,898
- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03) Yes [X] No []
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- 25.21 Subject to repurchase agreements \$.....0
- 25.22 Subject to reverse repurchase agreements \$.....0
- 25.23 Subject to dollar repurchase agreements \$.....0
- 25.24 Subject to reverse dollar repurchase agreements \$.....0
- 25.25 Pledged as collateral \$.....0
- 25.26 Placed under option agreements \$.....0
- 25.27 Letter stock or securities restricted as to sale \$.....0
- 25.28 On deposit with state or other regulatory body \$.....5,733,881
- 25.29 Other \$.....0

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A [X]
If no, attach a description with this statement.

- 27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]
- 27.2 If yes, state the amount thereof at December 31 of the current year:
28. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

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

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

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

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

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

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address

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

PART 1 - COMMON INTERROGATORIES - INVESTMENT

29.2 If yes, complete the following schedule:

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

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

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

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

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	214,865,872	215,616,653	750,781
30.2 Preferred stocks.....	2,500,000	2,500,000	0
30.3 Totals.....	217,365,872	218,116,653	750,781

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

The bonds are priced by NAIC/SVO, or if not available from the SVO, by IDC for computation of fair value. The affiliated-owned preferred stock is priced by the company and approved by the NAIC under Part 5 Section 2 (c) (i) B6 of the NAIC valuation procedures.

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [] No [X]
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [] No []
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D. If SVO prices are not available, the company uses the pricing of its external pricing source, IDC.
-
- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []
- 32.2 If no, list exceptions:

PART 1 - COMMON INTERROGATORIES - OTHER

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

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

1	2
Name	Amount Paid

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

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

1	2
Name	Amount Paid

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

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

1	2
Name	Amount Paid

NONE

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]
 1.2 If yes, indicate premium earned on U.S. business only.
 1.3 What portion of item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

1.31 Reason for excluding:

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

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

1.62 Total incurred claims

1.63 Number of covered lives

All years prior to most current three years:

1.64 Total premium earned

1.65 Total incurred claims

1.66 Number of covered lives

1.7 Group policies:

Most current three years:

1.71 Total premium earned

1.72 Total incurred claims

1.73 Number of covered lives

All years prior to most current three years:

1.74 Total premium earned

1.75 Total incurred claims

1.76 Number of covered lives

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	\$.....0	\$.....0
2.2 Premium Denominator.....	\$.....64,517,198	\$.....66,120,171
2.3 Premium Ratio (2.1/2.2).....	.....0.0	.....0.0
2.4 Reserve Numerator.....	\$.....0	\$.....0
2.5 Reserve Denominator.....	\$.....60,746,537	\$.....42,699,698
2.6 Reserve Ratio (2.4/2.5).....	.....0.0	.....0.0

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

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

3.21 Participating policies

3.22 Non-participating policies

4. FOR MUTUAL REPORTING ENTITIES AND RECIPROCAL EXCHANGES ONLY:

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

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

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

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

5. FOR RECIPROCAL EXCHANGES ONLY:

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

5.2 If yes, is the commission paid:

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

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

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

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

5.5 If yes, give full information:

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss?
The Company does not issue Workers' Compensation contracts.

6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
The Company uses the AIR CLASIC/2 software to model our catastrophe exposure in hurricane and earthquake prone areas where we have concentrations of business.

6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
In addition to controlling the Company's exposure by loss prevention engineering, deductibles, and limits of liability we purchase risk and catastrophe reinsurance.

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

6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss:
There are certain parts of the Company's catastrophe program in high excess layers for which a reinstatement clause is not applicable.

These parts of the program cover events that management considered and evaluated as less likely to occur and given the Company's strong surplus position and its ability to purchase additional reinsurance if an event occurs, it was determined that a reinstatement clause was not required for those parts of the program.

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

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

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

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [] No [X]
- 8.2 If yes, give full information:
-
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
- (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 - (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 - (c) Aggregate stop loss reinsurance coverage;
 - (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
 - (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 - (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity?
- Yes [] No [X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
- (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 - (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract?
- Yes [] No [X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
- (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 - (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 - (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
- (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 - (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?
- Yes [] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
- (a) The entity does not utilize reinsurance; or
 - (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or
 - (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement.
- Yes [] No [X]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurance a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [X] No [] N/A []
- 11.1 Has this reporting entity guaranteed policies issued by any other reporting entity and now in force? Yes [] No [X]
- 11.2 If yes, give full information:
-
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the assets schedule, Page 2, state the amount of corresponding liabilities recorded for:
- 12.11 Unpaid losses \$.....0
 - 12.12 Unpaid underwriting expenses (including loss adjustment expenses) \$.....0
- 12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds: \$.....0
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [] No [] N/A [X]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- 12.41 From%
 - 12.42 To%
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [] No [X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- 12.61 Letters of credit
 - 12.62 Collateral and other funds
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$.....16,900,000
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [] No [X]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount.5

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes No
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
The method of allocating and recording reinsurance with outside reinsurers is based proportionally on each company's share of occurrence, and specific contract terms with respect to intercompany reinsurance agreements.
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes No
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes No
- 14.5 If the answer to 14.4 is no, please explain:

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

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

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

* Disclose type of coverage:

- 17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F-Part 3 that it excludes from Schedule F-Part 5? Yes No
- Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F-Part 5.

Provide the following information for this exemption:

- 17.11 Gross amount of unauthorized reinsurance in Schedule F-Part 3 excluded from Schedule F-Part 5 \$.....7,500,000
- 17.12 Unfunded portion of Interrogatory 17.11 \$.....7,500,000
- 17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11 \$.....0
- 17.14 Case reserves portion of Interrogatory 17.11 \$.....0
- 17.15 Incurred but not reported portion of Interrogatory 17.11 \$.....7,500,000
- 17.16 Unearned premium portion of Interrogatory 17.11 \$.....0
- 17.17 Contingent commission portion of Interrogatory 17.11 \$.....0

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

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

- 18.1 Do you act as a custodian for health savings account? Yes No
- 18.2 If yes, please provide the amount of custodial funds held as of the reporting date.
- 18.3 Do you act as an administrator for health savings accounts? Yes No
- 18.4 If yes, please provide the balance of the funds administered as of the reporting date.

FIVE-YEAR HISTORICAL DATA

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

	1 2013	2 2012	3 2011	4 2010	5 2009
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....					
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	13,111,576	12,020,415	11,638,453	14,750,184	15,359,234
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	2,611,066	2,393,771	2,365,007	2,997,329	3,121,092
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	64,270,267	65,625,218	58,780,304	55,546,405	60,170,754
6. Total (Line 35).....	79,992,909	80,039,404	72,783,764	73,293,918	78,651,080
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....					
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	262,234	468,612		266,969	284,791
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....		46,373		54,250	58,949
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	64,255,024	65,605,844	58,770,289	55,536,405	60,160,754
12. Total (Line 35).....	64,517,258	66,120,829	58,770,289	55,857,624	60,504,493
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8).....	13,815,496	10,162,889	(12,366,451)	11,946,752	19,865,606
14. Net investment gain (loss) (Line 11).....	6,185,497	9,769,196	7,888,727	8,589,773	13,214,921
15. Total other income (Line 15).....	(501)	(4,161)	(24,386)	28	1,861
16. Dividends to policyholders (Line 17).....					
17. Federal and foreign income taxes incurred (Line 19).....	6,973,131	5,547,000	(1,904,000)	6,879,000	10,437,000
18. Net income (Line 20).....	13,027,361	14,380,924	(2,598,110)	13,657,553	22,645,388
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	290,458,220	233,622,949	237,488,145	246,150,955	221,848,563
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	15,530,556	16,833,853	16,140,570	13,461,364	15,995,636
20.2 Deferred and not yet due (Line 15.2).....					
20.3 Accrued retrospective premiums (Line 15.3).....					
21. Total liabilities excluding protected cell business (Page 3, Line 26).....	107,592,619	63,875,406	82,453,114	89,122,309	77,939,690
22. Losses (Page 3, Line 1).....	56,837,673	27,714,979	31,883,832	35,383,130	25,163,592
23. Loss adjustment expenses (Page 3, Line 3).....	3,908,146	3,639,056	5,156,466	5,901,433	12,460,261
24. Unearned premiums (Page 3, Line 9).....	718	658		895	931
25. Capital paid up (Page 3, Lines 30 & 31).....	3,525,000	3,525,000	3,525,000	3,525,000	3,525,000
26. Surplus as regards policyholders (Page 3, Line 37).....	182,865,601	169,747,543	155,035,031	157,028,647	143,908,873
Cash Flow (Page 5)					
27. Net cash from operations (Line 11).....	11,901,735	15,136,562	(1,611,942)	(7,570,436)	27,709,841
Risk-Based Capital Analysis					
28. Total adjusted capital.....	182,865,601	169,747,543	155,035,031	157,028,647	143,908,873
29. Authorized control level risk-based capital.....	14,974,337	11,243,193	10,688,711	11,890,555	10,493,184
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1).....	75.2	72.7	74.6	80.8	96.5
31. Stocks (Lines 2.1 & 2.2).....	1.0	1.2	1.2	1.2	1.3
32. Mortgage loans on real estate (Lines 3.1 & 3.2).....					
33. Real estate (Lines 4.1, 4.2 & 4.3).....					
34. Cash, cash equivalents and short-term investments (Line 5).....	13.2	21.1	15.3	1.8	2.2
35. Contract loans (Line 6).....					
36. Derivatives (Line 7).....					XXX
37. Other invested assets (Line 8).....					
38. Receivable for securities (Line 9).....					
39. Securities lending reinvested collateral assets (Line 10).....	10.6	5.1	8.9	16.3	XXX
40. Aggregate write-ins for invested assets (Line 11).....					
41. Cash, cash equivalents and invested assets (Line 12).....	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds (Sch. D, Summary, Line 12, Col. 1).....					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1).....					
45. Affiliated short-term investments (subtotals included in Schedule DA, Verification, Column 5, Line 10).....					
46. Affiliated mortgage loans on real estate.....					
47. All other affiliated.....					
48. Total of above lines 42 to 47.....	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
49. Total investment in parent included in Lines 42 to 47 above.....					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0).....	1.4	1.5	1.6	1.6	1.7

FIVE-YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2013	2012	2011	2010	2009
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24).....					
52. Dividends to stockholders (Line 35).....					
53. Change in surplus as regards policyholders for the year (Line 38).....	13,118,058	14,712,512	(1,993,615)	13,119,774	21,797,423
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	605,147	5,121,164	8,405,088	6,697,948	12,295,061
55. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....				952,932	(5,548)
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
58. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	1,190,364	37,529,400	54,003,673	13,959,269	38,637,223
59. Total (Line 35).....	1,795,511	42,650,564	62,408,761	21,610,149	50,926,736
Net Losses Paid (Page 9, Part 2, Col. 4)					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	390,306	4,168,854	3,499,298	1,511,745	3,208,462
61. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....				625,178	(5,548)
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
64. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	1,190,364	37,529,400	54,002,854	13,943,696	38,641,105
65. Total (Line 35).....	1,580,670	41,698,254	57,502,152	16,080,618	41,844,019
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1).....	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2).....	47.6	56.8	91.9	47.1	37.8
68. Loss expenses incurred (Line 3).....	3.0	3.0	3.4	3.7	4.1
69. Other underwriting expenses incurred (Line 4).....	28.0	24.9	25.7	27.9	25.3
70. Net underwriting gain (loss) (Line 8).....	21.4	15.4	(21.0)	21.4	32.8
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0).....	28.0	24.9	25.8	27.9	25.3
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	50.6	59.8	95.3	50.7	41.9
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35, divided by Page 3, Line 37, Col. 1 x 100.0).....	35.3	39.0	37.9	35.6	42.0
One Year Loss Development (000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....	31,000		(4)	6,629	(8,841)
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100).....	18.3		(0.0)	4.6	(7.2)
Two Year Loss Development (000 omitted)					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....	31,000	(4)	6,625	(2,212)	(8,806)
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0).....	20.0	(0.0)	4.6	(1.8)	(7.5)

If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of

SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [] No []

If no, please explain:

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported-Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior.....	.....XXX.....	.....XXX.....	.....XXX.....	.....605.....	.....215.....	.....1,276.....	.....66.....	.....121.....	.....	.....	.....1,721.....	.....XXX.....
2. 2004.....	.....52,025.....	.....5,335.....	.....46,690.....	.....21,064.....	.....	.....1,541.....	.....	.....	.....	.....	.....22,605.....	.....XXX.....
3. 2005.....	.....61,516.....	.....9,495.....	.....52,021.....	.....26,051.....	.....	.....519.....	.....	.....1,212.....	.....	.....	.....27,782.....	.....XXX.....
4. 2006.....	.....65,618.....	.....11,231.....	.....54,387.....	.....20,153.....	.....	.....	.....1,301.....	.....	.....5,202.....	.....	.....13,650.....	.....XXX.....
5. 2007.....	.....69,123.....	.....14,316.....	.....54,807.....	.....30,682.....	.....	.....503.....	.....	.....2,014.....	.....	.....	.....33,199.....	.....XXX.....
6. 2008.....	.....75,986.....	.....21,931.....	.....54,055.....	.....40,003.....	.....328.....	.....804.....	.....	.....1,883.....	.....2.....	.....	.....42,360.....	.....XXX.....
7. 2009.....	.....78,662.....	.....18,157.....	.....60,505.....	.....38,637.....	.....(4).....	.....	.....1,064.....	.....2.....	.....2,483.....	.....	.....35,096.....	.....XXX.....
8. 2010.....	.....73,296.....	.....17,438.....	.....55,858.....	.....13,959.....	.....16.....	.....1,523.....	.....	.....6,118.....	.....2.....	.....	.....21,582.....	.....XXX.....
9. 2011.....	.....72,794.....	.....14,023.....	.....58,771.....	.....54,004.....	.....1.....	.....373.....	.....	.....1,492.....	.....	.....	.....55,868.....	.....XXX.....
10. 2012.....	.....80,038.....	.....13,917.....	.....66,121.....	.....37,529.....	.....	.....625.....	.....	.....1,269.....	.....	.....	.....39,423.....	.....XXX.....
11. 2013.....	.....79,989.....	.....15,474.....	.....64,515.....	.....1,191.....	.....	.....348.....	.....	.....	.....	.....	.....1,539.....	.....XXX.....
12. Totals.....	.....XXX.....	.....XXX.....	.....XXX.....	.....283,878.....	.....556.....	.....7,512.....	.....2,431.....	.....14,111.....	.....7,689.....	.....0.....	.....294,825.....	.....XXX.....

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding-Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior.....	.....20,429.....	.....3,372.....	.....65,752.....	.....25,970.....	.....7,625.....	.....5,084.....	.....24,599.....	.....23,479.....	.....247.....	.....	.....	.....60,746.....	.....XXX.....
2. 2004.....0.....	.....XXX.....
3. 2005.....0.....	.....XXX.....
4. 2006.....0.....	.....XXX.....
5. 2007.....0.....	.....XXX.....
6. 2008.....0.....	.....XXX.....
7. 2009.....0.....	.....XXX.....
8. 2010.....0.....	.....XXX.....
9. 2011.....0.....	.....XXX.....
10. 2012.....0.....	.....XXX.....
11. 2013.....0.....	.....XXX.....
12. Totals.....	.....20,429.....	.....3,372.....	.....65,752.....	.....25,970.....	.....7,625.....	.....5,084.....	.....24,599.....	.....23,479.....	.....247.....	.....0.....	.....0.....	.....60,746.....	.....XXX.....

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves after Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior..	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....	.....	.....XXX.....	.....56,838.....	.....3,908.....
2. 2004.....	.....22,605.....	.....0.....	.....22,605.....	.....43.5.....	.....0.0.....	.....48.4.....	.....	.....	.....2.00.....	.....0.....	.....0.....
3. 2005.....	.....27,782.....	.....0.....	.....27,782.....	.....45.2.....	.....0.0.....	.....53.4.....	.....	.....	.....2.00.....	.....0.....	.....0.....
4. 2006.....	.....20,153.....	.....6,503.....	.....13,650.....	.....30.7.....	.....57.9.....	.....25.1.....	.....	.....	.....2.00.....	.....0.....	.....0.....
5. 2007.....	.....33,199.....	.....0.....	.....33,199.....	.....48.0.....	.....0.0.....	.....60.6.....	.....	.....	.....2.00.....	.....0.....	.....0.....
6. 2008.....	.....42,690.....	.....330.....	.....42,360.....	.....56.2.....	.....1.5.....	.....78.4.....	.....	.....	.....2.00.....	.....0.....	.....0.....
7. 2009.....	.....38,639.....	.....3,543.....	.....35,096.....	.....49.1.....	.....19.5.....	.....58.0.....	.....	.....	.....2.00.....	.....0.....	.....0.....
8. 2010.....	.....21,600.....	.....18.....	.....21,582.....	.....29.5.....	.....0.1.....	.....38.6.....	.....	.....	.....2.00.....	.....0.....	.....0.....
9. 2011.....	.....55,869.....	.....1.....	.....55,868.....	.....76.7.....	.....0.0.....	.....95.1.....	.....	.....	.....2.00.....	.....0.....	.....0.....
10. 2012.....	.....39,423.....	.....0.....	.....39,423.....	.....49.3.....	.....0.0.....	.....59.6.....	.....	.....	.....2.00.....	.....0.....	.....0.....
11. 2013.....	.....1,539.....	.....0.....	.....1,539.....	.....1.9.....	.....0.0.....	.....2.4.....	.....	.....	.....2.00.....	.....0.....	.....0.....
12. Totals	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....0.....	.....0.....	.....XXX.....	.....56,838.....	.....3,908.....

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

SCHEDULE P - PART 2 - SUMMARY

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	One Year	Two Year
1. Prior.....	62,222	62,176	75,934	67,050	67,085	58,244	64,248	64,244	64,244	95,244	31,000	31,000
2. 2004.....	22,771	22,605	22,605	22,605	22,605	22,605	22,605	22,605	22,605	22,605	0	0
3. 2005.....	XXX	26,737	26,570	26,570	26,570	26,570	26,570	26,570	26,570	26,570	0	0
4. 2006.....	XXX	XXX	18,852	18,852	18,852	18,852	18,852	18,852	18,852	18,852	0	0
5. 2007.....	XXX	XXX	XXX	31,185	31,185	31,185	31,185	31,185	31,185	31,185	0	0
6. 2008.....	XXX	XXX	XXX	XXX	39,854	39,854	40,479	40,479	40,479	40,479	0	0
7. 2009.....	XXX	XXX	XXX	XXX	XXX	37,577	37,577	37,577	37,577	37,577	0	0
8. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	15,466	15,466	15,466	15,466	0	0
9. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	54,376	54,376	54,376	0	0
10. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	38,154	38,154	0	XXX
11. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,539	XXX	XXX
12. Totals.....											31,000	31,000

SCHEDULE P - PART 3 - SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		
1. Prior.....	000	(388)	4,565	8,870	17,023	20,874	23,202	27,465	33,145	34,747	XXX	XXX
2. 2004.....	22,605	22,605	22,605	22,605	22,605	22,605	22,605	22,605	22,605	22,606	XXX	XXX
3. 2005.....	XXX	26,570	26,570	26,570	26,570	26,570	26,570	26,570	26,570	26,570	XXX	XXX
4. 2006.....	XXX	XXX	18,852	18,852	18,852	18,852	18,852	18,852	18,852	18,852	XXX	XXX
5. 2007.....	XXX	XXX	XXX	31,185	31,185	31,185	31,185	31,185	31,185	31,185	XXX	XXX
6. 2008.....	XXX	XXX	XXX	XXX	39,854	39,854	40,479	40,479	40,479	40,479	XXX	XXX
7. 2009.....	XXX	XXX	XXX	XXX	XXX	37,577	37,577	37,577	37,577	37,577	XXX	XXX
8. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	15,466	15,466	15,466	15,466	XXX	XXX
9. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	54,376	54,376	54,376	XXX	XXX
10. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	38,154	38,154	XXX	XXX
11. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,539	XXX	XXX

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	Bulk and IBNR Reserves on Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)									
	1	2	3	4	5	6	7	8	9	10
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1. Prior.....	49,089	47,051	47,049	35,128	37,458	25,923	28,873	28,608	26,102	40,902
2. 2004.....	166									
3. 2005.....	XXX	167								
4. 2006.....	XXX	XXX								
5. 2007.....	XXX	XXX	XXX							
6. 2008.....	XXX	XXX	XXX	XXX						
7. 2009.....	XXX	XXX	XXX	XXX	XXX					
8. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX				
9. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
10. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
11. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

Appalachian Insurance Company SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

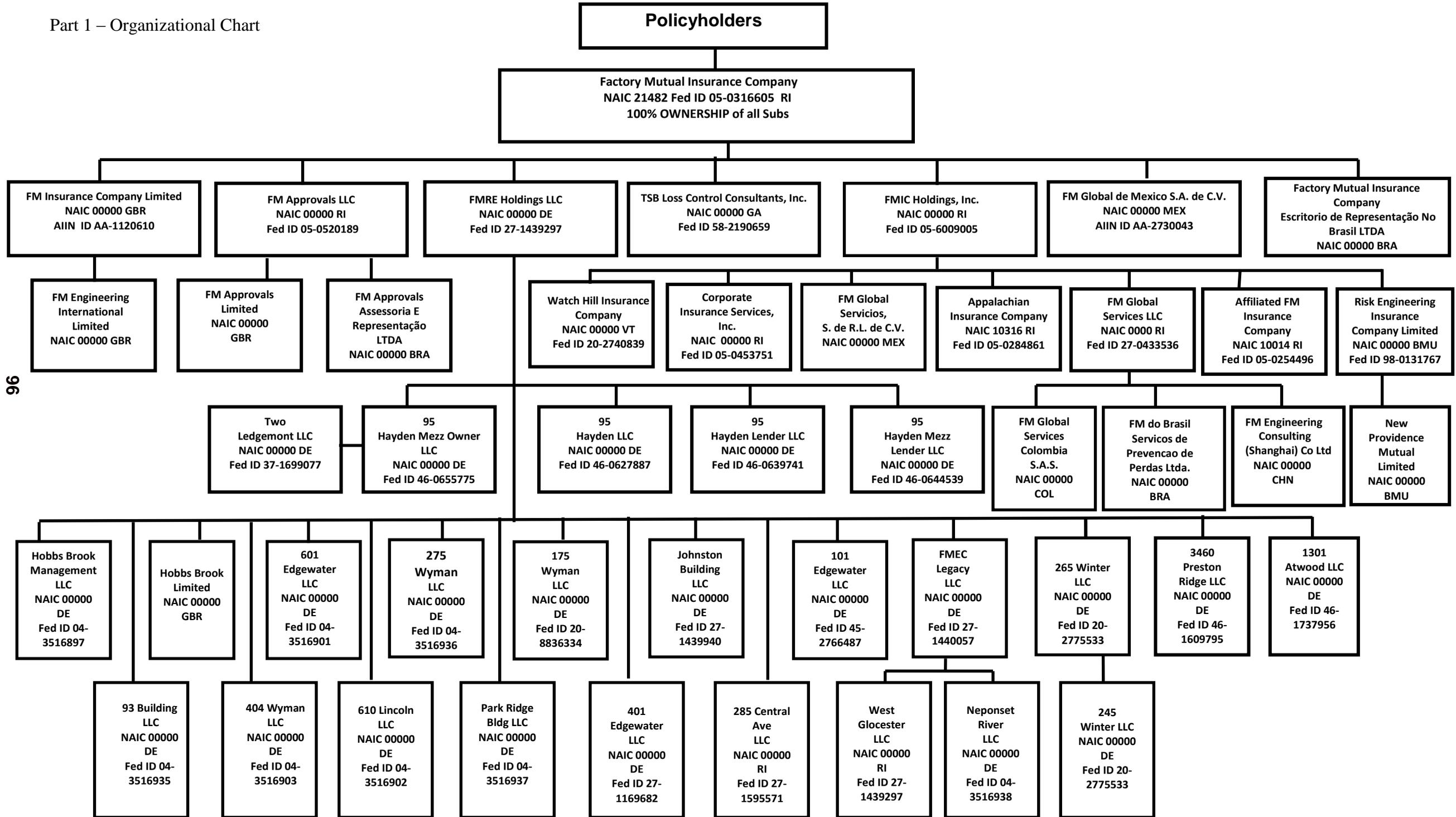
States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama.....AL	E	834,443	834,253						
2. Alaska.....AK	E								
3. Arizona.....AZ	E	576,925	576,793						
4. Arkansas.....AR	E		29						
5. California.....CA	E	2,933,551	2,932,882		572,249	25,036,035	59,955,237		
6. Colorado.....CO	E	308,892	308,822						
7. Connecticut.....CT	E								
8. Delaware.....DE	E	17,865	17,861						
9. District of Columbia.....DC	E								
10. Florida.....FL	E	3,984,509	3,983,543			(115,839)	200,246		
11. Georgia.....GA	E	730,894	730,727			(67)	142		
12. Hawaii.....HI	E								
13. Idaho.....ID	E								
14. Illinois.....IL	E	3,313	3,312			(382)	712		
15. Indiana.....IN	E	76,042	76,025						
16. Iowa.....IA	E	18,612	18,608						
17. Kansas.....KS	E								
18. Kentucky.....KY	E	813,625	813,439						
19. Louisiana.....LA	E	36,026	36,018			(92)	160		
20. Maine.....ME	E								
21. Maryland.....MD	E	50,136	50,125						
22. Massachusetts.....MA	E	3,094	3,093			(2)	4		
23. Michigan.....MI	E					2	8		
24. Minnesota.....MN	E								
25. Mississippi.....MS	E	30,134	30,127			(2)	4		
26. Missouri.....MO	E	26,205	26,199			(72)	150		
27. Montana.....MT	E								
28. Nebraska.....NE	E	24,621	24,615						
29. Nevada.....NV	E	274,723	274,660						
30. New Hampshire.....NH	E								
31. New Jersey.....NJ	E	1,544	1,544						
32. New Mexico.....NM	E	92,555	92,534						
33. New York.....NY	E		57		27,962	11,376,557	25,814,339		
34. North Carolina.....NC	E	267,692	267,631						
35. North Dakota.....ND	E								
36. Ohio.....OH	E	408,341	408,248						
37. Oklahoma.....OK	E	46,212	46,201						
38. Oregon.....OR	E	72,301	72,285						
39. Pennsylvania.....PA	E	80,438	80,420			(74,455)	158,216		
40. Rhode Island.....RI	L					(993)	2,047		
41. South Carolina.....SC	E	143,113	143,080						
42. South Dakota.....SD	E								
43. Tennessee.....TN	E	501,523	501,409						
44. Texas.....TX	E	3,229,363	3,228,598			(5,568)	11,792		
45. Utah.....UT	E								
46. Vermont.....VT	E								
47. Virginia.....VA	E	1,967	1,967						
48. Washington.....WA	E	130,969	130,939		4,936	40,878	36,233		
49. West Virginia.....WV	E	3,015	3,014				1,000		
50. Wisconsin.....WI	E								
51. Wyoming.....WY	E								
52. American Samoa.....AS	N								
53. Guam.....GU	E								
54. Puerto Rico.....PR	E								
55. US Virgin Islands.....VI	E								
56. Northern Mariana Islands.....MP	N								
57. Canada.....CAN	E								
58. Aggregate Other Alien.....OT	XXX	0	0	0	0	0	0	0	0
59. Totals.....(a).....1		15,722,643	15,719,058	0	605,147	36,256,000	86,180,290	0	0

DETAILS OF WRITE-INS

58001.....	XXX								
58002.....	XXX								
58003.....	XXX								
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0
58999. Totals (Lines 58001 thru 58003+ Line 58998) (Line 58 above)	XXX	0	0	0	0	0	0	0	0

(a) Insert the number of "L" responses except for Canada and Other Alien.
(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;
(E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.
Explanation of Basis of Allocation of Premiums by States, etc.
All Premiums are allocated to the location of the property insured.

Part 1 – Organizational Chart



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