



# ANNUAL STATEMENT

For the Year Ended December 31, 2011  
of the Condition and Affairs of the

## Appalachian Insurance Company

NAIC Group Code.....65, 65 (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 ..... 02919-4949 <i>(Street and Number) (City or Town, State and Zip Code)</i>	
Main Administrative Office	270 Central Avenue..... Johnston ..... RI ..... 02919-4949 <i>(Street and Number) (City or Town, State and Zip Code)</i>	401-275-3000 <i>(Area Code) (Telephone Number)</i>
Mail Address	P.O. Box 7500..... Johnston ..... RI ..... 02919-0750 <i>(Street and Number or P. O. Box) (City or Town, State and Zip Code)</i>	
Primary Location of Books and Records	270 Central Avenue..... Johnston ..... RI ..... 02919-4949 <i>(Street and Number) (City or Town, State 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 and CEO	2. John James Pomeroy	Secretary and Sr. Vice President
3. William Alfred Mekrut	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	John James Pomeroy	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	Robert Joseph O'Toole	John Ross Paloian
David Pulman	Edward Joseph Rapp	Graham Basil Spanier	Shivan Sivaswamy Subramaniam
James Conrad Thyen	Alfred Joseph Verrecchia		

State of Rhode Island Rhode Island  
County of Providence 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	(Signature) John James Pomeroy	(Signature) Theresa Ann Molloy
1. (Printed Name) President and CEO	2. (Printed Name) Secretary and Sr. Vice President	3. (Printed Name) VP Controller
(Title)	(Title)	(Title)

Subscribed and sworn to before me  
This 4th day of February 2012

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, 2013

## 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).....	156,654,914		156,654,914	167,104,317
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 (\$.....(8,647), Sch. E-Part 1), cash equivalents (\$.....7,173,888, Sch. E-Part 2) and short-term investments (\$.....25,008,384, Sch. DA).....	32,173,625		32,173,625	3,643,458
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).....	18,667,048		18,667,048	33,686,540
11. Aggregate write-ins for invested assets.....	.0	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	209,995,587	.0	209,995,587	206,934,315
13. Title plants less \$.....0 charged off (for Title insurers only).....			.0	
14. Investment income due and accrued.....	1,552,946		1,552,946	1,945,641
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in course of collection.....	16,140,570		16,140,570	13,461,364
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.....	7,890,088		7,890,088	14,828,088
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.....	1,505,425		1,505,425	
18.2 Net deferred tax asset.....	425,000	91,000	334,000	344,000
19. Guaranty funds receivable or on deposit.....			.0	.30
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	8,430,446
24. Health care (\$.....0) and other amounts receivable.....			.0	
25. Aggregate write-ins for other than invested assets.....	69,529	.0	69,529	207,071
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	237,579,145	91,000	237,488,145	246,150,955
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
28. TOTALS (Lines 26 and 27).....	237,579,145	91,000	237,488,145	246,150,955

### 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. Loss Clearing.....	7,293		7,293	207,071
2502. Misc Receivable.....	62,236		62,236	
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).....	69,529	.0	69,529	207,071

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8).....	31,883,832	35,383,130
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6).....	14,128,078	4,045,079
3. Loss adjustment expenses (Part 2A, Line 35, Column 9).....	5,156,466	5,901,433
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).....	400	47,864
7.1 Current federal and foreign income taxes (including \$.....524,000 on realized capital gains (losses)).....		7,293,326
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 \$.....38,365 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).....		.895
10. Advance premium.....		
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	264,967	119,679
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.....	2,618,174	1,653
16. Provision for reinsurance (Schedule F, Part 7).....	2,027,741	2,642,236
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....		
19. Payable to parent, subsidiaries and affiliates.....	7,706,408	
20. Derivatives.....		
21. Payable for securities.....		
22. Payable for securities lending.....	18,667,048	33,686,540
23. Liability for amounts held under uninsured plans.....		
24. Capital notes \$.....0 and interest thereon \$.....0.....		
25. Aggregate write-ins for liabilities.....	0	.474
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	82,453,114	89,122,309
27. Protected cell liabilities.....		
28. Total liabilities (Lines 26 and 27).....	82,453,114	89,122,309
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).....	143,932,503	145,926,118
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).....	155,035,031	157,028,646
38. TOTALS (Page 2, Line 28, Col. 3).....	237,488,145	246,150,955

### DETAILS OF WRITE-INS

2501. Misc. Accounts Payable.....		.474
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	.474
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
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4).....	58,771,184	55,857,660
DEDUCTIONS		
2. Losses incurred (Part 2, Line 35, Column 7).....	54,002,854	26,300,157
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	2,018,087	2,043,631
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	15,116,694	15,567,122
5. Aggregate write-ins for underwriting deductions.....	0	0
6. Total underwriting deductions (Lines 2 through 5).....	71,137,635	43,910,910
7. Net income of protected cells.....		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	(12,366,451)	11,946,750
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	6,915,935	7,919,674
10. Net realized capital gains (losses) less capital gains tax of \$.....524,000 (Exhibit of Capital Gains (Losses)).....	972,792	670,100
11. Net investment gain (loss) (Lines 9 + 10).....	7,888,727	8,589,774
<b>OTHER INCOME</b>		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....826 amount charged off \$.....0).....	826	122
13. Finance and service charges not included in premiums.....		
14. Aggregate write-ins for miscellaneous income.....	(25,212)	(94)
15. Total other income (Lines 12 through 14).....	(24,386)	28
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	(4,502,110)	20,536,552
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).....	(4,502,110)	20,536,552
19. Federal and foreign income taxes incurred.....	(1,904,000)	6,879,000
20. Net income (Line 18 minus Line 19) (to Line 22).....	(2,598,110)	13,657,552
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	157,028,646	143,908,873
22. Net income (from Line 20).....	(2,598,110)	13,657,552
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.....	81,000	48,000
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28 Column 3).....	(91,000)	
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....	614,495	(585,779)
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).....	(1,993,615)	13,119,773
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	155,035,031	157,028,646

### 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.....	(25,212)	(94)
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).....	(25,212)	(94)
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
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	56,236,371	58,391,897
2. Net investment income.....	7,803,382	8,549,135
3. Miscellaneous income.....	(24,386)	28
4. Total (Lines 1 through 3).....	64,015,367	66,941,060
5. Benefit and loss related payments.....	40,281,376	38,867,637
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	17,927,182	24,137,778
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....	7,418,751	11,506,081
10. Total (Lines 5 through 9).....	65,627,309	74,511,496
11. Net cash from operations (Line 4 minus Line 10).....	(1,611,942)	(7,570,436)
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	37,772,589	41,419,374
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).....	37,772,589	41,419,374
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	26,321,146	22,544,737
13.2 Stocks.....		
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		33,686,540
13.6 Miscellaneous applications.....		
13.7 Total investments acquired (Lines 13.1 to 13.6).....	26,321,146	56,231,277
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).....	11,451,443	(14,811,903)
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
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).....	18,690,666	21,782,879
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	18,690,666	21,782,879
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	28,530,167	(599,460)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	3,643,458	4,242,918
19.2 End of year (Line 18 plus Line 19.1).....	32,173,625	3,643,458

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.....		131		131
2. Allied lines.....		193		193
3. Farmowners multiple peril.....				.0
4. Homeowners multiple peril.....				.0
5. Commercial multiple peril.....				.0
6. Mortgage guaranty.....				.0
8. Ocean marine.....		151		151
9. Inland marine.....		420		420
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.....	58,770,289			58,770,289
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.....	58,770,289	895	.0	58,771,184

#### 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.....					.0
2. Allied lines.....					.0
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.....					.0
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.....	.0	.0	.0	.0	.0
36. Accrued retrospective premiums based on experience.....					
37. Earned but unbilled premiums.....					.0
38. Balance (sum of Lines 35 through 37).....					.0

#### 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.....	2,141,302				2,141,302	.0
2. Allied lines.....	2,921,526				2,921,526	.0
3. Farmowners multiple peril.....						.0
4. Homeowners multiple peril.....						.0
5. Commercial multiple peril.....						.0
6. Mortgage guaranty.....						.0
8. Ocean marine.....	2,365,007				2,365,007	.0
9. Inland marine.....	6,575,625				6,575,625	.0
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	58,780,304		10,000	15	58,770,289
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.....	14,003,460	58,780,304	.0	10,000	14,003,475	58,770,289

#### 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	
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.....				0	3,000	3,000	0	
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			0	
14. Credit accident and health (group and individual).....				0			0	
15. Other accident and health.....				0			0	
16. Workers' compensation.....	1,250		999	251	928,870	929,121	0	
17.1 Other liability - occurrence.....	789,347		484,277	305,070	5,267,815	4,598,144	974,741	
17.2 Other liability - claims-made.....				0			0	
17.3 Excess workers' compensation.....				0			0	
18.1 Products liability - occurrence.....	7,614,491		4,420,514	3,193,977	25,684,147	29,852,865	(974,741)	
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	54,003,673	819	54,002,854			54,002,854	91.9
32. Reinsurance - nonproportional assumed liability.....	XXX			0			0	
33. Reinsurance - nonproportional assumed financial lines.....	XXX			0			0	
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	
35. TOTALS.....	8,405,088	54,003,673	4,906,609	57,502,152	31,883,832	35,383,130	54,002,854	91.9

#### 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	XXX
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	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 from Authorized and Unauthorized Companies	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				0	
15. Other accident and health.....				0				(a) 0	
16. Workers' compensation.....	144,352		115,482	28,870	1,559,000	659,000		928,870	99,489
17.1 Other liability - occurrence.....	2,338,411		1,175,467	1,162,944	7,747,153	3,642,282		5,267,815	829,662
17.2 Other liability - claims-made.....				0				0	
17.3 Excess workers' compensation.....				0				0	
18.1 Products liability - occurrence.....	10,168,952		4,434,346	5,734,606	33,689,731	13,740,190		25,684,147	4,227,315
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	0
35. TOTALS.....	12,654,715	0	5,725,295	6,929,420	42,995,884	0	18,041,472	31,883,832	5,156,466
<b>DETAILS OF WRITE-INS</b>									
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	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	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.....	18,124			18,124
1.2 Reinsurance assumed.....	1,864,614			1,864,614
1.3 Reinsurance ceded.....	(98)			(98)
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	1,882,836	0	0	1,882,836
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....				0
2.2 Reinsurance assumed, excluding contingent.....		13,489,578		13,489,578
2.3 Reinsurance ceded, excluding contingent.....		490,121		490,121
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	12,999,457	0	12,999,457
3. Allowances to manager and agents.....				0
4. Advertising.....		36,397		36,397
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.....	95,334	1,301,448	12,249	1,409,031
8.2 Payroll taxes.....	5,673	73,149	524	79,346
9. Employee relations and welfare.....	18,375	266,995	2,435	287,805
10. Insurance.....	482	24,063	11	24,556
11. Directors' fees.....				0
12. Travel and travel items.....	3,173	67,622	119	70,914
13. Rent and rent items.....	9,144	80,361	24	89,529
14. Equipment.....	628	43,485	74	44,187
15. Cost or depreciation of EDP equipment and software.....				0
16. Printing and stationery.....	1,165	14,667	159	15,991
17. Postage, telephone and telegraph, exchange and express.....	1,277	38,821	1,480	41,578
18. Legal and auditing.....				0
19. Totals (Lines 3 to 18).....	135,251	1,947,008	17,075	2,099,334
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....0.....		174,208		174,208
20.2 Insurance department licenses and fees.....		31,859		31,859
20.3 Gross guaranty association assessments.....		(165)		(165)
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	205,902	0	205,902
21. Real estate expenses.....				0
22. Real estate taxes.....				0
23. Reimbursements by uninsured plans.....				0
24. Aggregate write-ins for miscellaneous expenses.....	0	(35,673)	574	(35,099)
25. Total expenses incurred.....	2,018,087	15,116,694	17,649	(a) 17,152,430
26. Less unpaid expenses - current year.....	5,156,466	400		5,156,866
27. Add unpaid expenses - prior year.....	5,901,433	47,865		5,949,298
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).....	2,763,054	15,164,159	17,649	17,944,862

**DETAILS OF WRITE-INS**

2401. Ceded Balance Charge Off.....		(35,673)		(35,673)
2402. Bank Activity Fees.....			574	574
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	(35,673)	574	(35,099)

(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)..... 2,980,540	2,926,679
1.1 Bonds exempt from U.S. tax.....	(a).....	
1.2 Other bonds (unaffiliated).....	(a)..... 4,099,096	3,760,290
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)..... 28,410	28,410
7. Derivative instruments.....	(f).....	
8. Other invested assets.....		
9. Aggregate write-ins for investment income.....	45,125	45,125
10. Total gross investment income.....	7,328,171	6,935,503
11. Investment expenses.....		(g)..... 17,649
12. Investment taxes, licenses and fees, excluding federal income taxes.....		(g).....
13. Interest expense.....		(h)..... 1,920
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).....		19,569
17. Net investment income (Line 10 minus Line 16).....		6,915,935

### DETAILS OF WRITE-INS

0901. ICMA Loan Interest Income.....	5,129	5,129
0902. Securities Lending Interest Income.....	40,267	40,267
0903. MISC Income.....	(271)	(271)
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).....	45,125	45,125
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 \$.....245,592 accrual of discount less \$.....740,342 amortization of premium and less \$.....133,093 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.....	(132,004)		(132,004)		
1.1 Bonds exempt from U.S. tax.....			0		
1.2 Other bonds (unaffiliated).....	1,628,797		1,628,797		
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).....	1,496,792	0	1,496,792	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.....	91,000		(91,000)
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).....	91,000	.0	(91,000)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
28. TOTALS (Lines 26 and 27).....	91,000	.0	(91,000)

**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

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## NOTES TO FINANCIAL STATEMENTS

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### Note 1 – Summary of Significant Accounting Policies

A. Accounting Practices

The annual statement of Appalachian Insurance Company ("Company") has been completed in accordance with the NAIC Accounting Practices and Procedures manual and the state laws of Rhode Island.

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

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. 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.

1. Short-term investments are stated at amortized cost.
2. Bonds not backed by other loans are stated at amortized cost using the constant interest rate method. Loan-backed bonds and structured securities are carried at amortized cost using the constant interest rate method, not including anticipated prepayment at the date of purchases.
3. The Company has no common stock.
4. Preferred stocks are stated at cost.
5. The Company has no mortgage loans.
6. Loan-backed securities are valued using an effective yield based on current prepayment assumptions. Prepayment assumptions are reviewed periodically and updated in response to changes in market interest rates.
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 A & E 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

- A. There were no material accounting changes or material correction of errors.

### Note 3 – Business Combinations and Goodwill – Not applicable

### Note 4 – Discontinued Operations – Not applicable

### Note 5 – Investments

- A. Mortgage Loans – Not applicable
- B. Debt Restructuring – Not applicable
- C. Reverse Mortgages – Not applicable
- D. Loan-Backed Securities
1. 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.
  2. Not applicable
  3. Not applicable
  4. Not applicable
  5. Not applicable

**NOTES TO FINANCIAL STATEMENTS**Note 5 – Investments (continued from preceding page)

## E. Repurchase Agreements and/or Securities Lending Transactions

1. 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. Not applicable
3. Collateral permitted by contract to sell or repledge
  - a. Not applicable
  - b. The aggregate fair value of all securities acquired from the sale, trade or use of accepted collateral is \$318,667,048.
  - 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 for which the "one-line" reporting is optional.
5. The amortized cost and fair value of the reinvested cash collateral is \$18,667,048
  - a. The maturity dates of the reinvested cash collateral are as follows:

Under 30 days	\$18,667,048
31 to 60 days	-
61 to 90 days	-
<b>Total</b>	<b>\$18,667,048</b>

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

F. Real Estate – Not applicable

G. Investments in low-income housing tax credits – Not applicable

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

- A. The Company does not admit investment income due and accrued if the amounts are over 90 days past due.
- B. Amounts Non-admitted – Not applicable

Note 8 – Derivative Instruments – Not applicableNote 9 – Income Taxes

A. The components of the net DTA recognized in Appalachian's Assets, Liabilities, Surplus and Other Funds are as follows:

1. Total of all DTAs and DTLs by tax character as well as the net change:

	December 31, 2011			December 31, 2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
A) Gross Deferred Tax Assets	429,000	160,000	589,000	494,000	160,000	654,000	(65,000)	-	(65,000)
B) Statutory Valuation Allowance Adjustment	-	-	-	-	-	-	-	-	-
C) Adjusted Gross Deferred Tax Assets (1a-1b)	429,000	160,000	589,000	494,000	160,000	654,000	(65,000)	-	(65,000)
D) Deferred Tax Liabilities	-	164,000	164,000	-	310,000	310,000	-	(146,000)	(146,000)
E) Subtotal (Net Deferred Tax Assets)	429,000	(4,000)	425,000	494,000	(150,000)	344,000	(65,000)	146,000	81,000
F) Deferred Tax Assets Nonadmitted	91,000	-	91,000	-	-	-	91,000	-	91,000
G) Net Admitted Deferred Tax Assets (1e-1f)	338,000	(4,000)	334,000	494,000	(150,000)	344,000	(156,000)	146,000	(10,000)

2. The Company has not elected to admit additional DTAs pursuant to SSAP 10R, paragraph 10e. The current period election does not differ from the prior reporting period.
3. Components by tax character of additional DTAs pursuant to SSAP 10R, paragraph 10e election - Not applicable.

**NOTES TO FINANCIAL STATEMENTS**

## Note 9 – Income Taxes (continued from preceding page)

## 4. DTA Admissibility:

	December 31, 2011			December 31, 2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
<b>SSAP 10R, paragraphs 10.a., 10.b., and 10.c.:</b>									
A) Paragraph 10.a. (prior-year federal taxes recoverable by carrying back temporary differences reversing within one year)	174,000	160,000	334,000	194,000	160,000	354,000	(20,000)	-	(20,000)
B) Paragraph 10.b. (lesser of 10.b.i or 10.b.ii)	-	-	-	-	-	-	-	-	-
C) Paragraph 10.b.i (DTA after applying 10a, expected to be realized within one year)	-	-	-	-	-	-	-	-	-
D) Paragraph 10.b.ii (Ten percent of adjusted statutory capital and surplus from the most recent filed statement)	XXX	XXX	15,391,206	XXX	XXX	15,290,097	XXX	XXX	101,109
E) Paragraph 10.c. (Adjusted Gross DTA, after 10a and 10b that can be offset against existing DTLs)	255,000	-	255,000	300,000	-	300,000	(45,000)	-	(45,000)
F) Total (4a+4b+4e) - Admissible amount without Election	429,000	160,000	589,000	494,000	160,000	654,000	(65,000)	-	(65,000)
<b>SSAP 10R, paragraph 10.e. (not applicable - not elected):</b>									
G) Paragraph 10e.i. (prior-year federal taxes recoverable by carrying back temporary differences reversing within three years)			-			-			-
H) Paragraph 10e.ii. (lesser of 10.e.ii or 10.e.ii.a)			-			-			-
I) Paragraph 10e.ii.a. (DTA after applying 10.e.i, expected to be realized within three years)			-			-			-
J) Paragraph 10e.ii.b. (fifteen percent of adjusted statutory capital and surplus from the most recent filed statement)	XXX	XXX	-	XXX	XXX	-	XXX	XXX	-
K) Paragraph 10e.iii (Adjusted Gross DTA, after 10e.i and 10e.ii that can be offset against existing DTLs)			-			-			-
L) Total (4g+4h+4k) - Elective admissible amount	-	-	-	-	-	-	-	-	-
<b>SSAP 10R, Paragraph 10.d.:</b>									
M) Total Adjusted Capital	XXX	XXX	155,035,031	XXX	XXX	157,028,647	XXX	XXX	(1,993,616)
N) Authorized Control Level	XXX	XXX	10,688,711	XXX	XXX	11,890,555	XXX	XXX	(1,201,844)



**NOTES TO FINANCIAL STATEMENTS**

## Note 9 – Income Taxes (continued from preceding page)

## 5. Tax planning strategy summary

	December 31, 2011			December 31, 2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
A) Adjusted Gross DTA's									
A) (% of Total Adjusted Gross DTA's)	0.00%	43.00%	43.00%	0.00%	23.00%	23.00%	0.00%	20.00%	20.00%
B) Net Admitted Adjusted Gross DTA's									
C) (% of Total Net Admitted Adjusted Gross DTA's)	0.00%	43.00%	43.00%	0.00%	23.00%	23.00%	0.00%	20.00%	20.00%

## 6. Amount of DTA (before 10e election, and with 10e election)

	December 31, 2011			December 31, 2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
<b>SSAP 10R, paragraphs 10.a., 10.b., and 10.c.:</b>									
A) Admitted Deferred Tax Assets	338,000	(4,000)	334,000	494,000	(150,000)	344,000	(156,000)	146,000	(10,000)
B) Admitted Assets	XXX	XXX	237,488,145			246,150,955			(8,662,810)
C) Adjusted Statutory Surplus *	XXX	XXX	153,912,058			152,900,973			1,011,085
D) Total Capital from DTA's			334,000			344,000			(10,000)
<b>SSAP 10R, paragraph 10.e. (not applicable - not elected):</b>									
E) Admitted Deferred Tax Assets	-	-	-	-	-	-	-	-	-
F) Admitted Assets	-	-	-	-	-	-	-	-	-
G) Statutory Surplus									

\* As reported on the statutory balance sheet for the most recently filed statement with the domiciliary state commissioner adjusted in accordance with SSAP No. 10R, Paragraph 10bii.

B. Unrecognized DTL's – Not applicable

C. Current Tax and Change in Deferred Tax

## 1. The provisions for income taxes incurred on earnings for the years ended December 31 are:

	December 31, 2011		
	2011	2010	Change
A) Federal	(1,904,000)	6,879,000	(8,783,000)
B) Foreign	-	-	-
C) Subtotal	(1,904,000)	6,879,000	(8,783,000)
D) Realized capital gains	524,000	361,000	163,000
F) Other	-	-	-
G) Federal and foreign income taxes incurred	(1,380,000)	7,240,000	(8,620,000)

## 2. Deferred Tax Assets

	December 31, 2011		
	2011	2010	Change
A) Ordinary			
1) Discounting of unpaid losses and LAE	429,000	494,000	(65,000)
Subtotal	429,000	494,000	(65,000)
B) Statutory Valuation Allowance Adjustment	-	-	-
C) Nonadmitted Deferred Tax Assets	91,000	-	91,000
D) Admitted Ordinary Deferred Tax Assets	338,000	494,000	(156,000)
E) Capital			
1) Investments	160,000	160,000	-
Subtotal	160,000	160,000	-
F) Statutory Valuation Allowance Adjustment	-	-	-
G) Nonadmitted Deferred Tax Assets	-	-	-
H) Admitted Capital Deferred Tax Assets	160,000	160,000	-
I) Admitted deferred tax assets (2d + 2h)	498,000	654,000	(156,000)

**NOTES TO FINANCIAL STATEMENTS****Note 9 – Income Taxes (continued from preceding page)**

## 3. Deferred Tax Liabilities

	December 31, 2011		
	2011	2010	Change
A) Ordinary			
1) Investments	-	-	-
2) Fixed Assets	-	-	-
Subtotal	-	-	-
B) Capital			
1) Investments	-	-	-
2) Other	164,000	310,000	(146,000)
Subtotal	164,000	310,000	(146,000)
C) Deferred Tax Liabilities	164,000	310,000	(146,000)

4. Net Deferred Tax Assets/Liabilities (2i-3c)                    334,000                    344,000                    (10,000)

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

The significant items causing a difference between the statutory federal income tax rate and the Company's effective income tax rate are as follows:

	December 31, 2011	Effective Tax Rate
Provision computed at statutory rate	(1,392,000)	35.0%
Dividends received deduction	(61,000)	1.5%
Other	(8,000)	0.2%
Totals	(1,461,000)	36.7%
Federal and foreign income taxes incurred	(1,904,000)	47.9%
Current taxes on realized capital gains	524,000	-13.2%
Change in net deferred income taxes	(81,000)	2.0%
Total statutory income taxes	(1,461,000)	36.7%

## E. Operating Loss and Tax Credit Carryforwards

- At December 31, 2011, 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 2011 and 2010 that is available for recoupment in the event of future net losses:

Year	Amount
2011	-
2010	178,248,975

- 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	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 an allocation is made 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.

**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, 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

Amounts shown on Page 2, Line 23 and/or Page 3, Line 19 include balances owed to and from affiliates and relate to intercompany pooling arrangements (see Footnote 26) and Intercompany Cash Management Agreements.

## E. Guarantees or Contingencies for Related Parties:

The Company has no guarantees or undertakings for the benefit of affiliates.

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## NOTES TO FINANCIAL STATEMENTS

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Note 10 – Information Concerning Parent, Subsidiaries and Affiliates (continued from preceding page)

## 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.

## H. Amounts deducted for Investment in Upstream Company:

The Company does not own shares, directly or indirectly, of an upstream intermediate or parent.

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

## J. Write down for Impairments of Investments in Subsidiary, Controlled or Affiliated Companies – Not applicable

## K. The Company does not own any foreign subsidiaries; therefore this disclosure regarding interest rates and mortality assumptions used in connection with calculating an investment in a foreign subsidiary by adjusting annuity GAAP account value reserves using CARVM and the related Actuarial Guidelines is not applicable.

## L. The Company does not own any downstream non-insurance holding companies; therefore this disclosure regarding utilizing the look-through approach for the valuation of a downstream non-insurance holding company is not applicable.

Note 11 – Debt

## A. Capital Notes – Not applicable

## B. All Other Debt – Not applicable

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

## A. Defined Benefit Plans

The Company participates in non-contributory retirement income plans and a postretirement benefit plan covering substantially all employees. The plan is sponsored by Factory Mutual Insurance Company (NAIC #21482), a member of an Insurance Holding Company System. See Note 12D.

## B. Defined Contribution Plans

The Company participates in a savings plan covering substantially all employees. Company contributions to the plan were \$344,000 in 2011 and \$310,000 in 2010. The plan is sponsored by Factory Mutual Insurance Company (NAIC #21482), a member of an Insurance Holding Company System. See Note 12D.

## C. Multiemployer Plans — Not applicable

## D. Consolidated/Holding Company Plans

Employees of the Company participate in both non-contributory retirement income plans and a postretirement benefit plan. The Company has no legal obligation for benefits under the plans and the net expense relating to the plans in 2011 is \$878,236

## E. Postemployment benefits and compensated absences – Not applicable

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

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

## 1. 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, Johnston, RI.

## 2. Dividend Rate of Preferred Stock – Not applicable

## 3. 4. &amp; 5. Dividend Restrictions, Dividends Paid &amp; Amount of Ordinary Dividends That May Be Paid

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 in 2011 is the lesser of:

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

The maximum dividend payout, which may be made without prior approval in 2011, is \$12,987,452.

## 6. Restrictions on Unassigned Funds – Not applicable

## 7. Advances to Surplus Not Repaid – Not applicable

## 8. &amp; 9. Changes in Special Surplus Funds and Company stock held for special purposes – Not applicable

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

## 11. Surplus Notes – Not applicable

## 12. &amp; 13. Quasi-Reorganizations – Not applicable

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## NOTES TO FINANCIAL STATEMENTS

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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. All other Contingencies

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

Note 15 – Leases – Not applicableNote 16 – Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

- A. Financial Instruments with off-balance sheet risk – Not applicable
- B. Financial Instruments with concentrations of credit risk – Not applicable

Note 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. Transfer of financial assets – Not applicable
  - 2. Under a securities lending program with an agent, the Company has temporarily loaned certain debt securities with a fair value of \$64,080,225 and \$87,953,301 at December 31, 2011 and December 31, 2010, 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.
  - 3. Servicing assets and servicing liabilities – Not applicable
  - 4. Securitized financial assets that transfer as a sale – Not applicable
  - 5. Securitized financial assets held by transferor – Not applicable
  - 6. Transfers of receivables with recourse – Not applicable
- C. Wash Sales – Not applicable

Note 18 – Gain or Loss to the Reporting Entity from Uninsured A & H Plans and the Uninsured Portion of Partially Insured Plans – Not applicableNote 19 – Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

As understood by the definition of "Managing General Agent" contained in Appendix A-225 of the NAIC Accounting Practices and Procedures Manual, Appalachian Insurance Company has no managing general agents.

Note 20 – Fair Value Measurements

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

## 1. Fair Value Measurements by Level

Assets measured at fair value - 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

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:

**NOTES TO FINANCIAL STATEMENTS**Note 20 – Fair Value Measurements (continued from preceding page)

- 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

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. Derivatives – Not applicable
- B. Other Fair Value Disclosures – Not applicable
- C. Reasons Not Practical to Estimate Fair Value – Not applicable

Note 21 – Other Items

- A. Extraordinary items – Not applicable
- B. Troubled Debt Restructuring for Debtors – Not applicable
- C. Other Disclosures – Not applicable
- D. Uncollectible Premiums Receivable – Not applicable
- E. Business Interruption Insurance Recoveries – Not applicable
- F. State Transferable Tax Credits – Not applicable
- G. Subprime Mortgage Related Risk Exposure – Not applicable

Note 22 – Events Subsequent

Subsequent events have been considered through February 20, 2012 for these statutory financial statements which are to be issued February 21, 2012. There were no events occurring subsequent to the end of the year that merited recognition or disclosure in these statements.

Note 23 – Reinsurance

- A. Unsecured Reinsurance Recoverable

NAIC CODE	FEDERAL ID	COMPANY	UNSECURED AMOUNT
00000	AA-9995022	Excess and Casualty Reinsurance Co	\$ 5,642,000
22713	23-0723970	Insurance Company of North America	11,509,000

- B. Reinsurance Recoverable in Dispute – Not applicable
- C. Reinsurance Assumed and Ceded

(1) 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	
	Reserve Premium (1)	Equity Commission (2)	Reserve Premium (3)	Equity Commission (4)	Reserve Premium (5)	Equity Commission (6)
I. Affiliates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
II. All Other	\$ -	\$ -	\$ 38,365	\$ 1,343	\$ (38,365)	\$ (1,343)
III. TOTAL	\$ -	\$ -	\$ 38,365	\$ 1,343	\$ (38,365)	\$ (1,343)
IV. Direct Unearned Premium Reserve	\$ 38,365					

(2) Certain agency agreements and ceded reinsurance contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. The following table summarizes amounts accrued at the end of the current year, if applicable:

Description	Direct (1)	REINSURANCE		Net (4)
		Assumed (2)	Ceded (3)	
(i) Contingent Commission	-	-	-	-
(ii) Sliding Scale Adjustment	-	-	-	-
(iii) Other Profit Commission Arrangements	-	-	-	-
(iv) TOTAL	-	-	-	-

(3) Protected Cells – Not Applicable

**NOTES TO FINANCIAL STATEMENTS**Note 23 – Reinsurance (continued from preceding page)

## D. Uncollectible Reinsurance

The Company has written off in the current year reinsurance balances due (from the companies listed below) in the amount of: \$ 0 which is reflected as:

Statement of Income Account	Amount
Losses Incurred	\$ -
Loss adjustment expenses incurred	
Premiums Earned	
Other	
Total	\$ -

Re insurer	Amount
Total	\$ -

## E. Commutation of Ceded Reinsurance

The Company has reported in its operations in the current year as a result of commutation of reinsurance with the companies listed below, amounts that are reflected as:

Statement of Income Account	Amount
Losses and Lae Incurred	\$ -
Premiums Earned	
Other	
Total	\$ -
Reinsurer	Amount
	\$ -

## F. Retroactive Reinsurance – Not applicable

## G. Reinsurance Accounted for as a Deposit – Not applicable

## H. Reinsurance Run- Off Agreements – Not Applicable

Note 24 – Retrospectively Rated Contracts and Contracts Subject to Re-determination – Not applicableNote 25 – Changes in Incurred Losses and Loss Adjustment Expenses

As a result of changes in estimate of insured events related to prior years, the provision for losses and loss adjustment expenses had no significant change.

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

Note 26 – Inter-company Pooling Arrangements

Factory Mutual Insurance Company, NAIC Code 21482, Affiliated FM Insurance Company, NAIC Code 10014, and Appalachian Insurance Company, NAIC Code 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.

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 7 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 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 to the combined policyholder's surplus for the three companies.

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 pooling results are reported in reinsurance lines 31-33 on the Underwriting and Investment Exhibit pages 6 – 10 and on Schedule P.

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

Note 27 – Structured Settlements – Not applicableNote 28 – Health Care Receivables – Not applicableNote 29 – Participating Policies – Not applicable

**NOTES TO FINANCIAL STATEMENTS****Note 30 – Premium Deficiency Reserves**

The Company evaluated whether a premium deficiency reserve is required as of December 31, 2011 and determined that a premium deficiency reserve is not applicable. This evaluation was completed on February 2, 2012.

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

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

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 subject to considerable certainty, due to the potential severity of the claims and the uncertain legal climate.

Direct – Asbestos	2007	2008	2009	2010	2011
Beginning reserves:	\$ 142,763,000	\$ 125,918,000	\$ 105,497,000	\$ 66,622,000	\$ 49,527,000
Incurred losses & loss Adjustment expense:	-	-	(26,183,000)	(10,002,000)	2,000
Calendar year payments for losses & loss adjustment expense:	16,845,000	20,421,000	12,692,000	7,093,000	7,212,000
Ending Reserves:	\$ 125,918,000	\$ 105,497,000	\$ 66,622,000	\$ 49,527,000	\$ 42,317,000

Assumed Reinsurance - Asbestos	2007	2008	2009	2010	2011
Beginning reserves:	\$ -	\$ -	\$ -	\$ -	\$ -
Incurred losses & loss Adjustment expense:	-	-	-	-	-
Calendar year payments for losses & loss adjustment expense:	-	-	-	-	-
Ending Reserves:	\$ -	\$ -	\$ -	\$ -	\$ -

Net of Ceded Reinsurance – Asbestos	2007	2008	2009	2010	2011
Beginning reserves:	\$ 58,798,000	\$ 46,216,000	\$ 38,145,000	\$ 28,865,000	\$ 32,274,000
Incurred losses & loss Adjustment expense:	(8,356,000)	76,000	(5,476,000)	5,164,000	(435,000)
Calendar year payments for losses & loss adjustment expense:	4,226,000	8,147,000	3,804,000	1,755,000	3,942,000
Ending Reserves:	\$ 46,216,000	\$ 38,145,000	\$ 28,865,000	\$ 32,274,000	\$ 27,897,000

Direct - Environmental	2007	2008	2009	2010	2011
Beginning reserves:	\$ 16,608,000	\$ 16,484,000	\$ 16,299,000	\$ 15,459,000	\$ 15,288,000
Incurred losses & loss Adjustment expense:	-	-	(641,000)	-	-
Calendar year payments for losses & loss adjustment expense:	124,000	185,000	199,000	171,000	1,147,000
Ending Reserves:	\$ 16,484,000	\$ 16,299,000	\$ 15,459,000	\$ 15,288,000	\$ 14,141,000

Assumed Reinsurance - Environmental	2007	2008	2009	2010	2011
Beginning reserves:	\$ -	\$ -	\$ -	\$ -	\$ -
Incurred losses & loss Adjustment expense:	-	-	-	-	-
Calendar year payments for losses & loss adjustment expense:	-	-	-	-	-
Ending Reserves:	\$ -	\$ -	\$ -	\$ -	\$ -

Net of Ceded Reinsurance - Environmental	2007	2008	2009	2010	2011
Beginning reserves:	\$ 7,468,000	\$ 6,992,000	\$ 6,757,000	\$ 5,724,000	\$ 4,490,000
Incurred losses & loss Adjustment expense:	(435,000)	(45,000)	(984,000)	(1,197,000)	825,000
Calendar year payments for losses & loss adjustment expense:	41,000	190,000	49,000	37,000	258,000
Ending Reserves:	\$ 6,992,000	\$ 6,757,000	\$ 5,724,000	\$ 4,490,000	\$ 5,057,000

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## NOTES TO FINANCIAL STATEMENTS

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

Included in reserves above, the Company holds IBNR and/or bulk reserves. It held such reserves in the amount of \$32,160,000 (Asbestos) and \$11,890,000 (Environmental) on a direct basis and \$21,884,000 (Asbestos) and \$4,212,000 (Environmental) on a net basis at December 31, 2011.

Included in the reserves above, the Company holds future allocated loss adjustment expense reserves. It held such reserves in the amount of \$7,789,000 (Asbestos) and \$2,954,000 (Environmental) on a direct basis and \$3,894,000 (Asbestos) and \$928,000 (Environmental) on a net basis at December 31, 2011.

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 [ ]
- 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: 12/31/2008
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2008
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2008
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/07/2010
- 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 [ X ] No [ ] N/A [ ]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [ X ] No [ ] N/A [ ]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [ ] No [ X ]
- 4.12 renewals? Yes [ ] No [ X ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [ ] No [ X ]
- 4.22 renewals? Yes [ ] No [ X ]
- 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<br>Name of Entity | 2<br>NAIC Co. Code | 3<br>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<br>Nationality | 2<br>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 Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.
- | 1<br>Affiliate Name | 2<br>Location (City, State) | 3<br>FRB | 4<br>OCC | 5<br>OTS | 6<br>FDIC | 7<br>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 02116-5072
- 
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [ X ]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption:
- 
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [ X ]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption:
- 
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [ X ] 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?  
John Dawson, Senior Consulting Actuary, Ernst & Young LLP 200 Clarendon Street, Boston, MA 02116-5072
- 
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [ X ]
- 12.11 Name of real estate holding company
- 
- 12.12 Number of parcels involved .....
- 12.13 Total book/adjusted carrying value .....
- 12.2 If yes, provide explanation.
-

## GENERAL INTERROGATORIES

**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 [ X ] No [ ]

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

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

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

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

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

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

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below? Yes [ ] No [ X ]

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

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

### PART 1 - COMMON INTERROGATORIES - BOARD OF DIRECTORS

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

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

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

### 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 [ X ]

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

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

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

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

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

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

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

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

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

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

21.21 Rented from others .....

21.22 Borrowed from others .....

21.23 Leased from others .....

21.24 Other .....

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? 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

24.1 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 24.3)? Yes [ ] No [ X ]

24.2 If no, give full and complete information relating thereto.  
JP Morgan Worldwide Securities Services holds custody of securities

24.3 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 2011 is \$64,080,225 and \$65,390,162, respectively. The amount of cash collateral carried on balance sheet is \$18,667,048. See Note 17 for description of the securities lending program.

24.4 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 [ ]

24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. \$.....65,390,162

24.6 If answer to 24.4 is no, report amount of collateral for other programs. ....

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

- 24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes  No  N/A
- 24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes  No  N/A
- 24.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes  No  N/A
- 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 24.3) Yes  No
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- 25.21 Subject to repurchase agreements \$.....0
  - 25.22 Subject to reverse repurchase agreements \$.....0
  - 25.23 Subject to dollar repurchase agreements \$.....0
  - 25.24 Subject to reverse dollar repurchase agreements \$.....0
  - 25.25 Pledged as collateral \$.....0
  - 25.26 Placed under option agreements \$.....0
  - 25.27 Letter stock or securities restricted as to sale \$.....0
  - 25.28 On deposit with state or other regulatory body \$.....5,780,234
  - 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
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes  No  N/A
- If no, attach a description with this statement.

- 27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes  No
- 27.2 If yes, state the amount thereof at December 31 of the current year: .....

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

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

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Worldwide Securities Services	1 Chase Manhattan Plaza New York, NY 10005-1489

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

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

- 28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes  No
- 28.04 If yes, give full and complete information relating thereto:

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

28.05 Identify all investment advisors, 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

29.2 If yes, complete the following schedule:

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

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

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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	181,663,298	196,876,864	15,213,566
30.2 Preferred stocks.....	2,500,000	2,500,000	0
30.3 Totals.....	184,163,298	199,376,864	15,213,566

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 preferred stock is priced by the NAIC using the NAIC valuation method 2ciB6

- 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
- 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. All securities are priced by the SVO when available. When the SVO pricing is not available, the securities are priced by our 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  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 Name	2 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 Name	2 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 Name	2 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.....	\$.....58,771,184	\$.....55,857,660
2.3 Premium Ratio (2.1/2.2).....	.....0.0	.....0.0
2.4 Reserve Numerator.....	\$.....0	\$.....0
2.5 Reserve Denominator.....	\$.....51,168,376	\$.....45,330,537
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 affiliate 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 32 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
- (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
  - (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?
- Yes [ ] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
- (a) The entity does not utilize reinsurance; or Yes [ ] No [X]
  - (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]
  - (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [ ] 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): \$.....15,500,000
- 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. .....4

# 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:  
Based on an intercompany Excess of Loss Treaty. Maximum retention is based upon the Largest Net Aggregate.

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	\$.....277,000
17.12 Unfunded portion of Interrogatory 17.11	\$.....277,000
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	\$.....277,000
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 2011	2 2010	3 2009	4 2008	5 2007
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....					
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	11,638,453	14,750,184	15,359,234	18,447,591	12,052,514
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	2,365,007	2,997,329	3,121,092	3,748,503	2,433,887
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	58,780,304	55,546,405	60,170,754	53,418,408	53,994,517
6. Total (Line 35).....	72,783,764	73,293,918	78,651,080	75,614,502	68,480,918
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....					
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....		266,969	284,791	280,462	285,272
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....		54,250	58,949	47,502	42,172
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	58,770,289	55,536,405	60,160,754	53,408,408	53,984,517
12. Total (Line 35).....	58,770,289	55,857,624	60,504,493	53,736,372	54,311,961
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8).....	(12,366,451)	11,946,752	19,865,606	730,525	16,435,354
14. Net investment gain (loss) (Line 11).....	7,888,727	8,589,773	13,214,921	7,303,047	8,963,516
15. Total other income (Line 15).....	(24,386)	28	1,861	(28,833)	(94,303)
16. Dividends to policyholders (Line 17).....					
17. Federal and foreign income taxes incurred (Line 19).....	(1,904,000)	6,879,000	10,437,000	3,351,000	8,411,000
18. Net income (Line 20).....	(2,598,110)	13,657,553	22,645,388	4,653,739	16,893,567
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	237,488,145	246,150,955	221,848,563	189,083,780	216,281,814
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	16,140,570	13,461,364	15,995,636	13,317,151	14,086,205
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).....	82,453,114	89,122,309	77,939,690	66,972,329	99,198,745
22. Losses (Page 3, Line 1).....	31,883,832	35,383,130	25,163,592	44,118,351	51,599,576
23. Loss adjustment expenses (Page 3, Line 3).....	5,156,466	5,901,433	12,460,261	7,416,939	8,068,097
24. Unearned premiums (Page 3, Line 9).....		895	931	1,119	319,584
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).....	155,035,031	157,028,647	143,908,873	122,111,451	117,083,069
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11).....	(1,611,942)	(7,570,436)	27,709,841	(25,912,199)	33,482,691
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital.....	155,035,031	157,028,647	143,908,873	122,111,451	117,083,069
29. Authorized control level risk-based capital.....	10,688,711	11,890,555	10,493,184	11,918,127	12,937,249
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1).....	74.6	80.8	96.5	93.6	100.2
31. Stocks (Lines 2.1 & 2.2).....	1.2	1.2	1.3	1.6	1.4
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).....	15.3	1.8	2.2	4.8	(1.6)
35. Contract loans (Line 6).....					
36. Derivatives (Line 7).....			XXX	XXX	XXX
37. Other invested assets (Line 8).....					
38. Receivable for securities (Line 9).....					
39. Securities lending reinvested collateral assets (Line 10).....	8.9	16.3	XXX	XXX	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
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds (Sch. D, Summary, Line 12, Col. 1).....					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....	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 (Schedule DA, Verification, Col. 5, Line 10).....					
46. Affiliated mortgage loans on real estate.....					
47. All other affiliated.....					
48. Total of above lines 42 to 47.....	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
49. 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).....	1.6	1.6	1.7	2.0	2.1



**FIVE-YEAR HISTORICAL DATA**

(Continued)

	1	2	3	4	5
	2011	2010	2009	2008	2007
<b>Capital and Surplus Accounts (Page 4)</b>					
50. Net unrealized capital gains (losses) (Line 24).....					
51. Dividends to stockholders (Line 35).....					
52. Change in surplus as regards policyholders for the year (Line 38).....	(1,993,615)	13,119,774	21,797,423	5,028,381	16,592,203
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1&amp;2)</b>					
53. 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).....	8,405,088	6,697,948	12,295,061	19,668,656	15,219,895
54. Property lines (Lines 1, 2, 9, 12, 21 & 26).....				50,000	
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....		952,932	(5,548)		
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
57. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	54,003,673	13,959,269	38,637,223	39,049,847	30,681,612
58. Total (Line 35).....	62,408,761	21,610,149	50,926,736	58,768,503	45,901,507
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
59. 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).....	3,499,298	1,511,745	3,208,462	7,345,119	3,209,622
60. Property lines (Lines 1, 2, 9, 12, 21 & 26).....				50,000	
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....		625,178	(5,548)		
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
63. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	54,002,854	13,943,696	38,641,105	39,049,847	30,681,612
64. Total (Line 35).....	57,502,152	16,080,618	41,844,019	46,444,966	33,891,234
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
65. Premiums earned (Line 1).....	100.0	100.0	100.0	100.0	100.0
66. Losses incurred (Line 2).....	91.9	47.1	37.8	72.1	39.8
67. Loss expenses incurred (Line 3).....	3.4	3.7	4.1	5.5	4.8
68. Other underwriting expenses incurred (Line 4).....	25.7	27.9	25.3	21.1	25.4
69. Net underwriting gain (loss) (Line 8).....	(21.0)	21.4	32.8	1.4	30.0
<b>Other Percentages</b>					
70. 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).....	25.8	27.9	25.3	21.3	25.8
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	95.3	50.7	41.9	77.6	44.6
72. 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).....	37.9	35.6	42.0	44.0	46.4
<b>One Year Loss Development (000 omitted)</b>					
73. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....	(4)	6,629	(8,841)	35	(8,884)
74. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100).....	(0.0)	4.6	(7.2)	0.0	(8.8)
<b>Two Year Loss Development (000 omitted)</b>					
75. 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).....	6,625	(2,212)	(8,806)	(8,849)	4,707
76. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0).....	4.6	(1.8)	(7.5)	(8.8)	5.5

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

Yes [ ] No [ ]

If no, please explain:

## SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

### SCHEDULE P - PART 1 - SUMMARY

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported- Direct and Assumed	
	1  Direct and Assumed	2  Ceded	3  Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10  Salvage and Subrogation Received		11  Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4  Direct and Assumed	5  Ceded	6  Direct and Assumed	7  Ceded	8  Direct and Assumed	9  Ceded			
1. Prior.....	XXX	XXX	XXX	8,405	4,906	156	(608)	136			4,399	XXX
2. 2002.....	35,898	790	35,108	10,456	6,546		826				3,084	XXX
3. 2003.....	52,480	1,492	50,988	12,798	39,122	350		1,412			(24,562)	XXX
4. 2004.....	52,025	5,335	46,690	21,064		1,541					22,605	XXX
5. 2005.....	61,516	9,495	52,021	26,051		519		1,212			27,782	XXX
6. 2006.....	65,618	11,231	54,387	20,153			1,301		5,202		13,650	XXX
7. 2007.....	69,123	14,316	54,807	30,682		503		2,014			33,199	XXX
8. 2008.....	75,986	21,931	54,055	40,003	328	804		1,883	2		42,360	XXX
9. 2009.....	78,662	18,157	60,505	38,637	(4)		1,064	2	2,483		35,096	XXX
10. 2010.....	73,296	17,438	55,858	13,959	16	1,523		6,118	2		21,582	XXX
11. 2011.....	72,794	14,023	58,771	54,004	1	373		1,492			55,868	XXX
12. Totals.....	XXX	XXX	XXX	276,212	50,915	5,769	2,583	14,269	7,689	0	235,063	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.....	12,654	5,725	42,996	18,041	2,344	1,102	8,045	4,392	261			37,040	XXX
2. 2002.....												0	XXX
3. 2003.....												0	XXX
4. 2004.....												0	XXX
5. 2005.....												0	XXX
6. 2006.....												0	XXX
7. 2007.....												0	XXX
8. 2008.....												0	XXX
9. 2009.....												0	XXX
10. 2010.....												0	XXX
11. 2011.....												0	XXX
12. Totals..	12,654	5,725	42,996	18,041	2,344	1,102	8,045	4,392	261	0	0	37,040	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	31,884	5,156
2. 2002.....	10,456	7,372	3,084	29.1	933.2	8.8			2.00	0	0
3. 2003.....	14,560	39,122	(24,562)	27.7	2,622.1	(48.2)			2.00	0	0
4. 2004.....	22,605	0	22,605	43.5	0.0	48.4			2.00	0	0
5. 2005.....	27,782	0	27,782	45.2	0.0	53.4			2.00	0	0
6. 2006.....	20,153	6,503	13,650	30.7	57.9	25.1			2.00	0	0
7. 2007.....	33,199	0	33,199	48.0	0.0	60.6			2.00	0	0
8. 2008.....	42,690	330	42,360	56.2	1.5	78.4			2.00	0	0
9. 2009.....	38,639	3,543	35,096	49.1	19.5	58.0			2.00	0	0
10. 2010.....	21,600	18	21,582	29.5	0.1	38.6			2.00	0	0
11. 2011.....	55,869	1	55,868	76.7	0.0	95.1			2.00	0	0
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	31,884	5,156

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
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	One Year	Two Year
1. Prior.....	19,894	66,971	66,946	66,900	80,658	71,774	71,809	62,968	68,972	68,968	(4)	6,000
2. 2002.....	3,149	3,083	3,084	3,084	3,084	3,084	3,084	3,084	3,084	3,084	0	0
3. 2003.....	XXX	(25,833)	(25,974)	(25,974)	(25,974)	(25,974)	(25,974)	(25,974)	(25,974)	(25,974)	0	0
4. 2004.....	XXX	XXX	22,771	22,605	22,605	22,605	22,605	22,605	22,605	22,605	0	0
5. 2005.....	XXX	XXX	XXX	26,737	26,570	26,570	26,570	26,570	26,570	26,570	0	0
6. 2006.....	XXX	XXX	XXX	XXX	18,852	18,852	18,852	18,852	18,852	18,852	0	0
7. 2007.....	XXX	XXX	XXX	XXX	XXX	31,185	31,185	31,185	31,185	31,185	0	0
8. 2008.....	XXX	XXX	XXX	XXX	XXX	XXX	39,854	39,854	40,479	40,479	0	625
9. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	37,577	37,577	37,577	0	0
10. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	15,466	15,466	0	XXX
11. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	54,376	XXX	XXX
12. Totals.....											(4)	6,625

### 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
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011		
1. Prior.....	000	1,310	4,724	4,336	9,289	13,594	21,747	25,598	27,926	32,189	XXX	XXX
2. 2002.....	3,083	3,083	3,084	3,084	3,084	3,084	3,084	3,084	3,084	3,084	XXX	XXX
3. 2003.....	XXX	(25,974)	(25,974)	(25,974)	(25,974)	(25,974)	(25,974)	(25,974)	(25,974)	(25,974)	XXX	XXX
4. 2004.....	XXX	XXX	22,605	22,605	22,605	22,605	22,605	22,605	22,605	22,605	XXX	XXX
5. 2005.....	XXX	XXX	XXX	26,570	26,570	26,570	26,570	26,570	26,570	26,570	XXX	XXX
6. 2006.....	XXX	XXX	XXX	XXX	18,852	18,852	18,852	18,852	18,852	18,852	XXX	XXX
7. 2007.....	XXX	XXX	XXX	XXX	XXX	31,185	31,185	31,185	31,185	31,185	XXX	XXX
8. 2008.....	XXX	XXX	XXX	XXX	XXX	XXX	39,854	39,854	40,479	40,479	XXX	XXX
9. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	37,577	37,577	37,577	XXX	XXX
10. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	15,466	15,466	XXX	XXX
11. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	54,376	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
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Prior.....	7,866	52,024	49,089	47,051	47,049	35,128	37,458	25,923	28,873	28,608
2. 2002.....	66									
3. 2003.....	XXX	138								
4. 2004.....	XXX	XXX	166							
5. 2005.....	XXX	XXX	XXX	167						
6. 2006.....	XXX	XXX	XXX	XXX						
7. 2007.....	XXX	XXX	XXX	XXX	XXX					
8. 2008.....	XXX	XXX	XXX	XXX	XXX	XXX				
9. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
10. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
11. 2011.....	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	570,433	570,514						
2. Alaska.....AK	E								
3. Arizona.....AZ	E	560,381	561,423						
4. Arkansas.....AR	E		2						
5. California.....CA	E	2,420,134	2,421,081		1,431,050	4,011,477	25,731,723		
6. Colorado.....CO	E	251,640	251,764						
7. Connecticut.....CT	E				1,388,850	(1,381,366)	5,123,352		
8. Delaware.....DE	E	15,135	15,156						
9. District of Columbia.....DC	E				(1,653)	(767,931)			
10. Florida.....FL	E	3,665,268	3,669,913			108,370	374,041		
11. Georgia.....GA	E	509,566	509,774			41	142		
12. Hawaii.....HI	E								
13. Idaho.....ID	E								
14. Illinois.....IL	E		5		21,000	(254,490)	746		
15. Indiana.....IN	E	59,301	59,399						
16. Iowa.....IA	E	16,463	16,489						
17. Kansas.....KS	E								
18. Kentucky.....KY	E	730,985	731,295						
19. Louisiana.....LA	E	15,752	15,782		20,000	(133,001)	172		
20. Maine.....ME	E								
21. Maryland.....MD	E	44,106	44,188						
22. Massachusetts.....MA	E	2,854	2,864			1	4		
23. Michigan.....MI	E		0						
24. Minnesota.....MN	E								
25. Mississippi.....MS	E					(17)	4		
26. Missouri.....MO	E		54			40	138		
27. Montana.....MT	E								
28. Nebraska.....NE	E	22,135	22,170						
29. Nevada.....NV	E	257,017	257,380						
30. New Hampshire.....NH	E								
31. New Jersey.....NJ	E		1						
32. New Mexico.....NM	E	89,116	89,149						
33. New York.....NY	E		77		5,048,311	(894,821)	24,242,152		
34. North Carolina.....NC	E	265,048	265,210						
35. North Dakota.....ND	E								
36. Ohio.....OH	E	381,288	381,438						
37. Oklahoma.....OK	E	42,596	42,741						
38. Oregon.....OR	E	69,998	69,995						
39. Pennsylvania.....PA	E	88,803	89,899		497,531	(694,136)	158,727		
40. Rhode Island.....RI	L					601	2,075		
41. South Carolina.....SC	E	133,434	133,548			(123)			
42. South Dakota.....SD	E								
43. Tennessee.....TN	E	439,759	439,851						
44. Texas.....TX	E	3,223,584	3,223,668			5,296	16,152		
45. Utah.....UT	E	1,142	1,142						
46. Vermont.....VT	E								
47. Virginia.....VA	E	27	27						
48. Washington.....WA	E	123,568	123,789			59	173		
49. West Virginia.....WV	E	3,927	3,928				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.....CN	E								
58. Aggregate Other Alien.....OT	XXX	0	0	0	0	0	0	0	0
59. Totals.....(a).....1		14,003,460	14,013,717	0	8,405,088	0	55,650,600	0	0

### DETAILS OF WRITE-INS

5801.....	XXX								
5802.....	XXX								
5803.....	XXX								
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 thru 5803+ Line 5898) (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.

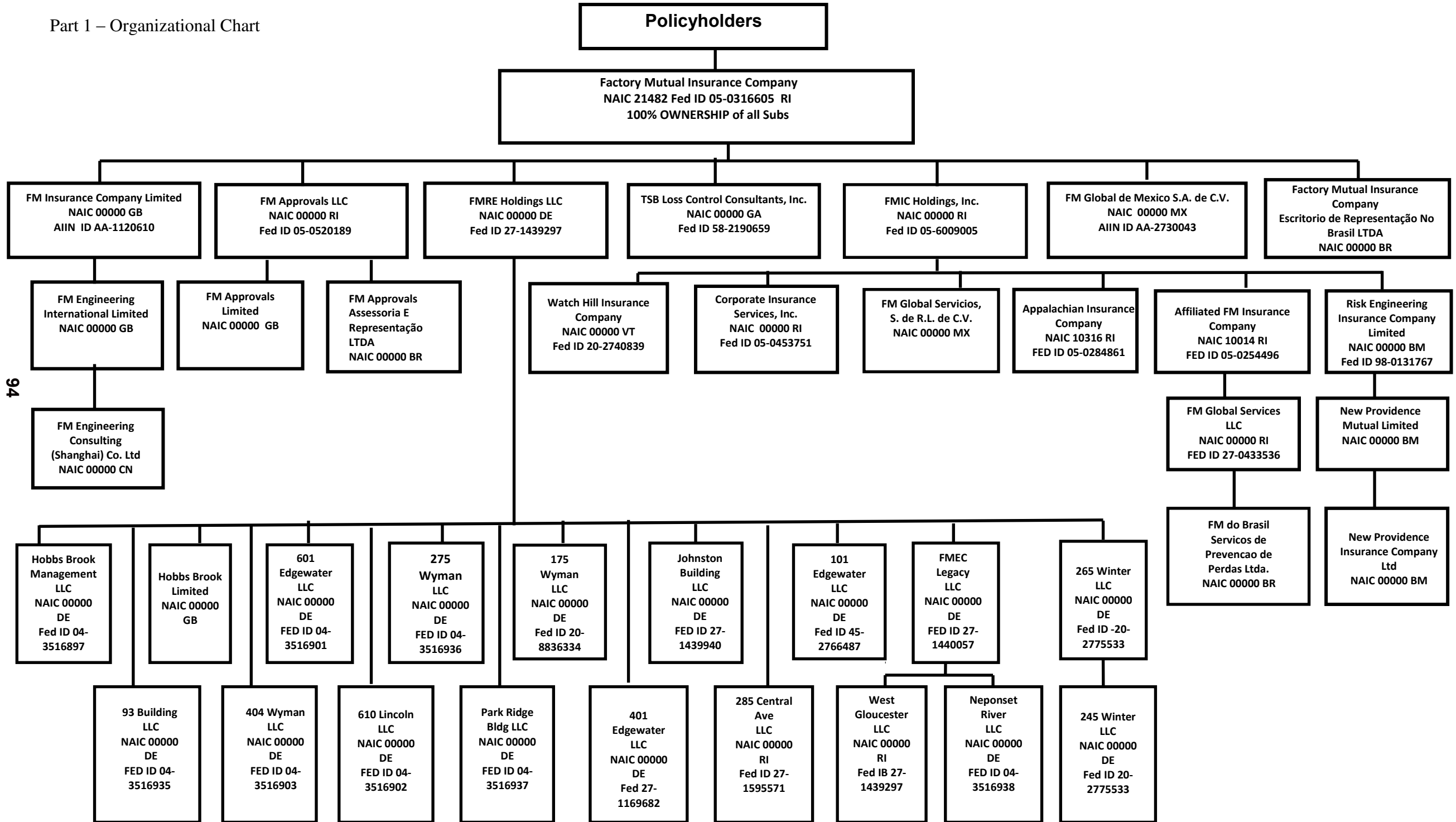
(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;

(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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