

**PROPERTY AND CASUALTY COMPANIES—ASSOCIATION EDITION**

**ANNUAL STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
 OF THE CONDITION AND AFFAIRS OF THE  
**SONNENBERG MUTUAL INSURANCE COMPANY**

|                                       |  |                        |   |       |  |            |
|---------------------------------------|--|------------------------|---|-------|--|------------|
| NAIC Group Code                       | 0207<br>(Current Period)                               | 0207<br>(Prior Period) | NAIC Company Code   | 10271 | Employer's ID Number                           | 34-0541185 |
| Organized under the Laws of           | Ohio   |                        | , State of Domicile or Port of Entry                            |       | Ohio   |            |
| Country of Domicile                   |  |                        | United States   |       |  |            |
| Incorporated/Organized                | 01/01/1905   |                        | Commenced Business  |       | 01/01/1859                                     |            |
| Statutory Home Office                 | 1685 Cleveland Road<br>(Street and Number)             |                        | Wooster, OH 44691-0036<br>(City or Town, State and Zip Code)    |       |  |            |
| Main Administrative Office            | 1685 Cleveland Road<br>(Street and Number)             |                        | Wooster, OH 44691-0036<br>(City or Town, State and Zip Code)    |       | 330-262-9060<br>(Area Code) (Telephone Number) |            |
| Mail Address                          | 1685 Cleveland Road<br>(Street and Number or P.O. Box) |                        | Wooster, OH 44691-0036<br>(City or Town, State and Zip Code)    |       |  |            |
| Primary Location of Books and Records | 1685 Cleveland Road<br>(Street and Number)             |                        | Wooster, OH 44691-0036<br>(City or Town, State and Zip Code)    |       | 330-262-9060<br>(Area Code) (Telephone Number) |            |
| Internet Website Address              |  |                        | www.wrg-ins.com   |       |  |            |
| Statutory Statement Contact           | Joseph Earl Wilford<br>(Name)                          |                        | 800-362-0426-2437<br>(Area Code) (Telephone Number) (Extension) |       |  |            |
|                                       | joe_wilford@wrg-ins.com<br>(E-mail Address)            |                        | 330-264-7822<br>(Fax Number)                                    |       |  |            |

**OFFICERS**

|                  |           |                |           |
|------------------|-----------|----------------|-----------|
| Name             | Title     | Name           | Title     |
| JOHN P. MURPHY   | PRESIDENT | JOHN P. MURPHY | SECRETARY |
| MICHAEL A. SHUTT | TREASURER |                |           |

**OTHER OFFICERS**

|                 |                           |                  |                                  |
|-----------------|---------------------------|------------------|----------------------------------|
| GREGORY J. OWEN | VP INFORMATION TECHNOLOGY | GREGORY A. BRUNN | VP MARKETING AND<br>UNDERWRITING |
| KEVIN W. DAY    | EXECUTIVE VP CLAIMS       |                  |                                  |
|                 |                           |                  |                                  |
|                 |                           |                  |                                  |

**DIRECTORS OR TRUSTEES**

|                    |                  |                    |                |
|--------------------|------------------|--------------------|----------------|
| ROBERT P. BOGNER   | KEVIN W. DAY     | RONALD E. HOLTMAN  | JOHN P. MURPHY |
| C. MICHAEL REARDON | EDDIE L. STEINER | KENNETH L. VAGNINI |                |

State of OHIOCounty of WAYNE ss

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

JOHN P. MURPHY  
PRESIDENT

JOHN P. MURPHY  
SECRETARY

MICHAEL A. SHUTT  
TREASURER

Subscribed and sworn to before me this  
28 day of February, 2012

a. Is this an original filing?  
 b. If no,  
 1. State the amendment number  
 2. Date filed  
 3. Number of pages attached

Yes [  ] No [  ]

Mary Lou Hart Notary Public  
March 8, 2015

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**ASSETS**

|  | Current Year |                         |   | Prior Year                  |
|--|--------------|-------------------------|---|-----------------------------|
|  | 1<br>Assets  | 2<br>Nonadmitted Assets | 3<br>Net Admitted Assets<br>(Cols. 1 - 2) | 4<br>Net Admitted<br>Assets |
| 1. Bonds (Schedule D).....   | 12,065,280   |                         | 12,065,280                                | 11,611,322                  |
| 2. Stocks (Schedule D):  |              |                         |   |                             |
| 2.1 Preferred stocks .....   | 294,011      |                         | 294,011                                   | 293,698                     |
| 2.2 Common stocks .....  | 5,118,692    | .47,209                 | 5,071,483                                 | 5,260,515                   |
| 3. Mortgage loans on real estate (Schedule B):   |              |                         |   |                             |
| 3.1 First liens .....  | 0            |                         | 0   | 0                           |
| 3.2 Other than first liens .....   | 0            |                         | 0   | 0                           |
| 4. Real estate (Schedule A):   |              |                         |   |                             |
| 4.1 Properties occupied by the company (less<br>\$ ..... encumbrances).....  | 0            |                         | 0   | 0                           |
| 4.2 Properties held for the production of income<br>(less \$ ..... encumbrances).....  | 0            |                         | 0   | 0                           |
| 4.3 Properties held for sale (less<br>\$ ..... encumbrances).....  | 0            |                         | 0   | 0                           |
| 5. Cash (\$ ..... (107,136) , Schedule E - Part 1), cash equivalents<br>(\$ ..... 0 , Schedule E - Part 2) and short-term<br>investments (\$ ..... 510,277 , Schedule DA)..... | 403,141      |                         | 403,141                                   | 1,039,492                   |
| 6. Contract loans (including \$ ..... premium notes).....  | 0            |                         | 0   | 0                           |
| 7. Derivatives (Schedule DB).....  | 0            |                         | 0   | 0                           |
| 8. Other invested assets (Schedule BA).....  | 459,688      |                         | 459,688                                   | 478,210                     |
| 9. Receivables for securities .....  | 0            |                         | 0   | 0                           |
| 10. Securities lending reinvested collateral assets (Schedule DL).....   | 0            |                         | 0   | 0                           |
| 11. Aggregate write-ins for invested assets .....  | 0            | .0                      | 0   | 0                           |
| 12. Subtotals, cash and invested assets (Lines 1 to 11).....   | 18,340,812   | .47,209                 | 18,293,603                                | 18,683,237                  |
| 13. Title plants less \$ ..... charged off (for Title insurers<br>only).....   | 0            |                         | 0   | 0                           |
| 14. Investment income due and accrued .....  | 124,806      |                         | 124,806                                   | 123,970                     |
| 15. Premiums and considerations:   |              |                         |   |                             |
| 15.1 Uncollected premiums and agents' balances in the course of<br>collection .....  | 306,548      | .294                    | 306,254                                   | 260,457                     |
| 15.2 Deferred premiums, agents' balances and installments booked but<br>deferred and not yet due (including \$ ..... earned<br>but unbilled premiums).....                     | 0            |                         | 0   | 0                           |
| 15.3 Accrued retrospective premiums .....  | 0            |                         | 0   | 0                           |
| 16. Reinsurance:   |              |                         |   |                             |
| 16.1 Amounts recoverable from reinsurers .....   | 96,062       | .8,398                  | .87,664                                   | .48,989                     |
| 16.2 Funds held by or deposited with reinsured companies .....   | 0            |                         | 0   | 0                           |
| 16.3 Other amounts receivable under reinsurance contracts .....  | 0            |                         | 0   | 0                           |
| 17. Amounts receivable relating to uninsured plans .....   | 0            |                         | 0   | 0                           |
| 18.1 Current federal and foreign income tax recoverable and interest thereon .....   | .34,213      |                         | .34,213                                   | 101,271                     |
| 18.2 Net deferred tax asset.....   | 237,109      |                         | 237,109                                   | .68,880                     |
| 19. Guaranty funds receivable or on deposit .....  | 0            |                         | 0   | 0                           |
| 20. Electronic data processing equipment and software .....  | 0            |                         | 0   | 0                           |
| 21. Furniture and equipment, including health care delivery assets<br>(\$ ..... ) .....  | 0            |                         | 0   | 0                           |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates .....   | 0            |                         | 0   | 0                           |
| 23. Receivables from parent, subsidiaries and affiliates .....   | 139,260      |                         | 139,260                                   | 0                           |
| 24. Health care (\$ ..... ) and other amounts receivable .....   | 0            |                         | 0   | 0                           |
| 25. Aggregate write-ins for other than invested assets .....   | 0            | .0                      | 0   | 0                           |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and<br>Protected Cell Accounts (Lines 12 to 25).....   | 19,278,810   | .55,901                 | 19,222,909                                | 19,286,804                  |
| 27. From Separate Accounts, Segregated Accounts and Protected<br>Cell Accounts.....  | 0            |                         | 0   | 0                           |
| 28. Total (Lines 26 and 27).....   | 19,278,810   | .55,901                 | 19,222,909                                | 19,286,804                  |
| <b>DETAILS OF WRITE-INS</b>  |              |                         |   |                             |
| 1101. ....   |              |                         |   |                             |
| 1102. ....   |              |                         |   |                             |
| 1103. ....   |              |                         |   |                             |
| 1198. Summary of remaining write-ins for Line 11 from overflow page .....  | 0            | .0                      | 0   | 0                           |
| 1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above).....   | 0            | 0                       | 0   | 0                           |
| 2501. ....   |              |                         |   |                             |
| 2502. ....   |              |                         |   |                             |
| 2503. ....   |              |                         |   |                             |
| 2598. Summary of remaining write-ins for Line 25 from overflow page .....  | 0            | .0                      | 0   | 0                           |
| 2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above).....   | 0            | 0                       | 0   | 0                           |

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**LIABILITIES, SURPLUS AND OTHER FUNDS**

|   | 1<br>Current Year | 2<br>Prior Year |
|---|-------------------|-----------------|
| 1. Losses (Part 2A, Line 35, Column 8)  | 2,536,568         | 2,228,974       |
| 2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)   | 0                 | 0               |
| 3. Loss adjustment expenses (Part 2A, Line 35, Column 9)  | 495,500           | 495,500         |
| 4. Commissions payable, contingent commissions and other similar charges  | 207,342           | 259,927         |
| 5. Other expenses (excluding taxes, licenses and fees)  | 215,904           | 359,010         |
| 6. Taxes, licenses and fees (excluding federal and foreign income taxes)  | 104,410           | 99,397          |
| 7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses))  | 0                 | 0               |
| 7.2 Net deferred tax liability  | 0                 | 0               |
| 8. Borrowed money \$ and interest thereon \$  | 0                 | 0               |
| 9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 63,335 and including warranty reserves of \$ and accrued accident and health experience rating refunds including \$ for medical loss ratio rebate per the Public Health Service Act) | 3,801,759         | 3,506,742       |
| 10. Advance premium   | 43,301            | 50,212          |
| 11. Dividends declared and unpaid:  |                   |                 |
| 11.1 Stockholders   | 0                 | 0               |
| 11.2 Policyholders  | 0                 | 0               |
| 12. Ceded reinsurance premiums payable (net of ceding commissions)  | 27,394            | 30,030          |
| 13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)  | 0                 | 0               |
| 14. Amounts withheld or retained by company for account of others   | 563,150           | 621,674         |
| 15. Remittances and items not allocated   | 0                 | 0               |
| 16. Provision for reinsurance (Schedule F, Part 7)  | 26,640            | 26,640          |
| 17. Net adjustments in assets and liabilities due to foreign exchange rates   | 0                 | 0               |
| 18. Drafts outstanding  | 0                 | 0               |
| 19. Payable to parent, subsidiaries and affiliates  | 0                 | 445,317         |
| 20. Derivatives   | 0                 | 0               |
| 21. Payable for securities  | 0                 | 0               |
| 22. Payable for securities lending  | 0                 | 0               |
| 23. Liability for amounts held under uninsured plans  | 0                 | 0               |
| 24. Capital notes \$ and interest thereon \$  | 0                 | 0               |
| 25. Aggregate write-ins for liabilities   | 0                 | 0               |
| 26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)   | 8,021,968         | 8,123,423       |
| 27. Protected cell liabilities  | 0                 | 0               |
| 28. Total liabilities (Lines 26 and 27)   | 8,021,968         | 8,123,423       |
| 29. Aggregate write-ins for special surplus funds   | 174,829           | 0               |
| 30. Common capital stock  | 0                 | 0               |
| 31. Preferred capital stock   | 0                 | 0               |
| 32. Aggregate write-ins for other than special surplus funds  | 0                 | 0               |
| 33. Surplus notes   | 0                 | 0               |
| 34. Gross paid in and contributed surplus   | 0                 | 0               |
| 35. Unassigned funds (surplus)  | 11,026,112        | 11,163,381      |
| 36. Less treasury stock, at cost:   |                   |                 |
| 36.1 shares common (value included in Line 30 \$ )  | 0                 | 0               |
| 36.2 shares preferred (value included in Line 31 \$ )   | 0                 | 0               |
| 37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)  | 11,200,941        | 11,163,381      |
| 38. Totals (Page 2, Line 28, Col. 3)  | 19,222,909        | 19,286,804      |
| <b>DETAILS OF WRITE-INS</b>   |                   |                 |
| 2501.   |                   |                 |
| 2502.   |                   |                 |
| 2503.   |                   |                 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page   | 0                 | 0               |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)  | 0                 | 0               |
| 2901. Surplus from SSAP No. 10R   | 174,829           | 0               |
| 2902.   |                   |                 |
| 2903.   |                   |                 |
| 2998. Summary of remaining write-ins for Line 29 from overflow page   | 0                 | 0               |
| 2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)  | 174,829           | 0               |
| 3201.   |                   |                 |
| 3202.   |                   |                 |
| 3203.   |                   |                 |
| 3298. Summary of remaining write-ins for Line 32 from overflow page   | 0                 | 0               |
| 3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)  | 0                 | 0               |

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**STATEMENT OF INCOME**

|   | 1<br>Current Year | 2<br>Prior Year |
|---|-------------------|-----------------|
| <b>UNDERWRITING INCOME</b>  |                   |                 |
| 1. Premiums earned (Part 1, Line 35, Column 4) .....  | 7,884,960         | 7,523,312       |
| DEDUCTIONS:   |                   |                 |
| 2. Losses incurred (Part 2, Line 35, Column 7) .....  | 5,146,685         | 4,563,369       |
| 3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1) .....  | 736,889           | 739,322         |
| 4. Other underwriting expenses incurred (Part 3, Line 25, Column 2) .....   | 2,768,986         | 2,772,689       |
| 5. Aggregate write-ins for underwriting deductions .....  | 0                 | 0               |
| 6. Total underwriting deductions (Lines 2 through 5) .....  | 8,652,560         | 8,075,380       |
| 7. Net income of protected cells .....  | 0                 | 0               |
| 8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7) .....   | (767,600)         | (552,068)       |
| <b>INVESTMENT INCOME</b>  |                   |                 |
| 9. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....   | 560,321           | 553,113         |
| 10. Net realized capital gains (losses) less capital gains tax of \$ 56,797 (Exhibit of Capital Gains (Losses)) .....   | 110,253           | 54,964          |
| 11. Net investment gain (loss) (Lines 9 + 10) .....   | 670,574           | 608,077         |
| <b>OTHER INCOME</b>   |                   |                 |
| 12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ charged off \$ (7,037) ) .....  | amount<br>(7,037) | (5,610)         |
| 13. Finance and service charges not included in premiums .....  | 135,931           | 122,237         |
| 14. Aggregate write-ins for miscellaneous income .....  | 1,568             | (201)           |
| 15. Total other income (Lines 12 through 14) .....  | 130,462           | 116,426         |
| 16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15) .....     | 33,436            | 172,435         |
| 17. Dividends to policyholders .....  | 0                 | 0               |
| 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) ..... | 33,436            | 172,435         |
| 19. Federal and foreign income taxes incurred .....   | (68,023)          | (9,121)         |
| 20. Net income (Line 18 minus Line 19) (to Line 22) .....   | 101,459           | 181,556         |
| <b>CAPITAL AND SURPLUS ACCOUNT</b>  |                   |                 |
| 21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2) .....  | 11,163,381        | 10,781,297      |
| 22. Net income (from Line 20) .....   | 101,459           | 181,556         |
| 23. Net transfers (to) from Protected Cell accounts .....   | 0                 | 0               |
| 24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (75,096) .....  | (145,775)         | 217,897         |
| 25. Change in net unrealized foreign exchange capital gain (loss) .....   | 0                 | 0               |
| 26. Change in net deferred income tax .....   | (81,696)          | (16,026)        |
| 27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3) .....   | (11,258)          | (1,343)         |
| 28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1) .....  | 0                 | 0               |
| 29. Change in surplus notes .....   | 0                 | 0               |
| 30. Surplus (contributed to) withdrawn from protected cells .....   | 0                 | 0               |
| 31. Cumulative effect of changes in accounting principles .....   | 0                 | 0               |
| 32. Capital changes:  |                   |                 |
| 32.1 Paid in .....  | 0                 | 0               |
| 32.2 Transferred from surplus (Stock Dividend) .....  | 0                 | 0               |
| 32.3 Transferred to surplus .....   | 0                 | 0               |
| 33. Surplus adjustments:  |                   |                 |
| 33.1 Paid in .....  | 0                 | 0               |
| 33.2 Transferred to capital (Stock Dividend) .....  | 0                 | 0               |
| 33.3 Transferred from capital .....   | 0                 | 0               |
| 34. Net remittances from or (to) Home Office .....  | 0                 | 0               |
| 35. Dividends to stockholders .....   | 0                 | 0               |
| 36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1) .....   | 0                 | 0               |
| 37. Aggregate write-ins for gains and losses in surplus .....   | 174,829           | 0               |
| 38. Change in surplus as regards policyholders for the year (Lines 22 through 37) .....   | 37,559            | 382,084         |
| 39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37) .....   | 11,200,940        | 11,163,381      |
| <b>DETAILS OF WRITE-INS</b>   |                   |                 |
| 0501. .....   |                   |                 |
| 0502. .....   |                   |                 |
| 0503. .....   |                   |                 |
| 0598. Summary of remaining write-ins for Line 5 from overflow page .....  | 0                 | 0               |
| 0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above) .....   | 0                 | 0               |
| 1401. OTHER INCOME .....  | 1,568             | (201)           |
| 1402. .....   |                   |                 |
| 1403. .....   |                   |                 |
| 1498. Summary of remaining write-ins for Line 14 from overflow page .....   | 0                 | 0               |
| 1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) .....  | 1,568             | (201)           |
| 3701. Change in surplus from SSAP No. 10R .....   | 174,829           | 0               |
| 3702. .....   |                   |                 |
| 3703. .....   |                   |                 |
| 3798. Summary of remaining write-ins for Line 37 from overflow page .....   | 0                 | 0               |
| 3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above) .....  | 174,829           | 0               |

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**CASH FLOW**

|  | 1<br>Current Year | 2<br>Prior Year |
|--|-------------------|-----------------|
| <b>Cash from Operations</b>  |                   |                 |
| 1. Premiums collected net of reinsurance.....  | 8,124,456         | 7,750,384       |
| 2. Net investment income.....  | 574,835           | 567,916         |
| 3. Miscellaneous income.....   | 130,462           | 116,426         |
| 4. Total (Lines 1 through 3).....  | 8,829,753         | 8,434,726       |
| 5. Benefit and loss related payments.....  | 4,886,164         | 4,611,158       |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....                    | 0                 | 0               |
| 7. Commissions, expenses paid and aggregate write-ins for deductions.....                                      | 3,696,553         | 3,419,324       |
| 8. Dividends paid to policyholders.....  | 0                 | 0               |
| 9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses).....              | (78,284)          | 23,811          |
| 10. Total (Lines 5 through 9).....   | 8,504,433         | 8,054,293       |
| 11. Net cash from operations (Line 4 minus Line 10).....   | 325,320           | 380,433         |
| <b>Cash from Investments</b>   |                   |                 |
| 12. Proceeds from investments sold, matured or repaid:   |                   |                 |
| 12.1 Bonds.....  | 1,260,124         | 1,102,813       |
| 12.2 Stocks.....   | 1,874,556         | 2,310,701       |
| 12.3 Mortgage loans.....   | 0                 | 0               |
| 12.4 Real estate.....  | 0                 | 0               |
| 12.5 Other invested assets.....  | 0                 | 0               |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....                           | 0                 | 0               |
| 12.7 Miscellaneous proceeds.....   | 1                 | 0               |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7).....   | 3,134,681         | 3,413,514       |
| 13. Cost of investments acquired (long-term only):   |                   |                 |
| 13.1 Bonds.....  | 1,698,162         | 1,032,997       |
| 13.2 Stocks.....   | 1,755,087         | 2,713,411       |
| 13.3 Mortgage loans.....   | 0                 | 0               |
| 13.4 Real estate.....  | 0                 | 0               |
| 13.5 Other invested assets.....  | 0                 | 0               |
| 13.6 Miscellaneous applications.....   | 0                 | 5               |
| 13.7 Total investments acquired (Lines 13.1 to 13.6).....  | 3,453,249         | 3,746,413       |
| 14. Net increase (decrease) in contract loans and premium notes.....   | 0                 | 0               |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14).....                                   | (318,568)         | (332,899)       |
| <b>Cash from Financing and Miscellaneous Sources</b>   |                   |                 |
| 16. Cash provided (applied):   |                   |                 |
| 16.1 Surplus notes, capital notes.....   | 0                 | 0               |
| 16.2 Capital and paid in surplus, less treasury stock.....   | 0                 | 0               |
| 16.3 Borrowed funds.....   | 0                 | 0               |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities.....                               | 0                 | 0               |
| 16.5 Dividends to stockholders.....  | 0                 | 0               |
| 16.6 Other cash provided (applied).....  | (643,101)         | 239,617         |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)..... | (643,101)         | 239,617         |
| <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 Lines 15 and 17).....       | (636,349)         | 287,151         |
| 19. Cash, cash equivalents and short-term investments:   |                   |                 |
| 19.1 Beginning of year.....  | 1,039,490         | 752,339         |
| 19.2 End of year (Line 18 plus Line 19.1).....   | 403,141           | 1,039,490       |

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1 - PREMIUMS EARNED**

| Line of Business   | 1<br>Net Premiums Written per Column 6, Part 1B | 2<br>Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1 | 3<br>Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A | 4<br>Premiums Earned During Year (Cols. 1 + 2 - 3) |
|--|---|--|--|--|
| 1. Fire .....  | 127,479   | .67,272  | 78,578   | 116,173  |
| 2. Allied lines .....  | .71,241   | .33,827  | .39,442  | .65,626  |
| 3. Farmowners multiple peril .....                                     | 711,451   | .362,567   | .391,371   | .682,647   |
| 4. Homeowners multiple peril .....                                     | 2,092,117                                       | .1,076,504   | .1,217,123   | 1,951,498  |
| 5. Commercial multiple peril .....                                     | 816,129   | .400,303   | .435,139   | .781,293   |
| 6. Mortgage guaranty .....   | 0   | 0  | 0  | 0  |
| 8. Ocean marine .....  | 0   | 0  | 0  | 0  |
| 9. Inland marine .....   | 65,558  | .33,087  | .34,745  | .63,900  |
| 10. Financial guaranty .....   | 0   | 0  | 0  | 0  |
| 11.1 Medical professional liability - occurrence .....                 | 0   | 0  | 0  | 0  |
| 11.2 Medical professional liability - claims-made .....                | 0   | 0  | 0  | 0  |
| 12. Earthquake .....   | .1,654  | .749   | .822   | .1,581   |
| 13. Group accident and health .....                                    | 0   | 0  | 0  | 0  |
| 14. Credit accident and health (group and individual) .....            | 0   | 0  | 0  | 0  |
| 15. Other accident and health .....                                    | 0   | 0  | 0  | 0  |
| 16. Workers' compensation .....  | 43,501  | .19,606  | .21,710  | .41,397  |
| 17.1 Other liability - occurrence .....                                | .36,442   | .20,380  | .21,594  | .35,228  |
| 17.2 Other liability - claims-made .....                               | 6   | 0  | .4   | 2  |
| 17.3 Excess workers' compensation .....                                | 0   | 0  | 0  | 0  |
| 18.1 Products liability - occurrence .....                             | .5,598  | .2,914   | .3,020   | .5,492   |
| 18.2 Products liability - claims-made .....                            | 0   | 0  | 0  | 0  |
| 19.1,19.2 Private passenger auto liability .....                       | 2,057,956                                       | .687,048   | .732,943   | .2,012,061   |
| 19.3,19.4 Commercial auto liability .....                              | 302,597   | .138,438   | .147,701   | .293,334   |
| 21. Auto physical damage .....   | 1,837,031                                       | .658,806   | .671,666   | .1,824,171   |
| 22. Aircraft (all perils) .....  | 0   | 0  | 0  | 0  |
| 23. Fidelity .....   | 0   | 0  | 0  | 0  |
| 24. Surety .....   | 0   | 0  | 0  | 0  |
| 26. Burglary and theft .....   | .4,718  | .2,388   | .2,584   | .4,522   |
| 27. Boiler and machinery .....   | .6,499  | .2,853   | .3,317   | .6,035   |
| 28. Credit .....   | 0   | 0  | 0  | 0  |
| 29. International .....  | 0   | 0  | 0  | 0  |
| 30. Warranty .....   | 0   | 0  | 0  | 0  |
| 31. Reinsurance - nonproportional assumed property .....               | 0   | 0  | 0  | 0  |
| 32. Reinsurance - nonproportional assumed liability .....              | 0   | 0  | 0  | 0  |
| 33. Reinsurance - nonproportional assumed financial Lines .....        | 0   | 0  | 0  | 0  |
| 34. Aggregate write-ins for other lines of business .....              | 0   | 0  | 0  | 0  |
| 35. TOTALS .....   | 8,179,977                                       | 3,506,742  | 3,801,759  | 7,884,960  |
| <b>DETAILS OF WRITE-INS</b>  |   |  |  |  |
| 3401. ....   |   |  |  |  |
| 3402. ....   |   |  |  |  |
| 3403. ....   |   |  |  |  |
| 3498. Sum. of remaining write-ins for Line 34 from overflow page ..... | 0   | 0  | 0  | 0  |
| 3499. Totals (Lines 3401 through 3403 + 3498) (Line 34 above) .....    | 0   | 0  | 0  | 0  |

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1A - RECAPITULATION OF ALL PREMIUMS**

| Line of Business  | 1<br>Amount Unearned<br>(Running One Year or<br>Less from Date of<br>Policy)<br>(a) | 2<br>Amount Unearned<br>(Running More Than<br>One Year from Date<br>of Policy)<br>(a) | 3<br>Earned<br>but<br>Unbilled Premium | 4<br>Reserve for Rate<br>Credits and<br>Retrospective<br>Adjustments Based<br>on Experience | 5<br>Total Reserve<br>for<br>Unearned Premiums<br>Cols. 1 + 2 + 3 + 4 |
|---|---|---|--|---|---|
| 1. Fire .....   | 78,578  |   |  |   | 78,578  |
| 2. Allied lines .....   | 39,442  |   |  |   | 39,442  |
| 3. Farmowners multiple peril .....  | 391,371   |   |  |   | 391,371   |
| 4. Homeowners multiple peril .....  | 1,217,123   |   |  |   | 1,217,123   |
| 5. Commercial multiple peril .....  | 435,139   |   |  |   | 435,139   |
| 6. Mortgage guaranty .....  | 0   |   |  |   | 0   |
| 8. Ocean marine .....   | 0   |   |  |   | 0   |
| 9. Inland marine .....  | 34,745  |   |  |   | 34,745  |
| 10. Financial guaranty .....  | 0   |   |  |   | 0   |
| 11.1 Medical professional liability - occurrence .....                    | 0   |   |  |   | 0   |
| 11.2 Medical professional liability - claims-made .....                   | 0   |   |  |   | 0   |
| 12. Earthquake .....  | 822   |   |  |   | 822   |
| 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 .....   | 21,710  |   |  |   | 21,710  |
| 17.1 Other liability - occurrence .....                                   | 21,594  |   |  |   | 21,594  |
| 17.2 Other liability - claims-made .....                                  | 4   |   |  |   | 4   |
| 17.3 Excess workers' compensation .....                                   | 0   |   |  |   | 0   |
| 18.1 Products liability - occurrence .....                                | 3,020   |   |  |   | 3,020   |
| 18.2 Products liability - claims-made .....                               | 0   |   |  |   | 0   |
| 19.1,19.2 Private passenger auto liability .....                          | 732,943   |   |  |   | 732,943   |
| 19.3,19.4 Commercial auto liability .....                                 | 147,701   |   |  |   | 147,701   |
| 21. Auto physical damage .....  | 671,666   |   |  |   | 671,666   |
| 22. Aircraft (all perils) .....   | 0   |   |  |   | 0   |
| 23. Fidelity .....  | 0   |   |  |   | 0   |
| 24. Surety .....  | 0   |   |  |   | 0   |
| 26. Burglary and theft .....  | 2,584   |   |  |   | 2,584   |
| 27. Boiler and machinery .....  | 3,317   |   |  |   | 3,317   |
| 28. Credit .....  | 0   |   |  |   | 0   |
| 29. International .....   | 0   |   |  |   | 0   |
| 30. Warranty .....  | 0   |   |  |   | 0   |
| 31. Reinsurance - nonproportional assumed property .....                  | 0   |   |  |   | 0   |
| 32. Reinsurance - nonproportional assumed liability .....                 | 0   |   |  |   | 0   |
| 33. Reinsurance - nonproportional assumed financial<br>lines .....        | 0   |   |  |   | 0   |
| 34. Aggregate write-ins for other lines of business .....                 | 0   | 0   | 0                                      | 0   | 0   |
| 35. TOTALS .....  | 3,801,759   | 0   | 0                                      | 0   | 3,801,759   |
| 36. Accrued retrospective premiums based on experience .....              |   |   |  |   |   |
| 37. Earned but unbilled premiums .....                                    |   |   |  |   |   |
| 38. Balance (Sum of Lines 35 through 37) .....                            |   |   |  |   | 3,801,759   |
| <b>DETAILS OF WRITE-INS</b>   |   |   |  |   |   |
| 3401. ....  |   |   |  |   |   |
| 3402. ....  |   |   |  |   |   |
| 3403. ....  |   |   |  |   |   |
| 3498. Sum. of remaining write-ins for Line 34 from<br>overflow page ..... | 0   | 0   | 0                                      | 0   | 0   |
| 3499. Totals (Lines 3401 through 3403 plus 3498) (Line<br>34 above) ..... | 0   | 0   | 0                                      | 0   | 0   |

(a) State here basis of computation used in each case .

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1B - PREMIUMS WRITTEN**

| Line of Business   | 1<br>Direct<br>Business<br>(a) | Reinsurance Assumed     |                             | Reinsurance Ceded     |                           | 6<br>Net Premiums<br>Written<br>Cols.<br>1 + 2 + 3 - 4 - 5 |
|--|--------------------------------|-------------------------|-----------------------------|-----------------------|---------------------------|--|
|  |                                | 2<br>From<br>Affiliates | 3<br>From<br>Non-Affiliates | 4<br>To<br>Affiliates | 5<br>To<br>Non-Affiliates |  |
| 1. Fire  | 41,707                         | 124,479                 |                             | 33,847                | 4,860                     | 127,479  |
| 2. Allied lines  | 18,871                         | 71,241                  |                             | 17,438                | 1,433                     | 71,241   |
| 3. Farmowners multiple peril                                     | 362,913                        | 711,451                 |                             | 329,966               | 32,947                    | 711,451  |
| 4. Homeowners multiple peril                                     | 1,221,559                      | 2,092,110               |                             | 1,129,656             | 91,896                    | 2,092,117  |
| 5. Commercial multiple peril                                     | 0                              | 816,129                 |                             | 0                     | 0                         | 816,129  |
| 6. Mortgage guaranty   | 0                              | 0                       |                             | 0                     | 0                         | 0  |
| 8. Ocean marine  | 0                              | 0                       |                             | 0                     | 0                         | 0  |
| 9. Inland marine   | 0                              | 65,558                  |                             | 0                     | 0                         | 65,558   |
| 10. Financial guaranty   | 0                              | 0                       |                             | 0                     | 0                         | 0  |
| 11.1 Medical professional liability - occurrence                 | 0                              | 0                       |                             | 0                     | 0                         | 0  |
| 11.2 Medical professional liability - claims-made                | 0                              | 0                       |                             | 0                     | 0                         | 0  |
| 12. Earthquake   | 0                              | 1,654                   |                             | 0                     | 0                         | 1,654  |
| 13. Group accident and health                                    | 0                              | 0                       |                             | 0                     | 0                         | 0  |
| 14. Credit accident and health (group and individual)            | 0                              | 0                       |                             | 0                     | 0                         | 0  |
| 15. Other accident and health                                    | 0                              | 0                       |                             | 0                     | 0                         | 0  |
| 16. Workers' compensation  | 0                              | 43,501                  |                             | 0                     | 0                         | 43,501   |
| 17.1 Other liability - occurrence                                | 1,727                          | 36,442                  |                             | 1,719                 | 8                         | 36,442   |
| 17.2 Other liability - claims-made                               | 0                              | 6                       |                             | 0                     | 0                         | 6  |
| 17.3 Excess workers' compensation                                | 0                              | 0                       |                             | 0                     | 0                         | 0  |
| 18.1 Products liability - occurrence                             | 0                              | 5,598                   |                             | 0                     | 0                         | 5,598  |
| 18.2 Products liability - claims-made                            | 0                              | 0                       |                             | 0                     | 0                         | 0  |
| 19.1,19.2 Private passenger auto liability                       | 0                              | 2,057,956               |                             | 0                     | 0                         | 2,057,956  |
| 19.3,19.4 Commercial auto liability                              | 0                              | 302,597                 |                             | 0                     | 0                         | 302,597  |
| 21. Auto physical damage   | 0                              | 1,837,031               |                             | 0                     | 0                         | 1,837,031  |
| 22. Aircraft (all perils)  | 0                              | 0                       |                             | 0                     | 0                         | 0  |
| 23. Fidelity   | 0                              | 0                       |                             | 0                     | 0                         | 0  |
| 24. Surety   | 0                              | 0                       |                             | 0                     | 0                         | 0  |
| 26. Burglary and theft   | 0                              | 4,718                   |                             | 0                     | 0                         | 4,718  |
| 27. Boiler and machinery   | 0                              | 6,499                   |                             | 0                     | 0                         | 6,499  |
| 28. Credit   | 0                              | 0                       |                             | 0                     | 0                         | 0  |
| 29. International  | 0                              | 0                       |                             | 0                     | 0                         | 0  |
| 30. Warranty   | 0                              | 0                       |                             | 0                     | 0                         | 0  |
| 31. Reinsurance - nonproportional assumed property               | XXX                            | 0                       |                             | 0                     | 0                         | 0  |
| 32. Reinsurance - nonproportional assumed liability              | XXX                            | 0                       |                             | 0                     | 0                         | 0  |
| 33. Reinsurance - nonproportional assumed financial lines        | XXX                            | 0                       |                             | 0                     | 0                         | 0  |
| 34. Aggregate write-ins for other lines of business              | 0                              | 0                       | 0                           | 0                     | 0                         | 0  |
| 35. TOTALS   | 1,646,777                      | 8,176,970               | 0                           | 1,512,626             | 131,144                   | 8,179,977  |
| <b>DETAILS OF WRITE-INS</b>                                      |                                |                         |                             |                       |                           |  |
| 3401.  |                                |                         |                             |                       |                           |  |
| 3402.  |                                |                         |                             |                       |                           |  |
| 3403.  |                                |                         |                             |                       |                           |  |
| 3498. Sum. of remaining write-ins for Line 34 from overflow page | 0                              | 0                       | 0                           | 0                     | 0                         | 0  |
| 3499. Totals (Lines 3401 through 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 \$ .....

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

## ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

## UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2 - LOSSES PAID AND INCURRED

| Line of Business   | Losses Paid Less Salvage |                             |                               |  | 5          | 6          | 7          | 8      |
|--|--------------------------|-----------------------------|-------------------------------|--|------------|------------|------------|--------|
|  | 1<br>Direct Business     | 2<br>Reinsurance<br>Assumed | 3<br>Reinsurance<br>Recovered | 4<br>Net Payments<br>(Cols. 1 + 2 - 3) |            |            |            |        |
| 1. Fire .....  | .0                       | 38,729                      | 0                             | 38,729                                 | 4,746      | 11,130     | .32,345    | .27.8  |
| 2. Allied lines .....  | 2,008                    | .66,467                     | .2,008                        | .66,467                                | .11,306    | .8,180     | .69,593    | .106.0 |
| 3. Farmowners multiple peril .....                                     | .54,088                  | .336,403                    | .54,088                       | .336,403                               | .154,663   | .117,123   | .373,943   | .54.8  |
| 4. Homeowners multiple peril .....                                     | .697,949                 | .1,446,399                  | .697,949                      | .1,446,399                             | .363,626   | .332,256   | .1,477,769 | .75.7  |
| 5. Commercial multiple peril .....                                     | .0                       | .421,461                    | 0                             | .421,461                               | .283,890   | .222,187   | .483,164   | .61.8  |
| 6. Mortgage guaranty .....   | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 8. Ocean marine .....  | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 9. Inland marine .....   | .0                       | 19,091                      | 0                             | .19,091                                | .6,227     | .8,185     | .17,133    | .26.8  |
| 10. Financial guaranty .....   | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 11.1 Medical professional liability - occurrence .....                 | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 11.2 Medical professional liability - claims-made .....                | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 12. Earthquake .....   | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 13. Group accident and health .....                                    | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 14. Credit accident and health (group and individual) .....            | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 15. Other accident and health .....                                    | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 16. Workers' compensation .....  | .0                       | 18,611                      | 0                             | .18,611                                | .10,121    | .12,593    | .16,139    | .39.0  |
| 17.1 Other liability - occurrence .....                                | 1,000                    | .2,869                      | .1,000                        | .2,869                                 | .28,875    | .22,230    | .9,514     | .27.0  |
| 17.2 Other liability - claims-made .....                               | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 17.3 Excess workers' compensation .....                                | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 18.1 Products liability - occurrence .....                             | .0                       | .1,258                      | 0                             | .1,258                                 | .500       | .751       | .1,007     | .18.3  |
| 18.2 Products liability - claims-made .....                            | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 19.1,19.2 Private passenger auto liability .....                       | (2,335)                  | .1,273,305                  | (2,335)                       | .1,273,305                             | .1,403,097 | .1,225,106 | .1,451,296 | .72.1  |
| 19.3,19.4 Commercial auto liability .....                              | .0                       | .85,180                     | 0                             | .85,180                                | .158,130   | .160,812   | .82,498    | .28.1  |
| 21. Auto physical damage .....   | (3,449)                  | .1,128,569                  | (3,449)                       | .1,128,569                             | .108,229   | .106,671   | .1,130,127 | .62.0  |
| 22. Aircraft (all perils) .....  | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 23. Fidelity .....   | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 24. Surety .....   | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 26. Burglary and theft .....   | .0                       | .749                        | 0                             | .749                                   | .3,158     | .1,750     | .2,157     | .47.7  |
| 27. Boiler and machinery .....   | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 28. Credit .....   | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 29. International .....  | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 30. Warranty .....   | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 31. Reinsurance - nonproportional assumed property .....               | XXX                      | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 32. Reinsurance - nonproportional assumed liability .....              | XXX                      | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 33. Reinsurance - nonproportional assumed financial lines .....        | XXX                      | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 34. Aggregate write-ins for other lines of business .....              | 0                        | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 35. TOTALS .....   | 749,261                  | 4,839,091                   | 749,261                       | 4,839,091                              | 2,536,568  | 2,228,974  | 5,146,685  | 65.3   |
| <b>DETAILS OF WRITE-INS</b>  |                          |                             |                               |  |            |            |            |        |
| 3401. ....   |                          |                             |                               |  |            |            |            |        |
| 3402. ....   |                          |                             |                               |  |            |            |            |        |
| 3403. ....   |                          |                             |                               |  |            |            |            |        |
| 3498. Sum. of remaining write-ins for Line 34 from overflow page ..... | .0                       | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |
| 3499. Totals (Lines 3401 through 3403 + 3498) (Line 34 above) .....    | 0                        | 0                           | 0                             | 0                                      | 0          | 0          | 0          | 0.0    |

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

| Line of Business   | Reported Losses |                             |  | Incurred But Not Reported  |             |                             | 8                         | 9         |
|--|-----------------|-----------------------------|--|--|-------------|-----------------------------|---------------------------|-----------|
|  | 1<br>Direct     | 2<br>Reinsurance<br>Assumed | 3<br>Deduct Reinsurance<br>Recoverable from<br>Authorized and<br>Unauthorized<br>Companies | 4<br>Net Losses Excl.<br>Incurred But<br>Not Reported<br>(Cols. 1 + 2 - 3) | 5<br>Direct | 6<br>Reinsurance<br>Assumed | 7<br>Reinsurance<br>Ceded |           |
| 1. Fire .....  | 0               | 1,845                       | 0  | 1,845  | 0           | 2,901                       | 0                         | 4,746     |
| 2. Allied lines .....  | 0               | 7,386                       | 0  | 7,386  | .183        | 3,920                       | .183                      | 11,306    |
| 3. Farmowners multiple peril .....                                     | .16,132         | 106,863                     | 16,132   | 106,863  | .6,457      | 47,800                      | .6,457                    | 154,663   |
| 4. Homeowners multiple peril .....                                     | 122,924         | 291,137                     | 122,924  | 291,137  | .24,034     | 72,489                      | .24,034                   | 363,626   |
| 5. Commercial multiple peril .....                                     | 0               | 181,790                     | 0  | 181,790  | 0           | 102,100                     | 0                         | 283,890   |
| 6. Mortgage guaranty .....   | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 8. Ocean marine .....  | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 9. Inland marine .....   | 0               | 1,337                       | 0  | 1,337  | 0           | 4,890                       | 0                         | 6,227     |
| 10. Financial guaranty .....   | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 11.1 Medical professional liability - occurrence .....                 | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 11.2 Medical professional liability - claims-made .....                | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 12. Earthquake .....   | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 13. Group accident and health .....                                    | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 14. Credit accident and health (group and individual) .....            | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 15. Other accident and health .....                                    | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 16. Workers' compensation .....  | 0               | 2,871                       | 0  | 2,871  | 0           | 7,250                       | 0                         | 10,121    |
| 17.1 Other liability - occurrence .....                                | 0               | 21,275                      | 0  | .21,275  | 0           | 7,600                       | 0                         | 28,875    |
| 17.2 Other liability - claims-made .....                               | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 17.3 Excess workers' compensation .....                                | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 18.1 Products liability - occurrence .....                             | 0               | 500                         | 0  | .500   | 0           | 0                           | 0                         | .500      |
| 18.2 Products liability - claims-made .....                            | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 19.1,19.2 Private passenger auto liability .....                       | 124,214         | 1,325,547                   | 124,214  | 1,325,547  | 0           | 77,550                      | 0                         | 1,403,097 |
| 19.3,19.4 Commercial auto liability .....                              | 0               | 128,930                     | 0  | 128,930  | 0           | 29,200                      | 0                         | 158,130   |
| 21. Auto physical damage .....   | 0               | 72,128                      | 0  | .72,128  | 0           | 36,101                      | 0                         | 108,229   |
| 22. Aircraft (all perils) .....  | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 23. Fidelity .....   | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 24. Surety .....   | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 26. Burglary and theft .....   | 0               | 3,158                       | 0  | .3,158   | 0           | 0                           | 0                         | 3,158     |
| 27. Boiler and machinery .....   | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 28. Credit .....   | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 29. International .....  | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 30. Warranty .....   | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 31. Reinsurance - nonproportional assumed property .....               | XXX             | 0                           | 0  | 0  | XXX         | 0                           | 0                         | 0         |
| 32. Reinsurance - nonproportional assumed liability .....              | XXX             | 0                           | 0  | 0  | XXX         | 0                           | 0                         | 0         |
| 33. Reinsurance - nonproportional assumed financial lines .....        | XXX             | 0                           | 0  | 0  | XXX         | 0                           | 0                         | 0         |
| 34. Aggregate write-ins for other lines of business .....              | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 35. TOTALS .....   | 263,270         | 2,144,767                   | 263,270  | 2,144,767  | 30,674      | 391,801                     | 30,674                    | 2,536,568 |
| <b>DETAILS OF WRITE-INS</b>  |                 |                             |  |  |             |                             |                           |           |
| 3401. ....   |                 |                             |  |  |             |                             |                           |           |
| 3402. ....   |                 |                             |  |  |             |                             |                           |           |
| 3403. ....   |                 |                             |  |  |             |                             |                           |           |
| 3498. Sum. of remaining write-ins for Line 34 from overflow page ..... | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |
| 3499. Totals (Lines 3401 through 3403 + 3498) (Line 34 above) .....    | 0               | 0                           | 0  | 0  | 0           | 0                           | 0                         | 0         |

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

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 3 - EXPENSES**

|   | 1<br>Loss Adjustment<br>Expenses | 2<br>Other Underwriting<br>Expenses | 3<br>Investment<br>Expenses | 4<br>Total    |
|---|----------------------------------|-------------------------------------|-----------------------------|---------------|
| 1. Claim adjustment services:   |                                  |                                     |                             |               |
| 1.1 Direct .....  | 253,384                          | .0                                  | .0                          | 253,384       |
| 1.2 Reinsurance assumed .....   | .0                               | .0                                  | .0                          | 0             |
| 1.3 Reinsurance ceded .....   | 8,824                            | .0                                  | .0                          | 8,824         |
| 1.4 Net claim adjustment services (1.1 + 1.2 - 1.3) .....                               | 244,560                          | .0                                  | .0                          | 244,560       |
| 2. Commission and brokerage:  |                                  |                                     |                             |               |
| 2.1 Direct, excluding contingent .....  | .0                               | 1,347,947                           | .0                          | 1,347,947     |
| 2.2 Reinsurance assumed, excluding contingent .....                                     | .0                               | .0                                  | .0                          | 0             |
| 2.3 Reinsurance ceded, excluding contingent .....                                       | .0                               | .32,014                             | .0                          | .32,014       |
| 2.4 Contingent-direct .....   | .0                               | .89,300                             | .0                          | .89,300       |
| 2.5 Contingent-reinsurance assumed .....  | .0                               | .0                                  | .0                          | 0             |
| 2.6 Contingent-reinsurance ceded .....  | .0                               | .0                                  | .0                          | 0             |
| 2.7 Policy and membership fees .....  | .0                               | .0                                  | .0                          | 0             |
| 2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7) .....        | 0                                | 1,405,233                           | .0                          | 1,405,233     |
| 3. Allowances to manager and agents .....   | .0                               | 18,611                              | .0                          | 18,611        |
| 4. Advertising .....  | .0                               | 5,601                               | .0                          | 5,601         |
| 5. Boards, bureaus and associations .....   | 2,568                            | 29,065                              | .0                          | 31,633        |
| 6. Surveys and underwriting reports .....   | .0                               | 125,532                             | .0                          | 125,532       |
| 7. Audit of assureds' records .....   | .0                               | .0                                  | .0                          | 0             |
| 8. Salary and related items:  |                                  |                                     |                             |               |
| 8.1 Salaries .....  | 289,761                          | 498,953                             | 35,468                      | 824,182       |
| 8.2 Payroll taxes .....   | 22,460                           | 39,302                              | 3,246                       | 65,008        |
| 9. Employee relations and welfare .....   | 33,403                           | 86,144                              | 1,113                       | 120,660       |
| 10. Insurance .....   | 1,468                            | 2,446                               | 4,568                       | 8,482         |
| 11. Directors' fees .....   | 3,234                            | 12,774                              | 162                         | 16,170        |
| 12. Travel and travel items .....   | 4,147                            | 41,303                              | 1,037                       | 46,487        |
| 13. Rent and rent items .....   | 13,500                           | 29,250                              | 2,250                       | 45,000        |
| 14. Equipment .....   | 9,991                            | 29,212                              | 6,871                       | 46,074        |
| 15. Cost or depreciation of EDP equipment and software .....                            | 27,594                           | 108,994                             | 1,380                       | 137,968       |
| 16. Printing and stationery .....   | 1,893                            | 17,577                              | 946                         | 20,416        |
| 17. Postage, telephone and telegraph, exchange and express .....                        | 7,450                            | 66,016                              | 1,490                       | 74,956        |
| 18. Legal and auditing .....  | 74,860                           | 99,679                              | 46,295                      | 220,834       |
| 19. Totals (Lines 3 to 18) .....  | 492,329                          | 1,210,459                           | 104,826                     | 1,807,614     |
| 20. Taxes, licenses and fees:   |                                  |                                     |                             |               |
| 20.1 State and local insurance taxes deducting guaranty association credits of \$ ..... | .0                               | 97,231                              | .0                          | 97,231        |
| 20.2 Insurance department licenses and fees .....                                       | .0                               | 52,342                              | .0                          | 52,342        |
| 20.3 Gross guaranty association assessments .....                                       | .0                               | .0                                  | .0                          | 0             |
| 20.4 All other (excluding federal and foreign income and real estate) .....             | .0                               | 1,923                               | .0                          | 1,923         |
| 20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) .....                   | 0                                | 151,496                             | 0                           | 151,496       |
| 21. Real estate expenses .....  | .0                               | .0                                  | .0                          | 0             |
| 22. Real estate taxes .....   | .0                               | .0                                  | .0                          | 0             |
| 23. Reimbursements by uninsured plans .....   | .0                               | .0                                  | .0                          | 0             |
| 24. Aggregate write-ins for miscellaneous expenses .....                                | 0                                | 1,798                               | 0                           | 1,798         |
| 25. Total expenses incurred .....   | 736,889                          | 2,768,986                           | 104,826                     | (a) 3,610,701 |
| 26. Less unpaid expenses - current year .....   | 495,500                          | 527,656                             | 0                           | 1,023,156     |
| 27. Add unpaid expenses - prior year .....  | 495,500                          | 718,334                             | 0                           | 1,213,834     |
| 28. Amounts receivable relating to uninsured plans, prior year .....                    | 0                                | 0                                   | 0                           | 0             |
| 29. Amounts receivable relating to uninsured plans, current year .....                  | 0                                | 0                                   | 0                           | 0             |
| 30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29) .....                            | 736,889                          | 2,959,664                           | 104,826                     | 3,801,379     |
| <b>DETAILS OF WRITE-INS</b>   |                                  |                                     |                             |               |
| 2401. Charitable Contributions .....  | .0                               | 1,798                               | .0                          | 1,798         |
| 2402. .....   | .0                               | .0                                  | .0                          | 0             |
| 2403. .....   | .0                               | .0                                  | .0                          | 0             |
| 2498. Summary of remaining write-ins for Line 24 from overflow page .....               | 0                                | 0                                   | 0                           | 0             |
| 2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above) .....                  | 0                                | 1,798                               | 0                           | 1,798         |

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

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**EXHIBIT OF NET INVESTMENT INCOME**

|   |           | 1<br>Collected<br>During Year | 2<br>Earned<br>During Year |
|---|-----------|-------------------------------|----------------------------|
| 1. U.S. Government bonds .....  | (a) ..... | .86,503                       | ..82,574                   |
| 1.1 Bonds exempt from U.S. tax .....  | (a) ..... | 176,162                       | ..177,570                  |
| 1.2 Other bonds (unaffiliated) .....  | (a) ..... | 221,734                       | 224,283                    |
| 1.3 Bonds of affiliates .....   | (a) ..... | 0                             | 0                          |
| 2.1 Preferred stocks (unaffiliated) .....                                     | (b) ..... | .21,678                       | ..21,678                   |
| 2.11 Preferred stocks of affiliates .....                                     | (b) ..... | 0                             | 0                          |
| 2.2 Common stocks (unaffiliated) .....  | .....     | 152,953                       | ..153,823                  |
| 2.21 Common stocks of affiliates .....  | .....     | 0                             | 0                          |
| 3. Mortgage loans .....   | (c) ..... | 0                             | 0                          |
| 4. Real estate .....  | (d) ..... | 0                             | 0                          |
| 5. Contract loans .....   | .....     | 0                             | 0                          |
| 6. Cash, cash equivalents and short-term investments .....                    | (e) ..... | 2,108                         | ..2,046                    |
| 7. Derivative instruments .....   | (f) ..... | 0                             | 0                          |
| 8. Other invested assets .....  | .....     | 0                             | 0                          |
| 9. Aggregate write-ins for investment income .....                            | .....     | 3,172                         | ..3,172                    |
| 10. Total gross investment income .....                                       | .....     | 664,310                       | 665,146                    |
| 11. Investment expenses .....   | (g) ..... | 104,825                       | 0                          |
| 12. Investment taxes, licenses and fees, excluding federal income taxes ..... | (g) ..... | 0                             | 0                          |
| 13. Interest expense .....  | (h) ..... | 0                             | 0                          |
| 14. Depreciation on real estate and other invested assets .....               | (i) ..... | 0                             | 0                          |
| 15. Aggregate write-ins for deductions from investment income .....           | .....     | 0                             | 0                          |
| 16. Total deductions (Lines 11 through 15) .....                              | .....     | 104,825                       | 0                          |
| 17. Net investment income (Line 10 minus Line 16) .....                       | .....     | 560,321                       | 0                          |
| <b>DETAILS OF WRITE-INS</b>   |           |                               |                            |
| 0901. Interest on tax refund .....  | .....     | 1,351                         | 1,351                      |
| 0902. Enron Corporation .....   | .....     | 1,821                         | 1,821                      |
| 0903. .....   | .....     | 0                             | 0                          |
| 0998. Summary of remaining write-ins for Line 9 from overflow page .....      | .....     | 0                             | 0                          |
| 0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9 above) .....         | .....     | 3,172                         | 3,172                      |
| 1501. .....   | .....     | 0                             | 0                          |
| 1502. .....   | .....     | 0                             | 0                          |
| 1503. .....   | .....     | 0                             | 0                          |
| 1598. Summary of remaining write-ins for Line 15 from overflow page .....     | .....     | 0                             | 0                          |
| 1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above) .....        | .....     | 0                             | 0                          |

(a) Includes \$ 12,695 accrual of discount less \$ 28,043 amortization of premium and less \$ 12,216 paid for accrued interest on purchases.  
 (b) Includes \$ accrual of discount less \$ 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 \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.  
 (e) Includes \$ accrual of discount less \$ amortization of premium and less \$ 0 paid for accrued interest on purchases.  
 (f) Includes \$ accrual of discount less \$ amortization of premium.  
 (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.  
 (h) Includes \$ interest on surplus notes and \$ interest on capital notes.  
 (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

|  | 1<br>Realized<br>Gain (Loss)<br>On Sales or<br>Maturity | 2<br>Other<br>Realized<br>Adjustments | 3<br>Total Realized Capital<br>Gain (Loss)<br>(Columns 1 + 2) | 4<br>Change in Unrealized<br>Capital Gain (Loss) | 5.<br>Change in Unrealized<br>Foreign Exchange<br>Capital Gain (Loss) |
|--|---|---------------------------------------|---|--|---|
| 1. U.S. Government bonds .....   | .....   | .....                                 | 0   | 23,460   | 0   |
| 1.1 Bonds exempt from U.S. tax .....                                     | .....   | .....                                 | 0   | 0  | 0   |
| 1.2 Other bonds (unaffiliated) .....                                     | 7,808   | .....                                 | 7,808   | 0  | 0   |
| 1.3 Bonds of affiliates .....  | 0   | 0                                     | 0   | 0  | 0   |
| 2.1 Preferred stocks (unaffiliated) .....                                | 0   | 0                                     | 0   | 313  | 0   |
| 2.11 Preferred stocks of affiliates .....                                | 0   | 0                                     | 0   | 0  | 0   |
| 2.2 Common stocks (unaffiliated) .....                                   | 159,242   | 0                                     | 159,242   | (228,806)  | 0   |
| 2.21 Common stocks of affiliates .....                                   | 0   | 0                                     | 0   | 2,683  | 0   |
| 3. Mortgage loans .....  | 0   | 0                                     | 0   | 0  | 0   |
| 4. Real estate .....   | 0   | 0                                     | 0   | 0  | 0   |
| 5. Contract loans .....  | .....   | .....                                 | 0   | 0  | 0   |
| 6. Cash, cash equivalents and short-term investments .....               | .....   | .....                                 | 0   | 0  | 0   |
| 7. Derivative instruments .....  | .....   | .....                                 | 0   | 0  | 0   |
| 8. Other invested assets .....   | 0   | 0                                     | 0   | (18,522)   | 0   |
| 9. Aggregate write-ins for capital gains (losses) .....                  | 0   | 0                                     | 0   | 0  | 0   |
| 10. Total capital gains (losses) .....                                   | 167,050   | 0                                     | 167,050   | (220,872)  | 0   |
| <b>DETAILS OF WRITE-INS</b>  |   |                                       |   |  |   |
| 0901. .....  | .....   | .....                                 | 0   | 0  | 0   |
| 0902. .....  | .....   | .....                                 | 0   | 0  | 0   |
| 0903. .....  | .....   | .....                                 | 0   | 0  | 0   |
| 0998. Summary of remaining write-ins for Line 9 from overflow page ..... | 0   | 0                                     | 0   | 0  | 0   |
| 0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9 above) .....    | 0   | 0                                     | 0   | 0  | 0   |

## EXHIBIT OF NONADMITTED ASSETS

|  | 1<br>Current Year Total<br>Nonadmitted Assets | 2<br>Prior Year<br>Nonadmitted Assets | 3<br>Change in Total<br>Nonadmitted Assets<br>(Col. 2 - Col. 1) |
|--|---|---------------------------------------|---|
| 1. Bonds (Schedule D).....   | 0   | 0                                     | 0   |
| 2. Stocks (Schedule D):  |   |                                       |   |
| 2.1 Preferred stocks .....   | 0   | 0                                     | 0   |
| 2.2 Common stocks .....  | 47,209  | 44,526                                | (2,683)   |
| 3. Mortgage loans on real estate (Schedule B):   |   |                                       |   |
| 3.1 First liens .....  | 0   | 0                                     | 0   |
| 3.2 Other than first liens .....   | 0   | 0                                     | 0   |
| 4. Real estate (Schedule A):   |   |                                       |   |
| 4.1 Properties occupied by the company .....   | 0   | 0                                     | 0   |
| 4.2 Properties held for the production of income.....  | 0   | 0                                     | 0   |
| 4.3 Properties held for sale .....   | 0   | 0                                     | 0   |
| 5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and<br>short-term investments (Schedule DA)..... | 0   | 0                                     | 0   |
| 6. Contract loans .....  | 0   | 0                                     | 0   |
| 7. Derivatives (Schedule DB).....  | 0   | 0                                     | 0   |
| 8. Other invested assets (Schedule BA).....  | 0   | 0                                     | 0   |
| 9. Receivables for securities .....  | 0   | 0                                     | 0   |
| 10. Securities lending reinvested collateral assets (Schedule DL).....   | 0   | 0                                     | 0   |
| 11. Aggregate write-ins for invested assets .....  | 0   | 0                                     | 0   |
| 12. Subtotals, cash and invested assets (Lines 1 to 11).....   | 47,209  | 44,526                                | (2,683)   |
| 13. Title plants (for Title insurers only).....  | 0   | 0                                     | 0   |
| 14. Investment income due and accrued .....  | 0   | 0                                     | 0   |
| 15. Premiums and considerations:   |   |                                       |   |
| 15.1 Uncollected premiums and agents' balances in the course of<br>collection.....                                     | 294   | 117                                   | (177)   |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred<br>and not yet due.....                  | 0   | 0                                     | 0   |
| 15.3 Accrued retrospective premiums.....   | 0   | 0                                     | 0   |
| 16. Reinsurance:   |   |                                       |   |
| 16.1 Amounts recoverable from reinsurers .....   | 8,398   | 0                                     | (8,398)   |
| 16.2 Funds held by or deposited with reinsured companies .....   | 0   | 0                                     | 0   |
| 16.3 Other amounts receivable under reinsurance contracts .....  | 0   | 0                                     | 0   |
| 17. Amounts receivable relating to uninsured plans .....   | 0   | 0                                     | 0   |
| 18.1 Current federal and foreign income tax recoverable and interest thereon .....                                     | 0   | 0                                     | 0   |
| 18.2 Net deferred tax asset.....   | 0   | 0                                     | 0   |
| 19. Guaranty funds receivable or on deposit .....  | 0   | 0                                     | 0   |
| 20. Electronic data processing equipment and software.....   | 0   | 0                                     | 0   |
| 21. Furniture and equipment, including health care delivery assets.....  | 0   | 0                                     | 0   |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates .....                                       | 0   | 0                                     | 0   |
| 23. Receivables from parent, subsidiaries and affiliates .....   | 0   | 0                                     | 0   |
| 24. Health care and other amounts receivable.....  | 0   | 0                                     | 0   |
| 25. Aggregate write-ins for other than invested assets .....   | 0   | 0                                     | 0   |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and<br>Protected Cell Accounts (Lines 12 to 25)..... | 55,901  | 44,643                                | (11,258)  |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....                                       | 0   | 0                                     | 0   |
| 28. Total (Lines 26 and 27).....   | 55,901  | 44,643                                | (11,258)  |
| <b>DETAILS OF WRITE-INS</b>  |   |                                       |   |
| 1101.....  |   |                                       |   |
| 1102.....  |   |                                       |   |
| 1103.....  |   |                                       |   |
| 1198. Summary of remaining write-ins for Line 11 from overflow page .....  | 0   | 0                                     | 0   |
| 1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above).....   | 0   | 0                                     | 0   |
| 2501.....  |   |                                       |   |
| 2502.....  |   |                                       |   |
| 2503.....  |   |                                       |   |
| 2598. Summary of remaining write-ins for Line 25 from overflow page .....  | 0   | 0                                     | 0   |
| 2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above).....   | 0   | 0                                     | 0   |

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

#### A. Accounting Practices

The financial statements of Sonnenberg Mutual Insurance Company are presented on the basis of accounting principles prescribed or permitted by the Ohio Department of Insurance.

The Ohio Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of Ohio for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under Ohio Insurance Law. The National Association of Insurance Commissioners' ("NAIC") *Accounting Practices and Procedures Manual* ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the state of Ohio.

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

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### C. Accounting Policy

Premiums are earned over the terms of the related policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct business and are based on reports received from ceding companies for reinsurance.

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at cost.
- (2) Bonds not backed by other loans are stated at amortized cost using the interest method; U.S. Treasury Inflation-Indexed bonds are stated at amortized cost adjusted for unrealized inflation factor gains.
- (3) Common stocks are stated at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.
- (4) Preferred stocks are stated in accordance with the guidance provided in SSAP No. 32.
- (5) The Company has no mortgage loans.
- (6) The Company has no loan-backed securities.
- (7) The Company carries investments in subsidiaries, Forward Agencies, Inc. and Western Reserve Financial Corporation, at statutory equity as reported on Schedule D; these assets are reported as nonadmitted on page 2, column 2.
- (8) The Company has minor ownership interests in partnerships. The Company carries these interests based on underlying unaudited GAAP equity of the investee.
- (9) The Company has no derivative instrument investments.
- (10) The Company does not utilize anticipated investment income in the premium deficiency calculation.
- (11) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.
- (12) The Company has not modified its capitalization policy from the prior period.

## NOTES TO FINANCIAL STATEMENTS

### 2. Accounting Changes and Corrections of Errors

Accounting changes adopted to conform to the provisions of the NAIC Accounting Practices and Procedures Manual are reported as changes in accounting principles. The cumulative effect the changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all periods.

The Company has not made any accounting changes or error corrections for the periods ending December 31, 2011 and 2010, respectively.

### 3. Business Combinations and Goodwill

Not applicable.

### 4. Discontinued Operations

Not applicable.

### 5. Investments

#### A. Mortgage Loans, including Mezzanine Real Estate Loans

Not applicable.

#### B. Debt Restructuring

Not applicable.

#### C. Reverse Mortgages

Not applicable.

#### D. Loan-Backed Securities

Not applicable.

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

Not applicable.

#### F. Real Estate

Not applicable.

#### G. Low-income Housing Tax Credits ("LIHTC")

Not applicable.

### 6. Joint Ventures, Partnerships and Limited Liability Companies

The Company has no investments in Joint Ventures, Partnerships, or Limited Liability Companies that exceed 10% of its admitted assets.

### 7. Investment Income

The Company has no uncollectible accrued investment income.

### 8. Derivative Instruments

Not applicable.

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

**NOTES TO FINANCIAL STATEMENTS**

**9. Income Taxes**

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

1.

|   | December 31, 2011 |            |            | December 31, 2010  |                   |                 |
|---|-------------------|------------|------------|--------------------|-------------------|-----------------|
|   | Ordinary          | Capital    | Total      | Ordinary           | Capital           | Total           |
| (a) Gross Deferred Tax Assets                                     | \$ 792,397        | \$ 115,823 | \$ 908,220 | \$ 673,406         | \$ 141,416        | \$ 814,822      |
| (b) Statutory Valuation Allowance Adjustment                      | -                 | -          | -          | -                  | -                 | -               |
| (c) Adjusted Gross Deferred Tax Assets                            | 792,397           | 115,823    | 908,220    | 673,406            | 141,416           | 814,822         |
| (d) Deferred Tax Liabilities                                      | (671,111)         | -          | (671,111)  | (745,942)          | -                 | (745,942)       |
| (e) Subtotal Net Deferred Tax Asset/ (Net Deferred Tax Liability) | 121,286           | 115,823    | 237,109    | (72,536)           | 141,416           | 68,880          |
| (f) Deferred Tax Assets Nonadmitted                               | -                 | -          | -          | -                  | -                 | -               |
| (g) Net Admitted Deferred Tax Asset/ (Net Deferred Tax Liability) | \$ 121,286        | \$ 115,823 | \$ 237,109 | \$ (72,536)        | \$ 141,416        | \$ 68,880       |
|   |                   |            |            | Change<br>Ordinary | Change<br>Capital | Change<br>Total |
| (a) Gross Deferred Tax Assets                                     |                   |            |            | \$ 118,991         | \$ (25,593)       | \$ 93,398       |
| (b) Statutory Valuation Allowance Adjustment                      |                   |            |            | -                  | -                 | -               |
| (c) Adjusted Gross Deferred Tax Assets                            |                   |            |            | 118,991            | (25,593)          | 93,398          |
| (d) Deferred Tax Liabilities                                      |                   |            |            | 74,831             | -                 | 74,831          |
| (e) Subtotal Net Deferred Tax Asset/ (Net Deferred Tax Liability) |                   |            |            | 193,822            | (25,593)          | 168,229         |
| (f) Deferred Tax Assets Nonadmitted                               |                   |            |            | -                  | -                 | -               |
| (g) Net Admitted Deferred Tax Asset/ (Net Deferred Tax Liability) |                   |            |            | \$ 193,822         | \$ (25,593)       | \$ 168,229      |

2. The Company has elected to admit deferred tax assets pursuant to SSAP No. 10R, Paragraph 10.e. for the year ended December 31, 2011.
3. The increased amount by tax character and the change in such, of admitted adjusted gross deferred tax assets as a result of the application of SSAP No. 10R, Paragraph 10.e. is shown below (see 4.).

## NOTES TO FINANCIAL STATEMENTS

## 9. Income Taxes, continued

## A. (continued)

4. The amount of admitted adjusted gross deferred tax assets admitted under each component of SSAP No. 10R are as follows:

|   | December 31, 2011 |         |               | December 31, 2010 |            |               |
|---|-------------------|---------|---------------|-------------------|------------|---------------|
|   | Ordinary          | Capital | Total         | Ordinary          | Capital    | Total         |
| <b>Admission Calculation Components</b>   |                   |         |               |                   |            |               |
| SSAP No. 10R, Paragraphs 10.a., 10.b., and 10.c.:   |                   |         |               |                   |            |               |
| 1. Admitted under SSAP No.10R, Paragraph 10.a. from prior years Income tax loss carrybacks    | \$ -              | \$ -    | \$ -          | \$ -              | \$ -       | \$ -          |
| 2. SSAP No.10R, Paragraph 10.b. (the lesser of Paragraph 10.b.i. and 10.b.ii. below):         |                   |         |               |                   |            |               |
| 3. Expected to be recognized within One year under SSAP No.10R, Paragraph 10.b.i.             | 81,000            | -       | 81,000        | -                 | -          | -             |
| 4. 10% of adjusted capital and surplus Under SSAP No.10R, Paragraph 10.b.ii.                  | 1,097,359         | 312,614 | 1,409,973     | 604,796           | 141,416    | 745,912       |
| Lesser of (c) or (d)  | 81,000            | -       | 81,000        | -                 | -          | -             |
| 5. Offsetting existing deferred tax Liabilities under SSAP No.10R, Paragraph 10.c.            | 671,111           | -       | 671,111       | 673,406           | 141,416    | 814,822       |
| 6. Total  | \$ 752,111        | \$ -    | \$ 752,111    | \$ 673,406        | \$ 141,416 | \$ 814,822    |
| <b>Admission Calculation Components</b>   |                   |         |               |                   |            |               |
| SSAP No.10R, Paragraph 10.e.:   |                   |         |               |                   |            |               |
| 7. Admitted under SSAP No.10R, Paragraph 10.e.i. from prior years Income tax loss carrybacks  | \$ -              | \$ -    | \$ -          | \$ -              | \$ -       | \$ -          |
| 8. SSAP No.10R, Paragraph 10.e.ii. (the lesser of Paragraph 10.e.ii.a. and 10.e.ii.b. below): |                   |         |               |                   |            |               |
| 9. Expected to be recognized within One year under SSAP No.10R, Paragraph 10.e.ii.a.          | 156,109           | -       | 156,109       | -                 | -          | -             |
| 10. 15% of adjusted capital and surplus Under SSAP No.10R, Paragraph 10.e.ii.b.               | 1,680,141         | -       | 1,680,141     | -                 | -          | -             |
| Lesser of (i) or (j)  | 156,109           | -       | 156,109       | -                 | -          | -             |
| 11. Offsetting existing deferred tax Liabilities under SSAP No.10R, Paragraph 10.e.ii.        | -                 | -       | -             | -                 | -          | -             |
| 12. Total   | \$ 156,109        | \$ -    | \$ 156,109    | \$ -              | \$ -       | \$ -          |
| Total admitted adjusted gross Deferred tax assets   | \$ 908,220        | \$ -    | \$ 908,220    | \$ 673,406        | \$ 141,416 | \$ 814,822    |
| Used in SSAP No.10R, Paragraph 10.d.:   |                   |         |               |                   |            |               |
| 13. Total Adjusted Capital  |                   |         | \$ 11,200,941 |                   |            | \$ 11,163,381 |
| 14. Authorized Control Level  |                   |         | \$ 825,415    |                   |            | \$ 884,269    |

5. Not applicable.

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

**NOTES TO FINANCIAL STATEMENTS**

**9. Income Taxes, continued**

A. (continued)

6. The amount of admitted deferred tax assets, admitted assets, statutory surplus and total adjusted capital in the risk-based capital calculation and the increased amount of deferred tax assets, admitted assets and surplus as the result of the application of paragraph 10e.:

|   | December 31, 2011 |         |            | December 31, 2010 |             |            |
|---|-------------------|---------|------------|-------------------|-------------|------------|
|   | Ordinary          | Capital | Total      | Ordinary          | Capital     | Total      |
| <b>SSAP No.10R, Paragraphs 10.e., 10.b., and 10.c.:</b> |                   |         |            |                   |             |            |
| 15. Admitted DTAs                                       | \$ 752,111        | \$ -    | \$ 752,111 | \$ 673,406        | \$ 141,416  | \$ 814,822 |
| 16. Admitted Assets                                     |                   |         | 19,222,909 |                   |             | 19,286,804 |
| 17. Adjusted Statutory Surplus **                       |                   |         | 11,200,941 |                   |             | 11,153,381 |
| 18. Total Adjusted Capital from DTAs                    |                   |         | 81,000     |                   |             | -          |
| <b>Increases due to SSAP No.10R, Paragraph 10.e.:</b>   |                   |         |            |                   |             |            |
| 19. Admitted DTAs                                       | \$ 156,109        | \$ -    | \$ 156,109 | \$ -              | \$ -        | \$ -       |
| 20. Admitted Assets                                     |                   |         | 19,222,909 |                   |             | 19,286,804 |
| 21. Statutory Surplus                                   |                   |         | 11,200,941 |                   |             | 11,153,381 |
|   |                   |         |            |                   |             |            |
| <b>SSAP No.10R, Paragraphs 10.e., 10.b., and 10.c.:</b> |                   |         |            |                   |             |            |
| 22. Admitted DTAs                                       |                   |         | \$ 78,705  | \$ (141,416)      | \$ (62,711) |            |
| 23. Admitted Assets                                     |                   |         |            |                   | \$ (63,895) |            |
| 24. Adjusted Statutory Surplus **                       |                   |         |            |                   | \$ 37,560   |            |
| 25. Total Adjusted Capital from DTAs                    |                   |         |            |                   |             | \$ 81,000  |
| <b>Increases due to SSAP No.10R, Paragraph 10.e.:</b>   |                   |         |            |                   |             |            |
| 26. Admitted DTAs                                       |                   |         | \$ 156,109 | \$ -              | \$ 156,109  |            |
| 27. Admitted Assets                                     |                   |         |            |                   | \$ (63,895) |            |
| 28. Statutory Surplus                                   |                   |         |            |                   | \$ 37,560   |            |

\*\* 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 10.b.ii.

B. The Company has no temporary differences for which a deferred tax liability has not been established.

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

|   | 12/31/2011  | 12/31/2010 | Change      |
|---|-------------|------------|-------------|
| 1. Current Income Tax Expense (Benefit)         |             |            |             |
| (a) Federal                                     | \$ (68,023) | \$ (9,121) | \$ (58,902) |
| (b) Foreign                                     | \$ -        | \$ -       | \$ -        |
| (c) Subtotal                                    | \$ (68,023) | \$ (9,121) | \$ (58,902) |
| (d) Federal income tax on net capital gains     | \$ 58,797   | \$ 28,315  | \$ 28,482   |
| (e) Utilization of capital loss carry-forwards  | \$ -        | \$ -       | \$ -        |
| (f) Other (incl. prior year over/under accrual) | \$ -        | \$ 4,819   | \$ (4,819)  |
| (g) Federal and foreign income taxes incurred   | \$ (11,226) | \$ 24,013  | \$ (35,239) |

## NOTES TO FINANCIAL STATEMENTS

## 9. Income Taxes, continued

## C. (continued)

|  | 12/31/2011          | 12/31/2010          | Change            |
|--|---------------------|---------------------|-------------------|
| 2. Deferred Tax Assets                       |                     |                     |                   |
| (a) Ordinary                                 |                     |                     |                   |
| (1) Discounting of unpaid losses and LAE     | 65,794              | 62,923              | 2,871             |
| (2) Unearned premium reserve                 | 258,519             | 238,459             | 20,060            |
| (3) Policyholder reserves                    | -                   | -                   | -                 |
| (4) Investments                              | -                   | -                   | -                 |
| (5) Deferred acquisition costs               | -                   | -                   | -                 |
| (6) Policyholder dividends accrual           | -                   | -                   | -                 |
| (7) Fixed assets                             | -                   | -                   | -                 |
| (8) Compensation and benefits accrual        | 218,778             | 254,328             | (35,550)          |
| (9) Pension accrual                          | -                   | -                   | -                 |
| (10) Receivables – nonadmitted               | -                   | -                   | -                 |
| (11) Net operating loss carry-forward        | 102,186             | -                   | 102,186           |
| (12) Tax credit carry-forward                | -                   | -                   | -                 |
| (13) Other (separately disclose items > 5%): |                     |                     |                   |
| Salvage and subrogation anticipated          | 85,522              | 77,494              | 8,028             |
| Other  | 61,598              | 40,202              | 21,396            |
| Subtotal                                     | <u>792,397</u>      | <u>673,406</u>      | <u>118,991</u>    |
| (b) Statutory valuation allowance adjustment | -                   | -                   | -                 |
| (c) Nonadmitted                              | -                   | -                   | -                 |
| (d) Admitted ordinary deferred tax assets    | <u>\$ 792,397</u>   | <u>\$ 673,406</u>   | <u>\$ 118,991</u> |
| (e) Capital:                                 |                     |                     |                   |
| (1) Investments                              | 115,823             | 141,416             | (25,593)          |
| (2) Net capital loss carry-forward           | -                   | -                   | -                 |
| (3) Real estate                              | -                   | -                   | -                 |
| (4) Other                                    | -                   | -                   | -                 |
| Subtotal                                     | <u>115,823</u>      | <u>141,416</u>      | <u>(25,593)</u>   |
| (f) Statutory valuation allowance adjustment | -                   | -                   | -                 |
| (g) Nonadmitted                              | -                   | -                   | -                 |
| (h) Admitted capital deferred tax assets     | -                   | <u>141,416</u>      | <u>(25,593)</u>   |
| (i) Admitted deferred tax assets             | <u>\$ 908,220</u>   | <u>\$ 814,822</u>   | <u>\$ 93,398</u>  |
| 3. Deferred tax liabilities:                 |                     |                     |                   |
| (a) Ordinary                                 |                     |                     |                   |
| (1) Investments                              | -                   | -                   | -                 |
| (2) Fixed assets                             | -                   | -                   | -                 |
| (3) Deferred and uncollected premium         | -                   | -                   | -                 |
| (4) Policyholder reserves                    | -                   | -                   | -                 |
| (5) Other                                    | -                   | -                   | -                 |
| Subtotal                                     | <u>-</u>            | <u>-</u>            | <u>-</u>          |
| (b) Capital:                                 |                     |                     |                   |
| (1) Investments                              | (598,906)           | (674,002)           | 75,096            |
| (2) Real estate                              | -                   | -                   | -                 |
| (3) Other                                    | (72,205)            | (71,940)            | (265)             |
| Subtotal                                     | <u>(671,711)</u>    | <u>(745,942)</u>    | <u>74,831</u>     |
| (c) Deferred tax liabilities                 | <u>\$ (671,711)</u> | <u>\$ (745,942)</u> | <u>\$ 74,831</u>  |
| 4. Net deferred tax assets (liabilities)     | <u>\$ 237,109</u>   | <u>\$ 68,880</u>    | <u>\$ 168,229</u> |

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

**NOTES TO FINANCIAL STATEMENTS**

**9. Income Taxes, continued**

D. Reconciliation of federal income tax rate to actual effective rate:

The provision for federal and foreign income taxes incurred is different from what would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

|   | <u>12/31/2011</u>  | <u>Effective<br/>Tax Rate</u> | <u>12/31/2010</u> | <u>Effective<br/>Tax Rate</u> |
|---|--------------------|-------------------------------|-------------------|-------------------------------|
| Provision computed at statutory rate      | \$ (11,226)        | 34%                           | \$ 200,750        | 34%                           |
| Tax exempt income deduction               | (77,908)           |                               | (80,879)          |                               |
| Dividends received deduction              | (150,934)          |                               | (157,447)         |                               |
| Tax differentials on foreign earnings     | -                  |                               | -                 |                               |
| Nondeductible goodwill                    | -                  |                               | -                 |                               |
| Other                                     | 133,080            |                               | 210,246           |                               |
| Total                                     | <u>\$ (92,922)</u> |                               | <u>\$ 7,987</u>   |                               |
| Federal and foreign income taxes incurred | \$ (11,226)        |                               | \$ 24,013         |                               |
| Change in net deferred income taxes       | (81,696)           |                               | (16,026)          |                               |
| Total statutory income taxes              | <u>\$ (92,922)</u> |                               | <u>\$ 7,987</u>   |                               |

E. Carry-forwards, recoverable taxes, and IRC §6603 deposits:

At December 31, 2011, the Company had net operating loss carry-forwards which expire as follows: 2020 through 2021, \$300,547.

At December 31, 2011, the Company had no net capital loss carry-forwards.

At December 31, 2011, the Company had AMT credit carry-forwards in the amount of \$35,950 which do not have an expiration date.

F. The Company files an individual federal income tax return.

**10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties**

A. Not applicable.

B. Not applicable.

C. Not applicable.

D. At December 31, 2011, there were no intercompany balances due to and/or due from its Subsidiaries and Affiliates. The intercompany balances due from and/or due to its Subsidiaries and Affiliates are reimbursed quarterly on an as made basis.

E. Not applicable.

F. The Company participates in a pooling agreement with Lightning Rod Mutual Casualty Company, ("Lightning Rod") and Sonnenberg Mutual Insurance Company, ("Sonnenberg") whereby net premiums, losses, underwriting expenses and related balance sheet amounts (except premiums receivable) are shared on a 40% / 55% / 5% basis, respectively. Lightning Rod assumes 100% of the business from Western and Sonnenberg and cedes 40% to Western and 5% to Sonnenberg.

G. The Company owns one-hundred percent of Sonnenberg Agencies, an insurance agency. The stock is carried at \$43,827 (unaudited statutory basis) as reported in Schedule D, Part 2, Section 2. In accordance with SSAP No. 25, management elected to nonadmit this subsidiary.

H. Not applicable.

I. Not applicable.

J. Not applicable.

K. Not applicable.

## NOTES TO FINANCIAL STATEMENTS

**10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties, continued**

L. The Company owns five percent of Western Reserve Financial Corp., an inactive holding company. The stock is carried at \$3,382 (unaudited statutory basis) as reported in Schedule D, Part 2, Section 2. In accordance with SSAP No. 97, management elected to nonadmit this subsidiary.

**11. Debt**

Not applicable.

**12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

A. Defined Benefit Plan / Other than Postretirement Benefit Plans

The Company has a non-qualified Voluntary Deferred Compensation plan for senior executive officers. The plan allows for deferral of annual base salaries, payouts under the annual incentive plan, and payouts under the Performance Share Plan for Key Executives. As of December 31, 2011 and 2010, amounts held for these deferrals were \$12.9 million and \$11.0 million, respectively.

B. Defined Contribution Plan

The Company's employees are eligible to participate in a 401(k) plan sponsored by the Company after completion of three months of continuous service.

The Company matches a portion of employee contributions and may make additional discretionary contributions. The Company's contribution for the plan was \$714 thousand and \$796 thousand for 2011 and 2010, respectively. At December 31, 2011, the fair value of the plan assets was \$22.4 million.

C. Multiemployer Plans

Not applicable.

D. Consolidated/Holding Company Plans

Not applicable.

E. Postemployment Benefits and Compensated Absences

Not applicable.

F. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17)

Not applicable.

**13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations**

Not applicable.

**14. Contingencies**

Not applicable.

**15. Leases**

The Company lease agreements are limited to office and electronic data processing equipment. Rent expense for the years ending December 31, 2011 and 2010 was not considered material to the Company's financial statements.

**16. Information about Financial Instruments With Off-Balance-Sheet Risk and Financial Instruments With Concentrations of Credit Risk**

Not applicable.

**17. Sale, Transfer, and Servicing of Financial Assets and Extinguishment of Liabilities**

A. Transfers of Receivables Reported as Sales

Not applicable.

## NOTES TO FINANCIAL STATEMENTS

**17. Sale, Transfer, and Servicing of Financial Assets and Extinguishment of Liabilities, continued**

B. Transfer and Servicing of Financial Assets

Not applicable.

C. Wash Sales

Not applicable.

**18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans**

A. Administrative Services Only ("ASO") Plans

Not applicable.

B. Administrative Services Contract ("ASC") Plans

Not applicable.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract

Not applicable.

**19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

Not applicable.

**20. Fair Value Measurements**

A. The company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC 820 (SFAS No. 157), *Fair Value Measurements*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

**Level 1:**

Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

**Level 2:**

Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

**Level 3:**

Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

## NOTES TO FINANCIAL STATEMENTS

## 20. Fair Value Measurements, continued

## A. (continued)

| (1) Fair Value Measurements at Reporting Date: |               | Period ended<br>12/31/2011 | Quoted prices<br>In active markets<br>(Level 1) | Other<br>observable<br>inputs<br>(Level 2) | Other<br>unobservable<br>inputs<br>(Level 3) |
|--|---------------|----------------------------|---|--|--|
| a. Assets at fair value:                       |               |                            |   |  |  |
| Perpetual Preferred stock:                     |               |                            |   |  |  |
| Industrial and Misc                            | \$ 294,011    | \$ 294,011                 | \$ -  | \$ -                                       |  |
| Parent, Subsidiaries, and Affiliates           | -             | -                          | -   | -  |  |
| Total Perpetual Preferred Stock                | 294,011       | 294,011                    | -   | -  |  |
| Bonds:   |               |                            |   |  |  |
| U.S. Governments                               | 8,911,716     | 8,911,716                  | -   | -  |  |
| Foreign Governments                            | 333,737       | 333,737                    | -   | -  |  |
| Industrial and Misc                            | 3,922,901     | 3,922,901                  | -   | -  |  |
| Parent, Subsidiaries, and Affiliates           | -             | -                          | -   | -  |  |
| Total Bonds                                    | 13,168,354    | 13,168,354                 | -   | -  |  |
| Common stock:                                  |               |                            |   |  |  |
| Industrial and Misc                            | 2,980,689     | 2,980,689                  | -   | -  |  |
| Mutual Funds                                   | 2,089,508     | 2,089,508                  | -   | -  |  |
| Money Market Funds                             | 1,286         | 1,286                      | -   | -  |  |
| Parent, Subsidiaries, and Affiliates           | 47,209        | 47,209                     | -   | -  |  |
| Total Common Stocks                            | 5,118,692     | 5,118,692                  | -   | -  |  |
| Other invested assets:                         |               |                            |   |  |  |
| Real estate                                    | -             | -                          | -   | -  |  |
| Other  | 459,687       | -                          | -   | -  | 459,687                                      |
| Total Other Invested Assets                    | 459,687       | -                          | -   | -  | 459,687                                      |
| Total Assets at Fair Value:                    | \$ 19,040,744 | \$ 18,581,057              | \$ -  | \$ -                                       | 459,687                                      |
| b. Liabilities at fair value:                  |               |                            |   |  |  |
| Not applicable.                                |               |                            |   |  |  |
|  |               | Period ended<br>12/31/2010 | Quoted prices<br>In active markets<br>(Level 1) | Other<br>observable<br>inputs<br>(Level 2) | Other<br>unobservable<br>inputs<br>(Level 3) |
| a. Assets at fair value:                       |               |                            |   |  |  |
| Perpetual Preferred stock:                     |               |                            |   |  |  |
| Industrial and Misc                            | \$ 293,698    | \$ 293,698                 | \$ -  | \$ -                                       |  |
| Parent, Subsidiaries, and Affiliates           | -             | -                          | -   | -  |  |
| Total Perpetual Preferred Stock                | 293,698       | 293,698                    | -   | -  |  |
| Bonds:   |               |                            |   |  |  |
| U.S. Governments                               | 7,976,953     | 7,976,953                  | -   | -  |  |
| Foreign Governments                            | 309,369       | 309,369                    | -   | -  |  |
| Industrial and Misc                            | 3,325,000     | 3,325,000                  | -   | -  |  |
| Parent, Subsidiaries, and Affiliates           | -             | -                          | -   | -  |  |
| Total Bonds                                    | 11,611,322    | 11,611,322                 | -   | -  |  |
| Common stock:                                  |               |                            |   |  |  |
| Industrial and Misc                            | 3,190,962     | 3,190,962                  | -   | -  |  |
| Mutual Funds                                   | 2,063,515     | 2,063,515                  | -   | -  |  |
| Money Market Funds                             | 6,018         | 6,018                      | -   | -  |  |
| Parent, Subsidiaries, and Affiliates           | 44,526        | 44,526                     | -   | -  |  |
| Total Common Stocks                            | 5,305,041     | 5,305,041                  | -   | -  |  |
| Other invested assets:                         |               |                            |   |  |  |
| Real estate                                    | -             | -                          | -   | -  |  |
| Other  | 478,209       | -                          | -   | -  | 478,209                                      |
| Total Other Invested Assets                    | 478,209       | -                          | -   | -  | 478,209                                      |
| Total Assets at Fair Value:                    | \$ 17,688,270 | \$ 17,210,061              | \$ -  | \$ -                                       | 478,209                                      |
| b. Liabilities at fair value:                  |               |                            |   |  |  |
| Not applicable.                                |               |                            |   |  |  |

# ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

## NOTES TO FINANCIAL STATEMENTS

### 20. Fair Value Measurements, continued

#### A. (continued)

##### (2) Fair Value Measurements in Level 3 of the Fair Value Hierarchy:

|                          | Balance<br>01/01/2011 | Total<br>Transfers<br>In/(out)<br>Level 3 | Total<br>Gain/(Loss)<br>Included in<br>Net Income | Purchases,<br>Gain/(Loss)<br>Included in<br>Surplus | Issuances,<br>Sales, &<br>Settlements | Balance<br>12/31/2011 |
|--------------------------|-----------------------|---|---|---|---------------------------------------|-----------------------|
|                          |                       |   |   |   |                                       |                       |
| Other Invested<br>Assets | \$ 478,209            | \$ -                                      | \$ -  | \$ (18,522)   | \$ -                                  | \$ 459,687            |
| Total                    | \$ 478,209            | \$ -                                      | \$ -  | \$ (18,522)   | \$ -                                  | \$ 459,687            |

(3) The Company's policy is to recognize transfers in and out as of the end of the reporting period.

(4) As of December 31, 2011, the reported fair value of the entity's investments categorized within Level 3 of the fair value hierarchy are as follows:

*Other Invested assets* – The Company's investment in two subsidiaries are measured and reported at fair value as of December 31, 2011 for each respective entity totaling \$0.5 million in aggregate. Fair value measurement is determined by the individual entity's surplus at the end of a period, or the amount by which assets exceed liabilities. Some inputs to the valuation methodology are unobservable and significant to the fair value measurement, and result in disclosure at Level 3.

### 21. Other Items

#### A. Extraordinary Items

Not applicable.

#### B. Troubled Debt Restructuring

Not applicable.

#### C. Other Disclosures

Not applicable.

D. At December 31, 2011 and 2010 the Company had admitted assets of \$0.3 million and \$0.3 million, respectively in uncollected premiums. The Company routinely assesses the collectability of these receivables. Based upon Company experience, less than 1% of the balance may become uncollectable and the potential loss is not material to the Company's financial condition.

#### E. Business Interruption Insurance Recoveries

Not applicable.

#### F. State Transferable Tax Credits

Not applicable.

#### G. Subprime Mortgage Related Risk Exposure

Not applicable.

### 22. Events Subsequent

Subsequent events have been considered through February 28, 2012 for the statutory statement issued on March 1, 2012 for the year ending December 31, 2011. There were no events identified that would have a material effect on the financial condition of the company.

### 23. Reinsurance

#### A. Unsecured Reinsurance Recoverables

Not applicable.

#### B. Reinsurance Recoverable in Dispute

Not applicable.

## NOTES TO FINANCIAL STATEMENTS

### 23. Reinsurance, continued

#### C. Reinsurance Assumed and Ceded

If the Company cancelled its umbrella reinsurance program, return ceded commissions at December 31, 2011 would total \$15,184.

#### D. Uncollectible Reinsurance

The Company recognized a \$61 thousand provision for unauthorized reinsurance at December 31, 2008 due to the Lehman Re bankruptcy for catastrophe losses recoverable net of reinstatement premiums. No changes were made to the provision during 2011.

#### E. Commutation of Ceded Reinsurance

Not applicable.

#### F. Retroactive Reinsurance

Not applicable.

#### G. Reinsurance Accounted for as a Deposit

Not applicable.

### 24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

Not applicable.

### 25. Changes in Incurred Losses and Loss Adjustment Expense

Reserves as of December 31, 2010 were \$2.7 million. As of December 31, 2011, \$1.3 million has been paid for incurred losses and loss adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$1.2 million as a result of decreases in estimates of unpaid claims and claim adjustment expenses commercial auto liability, auto physical damage, homeowners/farmowners, commercial multi-peril, other liability, workers compensation and special property lines of insurance. These decreases were offset, in part, by increases in private passenger auto liability lines of insurance. Therefore, there has been a \$0.2 million favorable prior-year development from December 31, 2010 to December 31, 2011. The decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims. The estimates are not affected by prior year loss development on retrospectively rated policies, as the company does not write this type of policy.

### 26. Intercompany Pooling Agreements

|   | NAIC No. | Pool Share |
|---|----------|------------|
| Lightning Rod Mutual Insurance Company (Lead Company) | 26123    | 55.0%      |
| Western Reserve Mutual Casualty Company               | 26131    | 40.0%      |
| Sonnenberg Mutual Insurance Company                   | 10271    | 5.0%       |

All transactions and balances in the underwriting accounts of the companies are pooled except premiums in the course of collection.

### 27. Structured Settlements

Not applicable.

### 28. Health Care Receivables

Not applicable.

### 29. Participating Policies

Not applicable.

## NOTES TO FINANCIAL STATEMENTS

### 30. Premium Deficiency Reserves

|  |                |
|--|----------------|
| (1) Liability carried for premium deficiency reserves              | \$ - -         |
| (2) Date of most recent evaluation of this liability               | 12/31/2011     |
| (3) Was anticipated investment income utilized in the calculation? | Yes ( ) No (x) |

### 31. High Deductibles

Not applicable.

### 32. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

The Company does not discount liabilities for unpaid losses nor unpaid loss adjustment expenses in calculating statutory surplus.

### 33. Asbestos/Environmental Reserves

A. Does the company have on the books, or has it ever written an insured for which you have identified a potential for the existence of a liability due to asbestos losses? Yes ( ) No (x)

B. Not applicable.

C. Not applicable.

D. Does the company have on the books, or has it ever written an insured for which you have identified a potential for the existence of a liability due to environmental losses? Yes (x) No ( )

The company's exposure to environmental losses arises from the sale of general liability insurance.

The company tries to estimate the full impact of the environmental exposure by establishing full case basis reserves on all known losses and computing incurred but not reported losses based on previous experience. The company's environmental related losses for each of the five most recent years were as follows after intercompany pooling:

|  | 2007          | 2008          | 2009          | 2010          | 2011          |
|--|---------------|---------------|---------------|---------------|---------------|
| (1) Direct basis:                            |               |               |               |               |               |
| a. Beginning reserves                        | \$ - -        | \$ - -        | \$ - -        | \$ 1          | \$ 1          |
| b. Incurred losses and LAE                   | - -           | 1             | 2             | 6             | 2             |
| c. Calendar year payments for losses and LAE | - -           | 1             | 1             | 6             | 2             |
| d. Ending reserves                           | <u>\$ - -</u> | <u>\$ - -</u> | <u>\$ 1</u>   | <u>\$ 1</u>   | <u>\$ 1</u>   |
| (2) Assumed reinsurance:                     |               |               |               |               |               |
| a. Beginning reserves                        | \$ - -        | \$ - -        | \$ - -        | \$ - -        | \$ - -        |
| b. Incurred losses and LAE                   | - -           | - -           | - -           | - -           | - -           |
| c. Calendar year payments for losses and LAE | - -           | - -           | - -           | - -           | - -           |
| d. Ending reserves                           | <u>\$ - -</u> |
| (3) Net of ceded reinsurance:                |               |               |               |               |               |
| a. Beginning reserves                        | \$ - -        | \$ - -        | \$ - -        | \$ 1          | \$ 1          |
| b. Incurred losses and LAE                   | - -           | 1             | 2             | 6             | 2             |
| c. Calendar year payments for losses and LAE | - -           | 1             | 1             | 6             | 2             |
| d. Ending reserves                           | <u>\$ - -</u> | <u>\$ - -</u> | <u>\$ 1</u>   | <u>\$ 1</u>   | <u>\$ 1</u>   |

## NOTES TO FINANCIAL STATEMENTS

**33. Asbestos/Environmental Reserves, continued**

E. State the amount of ending reserves for Bulk + IBNR included in D (Loss and LAE):

|                                    |      |
|------------------------------------|------|
| (1) Direct basis                   | \$ - |
| (2) Assumed reinsurance basis      | \$ - |
| (3) Net of ceded reinsurance basis | \$ - |

F. State the amount of ending reserves for loss adjustment expenses included in D (Case, Bulk + IBNR):

|                                    |      |
|------------------------------------|------|
| (1) Direct basis                   | \$ - |
| (2) Assumed reinsurance basis      | \$ - |
| (3) Net of ceded reinsurance basis | \$ - |

**34. Subscriber Savings Accounts**

Not applicable.

**35. Multiple Peril Crop Insurance**

Not applicable.

**36. Financial Guaranty Insurance**

Not applicable.

## GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

## GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? ..... Yes [  ] No [  ]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? ..... Yes [  ] No [  ] NA [  ]

1.3 State Regulating? ..... Ohio

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes [  ] No [  ]

2.2 If yes, date of change: ..... 12/31/2006

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. ..... 12/31/2006

3.2 State 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. ..... 12/31/2006

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ..... 07/16/2007

3.4 By what department or departments? Ohio

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? ..... Yes [  ] No [  ] NA [  ]

3.6 Have all of the recommendations within the latest financial examination report been complied with? ..... Yes [  ] No [  ] NA [  ]

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

4.11 sales of new business? ..... Yes [  ] No [  ]

4.12 renewals? ..... Yes [  ] No [  ]

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

4.21 sales of new business? ..... Yes [  ] No [  ]

4.22 renewals? ..... Yes [  ] No [  ]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [  ] No [  ]

5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation. ..... Yes [  ] No [  ]

| 1<br>Name of Entity | 2<br>NAIC Company 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 [  ]

6.2 If yes, give full information ..... Yes [  ] No [  ]

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

7.2 If yes,

7.21 State the percentage of foreign control ..... 0.0

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

| 1<br>Nationality | 2<br>Type of Entity |
|------------------|---------------------|
|                  |                     |
|                  |                     |
|                  |                     |
|                  |                     |

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**GENERAL INTERROGATORIES**

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<br>(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?  
KPMG 191 West Nationwide Blvd. Columbus, Ohio 43215-2568

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 [ ]  NA [ ]

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

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
William D. Hansen, FCAS, MAAA, Oliver Wyman, 325 John H. McConnell Blvd. Suite 350 Columbus, OH 43215

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

12.11 Name of real estate holding company .....  
12.12 Number of parcels involved ..... 0

12.13 Total book/adjusted carrying value ..... \$ ..... 0

12.2 If yes, provide explanation

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

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

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

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

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? .....  Yes [ ]  No [ ]  NA [ ]

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 [ ]

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and

a. 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).

# ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

## GENERAL INTERROGATORIES

### BOARD OF DIRECTORS

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<br>American<br>Bankers<br>Association<br>(ABA) Routing<br>Number | 2<br>Issuing or Confirming<br>Bank Name | 3<br>Circumstances That Can Trigger the Letter of Credit | 4<br>Amount |
|--|---|--|-------------|
| .....  | .....                                   | .....  | .....       |
| .....  | .....                                   | .....  | .....       |
| .....  | .....                                   | .....  | .....       |

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?..... Yes [ X ] No [ ]  
 17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?..... Yes [ X ] No [ ]  
 18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?..... Yes [ X ] No [ ]

### FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?..... Yes [ ] No [ X ]  
 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):  
 20.11 To directors or other officers .. \$.....0  
 20.12 To stockholders not officers .. \$.....0  
 20.13 Trustees, supreme or grand (Fraternal only) .. \$.....0  
 20.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):  
 20.21 To directors or other officers .. \$.....0  
 20.22 To stockholders not officers .. \$.....0  
 20.23 Trustees, supreme or grand (Fraternal only) .. \$.....0  
 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?..... Yes [ ] No [ X ]  
 21.2 If yes, state the amount thereof at December 31 of the current year:  
 21.21 Rented from others .. \$.....0  
 21.22 Borrowed from others .. \$.....0  
 21.23 Leased from others .. \$.....0  
 21.24 Other .. \$.....0  
 22.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments?..... Yes [ ] No [ X ]  
 22.2 If answer is yes:  
 22.21 Amount paid as losses or risk adjustment .. \$.....0  
 22.22 Amount paid as expenses .. \$.....0  
 22.23 Other amounts paid .. \$.....0  
 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?..... Yes [ X ] No [ ]  
 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:..... \$.....139,260

### 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  
 The Company has custodial agreements with Merrill Lynch, Columbus, Ohio and First Merit, Akron, Ohio.  
 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)  
 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 [ ] No [ ] NA [ X ]  
 24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. .... \$.....0  
 24.6 If answer to 24.4 is no, report amount of collateral for other programs. .... \$.....0  
 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 [ ] NA [ X ]  
 24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?..... Yes [ ] No [ ] NA [ X ]  
 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 [ ] NA [ X ]

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**GENERAL INTERROGATORIES**

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 ..... \$ ..... 205,298  
 25.29 Other ..... \$ ..... 0

25.3 For category (25.27) provide the following:

| 1<br>Nature of Restriction  | 2<br>Description                               | 3<br>Amount |
|-----------------------------|--|-------------|
| Required state deposit..... | Deposit with Indiana Insurance Department..... | 102,633     |
| Required state deposit..... | Deposit with Ohio Insurance Department.....    | 102,633     |

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 [  ] NA [  ]  
 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 ..... \$ ..... 0

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

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

| 1<br>Name of Custodian(s) | 2<br>Custodian's Address |
|---------------------------|--------------------------|
| Merrill Lynch.....        | Columbus, Ohio.....      |
| First Merit.....          | Akron, Ohio.....         |

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<br>Name(s) | 2<br>Location(s) | 3<br>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<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>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<br>Central Registration Depository Number(s) | 2<br>Name | 3<br>Address |
|--|-----------|--------------|
| .....  | .....     | .....        |
| .....  | .....     | .....        |

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**GENERAL INTERROGATORIES**

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 [ X ] No [ ]  
 29.2 If yes, complete the following schedule:

| 1<br>CUSIP #              | 2<br>Name of Mutual Fund                 | 3<br>Book/Adjusted Carrying Value |
|---------------------------|--|-----------------------------------|
| 29.2001. 018642-74-4..... | AllianceBernstein High Inc Muni Fn.....  | 50,981                            |
| 29.2002. 03875R-20-5..... | Arbitrage Funds CL !.....                | 24,555                            |
| 29.2003. 04315J-86-0..... | Artio Global High Income Fund.....       | 25,027                            |
| 29.2004. 00080Y-72-8..... | Aston / Lake Partners Lasso Alt.....     | 56,881                            |
| 29.2005. 25264S-83-3..... | Diamond Hill Long Short Fd CL 1.....     | 62,203                            |
| 29.2006. 258620-10-3..... | Doubleline Total Rtn Bond Fund CL !..... | 49,484                            |
| 29.2007. 277911-49-1..... | Eaton Vance Floating Rate Fnd CL !.....  | 35,653                            |
| 29.2008. 27829L-10-5..... | Eaton Vance Nat'l Muni Opprs Tr.....     | 7,315                             |
| 29.2009. 464287-46-5..... | iShares MSCI EAFE Index ETF.....         | 58,445                            |
| 29.2010. 45070A-40-4..... | IVA International Fund CL !.....         | 158,932                           |
| 29.2011. 52106N-88-9..... | Lazard Emerging Mkts Eqty PTFL CL.....   | 40,014                            |
| 29.2012. 543495-78-2..... | Loomis Sayles GIbl Bond Fnd.....         | 162,799                           |
| 29.2013. 577125-10-7..... | Matthews Asia Dividend Fund.....         | 71,667                            |
| 29.2014. 577130-20-6..... | Matthews Asian Growth and Inc Fnd.....   | 38,440                            |
| 29.2015. 67062N-10-3..... | Nuveen Insured Quality Muni Fd Inc.....  | 7,875                             |
| 29.2016. 67062E-10-3..... | Nuveen Investment Quality Muni Fd.....   | 7,415                             |
| 29.2017. 72201M-73-5..... | PIMCO High Yield Fd CL P.....            | 99,722                            |
| 29.2018. 72201M-55-2..... | PIMCO Total Return Fd CL P.....          | 32,509                            |
| 29.2019. 72201M-45-3..... | PIMCO Unconstrained Bond Fund CL P.....  | 73,647                            |
| 29.2020. 746476-40-7..... | Putnam Cnvtbl Inc Grwth Tr Y.....        | 103,475                           |
| 29.2021. 780905-60-0..... | Royce Premier Fund.....                  | 98,901                            |
| 29.2022. 880208-40-0..... | Templeton Global Bond Fnd ADV CL.....    | 73,811                            |
| 29.2023. 885215-56-6..... | Thornburg International Fund CL !.....   | 127,715                           |
| 29.2024. 464286-50-9..... | iShares MSCI Canada Index.....           | 35,378                            |
| 29.2025. 922023-10-6..... | Vanguard Convertible Sec Fund.....       | 30,721                            |
| 29.2026. 921937-82-7..... | Vanguard S/T Bond ETF.....               | 163,511                           |
| 29.2999 TOTAL             |  | 1,697,076                         |

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

| 1<br>Name of Mutual Fund<br>(from above table) | 2<br>Name of Significant Holding<br>of the Mutual Fund | 3<br>Amount of Mutual Fund's<br>Book/Adjusted Carrying Value<br>Attributable to the Holding | 4<br>Date of Valuation |
|--|--|---|------------------------|
| AllianceBernstein High Inc Muni Fn.....        | Washington St 60.....                                  | 4,247   | 12/31/2011.....        |
| Arbitrage Funds CL !.....                      | Pharmasset, Inc.....                                   | 6,964   | 12/31/2011.....        |
| Artio Global High Income Fund.....             | Level. 3 Fing 10% Univision.....                       | 1,814   | 12/31/2011.....        |
| Aston / Lake Partners Lasso Alt.....           | Robeco Long /Short EQ1.....                            | 35,391  | 12/31/2011.....        |
| Diamond Hill Long Short Fd CL 1.....           | Occidental Petroleum Corp.....                         | 9,362   | 12/31/2011.....        |
| Doubleline total Rtn Bond Fund CL 1.....       | FNMA 5.5%.....   | 5,087   | 12/31/2011.....        |
| Eaton Vance Floating Rate Fnd CL 1.....        | EV.Cash Reserves Fund.....                             | 3,334   | 12/31/2011.....        |
| Eaton Vance Nat'l Muni Opprs Tr.....           | Indiana St Fln Auth 6%.....                            | 958   | 12/31/2011.....        |
| iShares MSCI EAFE Index ETF.....               | Nestle SA.....   | 4,401   | 12/31/2011.....        |
| IVA International Fund CL !.....               | Singapore (Govt of) 2.25%.....                         | 28,560  | 12/31/2011.....        |
| Lazard Emerging Mkts Eqty PTFL CL.....         | Cielo SA.....  | 6,642   | 12/31/2011.....        |
| Loomis Sayles GIbl Bond Fnd.....               | Japan (Govt of) 1.3%.....                              | 30,248  | 12/31/2011.....        |
| Matthews Asia Dividend Fund.....               | Metcash Limited.....                                   | 12,234  | 12/31/2011.....        |
| Matthews Asian Growth and Inc Fnd.....         | Hisamitus Pharmaceutical Co. Inc.....                  | 6,731   | 12/31/2011.....        |
| Nuveen Insured Quality Muni Fd Inc.....        | Houston Texas Wtr & Swr Sys.....                       | .942  | 12/31/2011.....        |
| Nuveen Investment Quality Muni Fd 8.2%.....    | Perris Calif Single Family Mtg                         | .793  | 12/31/2011.....        |
| PIMCO High Yield Fd CL P.....                  | Pimco Fds private account.....                         | 11,448  | 12/31/2011.....        |
| PIMCO Total Return Fd CL P.....                | Pimco Fds private account.....                         | 13,631  | 12/31/2011.....        |
| PIMCO Unconstrained Bond Fund CL P.....        | FNMA.....  | 30,497  | 12/31/2011.....        |
| Putnam Cnvtbl Inc Grwth Tr Y.....              | Putnam Money market Liquidity P.....                   | 10,285  | 12/31/2011.....        |
| Royce Premier Fund.....                        | Nu.Skin enterprises, Inc. A.....                       | 12,986  | 12/31/2011.....        |
| Templeton Global Bond Fnd ADV CL.....          | Korea (Republic of) 3/0%.....                          | 7,588   | 12/31/2011.....        |
| Thornburg International Fund CL 1.....         | British American Tobacco PLC.....                      | 16,181  | 12/31/2011.....        |
| iShares MSCI Canada Index.....                 | Royal Bank of Canada.....                              | 8,777   | 12/31/2011.....        |
| Vanguard Convertible Sec Fund.....             | Orix.Corp Cvt.....                                     | 12,018  | 12/31/2011.....        |
| Vanguard S/T Bond ETF.....                     | US.Treasury Note .375%.....                            | 14,602  | 12/31/2011.....        |

## GENERAL INTERROGATORIES

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<br>Statement (Admitted)<br>Value | 2<br>Fair Value | 3<br>Excess of Statement<br>over Fair Value (-)<br>or Fair Value<br>over Statement (+) |
|----------------------------|------------------------------------|-----------------|--|
| 30.1 Bonds.....            | 12,575,557                         | 13,678,581      | 1,103,024  |
| 30.2 Preferred Stocks..... | 294,011                            | 294,011         | 0  |
| 30.3 Totals.....           | 12,869,568                         | 13,972,592      | 1,103,024  |

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

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?..... Yes [ ] No [ X ]  
31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?..... Yes [ ] No [ ]  
31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?..... Yes [ X ] No [ ]  
32.2 If no, list exceptions:

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

**GENERAL 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<br>Name | 2<br>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<br>Name | 2<br>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<br>Name | 2<br>Amount Paid |
|-----------|------------------|
| .....     | .....            |
| .....     | .....            |

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**GENERAL INTERROGATORIES**

(continued)

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

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

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

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

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. ..... \$ ..... 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance. ..... \$ ..... 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned ..... \$ ..... 0

1.62 Total incurred claims ..... \$ ..... 0

1.63 Number of covered lives ..... 0

All years prior to most current three years:

1.64 Total premium earned ..... \$ ..... 0

1.65 Total incurred claims ..... \$ ..... 0

1.66 Number of covered lives ..... 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned ..... \$ ..... 0

1.72 Total incurred claims ..... \$ ..... 0

1.73 Number of covered lives ..... 0

All years prior to most current three years:

1.74 Total premium earned ..... \$ ..... 0

1.75 Total incurred claims ..... \$ ..... 0

1.76 Number of covered lives ..... 0

2. Health Test:

|                             | 1<br>Current Year  | 2<br>Prior Year    |
|-----------------------------|--------------------|--------------------|
| 2.1 Premium Numerator       | \$ ..... 0         | \$ ..... 0         |
| 2.2 Premium Denominator     | \$ ..... 7,884,960 | \$ ..... 7,523,312 |
| 2.3 Premium Ratio (2.1/2.2) | .....0.000         | .....0.000         |
| 2.4 Reserve Numerator       | \$ ..... 0         | \$ ..... 0         |
| 2.5 Reserve Denominator     | \$ ..... 6,833,827 | \$ ..... 6,231,216 |
| 2.6 Reserve Ratio (2.4/2.5) | .....0.000         | .....0.000         |

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 ..... \$ ..... 0

3.22 Non-participating policies ..... \$ ..... 0

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? ..... 0.0 %

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation ..... Yes [ ] No [ ] NA [ ]

5.22 As a direct expense of the exchange ..... Yes [ ] No [ ] NA [ ]

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

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

5.5 If yes, give full information

## GENERAL INTERROGATORIES

### PART 2 - PROPERTY & CASUALTY INTERROGATORIES

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss:.....  
In addition to the excess of loss liability treaty that provides coverage up to \$5 million, the Company purchases an additional \$5 million workers compensation excess of loss contract. The Company also avoids insuring risks with a large number of employees and high-risk classes.....

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 utilizes catastrophe modeling analysis provided by its reinsurance broker to measure probable maximum loss impact to surplus for a 100-year severe thunderstorm event (\$9.6 million) and a 250-year earthquake event (\$2.6 million) .....

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 2011, the Company purchased catastrophe excess of loss reinsurance of \$45 million excess \$5 million with 5% participation. This limit purchased is approximately a 200-year severe thunderstrom event .....

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?.....

6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss. ....

Yes [ X ] No [ ]

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)?.....

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)?.....

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 the risk, or portion thereof, reinsured?.....  
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 noncancelable 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.....

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member, where:  
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.....

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?.....

9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
 (a) The entity does not utilize reinsurance; or  
 (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or  
 (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement.

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

Yes [ ] No [ X ]

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**GENERAL INTERROGATORIES**  
**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force:..... Yes [ ] No [ X ]  
 11.2 If yes, give full information

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:  
 12.11 Unpaid losses..... \$.....0  
 12.12 Unpaid underwriting expenses (including loss adjustment expenses)..... \$.....0

12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds?..... \$.....0  
 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses?..... Yes [ ] No [ X ] NA [ ]

12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:  
 12.41 From.....0.0 %  
 12.42 To.....0.0 %

12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by the reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies?..... Yes [ ] No [ X ]

12.6 If yes, state the amount thereof at December 31 of the current year:  
 12.61 Letters of Credit..... \$.....0  
 12.62 Collateral and other funds..... \$.....0

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation):..... \$.....750,000  
 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:..... 9

14.1 Is the company a cedant in a multiple cedant reinsurance contract?..... Yes [ ] No [ X ]

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

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 [ X ]

15.2 If yes, give full information

16.1 Does the reporting entity write any warranty business?..... Yes [ ] No [ X ]

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

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

\* Disclose type of coverage:

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**GENERAL INTERROGATORIES**  
**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5..... Yes [ ] No [ X ]

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

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

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

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

18.1 Do you act as a custodian for health savings accounts?..... Yes [ ] No [ X ]  
18.2 If yes, please provide the amount of custodial funds held as of the reporting date..... \$.....0  
18.3 Do you act as an administrator for health savings accounts?..... Yes [ ] No [ X ]  
18.4 If yes, please provide the balance of the funds administered as of the reporting date..... \$.....0

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**FIVE-YEAR HISTORICAL DATA**

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

|  | 1<br>2011   | 2<br>2010   | 3<br>2009   | 4<br>2008   | 5<br>2007   |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>Gross Premiums Written</b><br>(Page 8, Part 1B, Cols. 1, 2 & 3)   |             |             |             |             |             |
| 1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....  |             |             |             |             |             |
| 2,447,827  | 2,304,269   | 2,186,146   | 2,173,455   | 2,818,212   |             |
| 2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....  | 2,165,259   | 2,147,489   | 2,041,424   | 1,938,612   | 2,362,779   |
| 3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....  | 5,210,661   | 4,622,389   | 4,150,026   | 3,992,813   | 4,052,623   |
| 4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....   | .0          | 0           | 0           | .0          | 0           |
| 5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....  | 0           | 0           | 0           | 0           | 0           |
| 6. Total (Line 35).....  | 9,823,747   | 9,074,147   | 8,377,596   | 8,104,880   | 9,233,614   |
| <b>Net Premiums Written</b> (Page 8, Part 1B, Col. 6)  |             |             |             |             |             |
| 7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....  | 2,446,100   | 2,302,503   | 2,183,953   | 2,171,373   | 2,203,285   |
| 8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....  | 2,107,681   | 2,090,778   | 1,978,415   | 1,877,243   | 1,850,239   |
| 9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....  | 3,626,196   | 3,398,173   | 3,081,626   | 2,962,317   | 2,984,768   |
| 10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....  | .0          | 0           | 0           | .0          | 0           |
| 11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....   | 0           | 0           | 0           | 0           | 0           |
| 12. Total (Line 35).....   | 8,179,977   | 7,791,454   | 7,243,994   | 7,010,933   | 7,038,292   |
| <b>Statement of Income</b> (Page 4)  |             |             |             |             |             |
| 13. Net underwriting gain (loss) (Line 8).....   | (767,600)   | (552,068)   | (539,274)   | (474,407)   | (286,537)   |
| 14. Net investment gain (loss) (Line 11).....  | .670,574    | .608,077    | .520,596    | .81,434     | .625,125    |
| 15. Total other income (Line 15).....  | .130,462    | .116,426    | .112,131    | .111,971    | .107,937    |
| 16. Dividends to policyholders (Line 17).....  | .0          | 0           | 0           | 0           | 0           |
| 17. Federal and foreign income taxes incurred (Line 19).....   | (68,023)    | (9,121)     | (123,345)   | 23,924      | 54,058      |
| 18. Net income (Line 20).....  | 101,459     | 181,556     | 216,798     | (304,926)   | .392,467    |
| <b>Balance Sheet Lines</b> (Pages 2 and 3)   |             |             |             |             |             |
| 19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....   | 19,222,909  | 19,286,804  | 18,357,350  | 17,226,735  | 18,558,160  |
| 20. Premiums and considerations (Page 2, Col. 3)   |             |             |             |             |             |
| 20.1 In course of collection (Line 15.1).....  | .306,254    | .260,457    | .230,851    | .210,176    | .232,203    |
| 20.2 Deferred and not yet due (Line 15.2).....   | .0          | 0           | 0           | 0           | 0           |
| 20.3 Accrued retrospective premiums (Line 15.3).....   | .0          | 0           | 0           | 0           | 0           |
| 21. Total liabilities excluding protected cell business (Page 3, Line 26).....   | .8,021,968  | .8,123,423  | .7,576,053  | .7,201,480  | .7,358,514  |
| 22. Losses (Page 3, Line 1).....   | .2,536,568  | .2,228,974  | .2,270,183  | .2,178,920  | .2,139,948  |
| 23. Loss adjustment expenses (Page 3, Line 3).....   | .495,500    | .495,500    | .495,500    | .495,500    | .478,800    |
| 24. Unearned premiums (Page 3, Line 9).....  | .3,801,759  | .3,506,742  | .3,238,600  | .3,067,704  | .3,059,690  |
| 25. Capital paid up (Page 3, Lines 30 & 31).....   | .0          | 0           | 0           | 0           | 0           |
| 26. Surplus as regards policyholders (Page 3, Line 37).....  | .11,200,941 | .11,163,381 | .10,781,297 | .10,025,255 | .11,199,646 |
| <b>Cash Flow</b> (Page 5)  |             |             |             |             |             |
| 27. Net cash from operations (Line 11).....  | .325,320    | .380,433    | .445,135    | .78,359     | .1,410,576  |
| <b>Risk-Based Capital Analysis</b>   |             |             |             |             |             |
| 28. Total adjusted capital.....  | .11,200,941 | .11,163,381 | .10,781,297 | .10,025,255 | .11,199,646 |
| 29. Authorized control level risk-based capital.....   | .853,441    | .884,269    | .824,716    | .690,919    | .819,636    |
| <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).....  | .66.0       | .62.1       | .65.3       | .60.7       | .57.9       |
| 31. Stocks (Lines 2.1 & 2.2).....  | .29.3       | .29.7       | .28.0       | .24.8       | .32.9       |
| 32. Mortgage loans on real estate (Lines 3.1 and 3.2).....   | .0.0        | .0.0        | .0.0        | .0.0        | .0.0        |
| 33. Real estate (Lines 4.1, 4.2 & 4.3).....  | .0.0        | .0.0        | .0.0        | .0.0        | .0.0        |
| 34. Cash, cash equivalents and short-term investments (Line 5).....  | .2.2        | .5.6        | .4.3        | .12.1       | .9.2        |
| 35. Contract loans (Line 6).....   | .0.0        | .0.0        | .0.0        | .0.0        | .0.0        |
| 36. Derivatives (Line 7).....  | .0.0        | .0.0        | .XXX.       | .XXX.       | .XXX.       |
| 37. Other invested assets (Line 8).....  | .2.5        | .2.6        | .2.5        | .2.3        | .0.0        |
| 38. Receivables for securities (Line 9).....   | .0.0        | .0.0        | .0.0        | .0.0        | .0.0        |
| 39. Securities lending reinvested collateral assets (Line 10).....   | .0.0        | .0.0        | .XXX.       | .XXX.       | .XXX.       |
| 40. Aggregate write-ins for invested assets (Line 11).....   | .0.0        | .0.0        | .0.0        | .0.0        | .0.0        |
| 41. Cash, cash equivalents and invested assets (Line 12).....  | .100.0      | .100.0      | .100.0      | .100.0      | .100.0      |
| <b>Investments in Parent, Subsidiaries and Affiliates</b>  |             |             |             |             |             |
| 42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1).....  | .0          | 0           | 0           | 0           | 0           |
| 43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....  | .0          | 0           | 0           | 0           | 0           |
| 44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1).....   | .47,209     | .44,526     | .42,780     | .40,987     | .39,384     |
| 45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10).....   | .0          | 0           | 0           | 0           | 0           |
| 46. Affiliated mortgage loans on real estate.....  | .0          | 0           | 0           | 0           | 0           |
| 47. All other affiliated.....  | .0          | 0           | 0           | 0           | 0           |
| 48. Total of above Lines 42 to 47.....   | .47,209     | .44,526     | .42,780     | .40,987     | .39,384     |
| 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)..... | 0.4         | 0.4         | 0.4         | 0.4         | 0.4         |

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**FIVE-YEAR HISTORICAL DATA**

**(Continued)**

|  | <b>1<br/>2011</b> | <b>2<br/>2010</b> | <b>3<br/>2009</b> | <b>4<br/>2008</b> | <b>5<br/>2007</b> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Capital and Surplus Accounts (Page 4)</b>   |                   |                   |                   |                   |                   |
| 50. Net unrealized capital gains (losses) (Line 24) .....  | (145,775)         | 217,897           | 430,812           | (806,738)         | 80,537            |
| 51. Dividends to stockholders (Line 35) .....  | 0                 | 0                 | 0                 | 0                 | 0                 |
| 52. Change in surplus as regards policyholders for the year (Line 38) .....  | 37,559            | 382,084           | 756,041           | (1,174,390)       | 490,102           |
| <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) .....  | 1,379,888         | 1,387,253         | 1,913,456         | 1,544,596         | 2,813,503         |
| 54. Property lines (Lines 1, 2, 9, 12, 21 & 26) .....  | 1,252,164         | 1,191,423         | 1,081,794         | 1,108,893         | 1,573,234         |
| 55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) .....  | 2,956,300         | 2,722,050         | 2,522,188         | 2,585,209         | 2,762,465         |
| 56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) .....   | 0                 | 0                 | 0                 | 0                 | 0                 |
| 57. Nonproportional reinsurance lines (Lines 31, 32 & 33) .....  | 0                 | 0                 | 0                 | 0                 | 2                 |
| 58. Total (Line 35) .....  | 5,588,352         | 5,300,726         | 5,517,438         | 5,238,698         | 7,149,204         |
| <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) .....  | 1,381,223         | 1,349,896         | 1,299,727         | 1,229,101         | 1,322,555         |
| 60. Property lines (Lines 1, 2, 9, 12, 21 & 26) .....  | 1,253,605         | 1,170,015         | 1,067,116         | 1,098,942         | 1,104,097         |
| 61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) .....  | 2,204,263         | 2,084,667         | 1,814,788         | 1,968,116         | 1,570,724         |
| 62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) .....   | 0                 | 0                 | 0                 | 0                 | 0                 |
| 63. Nonproportional reinsurance lines (Lines 31, 32 & 33) .....  | 0                 | 0                 | 0                 | 0                 | 2                 |
| 64. Total (Line 35) .....  | 4,839,091         | 4,604,578         | 4,181,631         | 4,296,159         | 3,997,378         |
| <b>Operating Percentages (Page 4)</b><br>(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) .....   | 65.3              | 60.7              | 60.4              | 61.9              | 58.7              |
| 67. Loss expenses incurred (Line 3) .....  | 9.3               | 9.8               | 10.4              | 11.4              | 10.4              |
| 68. Other underwriting expenses incurred (Line 4) .....  | 35.1              | 36.9              | 36.8              | 33.5              | 35.0              |
| 69. Net underwriting gain (loss) (Line 8) .....  | (9.7)             | (7.3)             | (7.6)             | (6.8)             | (4.1)             |
| <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) .....   | 32.3              | 34.1              | 34.4              | 31.8              | 33.4              |
| 71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0) .....   | 74.6              | 70.5              | 70.8              | 73.3              | 69.1              |
| 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) .....   | 73.0              | 69.8              | 67.2              | 69.9              | 62.8              |
| <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) .....  | (244)             | (277)             | (211)             | (200)             | (105)             |
| 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) .....                 | (2.2)             | (2.6)             | (2.1)             | (1.8)             | (1.0)             |
| <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) .....                         | (368)             | (456)             | (414)             | (288)             | (553)             |
| 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) ..... | (3.4)             | (4.5)             | (3.7)             | (2.7)             | (5.7)             |

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: \_\_\_\_\_

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**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<br>Number of Claims Reported - Direct and Assumed |  |
|--|-------------------------|------------|------------------------|--------------------------------|------------|---------------------------------------|------------|------------------------------|------------|--|--|--|--|
|  | 1<br>Direct and Assumed | 2<br>Ceded | 3<br>Net (Cols. 1 - 2) | Loss Payments                  |            | Defense and Cost Containment Payments |            | Adjusting and Other Payments |            | 10<br>Salvage and Subrogation Received | 11<br>Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) |  |  |
|  |                         |            |                        | 4<br>Direct and Assumed        | 5<br>Ceded | 6<br>Direct and Assumed               | 7<br>Ceded | 8<br>Direct and Assumed      | 9<br>Ceded |  |  |  |  |
| 1. Prior   | XXX                     | XXX        | XXX                    | .56                            | .57        | 0                                     | 0          | .3                           | 0          | 2                                      | 2  | XXX  |  |
| 2. 2002  | 7,053                   | .475       | 6,578                  | 4,743                          | 301        | 113                                   | .23        | .412                         | .6         | 218                                    | .4,938   | XXX  |  |
| 3. 2003  | 7,531                   | .521       | 7,010                  | 4,272                          | 233        | .92                                   | .15        | .413                         | .1         | 201                                    | .4,528   | XXX  |  |
| 4. 2004  | 7,708                   | .501       | 7,207                  | 4,277                          | 338        | .91                                   | .11        | .465                         | .2         | 242                                    | .4,482   | XXX  |  |
| 5. 2005  | 7,648                   | .479       | 7,169                  | 3,538                          | 239        | .83                                   | .16        | .446                         | .3         | 176                                    | .3,809   | XXX  |  |
| 6. 2006  | 7,498                   | .484       | 7,014                  | 4,471                          | 600        | 100                                   | .3         | .577                         | .3         | 193                                    | .4,542   | XXX  |  |
| 7. 2007  | 7,386                   | .359       | 7,027                  | 4,230                          | 290        | 103                                   | .12        | .597                         | .2         | 215                                    | .4,626   | XXX  |  |
| 8. 2008  | 7,382                   | .377       | 7,005                  | 5,023                          | 755        | 112                                   | 0          | .699                         | 0          | 192                                    | .5,079   | XXX  |  |
| 9. 2009  | 7,462                   | .388       | 7,074                  | 4,359                          | 182        | .60                                   | 0          | .518                         | 0          | 178                                    | .4,755   | XXX  |  |
| 10. 2010   | 7,893                   | .368       | 7,525                  | 4,188                          | 11         | .27                                   | 0          | .563                         | 0          | 186                                    | .4,767   | XXX  |  |
| 11. 2011   | 8,438                   | 553        | 7,885                  | 4,713                          | 997        | 6                                     | 0          | 529                          | 0          | 126                                    | 4,251  | XXX  |  |
| 12. Totals   | XXX                     | XXX        | XXX                    | 43,870                         | 4,003      | 787                                   | 80         | 5,222                        | 17         | 1,929                                  | 45,779   | XXX  |  |

|            | Losses Unpaid            |             |                          |             | Defense and Cost Containment Unpaid |             |                          |             | Adjusting and Other Unpaid |       | 23<br>Salvage and Subrogation Anticipated | 24<br>Total Net Losses and Expenses Unpaid | 25<br>Number of Claims Outstanding - Direct and Assumed |
|------------|--------------------------|-------------|--------------------------|-------------|-------------------------------------|-------------|--------------------------|-------------|----------------------------|-------|---|--|---|
|            | Case Basis               |             | Bulk + IBNR              |             | Case Basis                          |             | Bulk + IBNR              |             | 21                         | 22    |   |  |   |
|            | 13<br>Direct and Assumed | 14<br>Ceded | 15<br>Direct and Assumed | 16<br>Ceded | 17<br>Direct and Assumed            | 18<br>Ceded | 19<br>Direct and Assumed | 20<br>Ceded | Direct and Assumed         | Ceded |   |  |   |
| 1.         | 25                       | .16         | 0                        | 0           | 0                                   | 0           | 0                        | 0           | 0                          | 0     | 0   | 9  | XXX   |
| 2.         | 0                        | 0           | 0                        | 0           | 0                                   | 0           | 0                        | 0           | 0                          | 0     | 0   | 0  | XXX   |
| 3.         | 1                        | 0           | 0                        | 0           | 0                                   | 0           | 0                        | 0           | 0                          | 0     | 0   | 1  | XXX   |
| 4.         | 101                      | .88         | 0                        | 0           | 0                                   | 0           | 0                        | 0           | 0                          | 0     | 0   | .13  | XXX   |
| 5.         | 3                        | 0           | 0                        | 0           | 1                                   | 1           | 0                        | 0           | 0                          | 0     | 0   | 3  | XXX   |
| 6.         | 27                       | 0           | 0                        | 0           | .3                                  | 0           | 1                        | 0           | 0                          | 1     | 0   | .32  | XXX   |
| 7.         | 68                       | 5           | 0                        | 0           | .7                                  | 1           | 2                        | 0           | 2                          | 0     | 0   | .73  | XXX   |
| 8.         | 80                       | 0           | 2                        | .1          | .9                                  | 2           | 2                        | 0           | .4                         | 0     | 0   | .94  | XXX   |
| 9.         | 227                      | 0           | .19                      | .5          | .24                                 | 3           | .10                      | 0           | 12                         | 0     | 0   | .284                                       | XXX   |
| 10.        | 535                      | 0           | .41                      | 11          | .58                                 | .13         | .20                      | .1          | 24                         | 0     | 0   | .653                                       | XXX   |
| 11.        | 1,349                    | 161         | 487                      | 138         | 211                                 | 33          | 52                       | 2           | 104                        | 0     | 0   | 1,869                                      | XXX   |
| 12. Totals | 2,416                    | 270         | 549                      | 155         | 313                                 | 53          | 87                       | 3           | 147                        | 0     | 0   | 3,031                                      | XXX   |

|            | Total Losses and Loss Expenses Incurred |             |           | Loss and Loss Expense Percentage (Incurred/Premiums Earned) |             |           | Nontabular Discount |                    | 34<br>Inter-Company Pooling Participation Percentage | Net Balance Sheet Reserves After Discount |                            |
|------------|---|-------------|-----------|---|-------------|-----------|---------------------|--------------------|--|---|----------------------------|
|            | 26<br>Direct and Assumed                | 27<br>Ceded | 28<br>Net | 29<br>Direct and Assumed                                    | 30<br>Ceded | 31<br>Net | 32<br>Loss          | 33<br>Loss Expense |  | 35<br>Losses Unpaid                       | 36<br>Loss Expenses Unpaid |
|            | Direct and Assumed                      | Ceded       | Net       | Direct and Assumed  | Ceded       | Net       | Loss                | Loss Expense       | Direct and Assumed                                   | Ceded                                     | Direct and Assumed         |
| 1.         | XXX                                     | XXX         | XXX       | XXX   | XXX         | XXX       | 0                   | 0                  | XXX  | .9  | 0                          |
| 2.         | 5,268                                   | .330        | 4,938     | .74.7   | .69.5       | .75.1     | 0                   | 0                  | .5.0   | 0   | 0                          |
| 3.         | 4,778                                   | 249         | 4,529     | .63.4   | .47.8       | .64.6     | 0                   | 0                  | .5.0   | .1  | 0                          |
| 4.         | 4,934                                   | .439        | 4,495     | .64.0   | .87.6       | .62.4     | 0                   | 0                  | .5.0   | .13                                       | 0                          |
| 5.         | 4,071                                   | .259        | 3,812     | .53.2   | .54.1       | .53.2     | 0                   | 0                  | .5.0   | .3  | 0                          |
| 6.         | 5,180                                   | .606        | 4,574     | .69.1   | .125.2      | .65.2     | 0                   | 0                  | .5.0   | .27                                       | 5                          |
| 7.         | 5,009                                   | .310        | 4,699     | .67.8   | .86.4       | .66.9     | 0                   | 0                  | .5.0   | .63                                       | .10                        |
| 8.         | 5,931                                   | .758        | .5,173    | .80.3   | .201.1      | .73.8     | 0                   | 0                  | .5.0   | .81                                       | .13                        |
| 9.         | 5,229                                   | .190        | .5,039    | .70.1   | .49.0       | .71.2     | 0                   | 0                  | .5.0   | .241                                      | .43                        |
| 10.        | 5,456                                   | 36          | .5,420    | .69.1   | .9.8        | .72.0     | 0                   | 0                  | .5.0   | .565                                      | .88                        |
| 11.        | 7,451                                   | 1,331       | 6,120     | 88.3  | .240.6      | .77.6     | 0                   | 0                  | .5.0   | 1,537                                     | 332                        |
| 12. Totals | XXX                                     | XXX         | XXX       | XXX   | XXX         | XXX       | 0                   | 0                  | XXX  | 2,540                                     | 491                        |

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.

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**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<br>2002  | 2<br>2003 | 3<br>2004 | 4<br>2005 | 5<br>2006 | 6<br>2007 | 7<br>2008 | 8<br>2009 | 9<br>2010 | 10<br>2011 | 11<br>One Year | 12<br>Two Year |
| 1. Prior                            | 1,431  | 1,176     | 1,041     | .932      | .901      | .877      | .868      | .865      | .855      | .849       | (6)            | (17)           |
| 2. 2002                             | 5,092  | 4,821     | 4,672     | 4,576     | 4,558     | 4,550     | 4,542     | 4,534     | 4,534     | 4,532      | (2)            | (2)            |
| 3. 2003                             | XXX  | 4,878     | 4,350     | 4,190     | 4,161     | 4,149     | 4,137     | 4,120     | 4,118     | 4,117      | (1)            | (3)            |
| 4. 2004                             | XXX  | XXX       | 4,633     | 4,275     | 4,141     | 4,083     | 4,052     | 4,034     | 4,039     | 4,032      | (7)            | (2)            |
| 5. 2005                             | XXX  | XXX       | XXX       | 3,679     | 3,475     | 3,440     | 3,395     | 3,395     | 3,370     | 3,369      | (1)            | (26)           |
| 6. 2006                             | XXX  | XXX       | XXX       | XXX       | 4,096     | 4,128     | 4,050     | 4,021     | 4,007     | 3,999      | (8)            | (22)           |
| 7. 2007                             | XXX  | XXX       | XXX       | XXX       | XXX       | 4,327     | 4,310     | 4,170     | 4,105     | 4,102      | (3)            | (68)           |
| 8. 2008                             | XXX  | XXX       | XXX       | XXX       | XXX       | XXX       | 4,628     | 4,631     | 4,499     | 4,470      | (29)           | (161)          |
| 9. 2009                             | XXX  | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 4,575     | 4,543     | 4,509      | (34)           | (66)           |
| 10. 2010                            | XXX  | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 4,986     | 4,833      | (153)          | XXX            |
| 11. 2011                            | XXX  | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 5,487     | XXX        | XXX            | XXX            |
|                                     |  |           |           |           |           |           |           |           |           | 12. Totals | (244)          | (368)          |

**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<br>Number of Claims Closed With Loss Payment | 12<br>Number of Claims Closed Without Loss Payment |
|-------------------------------------|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|---|--|
|                                     | 1<br>2002   | 2<br>2003 | 3<br>2004 | 4<br>2005 | 5<br>2006 | 6<br>2007 | 7<br>2008 | 8<br>2009 | 9<br>2010 | 10<br>2011 |   |  |
| 1. Prior                            | 000   | 498       | 712       | .771      | .812      | .830      | .833      | .839      | .841      | .840       | XXX   | XXX  |
| 2. 2002                             | 3,197   | 4,036     | 4,340     | 4,477     | 4,504     | 4,513     | 4,531     | 4,531     | 4,533     | 4,532      | XXX   | XXX  |
| 3. 2003                             | XXX   | 3,001     | 3,667     | 3,909     | 4,037     | 4,105     | 4,112     | 4,116     | 4,117     | 4,116      | XXX   | XXX  |
| 4. 2004                             | XXX   | XXX       | 2,850     | 3,686     | 3,884     | 3,960     | 3,994     | 4,019     | 4,023     | 4,019      | XXX   | XXX  |
| 5. 2005                             | XXX   | XXX       | XXX       | 2,348     | 3,018     | 3,234     | 3,304     | 3,353     | 3,366     | 3,366      | XXX   | XXX  |
| 6. 2006                             | XXX   | XXX       | XXX       | XXX       | 2,742     | 3,576     | 3,769     | 3,901     | 3,947     | 3,968      | XXX   | XXX  |
| 7. 2007                             | XXX   | XXX       | XXX       | XXX       | XXX       | 2,860     | 3,650     | 3,832     | 3,979     | 4,031      | XXX   | XXX  |
| 8. 2008                             | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | 3,261     | 4,048     | 4,270     | 4,380      | XXX   | XXX  |
| 9. 2009                             | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 3,090     | 3,995     | 4,237      | XXX   | XXX  |
| 10. 2010                            | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 3,403     | 4,204      | XXX   | XXX  |
| 11. 2011                            | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 3,722      | 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<br>2002   | 2<br>2003 | 3<br>2004 | 4<br>2005 | 5<br>2006 | 6<br>2007 | 7<br>2008 | 8<br>2009 | 9<br>2010 | 10<br>2011 |
| 1. Prior                            | .351  | 149       | 75        | .22       | .8        | 5         | 2         | 0         | 0         | 0          |
| 2. 2002                             | .663  | .74       | 36        | .15       | 16        | 6         | 1         | 0         | 0         | 0          |
| 3. 2003                             | XXX   | 611       | 80        | .28       | 10        | 9         | 7         | 0         | 0         | 0          |
| 4. 2004                             | XXX   | XXX       | .554      | .95       | .47       | 8         | .9        | 1         | 0         | 0          |
| 5. 2005                             | XXX   | XXX       | XXX       | 448       | 46        | 31        | 3         | 3         | 0         | 0          |
| 6. 2006                             | XXX   | XXX       | XXX       | XXX       | 380       | 38        | 16        | 9         | 2         | 1          |
| 7. 2007                             | XXX   | XXX       | XXX       | XXX       | XXX       | 410       | .28       | 23        | 5         | 2          |
| 8. 2008                             | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | 355       | 52        | 18        | 3          |
| 9. 2009                             | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 375       | 25        | 24         |
| 10. 2010                            | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 422       | 49         |
| 11. 2011                            | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 399        |

**ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**

**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

**Allocated by States and Territories**

| States, etc.   | 1<br>Active Status | Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken |                             | 4<br>Dividends Paid or Credited to Policyholders on Direct Business | 5<br>Direct Losses Paid (Deducting Salvage) | 6<br>Direct Losses Incurred | 7<br>Direct Losses Unpaid | 8<br>Finance and Service Charges Not Included in Premiums | 9<br>Direct Premium Written for Federal Purchasing Groups (Included in Col. 2) |
|--|--------------------|--|-----------------------------|---|---|-----------------------------|---------------------------|---|--|
|  |                    | 2<br>Direct Premiums Written   | 3<br>Direct Premiums Earned |   |   |                             |                           |   |  |
| 1. Alabama   | AL                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 2. Alaska  | AK                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 3. Arizona   | AZ                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 4. Arkansas  | AR                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 5. California  | CA                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 6. Colorado  | CO                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 7. Connecticut   | CT                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 8. Delaware  | DE                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 9. Dist. of Columbia   | DC                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 10. Florida  | FL                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 11. Georgia  | GA                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 12. Hawaii   | HI                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 13. Idaho  | ID                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 14. Illinois   | IL                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 15. Indiana  | IN                 | L  | 414,576                     | 343,681   | 0   | 214,502                     | 140,337                   | 64,748  | 6,973  |
| 16. Iowa   | IA                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 17. Kansas   | KS                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 18. Kentucky   | KY                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 19. Louisiana  | LA                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 20. Maine  | ME                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 21. Maryland   | MD                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 22. Massachusetts  | MA                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 23. Michigan   | MI                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 24. Minnesota  | MN                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 25. Mississippi  | MS                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 26. Missouri   | MO                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 27. Montana  | MT                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 28. Nebraska   | NE                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 29. Nevada   | NV                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 30. New Hampshire  | NH                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 31. New Jersey   | NJ                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 32. New Mexico   | NM                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 33. New York   | NY                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 34. No. Carolina   | NC                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 35. No. Dakota   | ND                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 36. Ohio   | OH                 | L  | 1,232,201                   | 1,087,980   | 0   | 534,758                     | 326,198                   | 229,197   | 23,318   |
| 37. Oklahoma   | OK                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 38. Oregon   | OR                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 39. Pennsylvania   | PA                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 40. Rhode Island   | RI                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 41. So. Carolina   | SC                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 42. So. Dakota   | SD                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 43. Tennessee  | TN                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 44. Texas  | TX                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 45. Utah   | UT                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 46. Vermont  | VT                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 47. Virginia   | VA                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 48. Washington   | WA                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 49. West Virginia  | WV                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 50. Wisconsin  | WI                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 51. Wyoming  | WY                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 52. American Samoa   | AS                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 53. Guam   | GU                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 54. Puerto Rico  | PR                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 55. U.S. Virgin Islands  | VI                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 56. Northern Mariana Islands                                     | MP                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 57. Canada   | CN                 | N  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 58. Aggregate other alien  | OT                 | XXX  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 59. Totals   | (a)                | 2  | 1,646,777                   | 1,431,661   | 0   | 749,260                     | 466,535                   | 293,945   | 30,291   |
| <b>DETAILS OF WRITE-INS</b>                                      |                    |  |                             |   |   |                             |                           |   |  |
| 5801.  |                    | XXX  |                             |   |   |                             |                           |   |  |
| 5802.  |                    | XXX  |                             |   |   |                             |                           |   |  |
| 5803.  |                    | XXX  |                             |   |   |                             |                           |   |  |
| 5898. Sum. of remaining write-ins for Line 58 from overflow page |                    | XXX  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above)    |                    | XXX  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |

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

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

Actual direct written premium and earned premium by state assigned by address of policyholder for all lines of business.

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

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

**PART 1 - ORGANIZATIONAL CHART**

Sonnenberg Mutual  
Insurance Company  
34-0541185

Lightning Rod Mutual  
Insurance Company  
34-0359380

Western Reserve Mutual  
Casualty Company  
34-0613930

SMIC, LRMIC and WRMCC are the three participants  
within the Western Reserve Group. All business  
written is subject to pooling whereby all underwriting  
and related balance sheet amounts are pooled on a  
5/4/0/55 percent basis.

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