
AMENDED FILING EXPLANATION

Amended for differences between annual statement and audited financial statements.



ANNUAL STATEMENT

For the Year Ended December 31, 2012
of the Condition and Affairs of the

JAMES RIVER INSURANCE COMPANY

NAIC Group Code.....3494, 3494 (Current Period) (Prior Period)	NAIC Company Code..... 12203	Employer's ID Number..... 22-2824607
Organized under the Laws of OHIO	State of Domicile or Port of Entry OHIO	Country of Domicile US
Incorporated/Organized..... June 30, 1987	Commenced Business..... September 11, 1987	
Statutory Home Office	52 EAST GAY STREET COLUMBUS OH US 43215 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	
Main Administrative Office	6641 WEST BROAD STREET, SUITE 300..... RICHMOND VA US..... 23230 (804) 289-2700 <i>(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)</i>	
Mail Address	P.O. BOX 27648..... RICHMOND VA US 23261 <i>(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)</i>	
Primary Location of Books and Records	6641 WEST BROAD STREET, SUITE 300..... RICHMOND VA US 23230 (804) 289-2700 <i>(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)</i>	
Internet Web Site Address	www.jamesriverins.com	
Statutory Statement Contact	BRUCE EDWARD SHORT <i>(Name)</i> Bruce.Short@jamesriverins.com <i>(E-Mail Address)</i>	(804) 289-2150 <i>(Area Code) (Telephone Number) (Extension)</i> (804) 420-1059 <i>(Fax Number)</i>

OFFICERS

Name	Title	Name	Title
1. RICHARD JOHN SCHMITZER	President	2. DEBORAH PACE THORSVIK	Treasurer & Controller
3. PAMELA LLULL KNOWLES	Secretary	4.	

OTHER

GREGG THOMAS DAVIS	Chairman of the Board	BRUCE EDWARD SHORT	Vice President, Chief Financial Officer
--------------------	-----------------------	--------------------	---

DIRECTORS OR TRUSTEES

BRUCE EDWARD SHORT	RICHARD JOHN SCHMITZER	JOHN GORDON CLARKE	GREGG THOMAS DAVIS
RICHARD HAMILTON SEWARD			

State of..... Virginia
County of..... Henrico

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

_____ (Signature) RICHARD JOHN SCHMITZER _____ 1. (Printed Name) President _____ (Title)	_____ (Signature) DEBORAH PACE THORSVIK _____ 2. (Printed Name) Treasurer & Controller _____ (Title)	_____ (Signature) PAMELA LLULL KNOWLES _____ 3. (Printed Name) Secretary _____ (Title)
---	---	---

Subscribed and sworn to before me
This _____ day of _____ 2013

a. Is this an original filing? Yes [] No [X]
b. If no

1. State the amendment number	1
2. Date filed	06/07/2013
3. Number of pages attached	29

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	248,587,153	0	248,587,153	248,158,132
2. Stocks (Schedule D):				
2.1 Preferred stocks.....	33,428,791	0	33,428,791	21,770,484
2.2 Common stocks.....	23,982,623	0	23,982,623	56,800,552
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....	0	0	0	0
3.2 Other than first liens.....	0	0	0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....	0	0	0	0
4.2 Properties held for the production of income (less \$.....0 encumbrances).....	0	0	0	0
4.3 Properties held for sale (less \$.....0 encumbrances).....	0	0	0	0
5. Cash (\$.....(1,873,945), Schedule E-Part 1), cash equivalents (\$.....10,717,500, Schedule E-Part 2) and short-term investments (\$.....12,149,099, Schedule DA).....	20,992,654	0	20,992,654	24,073,047
6. Contract loans (including \$.....0 premium notes).....	0	0	0	0
7. Derivatives (Schedule DB).....	0	0	0	0
8. Other invested assets (Schedule BA).....	0	0	0	0
9. Receivables for securities.....	0	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL).....	0	0	0	0
11. Aggregate write-ins for invested assets.....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	326,991,221	0	326,991,221	350,802,215
13. Title plants less \$.....0 charged off (for Title insurers only).....	0	0	0	0
14. Investment income due and accrued.....	2,763,059	0	2,763,059	2,821,042
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	106,033,410	1,900,236	104,133,174	56,142,369
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....	0	0	0	0
15.3 Accrued retrospective premiums.....	0	0	0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	36,326,098	0	36,326,098	15,029,477
16.2 Funds held by or deposited with reinsured companies.....	3,407,705	0	3,407,705	0
16.3 Other amounts receivable under reinsurance contracts.....	0	0	0	0
17. Amounts receivable relating to uninsured plans.....	0	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon.....	240,584	0	240,584	0
18.2 Net deferred tax asset.....	7,812,285	1,353,547	6,458,738	6,382,584
19. Guaranty funds receivable or on deposit.....	0	0	0	0
20. Electronic data processing equipment and software.....	0	0	0	0
21. Furniture and equipment, including health care delivery assets (\$.....0).....	0	0	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates.....	0	0	0	0
23. Receivables from parent, subsidiaries and affiliates.....	91,882	0	91,882	0
24. Health care (\$.....0) and other amounts receivable.....	0	0	0	0
25. Aggregate write-ins for other than invested assets.....	39,195	0	39,195	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	483,705,439	3,253,783	480,451,656	431,177,687
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0	0
28. TOTALS (Lines 26 and 27).....	483,705,439	3,253,783	480,451,656	431,177,687

DETAILS OF WRITE-INS

1101.....	0	0	0	0
1102.....	0	0	0	0
1103.....	0	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0
2501. Assumed insurance receivable.....	39,195	0	39,195	0
2502.....	0	0	0	0
2503.....	0	0	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	39,195	0	39,195	0

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8).....	87,442,895	94,506,231
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6).....	0	19,637,492
3. Loss adjustment expenses (Part 2A, Line 35, Column 9).....	54,883,102	56,910,497
4. Commissions payable, contingent commissions and other similar charges.....	0	55,224
5. Other expenses (excluding taxes, licenses and fees).....	0	0
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	0	0
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)).....	0	277,911
7.2 Net deferred tax liability.....	0	0
8. Borrowed money \$.....12,500,000 and interest thereon \$.....3,819.....	12,503,819	0
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....56,668,707 and including warranty reserves of \$.....0 and accrued accident and health experience rating refunds including \$.....0 for medical loss ratio rebate per the Public Health Service Act).....	17,379,226	15,142,822
10. Advance premium.....	0	0
11. Dividends declared and unpaid:		
11.1 Stockholders.....	0	0
11.2 Policyholders.....	0	0
12. Ceded reinsurance premiums payable (net of ceding commissions).....	86,644,682	21,766,782
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.....	0	0
15. Remittances and items not allocated.....	0	0
16. Provision for reinsurance (including \$.....0 certified) (Schedule F, Part 8).....	2,059,000	2,308,000
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.....	2,375,479	2,094,948
20. Derivatives.....	0	0
21. Payable for securities.....	0	0
22. Payable for securities lending.....	0	0
23. Liability for amounts held under uninsured plans.....	0	0
24. Capital notes \$.....0 and interest thereon \$.....0.....	0	0
25. Aggregate write-ins for liabilities.....	3,825,433	2,464,089
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	267,113,636	215,163,996
27. Protected cell liabilities.....	0	0
28. Total liabilities (Lines 26 and 27).....	267,113,636	215,163,996
29. Aggregate write-ins for special surplus funds.....	0	2,399,669
30. Common capital stock.....	3,547,500	3,547,500
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.....	134,601,871	134,601,871
35. Unassigned funds (surplus).....	75,188,649	75,464,651
36. Less treasury stock, at cost:		
36.10.000 shares common (value included in Line 30 \$.....0).....	0	0
36.20.000 shares preferred (value included in Line 31 \$.....0).....	0	0
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39).....	213,338,020	216,013,691
38. TOTALS (Page 2, Line 28, Col. 3).....	480,451,656	431,177,687

DETAILS OF WRITE-INS

2501. Other liabilities.....	6,440	72,665
2502. Deferred ceding commission.....	3,271,993	2,325,771
2503. Excise tax payable.....	547,000	65,653
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	3,825,433	2,464,089
2901. Additional admitted deferred tax assets.....	0	2,399,669
2902.	0	0
2903.	0	0
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	2,399,669
3201.	0	0
3202.	0	0
3203.	0	0
3298. Summary of remaining write-ins for Line 32 from overflow page.....	0	0
3299. Totals (Lines 3201 thru 3203 plus 3298) (Line 32 above).....	0	0

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4).....	41,520,108	41,608,676
DEDUCTIONS		
2. Losses incurred (Part 2, Line 35, Column 7).....	13,962,190	7,383,047
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	11,589,236	11,994,354
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	10,525,180	11,113,562
5. Aggregate write-ins for underwriting deductions.....	0	0
6. Total underwriting deductions (Lines 2 through 5).....	36,076,606	30,490,964
7. Net income of protected cells.....	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	5,443,502	11,117,712
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	18,036,566	19,235,825
10. Net realized capital gains (losses) less capital gains tax of \$.....2,558,243 (Exhibit of Capital Gains (Losses)).....	4,751,023	4,907,223
11. Net investment gain (loss) (Lines 9 + 10).....	22,787,589	24,143,048
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....149,749).....	(149,749)	(364,796)
13. Finance and service charges not included in premiums.....	0	0
14. Aggregate write-ins for miscellaneous income.....	(16,794)	53,611
15. Total other income (Lines 12 through 14).....	(166,543)	(311,185)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	28,064,548	34,949,575
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).....	28,064,548	34,949,575
19. Federal and foreign income taxes incurred.....	5,574,875	5,809,048
20. Net income (Line 18 minus Line 19) (to Line 22).....	22,489,674	29,140,527
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	216,013,691	219,760,243
22. Net income (from Line 20).....	22,489,674	29,140,527
23. Net transfers (to) from Protected Cell accounts.....	0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....1,247,244.....	2,587,138	(262,620)
25. Change in net unrealized foreign exchange capital gain (loss).....	0	0
26. Change in net deferred income tax.....	(706,092)	(2,824,446)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3).....	1,704,609	3,074,559
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....	249,000	(1,874,572)
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.....	(29,000,000)	(31,000,000)
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.....	0	0
38. Change in surplus as regards policyholders for the year (Lines 22 through 37).....	(2,675,671)	(3,746,552)
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	213,338,020	216,013,691
DETAILS OF WRITE-INS		
0501.	0	0
0502.	0	0
0503.	0	0
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0
1401. Miscellaneous.....	(16,794)	53,611
1402.	0	0
1403.	0	0
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	(16,794)	53,611
3701. Additional admitted deferred tax assets.....	0	2,399,669
3702. Reclassification of additional admitted deferred tax assets to special surplus funds.....	0	(2,399,669)
3703.	0	0
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	0	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	60,318,726	25,851,726
2. Net investment income.....	16,679,404	18,696,548
3. Miscellaneous income.....	(166,543)	53,611
4. Total (Lines 1 through 3).....	76,831,587	44,601,885
5. Benefit and loss related payments.....	65,367,344	29,987,618
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	24,197,031	26,181,231
8. Dividends paid to policyholders.....	0	0
9. Federal and foreign income taxes paid (recovered) net of \$.....2,558,243 tax on capital gains (losses).....	8,651,613	9,673,190
10. Total (Lines 5 through 9).....	98,215,988	65,842,039
11. Net cash from operations (Line 4 minus Line 10).....	(21,384,400)	(21,240,154)
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	143,819,364	226,128,841
12.2 Stocks.....	28,591,942	0
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.....	96	3,843
12.7 Miscellaneous proceeds.....	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	172,411,402	226,132,684
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	129,662,523	139,749,531
13.2 Stocks.....	9,455,670	54,533,398
13.3 Mortgage loans.....	0	0
13.4 Real estate.....	0	0
13.5 Other invested assets.....	0	0
13.6 Miscellaneous applications.....	0	38,560
13.7 Total investments acquired (Lines 13.1 to 13.6).....	139,118,193	194,321,489
14. Net increase (decrease) in contract loans and premium notes.....	0	0
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	33,293,209	31,811,195
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds.....	12,500,000	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....	0	0
16.5 Dividends to stockholders.....	29,000,000	31,000,000
16.6 Other cash provided (applied).....	1,510,798	2,095,978
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(14,989,202)	(28,904,022)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	(3,080,393)	(18,332,981)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	24,073,047	42,406,028
19.2 End of year (Line 18 plus Line 19.1).....	20,992,654	24,073,047
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001	0	0

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

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct.....	24,311,013	0	0	24,311,013
1.2 Reinsurance assumed.....	219,686	0	0	219,686
1.3 Reinsurance ceded.....	16,996,941	0	0	16,996,941
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	7,533,758	0	0	7,533,758
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....	0	25,447,230	0	25,447,230
2.2 Reinsurance assumed, excluding contingent.....	0	9,601,278	0	9,601,278
2.3 Reinsurance ceded, excluding contingent.....	0	43,135,228	0	43,135,228
2.4 Contingent - direct.....	0	0	0	0
2.5 Contingent - reinsurance assumed.....	0	366,363	0	366,363
2.6 Contingent - reinsurance ceded.....	0	110,246	0	110,246
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	(7,830,603)	0	(7,830,603)
3. Allowances to manager and agents.....	0	30,934	0	30,934
4. Advertising.....	0	15,383	0	15,383
5. Boards, bureaus and associations.....	84,333	400,718	3,087	488,138
6. Surveys and underwriting reports.....	0	(1,538,199)	0	(1,538,199)
7. Audit of assureds' records.....	0	313,408	0	313,408
8. Salary and related items:				
8.1 Salaries.....	2,575,694	12,377,238	94,289	15,047,221
8.2 Payroll taxes.....	169,894	807,274	6,219	983,387
9. Employee relations and welfare.....	366,924	1,743,494	13,432	2,123,850
10. Insurance.....	44,078	209,444	1,614	255,136
11. Directors' fees.....	0	0	0	0
12. Travel and travel items.....	63,025	299,473	2,307	364,805
13. Rent and rent items.....	265,976	1,263,822	9,737	1,539,535
14. Equipment.....	100,954	479,700	3,696	584,350
15. Cost or depreciation of EDP equipment and software.....	55,254	262,548	2,023	319,825
16. Printing and stationery.....	107,018	255,264	1,967	364,249
17. Postage, telephone and telegraph, exchange and express.....	68,268	324,386	2,499	395,153
18. Legal and auditing.....	62,338	400,903	939,328	1,402,569
19. Totals (Lines 3 to 18).....	3,963,756	17,645,790	1,080,198	22,689,744
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....0.....	0	0	0	0
20.2 Insurance department licenses and fees.....	0	51,423	0	51,423
20.3 Gross guaranty association assessments.....	0	0	0	0
20.4 All other (excluding federal and foreign income and real estate).....	0	56,764	0	56,764
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....	0	108,187	0	108,187
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.....	91,722	601,806	71,217	764,745
25. Total expenses incurred.....	11,589,236	10,525,180	1,151,415	(a).....23,265,831
26. Less unpaid expenses - current year.....	54,883,102	(1,145)	0	54,881,957
27. Add unpaid expenses - prior year.....	56,910,496	55,224	0	56,965,720
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).....	13,616,630	10,581,549	1,151,415	25,349,594

DETAILS OF WRITE-INS

2401. Outside consulting.....	76,381	330,728	56,268	463,377
2402. Corporate administrative services.....	19,658	353,849	19,658	393,165
2403. Other.....	(4,317)	(82,771)	(4,709)	(91,797)
2498. Summary of remaining write-ins for Line 24 from overflow page.....	0	0	0	0
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above).....	91,722	601,806	71,217	764,745

(a) Includes management fees of \$.....22,919,757 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....	0	0	0
2.2 Common stocks.....	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....	0	0	0
3.2 Other than first liens.....	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale.....	0	0	0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans.....	0	0	0
7. Derivatives (Schedule DB).....	0	0	0
8. Other invested assets (Schedule BA).....	0	0	0
9. Receivables for securities.....	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL).....	0	0	0
11. Aggregate write-ins for invested assets.....	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	0	0	0
13. Title plants (for Title insurers only).....	0	0	0
14. Investment income due and accrued.....	0	0	0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	1,900,236	1,575,355	(324,881)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
15.3 Accrued retrospective premiums.....	0	0	0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....	0	0	0
16.2 Funds held by or deposited with reinsured companies.....	0	0	0
16.3 Other amounts receivable under reinsurance contracts.....	0	0	0
17. Amounts receivable relating to uninsured plans.....	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon.....	0	0	0
18.2 Net deferred tax asset.....	1,353,547	3,383,037	2,029,490
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 Protected Cell Accounts (Lines 12 through 25).....	3,253,783	4,958,392	1,704,609
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
28. TOTALS (Lines 26 and 27).....	3,253,783	4,958,392	1,704,609

DETAILS OF WRITE-INS

1101.....	0	0	0
1102.....	0	0	0
1103.....	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0
2501. Advance to affiliate.....	0	0	0
2502.....	0	0	0
2503.....	0	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0
2599. Totals (Lines 2501 thru 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 James River Insurance Company ("the Company") are presented on the basis of accounting practices 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 purposes of determining its solvency under the Ohio Insurance Law. The National Association of Insurance Commissioners' ("NAIC") *Accounting Practices and Procedures Manual* has been adopted as a component of prescribed or permitted practices by the state of Ohio.

The accompanying financial statements contain no differences as a result of practices prescribed or permitted by Ohio that differ from the NAIC's *Accounting Practices and Procedures Manual*.

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 Policies

Premiums are earned over the terms of the related policies. Unearned premiums are established to cover the unexpired portion of premiums written. Such reserves are determined on a daily pro rata basis. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

In addition, the Company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at either amortized cost, using the interest method or the lower of amortized cost or fair market value.
- (3) Unaffiliated common stocks are stated at fair market value.
- (4) Perpetual preferred stocks are stated at fair market value. Mandatorily redeemable preferred stocks are stated at amortized cost.
- (5) The Company has no mortgage loans.
- (6) Loan-backed securities are stated at either amortized cost, using the interest method or the lower of amortized cost or fair market value. The retrospective adjustment method is used to value all securities except for interest only securities, EITF 99-20 eligible securities or securities where the yield had become negative, that are valued using the prospective method.
- (7) Affiliated common stock is stated at the statutory value of the insurance subsidiary.
- (8) The Company has no investments in joint ventures, partnerships, or limited liability companies.
- (9) The Company has no investments in derivatives.
- (10) The Company does not consider investment income as a factor in determining premium deficiency reserves.
- (11) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on industry 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 liability 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.

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

- A. The Company adopted the provisions of SSAP 101 *Accounting for Income Taxes - A Replacement of SSAP 10R and SSAP 10* (SSAP 101), effective January 1, 2012. SSAP 101 provides new requirements for tax loss contingencies and the calculation and admissibility of deferred tax assets. The difference between the recalculated amounts as of January 1, 2012, and the amount actually reported in the prior year financial statements is treated as a change in accounting principle in accordance with SSAP 3 *Accounting Changes and Corrections of Errors*. There was no impact on unassigned funds as of January 1, 2012 as a result of adopting SSAP 101.

3. BUSINESS COMBINATIONS AND GOODWILL

Not applicable

NOTES TO FINANCIAL STATEMENTS

4. DISCONTINUED OPERATIONS

Not applicable

5. INVESTMENTS

A. Mortgage Loans - None

B. Debt Restructuring - None

C. Reverse Mortgages - None

D. Loan-Backed Securities

(1) Prepayment assumptions for Mortgage-Backed Securities, Collateralized Mortgage Obligations and Other Structured Securities were generated using a purchased prepayment model. The prepayment model uses a number of factors to estimate prepayment activity including the time of year (seasonality), current levels of interest rates (refinancing incentive), economic activity (including housing turnover) and term and age of the underlying collateral (burnout, seasoning). On an ongoing basis, the rate of prepayment is monitored and the model is calibrated to reflect actual experience, market factors and viewpoint.

(2-3) At December 31, 2012 the Company held no securities with a recognized other-than-temporary impairment.

(4) All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss:

a. The aggregate amount of unrealized losses:

1. Less than 12 months	\$4,131
2. 12 months or longer	\$ 0

b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 months	\$1,046,437
2. 12 months or longer	\$ 0

(5) Impairments are based on periodic analytical reviews. Analysis relies on actual collateral performance measurements including, but not limited to prepayment rates, default rates, delinquencies, and loss severity sourced through third party data providers.

E. Repurchase Agreements

The Company invests in repurchase agreements with term limits of no more than 30 days. The Company's investment policy requires that the collateral securing the repurchase agreement have a market value of no less than 102% of the repurchase amount. Repurchase agreements are classified as Cash Equivalents.

F. Real Estate - None

G. Investments in Low-Income Housing Tax Credits - None

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

Not applicable

7. INVESTMENT INCOME

A. All investment income due and accrued with amounts over 90 days past due is recognized as non-admitted and excluded from surplus.

B. The Company has no investment income due and accrued exceeding 90 days past due.

8. DERIVATIVE INSTRUMENTS

Not applicable

NOTES TO FINANCIAL STATEMENTS

9. INCOME TAXES

A. Deferred Tax Asset / Liability

(1) Components of the Net Deferred Tax Asset / Liability

	December 31, 2012			December 31, 2011			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	\$8,833,206	\$341,952	\$9,175,158	\$8,903,365	\$1,879,820	\$10,783,185	\$(70,159)	\$(1,537,868)	\$(1,608,027)
Deferred tax assets non-admitted	1,353,547		1,353,547	2,385,869	997,169	3,383,038	(1,032,322)	(997,169)	(2,029,491)
Subtotal net admitted deferred tax asset	7,479,659	341,952	7,821,611	6,517,496	882,651	7,400,147	962,163	(540,699)	421,464
Deferred tax liabilities	135,755	1,227,118	1,362,873	137,722	879,841	1,017,563	(1,967)	347,277	345,310
Net admitted deferred tax assets/(liabilities)	\$7,343,904	\$(885,166)	\$6,458,738	\$6,379,744	\$2,810	\$6,382,584	\$(127,233)	\$203,387	\$76,154

(2) Admission Calculation Components

	December 31, 2012			December 31, 2011			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(a) Para 11.a.	\$4,713,256	\$341,952	\$5,055,208	\$3,980,105	\$2,810	\$3,982,915	\$733,151	\$339,142	\$1,072,293
(b) Paragraph 11.b. (the lesser of 11.b.i. and 11.b.ii. below)	1,403,530	0	1,403,530	2,399,669	0	2,399,669	(996,139)	0	(996,139)
(c) Paragraph 11.b.i.	1,403,530	0	1,403,530	2,399,669	0	2,399,669	(996,139)	0	(996,139)
(d) Paragraph 11.b.ii.	0	0	0	0	0	0	0	0	0
(e) Paragraph 11.c.	1,362,873	0	1,362,873	137,722	879,841	1,017,563	1,225,151	(879,841)	345,310
(f) Total (a+b+e)	\$7,479,659	\$341,952	\$7,821,611	\$6,517,496	\$882,651	\$7,400,147	\$962,163	\$(540,699)	\$421,464

(3) Other Admissibility Criteria

	2012	2011
Ratio percentage used to determine recovery period threshold limitation amount	683%	709%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	\$206,879,282	\$209,631,207

(4) There was no impact of tax planning strategies.

B. The Company has no deferred tax liabilities that are not recognized.

C. Current and Deferred Income Taxes

(1) Current Income Tax

	2012	2011	Change
(a) Federal	\$5,706,945	\$7,148,809	\$(1,441,864)
(b) Prior period tax adjustment	(132,070)	(1,339,761)	1,207,691
c Subtotal	5,574,875	5,809,048	(234,173)
(d) Federal income tax on net capital gains	2,558,243	2,642,352	(84,109)
(e) Federal income taxes incurred	\$8,133,118	\$8,451,400	\$(318,282)

NOTES TO FINANCIAL STATEMENTS

(2) Deferred Tax Assets

	2012	2011	Change
Ordinary			
Discount on unpaid loss and LAE reserves	\$5,806,379	\$6,477,973	\$(671,594)
Discount on net unearned premiums	1,216,546	1,059,998	156,548
Non-admitted premiums receivable	665,083	551,374	113,709
Deferred ceding commissions	1,145,198	814,020	331,178
Subtotal	8,833,206	8,903,365	(70,159)
Non-admitted	1,353,547	2,385,869	(1,032,322)
Admitted ordinary deferred tax assets	7,479,659	6,517,496	962,163
Capital			
Realized loss on impaired investments	90,559	725,650	(635,091)
Unrealized losses on securities owned	251,393	1,151,360	(899,967)
Other	0	2,810	(2,810)
Subtotal	341,952	1,879,820	(1,537,868)
Non-admitted	0	997,169	(997,169)
Admitted capital deferred tax assets	341,952	882,651	(540,699)
Admitted deferred tax assets	7,821,611	\$7,400,147	\$421,464

(3) Deferred Tax Liabilities

	2012	2011	Change
Ordinary			
Accrued dividends	\$83,343	\$90,330	\$(6,987)
Market discount on bonds	52,412	47,392	5,020
Subtotal	135,755	137,722	(1,967)
Capital			
Unrealized gain on securities owned	1,227,118	879,841	347,277
Subtotal	1,227,118	879,841	347,277
Deferred tax liabilities	\$1,362,873	\$1,017,563	\$345,310

(4) Net Deferred Tax Assets \$6,458,738 \$6,382,584 \$76,154

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

In 2012, the significant book-to-tax adjustments were as follows:

	Amount	Effective Tax Rate
Provision computed at statutory rate	10,717,977	35.0%
Tax exempt interest	(1,202,178)	(3.9)
Dividend received deduction	(362,921)	(1.2)
Tax rate true up difference	(184,937)	(0.6)
Other	(128,730)	(0.4)
Total	8,839,210	28.9%
Federal income taxes incurred	5,574,875	18.2%
Realized capital gains taxes	2,558,243	8.4
Change in deferred income taxes	706,092	2.3
Total statutory income taxes	8,839,210	28.9%

NOTES TO FINANCIAL STATEMENTS

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

(1) At December 31, 2012 the Company did not have any unused operating loss carryforwards available to offset against future taxable income.

(2) The following is income tax expense for 2012 and 2011 that is available for recoupment in the event of future net losses.

2012	\$8,265,188
2011	\$9,791,161

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

F. Consolidated Federal Income Tax Return

(1) The Company's federal income tax return is consolidated with the following entities (see Schedule Y):

James River Group, Inc.
 James River Casualty Company
 James River Management Company, Inc.
 Stonewood General Insurance Company
 Stonewood Insurance Company
 Stonewood Insurance Management Company, Inc.
 Stonewood National Insurance Company
 Potomac Risk Services, Inc.

(2) A written agreement provides that federal income taxes will be allocated to the Company on approximately the same basis as though the Company were filing a separate return. Estimated tax payments are settled with the Company's parent at the time such estimates are payable to the Internal Revenue Service. Final settlement between the Company and its parent is made within thirty days of the filing of the tax return.

G. Federal or Foreign Federal Income Tax Loss Contingencies

The Company does not have any federal income tax loss contingencies.

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

A. Nature of Relationships

On June 30, 2003 James River Group, Inc. (EIN #05-0539572), an insurance group holding company, acquired Fidelity Excess and Surplus Insurance Company for \$28.9 million in cash, and subsequently changed the name of the Company to James River Insurance Company. 100% of the outstanding common stock of the Company is owned by James River Group, Inc. (James River Group). See Schedule Y, Part 1, Organizational Chart.

B. Detail of Transactions Greater than 1/2% of Admitted Assets

The Company has a \$12,500,000 note payable to an affiliate.

The Company paid an ordinary dividend of \$29,000,000 and \$31,000,000 to James River Group on December 17, 2012 and December 16, 2011, respectively.

On December 5, 2011 the Company invested \$9,000,000 of additional capital in James River Casualty Company, a wholly owned subsidiary.

C. Change in Terms of Intercompany Arrangements - None

D. Amounts Due to or from Related Parties

On December 21, 2012, the Company borrowed \$12,500,000 from James River Group. The note is due March 22, 2013 and has a 1% interest rate computed on the basis of a 360 day year for actual days elapsed.

E. Guarantees or Undertakings for Related Parties - None

F. Management, Service Contracts and Cost Sharing Arrangements

James River Management Company, Inc., a wholly owned subsidiary of James River Group, provides accounting, administrative, underwriting and claims services, under contract with the Company. Fees are allocated to the Company on a basis approximating the cost

NOTES TO FINANCIAL STATEMENTS

of providing such services and totaled \$22,919,757 in 2012.

G. Nature of Relationships that Could Affect Operations

See Schedule Y, Part 1, Organizational Chart.

H. The Company owns no shares, either directly or indirectly, of an upstream intermediary or ultimate parent.

I. The Company has no investments in Subsidiary Controlled Affiliates greater than 10% of admitted assets.

J. Investments in Impaired Subsidiary, Controlled or Affiliated Companies during the statement period – Not applicable

K. The Company has no investments in foreign insurance subsidiaries.

L. The Company has no investments in downstream noninsurance holding companies.

11. DEBT

Not applicable

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

This section is not applicable as the Company has no employees, and consequently, no employee benefit plans. The cost of these items is charged to the Company as part of the management fee under the service agreement with James River Management Company, Inc.

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

(1) The Company has 1,650,000 shares of \$2.15 par value common stock authorized, issued and outstanding.

(2) The Company has no preferred stock outstanding.

(3) The maximum amount of dividends or distributions which may be paid to stockholders by property/casualty insurance companies domiciled in the State of Ohio without (i) prior approval or (ii) expiration of a 30-day waiting period without disapproval of the Director of Insurance is the greater of net income or 10% of policyholders' surplus as of the preceding December 31, but only to the extent of earned surplus as of the preceding December 31. Based on this calculation, the maximum amount of ordinary dividends or distributions which may be paid in 2013 is \$22,489,674.

(4) The Company paid an ordinary dividend of \$29,000,000 and \$31,000,000 to James River Group on December 17, 2012 and December 16, 2011, respectively.

(5) Within the limitations of (3) above, there are no specific restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.

(6) There were no restrictions placed on the Company's unassigned funds.

(7) Mutual Surplus Advances - Not applicable

(8) No stock of the Company or its affiliates is held by it for special purposes.

(9) The change in special surplus funds is due to the effects of applying SSAP 10 R - *Income Taxes - Revised* to net admitted deferred tax assets.

(10) The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is \$2,802,888.

(11) The Company does not have any surplus debentures or similar obligations.

(12) There were no restatements in a quasi-reorganization.

(13) There were no quasi-reorganizations.

14. CONTINGENCIES

A. Contingent Commitments - Not applicable

B. Assessments

NOTES TO FINANCIAL STATEMENTS

The Company is subject to guaranty fund and other assessments by the state in which it is licensed to write business. Guaranty fund assessments should be accrued at the time of insolvencies. Other assessments should be accrued either at the time of assessment or in the case of premium based assessments, at the time the premiums were written, or in the case of loss based assessments, at the time the losses are incurred. At December 31, 2012, based on information available from the state in which the Company is licensed to write business, there were no material unpaid assessments and the Company has not accrued a liability for guaranty fund or other assessments.

- C. Gain Contingencies - Not applicable
- D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits - Not applicable
- E. Product Warranties – Not applicable
- F. Other Contingencies

The Company is not aware of any contingent liabilities that existed at December 31, 2012.

15. LEASES

Not applicable

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

Not applicable

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

Not applicable

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

Not applicable

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

Not applicable

20. FAIR VALUE

A. Inputs Used for Assets and Liabilities Measured at Fair Value

(1) Fair Values for Items Measured and Reported at Fair Value by Levels 1, 2 and 3

For statutory accounting, certain investments are carried at fair value, while others may periodically be carried at fair value based on certain factors such as the NAIC's lower of cost or market rule or an impairment. Assets recorded at fair value are categorized based on an evaluation of the various inputs used to measure the fair value.

Three levels of inputs are used to measure fair value:

- (a) Level 1: Quoted prices in active markets for identical assets,
- (b) Level 2: Indirect observable inputs, including prices for similar assets and market corroborated inputs, and
- (c) Level 3: Unobservable inputs reflecting assumptions that market participants would use, including assumptions about risk.

Supporting documentation received from pricing vendors detailing the inputs, models and processes used in the vendor's evaluation process is used to determine the appropriate fair value hierarchy. Documentation from each pricing vendor is reviewed and monitored periodically to ensure they are consistent with pricing policy procedures. Market information obtained from brokers with respect to security valuations is also considered in the pricing hierarchy.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bonds – Industrial & Misc.	\$ 0	\$ 11,722,896	\$ 6,083,034	\$ 17,805,930
Perpetual Preferred Stock – Industrial & Misc.	0	22,272,511	0	22,272,511
Common Stock – Industrial & Misc.	1,114,336	734,100	0	1,848,436
Common Stock – Mutual Funds	6,863,360	0	0	6,863,360

NOTES TO FINANCIAL STATEMENTS

Total Common Stocks	7,977,696	734,100	0	8,711,796
Total Assets at Fair Value	\$ 7,977,696	\$ 34,729,507	\$ 6,083,034	\$ 48,790,237

The Company held no liabilities measured at fair value as of December 31, 2012. There were no transfers between Level 1 and Level 2 for assets held at December 31, 2012.

(2) Rollforward of Level 3 Fair Value Measurements Above:

	<u>Bond – Industrial & Misc.</u>	<u>Common Stock – Industrial & Misc.</u>	<u>Total Level 3</u>
Beginning Balance at January 1, 2012	\$ 37,402,444	\$ 32,242	\$37,434,686
Transfers into Level 3 (a)	(36,273)	0	(36,273)
Transfers into Level 3 (b)	0	0	0
Transfers out of Level 3 (a)	(15,647,755)	0	(15,647,755)
Transfers out of Level 3 (b)	(1,860,394)	0	(1,860,394)
Total Gains and (Losses) included in Net Income	184,182	30,850	215,032
Total Gains and (Losses) included in Surplus	1,388,529	0	1,388,529
Purchases	3,183,312	0	3,183,312
Sales	(18,531,011)	(63,092)	(18,594,103)
Ending Balance at December 31, 2012	\$ 6,083,034	\$ 0	\$6,083,034

(a) Measurement basis changed from amortized cost to fair value based on NAIC designation.

(b) Transfers due to a change in observability of inputs used to determine fair value.

(3) Policy on Transfers Into and Out of Level 3

Transfers in and out of Level 3 are recognized based on the beginning of the reporting period.

(4) Input and Techniques Used for Level 2 and Level 3 Fair Values

Fair value measurements for fixed income and equity securities are based on values either published by the NAIC's Securities Valuation Office (SVO) or from an external pricing source. Under certain circumstances, if neither an SVO price nor vendor price is available, a price may be obtained from a broker. Short-term securities and cash equivalents are valued at amortized cost.

When published prices from the SVO are not available, the Company relies predominately on external pricing sources that have been evaluated and approved by the investment manager's pricing policy committee. Generally, external pricing service vendors use a pricing methodology involving the market approach, including pricing models, which use prices and relevant market information regarding a particular security or securities with similar characteristics to establish a valuation.

Investments for which external sources are not available or are determined by the investment manager not to be representative of fair value are recorded at fair value as determined by the investment manager. In determining the fair value of such investments, the investment manager considers one or more of the following factors: type of security held, convertibility or exchangeability of the security, redeemability of the security (including timing of such redemptions), application of industry accepted valuation models, recent trading activity, liquidity, estimates of liquidation value, purchase cost, and prices received for securities with similar terms of the same issuer or similar issuers. At December 31, 2012, there were no investments for which external sources were unavailable to determine fair value.

(5) Derivative Fair Values

Not applicable.

B. Other Fair Value Disclosures

Not applicable.

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

The table below reflects the fair values and admitted values of all admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method (subsidiaries). The fair values are also categorized into the three-level fair value hierarchy as described above in Note 20A.

	<u>Fair Value</u>	<u>Admitted Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Not Practical (Carrying Value)</u>
Bonds	\$267,859,515	\$248,587,153	\$19,307,308	\$210,526,288	\$38,025,919	\$0
Preferred Stocks	34,564,991	33,428,791	0	34,564,991	0	0

NOTES TO FINANCIAL STATEMENTS

Common Stocks	8,711,796	8,711,796	7,977,696	734,100	0	0
Cash Equivalents & Short-Term Investments	22,866,599	22,866,599	12,149,099	10,717,500	0	0
Total Assets	\$334,002,901	\$313,594,339	\$39,434,103	\$256,542,879	\$38,025,919	\$0

D. Financial Instruments for which Not Practical to Determine Fair Values

Not applicable.

21. OTHER ITEMS

A. Extraordinary Items – Not applicable

B. Troubled Debt Restructuring – Not applicable

C. Other Disclosures

Effective January 1, 2002, the Company entered into a reinsurance agreement with its parent at that time, American Empire Surplus Lines Insurance Company. The Company ceded to American Empire Surplus Lines Insurance Company all liability with respect to direct business written by the Company and the insurance business retroceded to the Company under a Pooling Agreement dated January 1, 1992, as amended. The Company was eliminated as a party to the Pooling Agreement effective January 1, 2002.

With respect to the reinsurance recoverable by the Company related to the direct business ceded under the above contract, American Empire Surplus Lines Insurance Company has provided security in the form of a trust account containing securities that qualify as admitted assets in an amount greater than such recoverable reinsurance. In addition, a parent of the reinsurer, Great American Insurance Company has provided a guarantee for the payment of such reinsurance recoverable to the Company.

Effective January 1, 2008 the Company entered into a reinsurance arrangement with JRG Reinsurance Company, Ltd., whereby the Company ceded 70% of premiums earned and 70% of losses and allocated loss adjustment expenses incurred. The effects of the reinsurance transactions and related information are disclosed on the Reinsurance Summary Supplemental Filing.

D. Uncollectible Premiums Receivable

At December 31, 2012, the Company had admitted assets of \$104,133,174 in uncollected premiums and agents balances in course of collection. The Company routinely assesses the collectibility of the receivables. Based on Company experience, any uncollectible premiums receivable as of December 31, 2012 are not expected to exceed the nonadmitted amounts totaling \$1,900,236 and, therefore, no additional provision for uncollectible amounts has been recorded. The potential for any additional loss is not believed to be material to the Company's financial condition.

E. Business Interruption Insurance Recoveries - Not applicable

F. State Transferable and Non-Transferable Tax Credits - Not applicable

G. Subprime Mortgage Related Exposure

(1) The Company does not engage in direct subprime residential mortgage lending. The Company's exposure to subprime is limited to investments within the fixed income investment portfolio which contains securities collateralized by mortgages that have characteristics of subprime lending. Such characteristics include an interest rate above prime to borrowers who do not qualify for prime rate loans, borrowers with low credit ratings (FICO scores), unconventionally high initial loan-to-value ratios, and borrowers with less than conventional documentation of their income and/or net assets.

(2) The Company has no direct exposure through investments in subprime mortgage loans.

(3) The Company has direct exposure through other investments in subprime mortgage loans. All of these investments are residential mortgage backed securities. The details of these investments follows:

a. Actual cost:	\$1,334,185
b. Book adjusted carrying value:	\$1,324,432
c. Fair Value:	\$1,327,122
d. Other-than-temporary impairment losses recognized - None	

(4) The Company has no underwriting exposure to subprime mortgages.

22. EVENTS SUBSEQUENT

There were no events subsequent to December 31, 2012 that had a material effect on the financial statements.

NOTES TO FINANCIAL STATEMENTS

23. REINSURANCE

A. Unsecured Reinsurance Recoverable

At December 31, 2012, the Company had the following unsecured aggregate reinsurance recoverable for losses and loss adjustment expenses, paid and unpaid, including IBNR, and unearned premium that exceeded 3% of the Company's policyholders' surplus:

<u>Company</u>	<u>NAIC Company Code</u>	<u>Federal Employer or ISI Identification Number</u>	<u>Amount</u>
Third Point Reinsurance Co LTD	00000	AA-3191179	\$44,340,000
Berkley Insurance Company	32603	47-0574325	36,950,000
Alterra Reinsurance USA, Inc.	10829	06-1481194	32,867,000
Swiss Reinsurance America Corporation	25364	13-1675535	28,998,000
Transatlantic Reinsurance Company	19453	13-5616275	9,406,000
QBE Reinsurance Corporation	10219	23-1641984	7,351,000
Munich Reinsurance America	10227	13-4924125	6,409,000

B. Reinsurance Recoverable in Dispute

The Company does not have any reinsurance recoverables in dispute with any one reinsurer exceeding 5% of policyholders' surplus or any reinsurance recoverables in dispute which in the aggregate exceeds 10% of policyholders' surplus.

C. Reinsurance Assumed and Ceded

- (1) The Company's maximum amount of return commission due as a result of cancellation as of December 31, 2012, of all reinsurance agreements would be:

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net</u>	
	<u>Premium Reserve</u>	<u>Commission Equity</u>	<u>Premium Reserve</u>	<u>Commission Equity</u>	<u>Premium Reserve</u>	<u>Commission Equity</u>
Affiliates	\$424,002	\$148,401	\$40,551,527	\$11,354,428	\$(40,127,525)	\$(11,206,027)
All Other	0	0	16,117,180	4,412,689	(16,117,180)	(4,412,689)
TOTAL	\$424,002	\$148,401	\$56,668,707	\$15,767,117	\$(56,244,705)	\$(15,618,716)

The direct unearned premium reserve at December 31, 2012 is \$73,623,931.

- (2) Additional or return commission resulting from existing contractual arrangements are accrued as follows:

	<u>Reinsurance</u>			
	<u>Direct</u>	<u>Assumed</u>	<u>Ceded</u>	<u>Net</u>
Contingent Commission	\$0	\$0	\$0	\$0
Sliding Scale Adjustments	0	0	0	0
Other Profit Commission Arrangements	0	1,146	110,635	(109,489)
TOTAL	\$0	\$1,146	\$110,635	\$(109,489)

- (3) Protected Cells - Not applicable

D. Uncollectible Reinsurance - None

E. Commutation of Ceded Reinsurance - None

F. Retroactive Reinsurance - None

G. Reinsurance Accounted for as a Deposit - None

H. Run-off Agreements - None

I. Certified Reinsurance Downgrades or Status Subject to Revocation - None

24. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION

NOTES TO FINANCIAL STATEMENTS

Not applicable

25. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

The following table provides an analysis of the change in loss and loss adjustment expense reserves net of reinsurance recoverables for the past two years (in thousands):

	<u>2012</u>	<u>2011</u>
Balance at beginning of period	\$151,417	\$173,340
Loss and loss adjustment expense incurred:		
Current accident year	33,857	37,230
Prior accident years	(8,306)	(17,853)
	25,551	19,377
Loss and loss adjustment expense payments made for:		
Current accident year	2,471	8,652
Prior accident years	32,171	32,648
	34,642	41,300
Balance at end of period	\$142,326	\$151,417

Reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years, decreased by approximately \$8.3 million in 2012, resulting primarily from the other liability lines of business. This change is the result of an ongoing analysis of recent development trends and additional information regarding individual claims.

26. INTERCOMPANY POOLING ARRANGEMENTS

Not applicable

27. STRUCTURED SETTLEMENTS

Not applicable

28. HEALTH CARE RECEIVABLES

Not applicable

29. PARTICIPATING POLICIES

Not applicable

30. PREMIUM DEFICIENCY RESERVES

- | | |
|---|------------------|
| 1. Liability carried for premium deficiency reserves | \$0 |
| 2. Date of the most recent evaluation of this liability | January 28, 2013 |
| 3. Was anticipated investment income utilized in the calculation? | No |

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 or unpaid loss adjusting expenses.

33. ASBESTOS/ENVIRONMENTAL RESERVES

NOTES TO FINANCIAL STATEMENTS

The Company has no exposure to asbestos claims that it had not intended.

The Company has exposure to environmental claims through the sale of general liability insurance in prior years.

The Company attempts 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 calendar years are as follows:

	<u>Gross of Reinsurance</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Beginning Reserves	\$201,189	\$173,818	\$152,353	\$149,968	\$0
Incurring Losses and LAE	53,191	70,737	8,834	(104,799)	165,151
Paid Losses and LAE	80,562	92,202	11,219	45,169	21,215
Ending Reserves	<u>\$173,818</u>	<u>\$152,353</u>	<u>\$149,968</u>	<u>\$0</u>	<u>\$143,936</u>

	<u>Net of Reinsurance</u>				
	<u>2008</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Beginning Reserves	\$0	\$0	\$0	\$0	\$0
Incurring Losses and LAE	0	0	0	0	0
Paid Losses and LAE	0	0	0	0	0
Ending Reserves	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

The Company's environmental related IBNR and allocated loss adjustment expense reserves held at December 31, 2012 were as follows:

	<u>Allocated</u>	
	<u>IBNR Reserves</u>	<u>LAE Reserves</u>
Gross of Reinsurance	\$0	\$0
Net of Reinsurance	<u>\$0</u>	<u>\$0</u>

34. SUBSCRIBER SAVINGS ACCOUNTS

Not applicable

35. MULTIPLE PERIL CROP INSURANCE

Not applicable

36. FINANCIAL GUARANTY INSURANCE

Not applicable

FIVE-YEAR HISTORICAL DATA

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

	1 2012	2 2011	3 2010	4 2009	5 2008
Gross Premiums Written (Page 8, Part 1B, 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).....	148,185,528	121,713,141	111,012,551	133,435,391	162,248,669
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	103,728,119	61,363,746	34,817,154	43,534,597	24,729,984
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	0	0	0	0	0
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).....	251,913,647	183,076,887	145,829,705	176,969,988	186,978,653
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	36,022,220	30,474,359	28,860,381	33,885,343	(5,472,582)
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	7,734,292	12,286,362	4,979,598	11,911,320	392,090
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	0	0	0	0	0
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).....	43,756,512	42,760,721	33,839,979	45,796,663	(5,080,492)
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8).....	5,443,502	11,117,712	2,901,134	5,114,411	18,067,972
14. Net investment gain (loss) (Line 11).....	22,787,589	24,143,048	34,398,147	12,316,491	3,129,501
15. Total other income (Line 15).....	(166,543)	(311,185)	(136,155)	2,723	9,523
16. Dividends to policyholders (Line 17).....	0	0	0	0	0
17. Federal and foreign income taxes incurred (Line 19).....	5,574,875	5,809,048	5,815,238	3,241,092	4,919,049
18. Net income (Line 20).....	22,489,674	29,140,527	31,347,888	14,192,533	16,287,947
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	480,451,656	431,177,687	455,594,989	442,888,869	446,232,065
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	104,133,174	56,142,369	38,991,998	42,927,384	25,164,035
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).....	267,113,636	215,163,996	235,834,746	253,124,917	266,969,773
22. Losses (Page 3, Line 1).....	87,442,895	94,506,231	113,832,759	136,812,797	159,581,476
23. Loss adjustment expenses (Page 3, Line 3).....	54,883,102	56,910,497	59,506,948	62,480,919	67,971,800
24. Unearned premiums (Page 3, Line 9).....	17,379,226	15,142,822	13,990,777	15,653,813	21,040,603
25. Capital paid up (Page 3, Lines 30 & 31).....	3,547,500	3,547,500	3,547,500	3,547,500	3,547,500
26. Surplus as regards policyholders (Page 3, Line 37).....	213,338,020	216,013,691	219,760,243	189,763,952	179,262,292
Cash Flow (Page 5)					
27. Net cash from operations (Line 11).....	(21,384,400)	(21,240,154)	14,390,395	(18,488,488)	10,386,599
Risk-Based Capital Analysis					
28. Total adjusted capital.....	213,338,020	216,013,691	219,760,243	189,763,952	179,262,292
29. Authorized control level risk-based capital.....	30,147,403	29,551,435	31,634,505	32,591,228	33,372,894
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1).....	76.0	70.7	83.7	90.3	89.8
31. Stocks (Lines 2.1 & 2.2).....	17.6	22.4	5.5	1.8	5.3
32. Mortgage loans on real estate (Lines 3.1 & 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).....	6.4	6.9	10.8	3.3	4.7
35. Contract loans (Line 6).....	0.0	0.0	0.0	0.0	0.0
36. Derivatives (Line 7).....	0.0	0.0	0.0	XXX	XXX
37. Other invested assets (Line 8).....	0.0	0.0	0.0	4.4	0.0
38. Receivable for securities (Line 9).....	0.0	0.0	0.0	0.2	0.1
39. Securities lending reinvested collateral assets (Line 10).....	0.0	0.0	0.0	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
Investments in Parent, Subsidiaries and Affiliates					
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).....	15,270,827	15,191,668	6,103,983	6,023,073	0
45. Affiliated short-term investments (subtotals included in Schedule DA, Verification, Column 5, Line 10).....	0	0	0	0	0
46. Affiliated mortgage loans on real estate.....	0	0	0	0	0
47. All other affiliated.....	0	0	0	0	0
48. Total of above lines 42 to 47.....	15,270,827	15,191,668	6,103,983	6,023,073	0
49. Total investment in parent included in Lines 42 to 47 above.....	0	0	0	0	0
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0).....	7.2	7.0	2.8	3.2	0.0

FIVE-YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2012	2011	2010	2009	2008
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24).....	2,587,138	(262,620)	10,914	5,707,584	(5,294,705)
52. Dividends to stockholders (Line 35).....	(29,000,000)	(31,000,000)	0	(17,000,000)	(17,000,000)
53. Change in surplus as regards policyholders for the year (Line 38).....	(2,675,671)	(3,746,552)	29,996,291	10,501,660	(10,138,097)
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	35,994,712	45,545,201	35,904,610	48,368,466	72,974,232
55. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	39,635,013	32,640,730	26,229,745	38,729,643	34,714,586
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	0	0	0	0	0
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	0	0	0	0	0
58. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	0	0	0	0	0
59. Total (Line 35).....	75,629,725	78,185,931	62,134,355	87,098,109	107,688,818
Net Losses Paid (Page 9, Part 2, Col. 4)					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	15,367,025	18,925,020	18,409,441	29,487,193	24,733,677
61. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	5,658,501	7,784,555	6,106,599	10,034,763	7,561,444
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	0	0	0	0	0
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	0	0	0	0	0
64. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	0	0	0	0	0
65. Total (Line 35).....	21,025,526	26,709,575	24,516,040	39,521,956	32,295,121
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1).....	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2).....	33.6	17.7	4.3	32.7	30.7
68. Loss expenses incurred (Line 3).....	27.9	28.8	47.3	38.6	34.6
69. Other underwriting expenses incurred (Line 4).....	25.3	26.7	40.2	18.6	1.6
70. Net underwriting gain (loss) (Line 8).....	13.1	26.7	8.2	10.0	33.1
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0).....	24.4	26.7	42.6	20.8	(17.5)
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	61.5	46.6	51.6	71.4	65.3
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35, divided by Page 3, Line 37, Col. 1 x 100.0).....	20.5	19.8	15.4	24.1	(2.8)
One Year Loss Development (000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....	(7,655)	(16,730)	(9,564)	(4,438)	(6,676)
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100).....	(3.5)	(7.6)	(5.0)	(2.5)	(3.5)
Two Year Loss Development (000 omitted)					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....	(26,839)	(26,710)	(12,558)	(10,640)	(12,815)
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0).....	(12.2)	(14.1)	(7.0)	(5.6)	(7.0)

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: