



**ANNUAL STATEMENT**  
FOR THE YEAR ENDED DECEMBER 31, 2012  
OF THE CONDITION AND AFFAIRS OF THE

**American Mutual Share Insurance Corporation**

NAIC Group Code 0359, 0359 NAIC Company Code 12700 Employer's ID Number 23-7376679  
(Current Period) (Prior Period)

Organized under the Laws of Ohio, State of Domicile or Port of Entry Ohio

Country of Domicile US

Incorporated/Organized May 7, 1974 Commenced Business June 7, 1974

Statutory Home Office 5656 Frantz Rd., Dublin, Ohio 43017  
(Street and Number, City or Town, State, Country and Zip Code)

Main Administrative Office 5656 Frantz Rd., Dublin, Ohio 43017 614-764-1900  
(Street and Number, City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 5656 Frantz Rd., Dublin, Ohio 43017  
(Street and Number or P. O. Box, City or Town, State, Country and Zip Code)

Primary Location of Books and Records 5656 Frantz Rd., Dublin, Ohio 43017  
(Street and Number, City or Town, State, Country and Zip Code)  
614-764-1900  
(Area Code) (Telephone Number)

Internet Website Address www.americanshare.com

Statutory Statement Contact Curtis Lee Robson 614-764-1900  
(Name) (Area Code) (Telephone Number) (Extension)  
crobson@americanshare.com 614-764-1493  
(E-Mail Address) (Fax Number)

**OFFICERS**

Dennis Roy Adams (President)  
Curtis Lee Robson (Secretary)  
Curtis Lee Robson (Treasurer)

**OTHER OFFICERS**

Curtis Lee Robson (Vice President)  
Kurt Gordon Kluth (Vice President)  
Kurt Ryan Loose (Vice President)  
Lori Lynn Solberg (Vice President)

**DIRECTORS OR TRUSTEES**

Dennis Roy Adams  
Eric Deane Estes  
Joseph Stewart Fuller  
William Arthur Herring  
Bruce Allen Ingraham  
Janice Lynn Thomas  
Craig Milton Bradley

State of Ohio }  
County of Franklin } 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.

\_\_\_\_\_  
Dennis Roy Adams  
President  
Subscribed and sworn to before me this  
day of February, 2013  
\_\_\_\_\_

\_\_\_\_\_  
Curtis Lee Robson  
Secretary

\_\_\_\_\_  
Curtis Lee Robson  
Treasurer

- a. Is this an original filing? Yes (X) No ( )
- b. If no: 1. State the amendment number \_\_\_\_\_
- 2. Date filed \_\_\_\_\_
- 3. Number of pages attached \_\_\_\_\_

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Col 1 - Col 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	159,386,797		159,386,797	158,123,344
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	21,448,305	637,850	20,810,455	20,743,704
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances)	592,604		592,604	603,160
4.2 Properties held for the production of income (less \$ ..... encumbrances)				
4.3 Properties held for sale (less \$ ..... encumbrances)				
5. Cash (\$ ..... 25,678,577 , Schedule E - Part 1), cash equivalents (\$ ..... , Schedule E - Part 2) and short-term investments (\$ ..... 8,446,498 , Schedule DA)	34,125,075		34,125,075	34,895,524
6. Contract loans (including \$ ..... premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	5,662,358	5,662,358		
9. Receivables for securities				
10. Securities lending reinvested collateral assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Line 1 through Line 11)	221,215,139	6,300,208	214,914,931	214,365,732
13. Title plants less \$ ..... charged off (for Title insurers only)				
14. Investment income due and accrued	340,667		340,667	538,805
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection				
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... 62,670 earned but unbilled premiums)	62,670		62,670	67,685
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software	39,470	545	38,925	37,020
21. Furniture and equipment, including health care delivery assets (\$ ..... )	118,802	118,802		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	76,135		76,135	147,552
24. Health care (\$ ..... ) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	7,784,976	184,976	7,600,000	4,200,000
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 12 to Line 25)	229,637,859	6,604,531	223,033,328	219,356,794
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Line 26 and Line 27)	229,637,859	6,604,531	223,033,328	219,356,794
<b>DETAILS OF WRITE-INS</b>				
1101. ....				
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above)				
2501. Prepaid Expenses	182,653	182,653		
2502. Participating Credit Unions' Capital Contributions Receivable	7,600,000		7,600,000	4,200,000
2503. Other Receivables	2,323	2,323		
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)	7,784,976	184,976	7,600,000	4,200,000

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8) .....	36,675,000	30,805,000
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6) .....		
3. Loss adjustment expenses (Part 2A, Line 35, Column 9) .....	40,000	40,000
4. Commissions payable, contingent commissions and other similar charges .....		
5. Other expenses (excluding taxes, licenses and fees) .....	2,239,394	2,803,708
6. Taxes, licenses and fees (excluding federal and foreign income taxes) .....	31,712	14,585
7.1 Current federal and foreign income taxes (including \$ ..... on realized capital gains (losses)) .....	6,912	2,850
7.2 Net deferred tax liability .....		
8. Borrowed money \$ ..... and interest thereon \$ .....		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ ..... 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) .....		
10. Advance premium .....		
11. Dividends declared and unpaid:		
11.1 Stockholders .....		
11.2 Policyholders .....		
12. Ceded reinsurance premiums payable (net of ceding commissions) .....		
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19) .....		
14. Amounts withheld or retained by company for account of others .....		
15. Remittances and items not allocated .....		
16. Provision for reinsurance (including \$ ..... certified) (Schedule F, Part 8) .....		
17. Net adjustments in assets and liabilities due to foreign exchange rates .....		
18. Drafts outstanding .....		
19. Payable to parent, subsidiaries and affiliates .....		
20. Derivatives .....		
21. Payable for securities .....		10,000,000
22. Payable for securities lending .....		
23. Liability for amounts held under uninsured plans .....		
24. Capital notes \$ ..... and interest thereon \$ .....		
25. Aggregate write-ins for liabilities .....	696,603	2,300,000
26. Total liabilities excluding protected cell liabilities (Line 1 through Line 25) .....	39,689,621	45,966,143
27. Protected cell liabilities .....		
28. Total liabilities (Line 26 and Line 27) .....	39,689,621	45,966,143
29. Aggregate write-ins for special surplus funds .....	155,520,266	147,613,136
30. Common capital stock .....		
31. Preferred capital stock .....		
32. Aggregate write-ins for other than special surplus funds .....		
33. Surplus notes .....		
34. Gross paid in and contributed surplus .....		
35. Unassigned funds (surplus) .....	27,823,441	25,777,515
36. Less treasury stock, at cost:		
36.1 ..... shares common (value included in Line 30 \$ .....)		
36.2 ..... shares preferred (value included in Line 31 \$ .....)		
37. Surplus as regards policyholders (Line 29 to Line 35, less Line 36) (Page 4, Line 39) .....	183,343,707	173,390,651
38. Totals (Page 2, Line 28, Column 3) .....	223,033,328	219,356,794
<b>DETAILS OF WRITE-INS</b>		
2501. Participating Credit Unions' Capital Contributions Payable .....	696,603	2,300,000
2502. ....		
2503. ....		
2598. Summary of remaining write-ins for Line 25 from overflow page .....		
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above) .....	696,603	2,300,000
2901. Participating Credit Unions' Capital Contributions .....	155,520,266	147,613,136
2902. ....		
2903. ....		
2998. Summary of remaining write-ins for Line 29 from overflow page .....		
2999. Totals (Line 2901 through Line 2903 plus Line 2998) (Line 29 above) .....	155,520,266	147,613,136
3201. ....		
3202. ....		
3203. ....		
3298. Summary of remaining write-ins for Line 32 from overflow page .....		
3299. Totals (Line 3201 through Line 3203 plus Line 3298) (Line 32 above) .....		

## STATEMENT OF INCOME

UNDERWRITING INCOME	1 Current Year	2 Prior Year
1. Premiums earned (Part 1, Line 35, Column 4) .....	231,102	251,891
DEDUCTIONS		
2. Losses incurred (Part 2, Line 35, Column 7) .....	6,110,570	13,316,949
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1) .....	580,319	558,215
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2) .....	5,968,131	6,660,934
5. Aggregate write-ins for underwriting deductions .....		
6. Total underwriting deductions (Line 2 through Line 5) .....	12,659,020	20,536,098
7. Net income of protected cells .....		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7) .....	(12,427,918)	(20,284,207)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....	2,093,232	2,641,131
10. Net realized capital gains (losses) less capital gains tax of \$ .....		
11. Net investment gain (loss) (Line 9 plus Line 10) .....	2,093,232	2,641,131
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ ....., amount charged off \$ .....) .....		
13. Finance and service charges not included in premiums .....		
14. Aggregate write-ins for miscellaneous income .....	11,730,339	17,648,791
15. Total other income (Line 12 through Line 14) .....	11,730,339	17,648,791
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 8 plus Line 11 plus Line 15) .....	1,395,653	5,715
17. Dividends to policyholders .....		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17) .....	1,395,653	5,715
19. Federal and foreign income taxes incurred .....	4,500	500
20. Net income (Line 18 minus Line 19) (to Line 22) .....	1,391,153	5,215
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2) .....	173,390,647	170,708,756
22. Net income (from Line 20) .....	1,391,153	5,215
23. Net transfers (to) from Protected Cell accounts .....		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ .....	118,150	228,858
25. Change in net unrealized foreign exchange capital gain (loss) .....		
26. Change in net deferred income tax .....		
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3) .....	536,624	(326,311)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1) .....		
29. Change in surplus notes .....		
30. Surplus (contributed to) withdrawn from protected cells .....		
31. Cumulative effect of changes in accounting principles .....		
32. Capital changes:		
32.1 Paid in .....		
32.2 Transferred from surplus (Stock Dividend) .....		
32.3 Transferred to surplus .....		
33. Surplus adjustments:		
33.1 Paid in .....		
33.2 Transferred to capital (Stock Dividend) .....		
33.3 Transferred from capital .....		
34. Net remittances from or (to) Home Office .....		
35. Dividends to stockholders .....		
36. Change in treasury stock (Page 3, Line 36.1 and Line 36.2, Column 2 minus Column 1) .....		
37. Aggregate write-ins for gains and losses in surplus .....	7,907,130	2,774,129
38. Change in surplus as regards policyholders for the year (Line 22 through Line 37) .....	9,953,057	2,681,891
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37) .....	183,343,704	173,390,647
<b>DETAILS OF WRITE-INS</b>		
0501. ....		
0502. ....		
0503. ....		
0598. Summary of remaining write-ins for Line 5 from overflow page .....		
0599. Totals (Line 0501 through Line 0503 plus Line 0598) (Line 5 above) .....		
1401. Miscellaneous Income/ (Loss) .....	112,359	1,572
1402. Management Fees & Line of Credit Fees .....	1,164,700	1,227,700
1403. Special Premium Assessment - Primary Insurance .....	10,453,280	16,419,519
1498. Summary of remaining write-ins for Line 14 from overflow page .....		
1499. Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above) .....	11,730,339	17,648,791
3701. Net Change in Participating Credit Unions' Capital Contributions .....	7,907,130	2,774,129
3702. ....		
3703. ....		
3798. Summary of remaining write-ins for Line 37 from overflow page .....		
3799. Totals (Line 3701 through Line 3703 plus Line 3798) (Line 37 above) .....	7,907,130	2,774,129

**CASH FLOW**

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance .....	236,117	269,106
2. Net investment income .....	2,352,308	2,808,477
3. Miscellaneous income .....	11,730,339	17,649,047
4. Total (Line 1 through Line 3) .....	14,318,764	20,726,630
5. Benefit and loss related payments .....	240,570	4,606,949
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7. Commissions, expenses paid and aggregate write-ins for deductions .....	7,095,637	6,703,287
8. Dividends paid to policyholders .....		
9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses) .....	438	17,640
10. Total (Line 5 through Line 9) .....	7,336,645	11,327,876
11. Net cash from operations (Line 4 minus Line 10) .....	6,982,119	9,398,754
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	128,888,301	119,455,159
12.2 Stocks .....		
12.3 Mortgage loans .....		
12.4 Real estate .....		
12.5 Other invested assets .....	2,668,666	789,322
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....		
12.7 Miscellaneous proceeds .....		
12.8 Total investment proceeds (Line 12.1 through Line 12.7) .....	131,556,967	120,244,481
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	130,212,692	161,234,150
13.2 Stocks .....	32,600	296,500
13.3 Mortgage loans .....		
13.4 Real estate .....	30,115	24,216
13.5 Other invested assets .....	2,225,571	1,032,836
13.6 Miscellaneous applications .....	10,000,000	(4,000,000)
13.7 Total investments acquired (Line 13.1 through Line 13.6) .....	142,500,978	158,587,702
14. Net increase (decrease) in contract loans and premium notes .....		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	(10,944,011)	(38,343,221)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....		
16.2 Capital and paid in surplus, less treasury stock .....		
16.3 Borrowed funds .....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5 Dividends to stockholders .....		
16.6 Other cash provided (applied) .....	3,191,443	30,697,897
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) .....	3,191,443	30,697,897
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17) .....	(770,449)	1,753,430
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	34,895,524	33,142,094
19.2 End of year (Line 18 plus Line 19.1) .....	34,125,075	34,895,524
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001 Increase (decrease) in participants' capital contributions receivable .....	3,400,000	(26,350,000)
20.0002 Increase (decrease) in participants' capital contributions payable .....	(1,603,397)	1,495,308
20.0003 Equity in earnings of subsidiary .....	118,150	228,858
20.0004 .....		
20.0005 .....		
20.0006 .....		
20.0007 .....		
20.0008 .....		
20.0009 .....		
20.0010 .....		

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1 - PREMIUMS EARNED**

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums December 31 Prior Year- per Column 3, Last Year's Part 1	3 Unearned Premiums December 31 Current Year- per Column 5 Part 1A	4 Premiums Earned During Year (Columns 1 plus 2 minus 3)
1. Fire				
2. Allied lines				
3. Farmowners multiple peril				
4. Homeowners multiple peril				
5. Commercial multiple peril				
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine				
10. Financial guaranty				
11.1 Medical professional liability - occurrence				
11.2 Medical professional liability - claims-made				
12. Earthquake				
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation				
17.1 Other liability - occurrence				
17.2 Other liability - claims-made				
17.3 Excess Workers' Compensation				
18.1 Products liability - occurrence				
18.2 Products liability - claims-made				
19.1, 19.2 Private passenger auto liability				
19.3, 19.4 Commercial auto liability				
21. Auto physical damage				
22. Aircraft (all perils)				
23. Fidelity				
24. Surety				
26. Burglary and theft				
27. Boiler and machinery				
28. Credit				
29. International				
30. Warranty				
31. Reinsurance - Nonproportional Assumed Property				
32. Reinsurance - Nonproportional Assumed Liability				
33. Reinsurance - Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business	231,102			231,102
35. TOTALS	231,102			231,102
<b>DETAILS OF WRITE-INS</b>				
3401. Guaranty of Share Deposits in Credit Unions	231,102			231,102
3402.				
3403.				
3498. Summary of remaining write-ins for Line 34 from overflow page				
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	231,102			231,102

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Underwriting and Investment Exhibit, Part 1A

**NONE**

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1B-PREMIUMS WRITTEN**

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Columns 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire						
2. Allied lines						
3. Farmowners multiple peril						
4. Homeowners multiple peril						
5. Commercial multiple peril						
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine						
10. Financial guaranty						
11.1 Medical professional liability - occurrence						
11.2 Medical professional liability - claims-made						
12. Earthquake						
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation						
17.1 Other liability - occurrence						
17.2 Other liability - claims-made						
17.3 Excess Workers' Compensation						
18.1 Products liability - occurrence						
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability						
19.3, 19.4 Commercial auto liability						
21. Auto physical damage						
22. Aircraft (all perils)						
23. Fidelity						
24. Surety						
26. Burglary and theft						
27. Boiler and machinery						
28. Credit						
29. International						
30. Warranty						
31. Reinsurance - Nonproportional Assumed Property	X X X					
32. Reinsurance - Nonproportional Assumed Liability	X X X					
33. Reinsurance - Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business	270,644				39,542	231,102
35. TOTALS	270,644				39,542	231,102
<b>DETAILS OF WRITE-INS</b>						
3401. Guaranty of Share Deposits in Credit Unions	270,644				39,542	231,102
3402.						
3403.						
3498. Summary of remaining write-ins for Line 34 from overflow page						
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	270,644				39,542	231,102

(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 \$ .....

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2 - LOSSES PAID AND INCURRED**

Line of Business	Losses Paid Less Salvage				5	6	7	8
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Columns 1 plus 2 minus 3)	Net Losses Unpaid Current Year (Part 2A, Column 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Columns 4 plus 5 minus 6)	Percentage of Losses Incurred (Column 7, Part 2) to Premiums Earned (Column 4, Part 1)
1. Fire								
2. Allied lines								
3. Farmowners multiple peril								
4. Homeowners multiple peril								
5. Commercial multiple peril								
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine								
10. Financial guaranty								
11.1 Medical professional liability - occurrence								
11.2 Medical professional liability - claims-made								
12. Earthquake								
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation								
17.1 Other liability - occurrence								
17.2 Other liability - claims-made								
17.3 Excess Workers' Compensation								
18.1 Products liability - occurrence								
18.2 Products liability - claims-made								
19.1, 19.2 Private passenger auto liability								
19.3, 19.4 Commercial auto liability								
21. Auto physical damage								
22. Aircraft (all perils)								
23. Fidelity								
24. Surety								
26. Burglary and theft								
27. Boiler and machinery								
28. Credit								
29. International								
30. Warranty								
31. Reinsurance- Nonproportional Assumed Property	X X X							
32. Reinsurance- Nonproportional Assumed Liability	X X X							
33. Reinsurance- Nonproportional Assumed Financial Lines	X X X							
34. Aggregate write-ins for other lines of business	240,570			240,570	36,675,000	30,805,000	6,110,570	2,644.1
35. TOTALS	240,570			240,570	36,675,000	30,805,000	6,110,570	2,644.1
<b>DETAILS OF WRITE-INS</b>								
3401. Guaranty of Share Deposits in Credit Unions	240,570			240,570	36,675,000	30,805,000	6,110,570	2,644.1
3402.								
3403.								
3498. Summary of remaining write-ins for Line 34 from overflow page								
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	240,570			240,570	36,675,000	30,805,000	6,110,570	2,644.1

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE American Mutual Share Insurance Corporation

**UNDERWRITING AND INVESTMENT EXHIBIT**

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Columns 4 plus 5 plus 6 minus 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excluding Incurred But Not Reported (Columns 1 plus 2 minus 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire									
2. Allied lines									
3. Farmowners multiple peril									
4. Homeowners multiple peril									
5. Commercial multiple peril									
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine									
10. Financial guaranty									
11.1 Medical professional liability - occurrence									
11.2 Medical professional liability - claims-made									
12. Earthquake									
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health									
16. Workers' compensation									
17.1 Other liability - occurrence									
17.2 Other liability - claims-made									
17.3 Excess Workers' Compensation									
18.1 Products liability - occurrence									
18.2 Products liability - claims-made									
19.1, 19.2 Private passenger auto liability									
19.3, 19.4 Commercial auto liability									
21. Auto physical damage									
22. Aircraft (all perils)									
23. Fidelity									
24. Surety									
26. Burglary and theft									
27. Boiler and machinery									
28. Credit									
29. International									
30. Warranty									
31. Reinsurance- Nonproportional Assumed Property	X X X				X X X				
32. Reinsurance- Nonproportional Assumed Liability	X X X				X X X				
33. Reinsurance- Nonproportional Assumed Financial Lines	X X X				X X X				
34. Aggregate write-ins for other lines of business	24,940,000			24,940,000	11,735,000			36,675,000	40,000
35. TOTALS	24,940,000			24,940,000	11,735,000			36,675,000	40,000
<b>DETAILS OF WRITE-INS</b>									
3401. Guaranty of Share Deposits in Credit Unions	24,940,000			24,940,000	11,735,000			36,675,000	40,000
3402.									
3403.									
3498. Summary of remaining write-ins for Line 34 from overflow page									
3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above)	24,940,000			24,940,000	11,735,000			36,675,000	40,000

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

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 3 - EXPENSES**

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct				
1.2 Reinsurance assumed				
1.3 Reinsurance ceded				
1.4 Net claim adjustment services (Line 1.1 plus Line 1.2 minus Line 1.3)				
2. Commission and brokerage:				
2.1 Direct excluding contingent				
2.2 Reinsurance assumed excluding contingent				
2.3 Reinsurance ceded excluding contingent				
2.4 Contingent - direct				
2.5 Contingent - reinsurance assumed				
2.6 Contingent - reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (Line 2.1 plus Line 2.2 minus Line 2.3 plus Line 2.4 plus Line 2.5 minus Line 2.6 plus Line 2.7)				
3. Allowances to manager and agents				
4. Advertising		82,346		82,346
5. Boards, bureaus and associations		18,945		18,945
6. Surveys and underwriting reports				
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	272,495	2,644,748	118,038	3,035,281
8.2 Payroll taxes	19,456	188,830	8,428	216,714
9. Employee relations and welfare	58,644	569,187	25,404	653,235
10. Insurance		126,851		126,851
11. Directors' fees		92,000		92,000
12. Travel and travel items		500,479		500,479
13. Rent and rent items		120,000		120,000
14. Equipment		145,282		145,282
15. Cost or depreciation of EDP equipment and software		33,213		33,213
16. Printing and stationery		5,745		5,745
17. Postage, telephone and telegraph, exchange and express		64,305		64,305
18. Legal and auditing	229,724	343,065		572,789
19. Totals (Line 3 through Line 18)	580,319	4,934,996	151,870	5,667,185
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$		5,590		5,590
20.2 Insurance department licenses and fees		12,507		12,507
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)		28,142		28,142
20.5 Total taxes, licenses and fees (Line 20.1 plus Line 20.2 plus Line 20.3 plus Line 20.4)		46,239		46,239
21. Real estate expenses		82,963		82,963
22. Real estate taxes		31,727		31,727
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses		872,206		872,206
25. Total expenses incurred	580,319	5,968,131	151,870	6,700,320
26. Less unpaid expenses - current year	40,000	2,239,393		2,279,393
27. Add unpaid expenses - prior year	40,000	2,803,708		2,843,708
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Line 25 minus Line 26 plus Line 27 minus Line 28 plus Line 29)	580,319	6,532,446	151,870	7,264,635
<b>DETAILS OF WRITE-INS</b>				
2401. Miscellaneous, Office Supplies & Other		372,548		372,548
2402. Consulting & Other Professional Expenses		451,086		451,086
2403. Depreciation		48,572		48,572
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Line 2401 through Line 2403 plus Line 2498) (Line 24 above)		872,206		872,206

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

**EXHIBIT OF NET INVESTMENT INCOME**

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 2,261,915	2,087,533
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a)	
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates	13,858	14,595
3. Mortgage loans	(c)	
4. Real estate	(d) 120,000	120,000
5. Contract loans	(d)	
6. Cash, cash equivalents and short-term investments	(e) 31,568	27,879
7. Derivative instruments	(f)	
8. Other invested assets	56,415	35,766
9. Aggregate write-ins for investment income		
10. Total gross investment income	2,483,756	2,285,773
11. Investment expenses		(g) 151,870
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i) 40,671
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Line 11 through Line 15)		192,541
17. Net investment income (Line 10 minus Line 16)		2,093,232
<b>DETAILS OF WRITE-INS</b>		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Line 1501 through Line 1503 plus Line 1598) (Line 15 above)		

(a) Includes \$ 1,996 accrual of discount less \$ 62,934 amortization of premium and less \$ 1,213 paid for accrued interest on purchases.  
 (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.  
 (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.  
 (d) Includes \$ 120,000 for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.  
 (e) Includes \$ accrual of discount less \$ amortization of premium and less \$ 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 \$ 40,671 depreciation on real estate and \$ depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Col. 1 + Col. 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)					
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates				118,150	
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)				118,150	
<b>DETAILS OF WRITE-INS</b>					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)					

## EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks	637,850	553,850	(84,000)
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)	5,662,358	6,282,349	619,991
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Line 1 to Line 11)	6,300,208	6,836,199	535,991
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection			
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset			
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	545	1,887	1,342
21. Furniture and equipment, including health care delivery assets	118,802	133,424	14,622
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivable from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	184,976	169,645	(15,331)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 12 to Line 25)	6,604,531	7,141,155	536,624
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Line 26 and Line 27)	6,604,531	7,141,155	536,624
<b>DETAILS OF WRITE-INS</b>			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above)			
2501. Prepaid Expenses	182,653	167,633	(15,020)
2502.			
2503. Other Receivables	2,323	2,012	(311)
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)	184,976	169,645	(15,331)

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

- A. The financial statements of American Mutual Share Insurance Corporation (the Company) are presented on the basis of accounting practices prescribed or permitted by the Ohio Insurance Department and in accordance with NAIC Statutory Accounting Principles (NAIC SAP). All of the Company's significant statutory accounting practices are prescribed practices.
- B. The preparation of financial statements in conformity with NAIC SAP 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 reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.
- C. Policies and Other Information

1. General - The Company is a licensed Ohio credit union share guaranty corporation guaranteeing the share deposit accounts of its participating credit unions.

In 1993 the Company established a wholly-owned subsidiary, Excess Share Insurance Corporation (ESI), which is currently a licensed property and casualty insurance company in the States of Ohio, Alabama, Arkansas, Colorado, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Michigan, Minnesota, Missouri, Nevada, New Hampshire, New Jersey, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Washington and the District of Columbia. The Company's investment in ESI (\$21,119,205 and \$21,001,054 at December 31, 2012 and 2011, respectively), is carried on the equity method of accounting.

2. Investments - The Company accounts for its investments in bonds in accordance with the provisions of Accounting Standards Codification ("ASC") Topic 320, *Investments – Debt and Equity Securities* (formerly Statement of Financial Accounting Standards ("SFAS") No. 115, *Accounting for Certain Investments in Debt and Equity Securities*). ASC Topic 320 requires that debt securities be classified as either held-to-maturity, trading, or available-for-sale.

Bonds consist principally of obligations issued and guaranteed by the U.S. Government or its agencies and corporate debt securities rated in one of the top three credit ratings by Moody's and/or Standard & Poor's rating agencies. Bonds are classified as held-to-maturity and are recorded at amortized cost because the Company has the ability and intent to hold such investments to maturity. The Company utilizes the level-yield method to amortize premiums and accrete discounts over the stated maturity period of the related investment and is reported in net investment income.

Common stocks consist of investments in wholly-owned subsidiaries which are carried at the value determined under the equity method of accounting, which management believes approximates market value; and common stock held in the Federal Home Loan Bank of Cincinnati carried at book value/par value which management believes approximates market value.

The Company from time to time advances funds in connection with the liquidation or merger of troubled credit unions in exchange for the right to receive future repayments. The Company expects to recover these amounts through repayment from the credit unions, the collection of loans, the sale of assets or the settlement of subrogated claims against third party insurers. Of these advances, only loans secured by first mortgages are recorded as admitted assets in the accompanying financial statements, in an amount up to 80% of the appraised value of the underlying collateral.

Real estate is recorded at cost less depreciation. Depreciation is computed on the straight-line basis using twenty-five-year to forty-year lives.

Gains or losses on investments sold are based on the specific identification method and are included in investment income. Investment purchases and sales are recorded on the trade date. Interest income is accrued when earned.

3. Cash, Cash Equivalents and Short-Term Investments - The Company considers cash equivalents to be other deposit accounts and investment securities purchased with maturities of three months or less. Cash and cash equivalents also include a non-negotiable certificate of deposit with a carrying value of \$200,000 at December 31, 2012 and 2011, which was on deposit for the benefit of the Idaho State Insurance Department as a condition to write business in that state. Substantially all cash and cash equivalents are on deposit with six financial institutions. Short-term investments consist of money market accounts and are carried at cost.
4. Reserve for Guaranty Losses - The Company provides for guaranty losses incurred and reported, as well as losses incurred but not reported (IBNR), during the period such losses become evident based on monthly analysis of insured credit unions' financial statements, on-site examination results and other significant data. In addition, the Company provides for anticipated losses under guarantee commitments associated with merged and liquidated credit unions and special assistance agreements with participating credit unions.

At December 31, 2012, the Company has four guarantee commitments with maximum outstanding guarantee balances aggregating approximately \$52,143,000, three of which expire in 2014 (\$50,434,000) and the other one expires in 2015 (\$1,709,000). At December 31, 2011, the Company had four guarantee commitments with maximum outstanding guarantee balances aggregating approximately \$77,109,000, one of which expired at the end of 2011 (\$375,000) and the three others expire in 2014 (\$76,734,000). As of December 31, 2011, the Company agreed to enter into a full settlement on the guarantee that expired on that date. On February 10, 2012, after the completion and signing of the settlement agreement, the Company paid \$375,000 as full settlement of the guarantee claim, which was fully reserved at December 31, 2011. Guarantee commitments generally involve loss-sharing arrangements between the Company and the participating or continuing credit union and only result in losses to the Company after a predetermined aggregate loss amount, as prescribed in the guarantee commitment, is absorbed by the participating or continuing credit union ("loss retention") during the commitment period. Reserves for guaranty losses on commitments are determined based on estimated losses in excess of the credit union's loss retention under guarantee commitments. At December 31, 2012, aggregate credit union loss retention under guarantee commitments is approximately \$533,000 and the Company has recorded \$24,400,000 in loss reserves for guarantee commitments (with original aggregate guarantee balances of approximately \$142.7 million) based on the anticipated collectability of the underlying assets subject to the guarantee commitments and the continuing credit unions' loss retention.

Special assistance agreements are entered into only with credit unions to provide capital assistance with merger and similar transactions involving a troubled credit union, or with credit unions operating with deficiencies in their capital, that have the capacity to restore capital through future earnings, bond claims, litigation, and other forms of recovery. At December 31, 2012 and 2011, the Company has two outstanding special assistance agreements, aggregating \$34,400,000. One special assistance agreement consists of an advance of \$22,000,000 made on February 12, 2010 to a troubled operating credit union in Nevada under a Special Reserve Instrument (SRI) and a Special Assistance Agreement (SAA), and an Amended and Restated SRI (SRI-1) and Amended Special Assistance Agreement (Amended SAA) that were entered into effective March 3, 2011. These agreements establish a plan to restore

## NOTES TO FINANCIAL STATEMENTS

the credit union's regulatory net worth and set a course for financial recovery by the credit union. The Company, in consideration of the credit union's improving financial trends and the long-term workout plans in place for the credit union, advanced an additional \$4,400,000 to this credit union on December 21, 2011, under a second Special Reserve Instrument (SRI-2) and a Second Amendment to the SAA (Second Amended SAA). At December 31, 2012 and 2011, the Company had recorded an allowance for loss of \$27,342,833 and \$27,150,260, respectively, against the aggregate balances outstanding for the SRI and SRI-2 of \$27,342,833 (including capitalized interest of \$942,822) as of December 31, 2012 and \$27,150,260 as of December 31, 2011 (including capitalized interest of \$750,260). The other special assistance agreement outstanding at December 31, 2012, relates to an assisted purchase and assumption transaction between two participating credit unions in 2009, whereby the Company advanced funds in the form of an \$8,000,000 secondary capital note in October 2009. The Company has recorded an allowance for loss at December 31, 2012 and 2011 of \$7,440,000 and \$7,290,000, respectively, against the \$8,000,000 secondary capital note.

The Company maintains a reserve for guaranty losses account to cover its estimated ultimate unpaid liability for guaranty loss claims and claims adjustment expenses for reported and unreported guaranty claims. Recorded loss reserves represent management's best estimate at any given time and are reported net of actuarially determined anticipated salvage and subrogation of \$36,700,000 and \$33,000,000 at December 31, 2012 and 2011, respectively. Loss reserves are not an exact calculation of liability but instead consist of complex estimates derived by the Company, generally utilizing a variety of reserve estimation techniques from numerous assumptions and expectations about future events, many of which are highly uncertain, such as estimates of claims severity, frequency of claims, inflation, claims handling, case reserving policies and procedures, underwriting and pricing policies, changes in the legal and regulatory environment and the lag time between the occurrence of an insured event and the time of its ultimate settlement. Many of these uncertainties are not precisely quantifiable and require significant judgment by the Company. In light of the uncertainties associated with establishing the Company's estimates and making the assumptions necessary to establish loss reserves, changes in loss reserve estimates are reviewed on a regular and ongoing basis as experience develops and as claims are reported and settled. If estimated loss reserves are insufficient for any reason, the required increase in loss reserves would be recorded as a charge against the Company's earnings for the period in which loss reserves are determined to be insufficient. In addition, Ohio law requires that not less than every three years, an actuarial capital adequacy study be conducted and, separately, that an annual actuarial study be performed of its loss reserves. To assist management with its determination of loss reserves, the Company utilizes the services of an independent actuary who has reviewed the assumptions and methods used by the Company in determining its reserves for guaranty losses as of December 31, 2012 and 2011. Management believes that the Company has recorded sufficient reserves for losses.

5. Advertising and Marketing Costs - Advertising, marketing and promotional costs are expensed as incurred.
6. Federal Income Taxes - The Internal Revenue Service has determined that the Company is a tax-exempt organization under Internal Revenue Code section 501(c)(6) and its subsidiaries are taxable corporations. Accordingly, the Company and its subsidiaries file separate Federal income tax returns.
7. Participants' Capital Contributions - Governing Ohio statute requires that participating credit unions insured under the Company's primary share insurance contract ("Primary-insureds") maintain a minimum capital contribution with the Company equal to 1% of each Primary-insured's year-end total share accounts, which is adjusted no less than annually. Effective December 31, 2010, the required capital contribution under the Company's primary insurance contract is 1.3% of each Primary-insured's total share accounts. Previously, the required capital contribution under the Company's primary insurance contract was determined for each Primary-insured on a risk-adjusted basis in an amount ranging between 1.0% and 1.3% of the Primary-insured's total share accounts.

Participating credit unions insured under the Company's excess share insurance contract ("Excess-insureds") are required to maintain a capital contribution with the Company equal to 1% of the aggregate limits of liability, as defined by the Company's excess insurance contract with such credit unions. Capital contributions are adjusted periodically for changes in each Excess-insured's aggregate limits of liability. In addition to the capital contribution, the Company also assesses a monthly risk-based premium, which is remitted by Excess-insureds in arrears after the end of each calendar quarter.

All capital contributions are refundable no sooner than 90 days following the date of termination of insurance, to the extent such amounts are not needed to satisfy guaranty losses. At December 31, 2012, capital contributions to be refunded for terminated contracts were \$96,603 (none at December 31, 2011) and are included in participants' capital contributions payable.

Participants' capital contributions that are receivable or payable as of December 31, 2012 and 2011 are presented on a gross basis in the accompanying financial statements. Included in participants' equity at December 31, 2012, is a receivable for capital contributions of Primary-insureds of \$7,600,000 less a payable for \$600,000. The receivable and payable balances result from annual growth or shrinkage in participating credit union shares and the receivables were substantially collected subsequent to December 31, 2012. Included in participants' equity at December 31, 2011, is a receivable for capital contributions of Primary-insureds of \$4,200,000, less a payable for \$2,300,000. The receivable and payable balances resulted from annual growth or shrinkage in participating credit union shares and were collected subsequent to December 31, 2011.

Guaranty losses under the Company's primary insurance contracts are paid first from the Company's reserve for guaranty losses and then from current and retained earnings; thereafter, losses are charged pro rata to the primary capital contribution accounts. Guaranty losses under the Company's excess insurance contracts are paid first from the Company's reserve for guaranty losses and then from current and retained earnings up to an aggregate of \$7,500,000 (\$8,200,000 prior to February 1, 2011). A claim would be made against the Company's reinsurance policy for up to \$7,500,000 in aggregate losses exceeding the Company's \$7,500,000 retention beginning February 1, 2011 (prior to February 1, 2011, the retention was \$8,200,000). Thereafter, losses are charged pro rata to the excess capital contribution accounts, and premium deposit accounts held by ESI, to the extent of such balances.

8. Special Premium Assessment - Although the Company does not normally charge a premium under its primary insurance program, the Company's governing Ohio statute and its primary insurance policy permit premiums to be assessed against Primary-insureds in order to ensure that the Company maintains a sufficient equity base for its insurance risk. On September 30, 2012 and 2011 the Company billed its Primary-insureds special premium assessments of \$0.09 and \$0.15 per \$100 of each Primary-insured's total shares, respectively. This special premium assessment, which generated approximately \$10.5 million and \$16.4 million of revenues in 2012 and 2011, respectively, were recorded in miscellaneous income and fully collected as of December 31, 2012.
9. Reinsurance - Effective February 1, 2011, the Company and ESI (the "Companies") entered into a renewal reinsurance agreement with an authorized U.S. third-party reinsurer, for a two-year term through February 1, 2013, to reinsure its excess share insurance program. The agreement consists of a single layer of reinsurance coverage which provides per occurrence and aggregate loss coverage of \$7,500,000 in excess of the Companies' aggregate retention of \$7,500,000. Annual premiums under the reinsurance agreement are \$375,000 and allocated between the Companies pro rata based on their monthly excess insurance in force.

Effective February 1, 2013, the Companies entered into a renewal reinsurance agreement with the same reinsurer, for a two-year term

## NOTES TO FINANCIAL STATEMENTS

through February 1, 2015, with substantially the same terms and conditions as the current reinsurance agreement, including a single layer of aggregate reinsurance coverage of \$7,500,000, aggregate retention of \$7,500,000 and annual premiums of \$375,000, which will be allocated between the Companies pro rata based on their monthly excess insurance in force.

Prior to February 1, 2011, the Companies had a three-year reinsurance agreement on its excess share insurance program with the same reinsurer, which expired on February 1, 2011. This reinsurance agreement provided the Companies with \$7,500,000 reinsurance coverage in excess of aggregate retention by the Companies of \$8,200,000. Annual premiums under the reinsurance agreement were \$650,000 which were allocated between the Companies pro rata based on their monthly excess insurance in force.

10. Adoption of New Accounting Pronouncements - In November 2011, the NAIC Statutory Accounting Principles Working Group ("SAPWG") issued Statement on Statutory Accounting Principle ("SSAP") No. 101, Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10 ("SSAP No. 101"), which alters the calculation of the three-step test for admissibility of deferred tax assets. In addition, this statement establishes statutory accounting principles for accounting for uncertainty in income taxes, defining the recognition and measurement criteria that must be met for a reporting entity to recognize any benefit of any tax position in the reporting entity's financial statements. SSAP No. 101 supersedes SSAP No. 10R, Income Taxes-Revised, A Temporary Replacement for SSAP No. 10, and SSAP No. 10, Income Taxes. SSAP No. 101 is effective January 1, 2012 and the Company's adoption in 2012 did not have a significant effect on the Company's financial statements.

Under generally accepted accounting principles, in October 2010, the Financial Accounting Standards Board (FASB) amended ASC Topic 944, Financial Services – Insurance, Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts. The amendment, effective for fiscal years beginning after December 15, 2011, specifies that certain costs incurred in the successful acquisition of new and renewal insurance contracts should be capitalized. Those costs include incremental direct costs of successful contract acquisition and certain costs related to those acquisition activities. The Company adopted FASB's guidance in amended ASC Topic 944 in 2012, which did not have a material impact on the Company's financial statements.

In May 2011, the FASB issued guidance that clarifies the application of existing fair value measurement and disclosure requirements under ASC Topic 820, Fair Value Measurement, and amended certain fair value measurement principles, requirements and disclosures. To improve consistency in global application, changes in wording were made. The guidance in FASB's amended ASC Topic 820, effective for fiscal years beginning after December 15, 2011, was adopted by the Company in 2012, and did not have a material impact on the Company's financial statements.

### 2. Accounting Changes and Corrections of Errors

- A. There were no material changes in accounting principles and/or correction of errors.
- B. In March 1998, the NAIC adopted the Codification of Statutory Accounting Principles (Codification). The Codification is intended to standardize regulatory accounting and reporting for the insurance industry. In October 1998, the Ohio Superintendent of Insurance announced the adoption of the forms, instructions, and manuals prescribed within the Codification, to be effective January 1, 2001. Although the Company's adoption of Codification on January 1, 2001 resulted in no significant impact to its statutory financial statements, adoption did result in the recognition by its subsidiary, ESI, of \$228,800 of deferred federal income tax as "ledger assets" in 2001, all of which are treated as non-admitted assets for statutory purposes.

### 3. Business Combinations and Goodwill

- A. Statutory Purchase Method – Does not apply.
- B. Statutory Mergers – Does not apply.
- C. Impairment Losses – Does not apply.

### 4. Discontinued Operations – Does not apply.

### 5. Investments

- A. Mortgage Loans – Does not apply.
- B. Debt Restructuring – Does not apply.
- C. Reverse Mortgages – Does not apply.
- D. Loan-Backed Securities

Market values and related prepayment assumptions for CMOs and mortgage-backed securities are obtained from broker dealer survey values. For book purposes, the prospective adjustment method is used where changes in prepayment speeds materially impact expected remaining lives of the securities.

- E. Repurchase Agreements – Does not apply.
- F. Real Estate

Real estate is recorded at cost less depreciation. Depreciation is computed on the straight-line basis using twenty fiveyear to forty-year lives.

- G. Low Income Housing Tax Credits – Does not apply.

### 6. Joint Ventures, Partnerships and Limited Liability Companies – Does not apply.

### 7. Investment Income – Does not apply.

### 8. Derivative Instruments – Does not apply.

### 9. Income Taxes

- A. Does not apply.

## NOTES TO FINANCIAL STATEMENTS

B. Does not apply.

C. 1. Current Income Tax

	1 2012	2 2011	3 (Col. 1 - 2) Change
a. Federal	\$ 4,500	\$ 500	\$ 4,000
b. Foreign			
c. Subtotal	\$ 4,500	\$ 500	\$ 4,000
d. Federal income tax on net capital gains			
e. Utilization of capital loss carry-forwards			
f. Other			
g. Federal and Foreign income taxes incurred	\$ 4,500	\$ 500	\$ 4,000

2. Deferred Tax Assets -- Not Applicable

D. The Company's effective Federal income tax rate approximates 0% as a result of its Federal income tax exemption under I.R.C. 501(c)(6). The Company's current Federal income taxes in 2012 and 2011 consist solely of current Federal excise taxes due on political contributions.

E. As a tax-exempt organization, the Company is subject to income tax on activities that generate net income unrelated to its tax-exempt purpose of providing primary share insurance to its members. At December 31, 2012, the Company has unrelated business income tax (UBIT) loss carryforwards of approximately \$12,328,000 that are available to offset future unrelated business income. The UBIT loss carryforwards expire as follows: 2012 -- \$33,000; 2018 -- \$323,000; 2019 -- \$402,000; 2020 -- \$394,000; 2021 -- \$232,000; 2022 -- \$497,000; 2023 -- \$123,000; 2024 -- \$564,000; 2025 -- \$365,000; 2026 -- \$532,000; 2027 -- \$663,000; 2028 -- \$1,190,000; 2029 -- \$4,088,000; 2030 -- \$1,459,000; 2031 -- \$829,000; and 2032 -- \$634,000. No tax benefit has been recognized for these UBIT loss carryforwards since the Company has determined that none of the tax benefits will be realized.

F. Does not apply.

### 10. Information Concerning Parent, Subsidiaries and Affiliates

The Company has entered into a cost sharing services agreement with ESI through which the Company provides various management services and the use of equipment and facilities to ESI for its operations. The agreement is renewable annually and may be terminated by either party with a 90 day notice. ESI pays the Company a monthly fee of \$105,100 (\$114,600 in 2011) under the agreement with an annual "true up" adjustment to reflect the actual costs of services provided by the Company to ESI. Total management fees under this agreement were \$1,139,700 and \$1,202,700 in 2012 and 2011, respectively. The Company has entered into a line-of-credit agreement with ESI whereby ESI can borrow, on a demand basis, up to \$10,000,000 at an interest rate equal to the prevailing prime rate. Borrowings under the line must be collateralized by investment securities and other assets. The arrangement is subject to annual renewal by both parties. In accordance with the terms of the line-of-credit agreement, ESI pays the Company an annual commitment fee, which was \$25,000 in 2012 and 2011.

The Company has entered into a guaranty agreement dated February 9, 1994, and amended January 1, 2001, with the Ohio Department of Insurance whereby the Company guarantees, up to a maximum aggregate commitment of \$7,000,000, that the capital and surplus of ESI will be maintained at the appropriate statutory level of at least \$5,000,000.

The Company and ESI have an agreement which provides that, in the event ESI incurs an insuring loss, the Company will make available to ESI the premium deposits the Company holds for its excess share business (\$3,345,000 at December 31, 2012) in order that ESI can meet its obligations under its excess insurance contracts.

The maximum amount of dividends which can be paid by insurers domiciled in the state of Ohio to shareholders without prior approval of the Ohio Superintendent of Insurance is limited to the greater of the net income of the preceding calendar year or 10% of capital and surplus as of the immediately preceding year-end. In 2013, the maximum dividend that can be paid by ESI to the Company without approval is \$2,048,136. The Company and ESI have no plans for ESI to pay a dividend in the foreseeable future.

### 11. Debt

A. Under three separate unused committed line of credit arrangements with three third-party financial institutions, the Company may borrow on a demand basis up to an aggregate of \$95,000,000 at an interest rate generally equal to the prevailing prime rate or LIBOR rate. Borrowings under the lines must be collateralized by investment securities and other collateral with a market value, which varies by agreement, of 115% to 120% of the amount borrowed. The Company pays annual commitment fees aggregating \$142,500 under these arrangements and one arrangement requires the Company to maintain \$3,000,000 on deposit with the financial institution. The arrangements are subject to renewal by the Company and the financial institutions on February 27, 2013 (\$15,000,000), May 25, 2013 (\$40,000,000), and June 30, 2013 (\$40,000,000). The Company had no outstanding borrowings at any time under these three committed lines of credit during 2012 and 2011. Effective February 27, 2013, the \$15,000,000 arrangement was extended to March 31, 2013. The Company is in process of replacing this arrangement with a \$20,000,000 one-year committed line of credit arrangement with another third-party financial institution under substantially similar terms as the current arrangement.

B. FHLB (Federal Home Loan Bank) Agreement: In July 2011, the company became a member of the Federal Home Loan Bank of Cincinnati (FHLB) and purchased \$296,500 in membership capital stock. Additional membership capital stock in the amount of \$32,600 was purchased in April 2012 for a total membership capital stock of \$329,100. On October 19, 2012, the FHLB approved a one-year renewal commitment for the Company's \$200 million line of credit, which expires October 18, 2013. The interest rate on FHLB borrowings varies depending upon the advance maturity term selected by the Company and can be either fixed or variable rate. Availability of the FHLB line, or a portion thereof, is contingent upon the Company maintaining sufficient pledged collateral at the FHLB consisting of investment securities and other collateral with a market value of up to approximately 103% of US Government Agency securities pledged. At December 31, 2012, the Company has approximately \$33.6 million of US Government Agency securities pledged to the FHLB. The Company can also pledge qualifying mortgage loans towards FHLB borrowings, allowing the Company to borrow approximately 75% of

## NOTES TO FINANCIAL STATEMENTS

the outstanding qualifying mortgage loans. The Company holds no mortgage loans at December 31, 2012. The Company is required to purchase additional FHLB stock equal to 2% of any borrowed funds. The Company had no FHLB borrowings outstanding at December 31, 2012 and 2011.

<b>B. FHLB (Federal Home Loan Bank) Agreements</b>		
<p>1. The Company is a member of the Federal Home Loan Bank (FHLB) of Cincinnati. Through its membership, the Company has issued debt to the FHLB-Cincinnati in exchange for cash advances in the amount of \$-0-. It is part of the Company's strategy to utilize these funds for operations, and any funds obtained from the FHLB-Cincinnati for use in general operations would be accounted for consistent with SSAP No. 15, Debt and Holding Company Obligations as borrowed money. The table below indicates the amount of FHLB-Cincinnati stock purchased, collateral pledged, assets and liabilities related to the agreement with FHLB-Cincinnati.</p>		
	1	2
	Current Year	Prior Year
2. FHLB stock purchased/owned as part of the agreement	\$ 329,100	\$ 296,500
3. Collateral pledge to the FHLB	\$ 33,649,349	\$ 35,000,000
4. Borrowing capacity currently available	\$ 200,000,000	\$ 200,000,000
5. Agreement assets and liabilities		
General Account:		
Assets	\$ -	\$ -
Liabilities	\$ -	\$ -
Separate Account:		
Assets	\$ -	\$ -
Liabilities	\$ -	\$ -

### 12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and other Postretirement Benefit Plans

A. Defined Benefit Plan – Does not apply.

B. Defined Contribution Plan

The Company provides all eligible employees participation in its 401(k) salary reduction and defined contribution plan. During 2012 and 2011, plan participants contributing a minimum 5% of their annual compensation under the 401(k) salary reduction plan received a matching 3% contribution from the Company. Total contributions expensed under the plan during 2012 and 2011 were \$81,195 and \$85,390, respectively.

The Company has made available funded 457(b) and 457(f) deferred compensation plans to its executive officers. The Company also provides a supplemental unfunded 457(f) deferred compensation plan to key executives. Included in accrued expenses payable are the cumulative amounts owed under the deferred compensation plans for deferred compensation and, as applicable, Company matching contributions and earnings thereon, which total \$1,743,869 and \$2,191,014 at December 31, 2012 and 2011, respectively. Total amounts expensed under the plans in 2012 and 2011 were \$296,880 and \$293,971, respectively.

C. Does not apply.

D. Does not apply.

E. Does not apply.

F. Does not apply.

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

1. Does not apply.

2. Does not apply.

3. Dividends can be paid by the corporation to its participating credit unions only to the extent of its statutory retained earnings, as long as capital and surplus of the company exceed the normal operating level of the deposit guaranty fund as described in the Ohio Revised Code Chapter 1761.10(A)(3) and only upon the approval of the Ohio Superintendent of Insurance. As of December 31, 2012, the Company has available approximately \$27,000,000 for distribution to its participating credit unions subject to the approval of the Superintendent of Insurance. The corporation paid no dividends during 2012 and 2011 to participating credit unions and to date has not made, nor does it anticipate making a request for approval of a distribution from the Superintendent of Insurance.

4. Does not apply,

5. See Item 13(3) above.

6. There are no restrictions on unassigned surplus except as noted in 13(3) above.

7. Does not apply.

8. Does not apply.

9. Does not apply.

## NOTES TO FINANCIAL STATEMENTS

10. Unassigned funds of \$34,427,972 at December 31, 2012 have been reduced by \$6,604,531 to \$27,823,441 in the statutory financial statements as a result of non-admitted assets of subsidiaries (\$637,850) and the Company's non-admitted investments in other invested assets (\$5,662,358), fixed assets (\$119,347) and prepaid expenses and other assets (\$184,976).

11. The Company has no surplus debentures or similar obligations.

12. Does not apply.

13. Does not apply.

14. Contingencies

A. As described more fully at Note 1 ("Reserve for Guaranty Losses"), in connection with the rehabilitation of certain troubled credit unions the Company from time to time guarantees the repayment of installment loans or other issues (\$52.143 million at December 31, 2012). Where loans are guaranteed, they generally are serviced by member credit unions and are substantially secured, principally by personal property. To the extent that losses are likely to be incurred on the Company's guaranty commitments, the reserve for guaranty losses includes a reserve for losses related to these guarantees (\$24,400,000 and \$21,875,000 at December 31, 2012 and December 31, 2011, respectively). Also, see Note 10 for the Company's guarantee of its wholly-owned subsidiary's capital and surplus (up to \$7,000,000 commitment).

2. Detail of Other Contingent Commitments

5 Nature and circumstances of gurantee and key attributes, including the date and duration of agreement	6 Liability recognition of gurantee	7 Ultimate financial statement impact if action under gurantee required	8 Maximum potential amount of future payments guarantor could be required to make	9 Current status of payme or performance risk of gurantee
Agreement with Ohio Dept of Insurance to maintain capital & surplus of subsidiary at appropriate statutory level. Date: 2/1/1994, no expiration date	0	Investments in SCA	\$ 7,000,000	Performance risk is low due to subsidiary capital level & premium deposits held by subsidiary exceed any potential claims at this time.
Elgin Credit Union (IL); meger gurantee with Credit Union 1 to gurantee performance of select specifically identified loans; dated 01/31/2011; expires 01/31/2014	Original gurantee = \$6,100,000 Current gurantee = \$3,538,992 Loss Estimate recorded in loss reserves at Inception = \$1,500,000 Loss Estimate recorded in loss reserves at 12/31/12 = \$2,600,000	Expense = \$938,992 Other = \$2,600,000	\$ 3,538,992	Loss estimate is based on payment status of loans underlying the gurantee and probability of future defaults.
Cumorah Credit Union (NV) on gurantee with Credit Union 1 to gurantee performance of all loans and other assets acquired by Credit Union 1 under a purchase and assumption agreement (P&A); dated 10/23/2009; expires 10/1/2014	Original gurantee = \$128,563,691 Current gurantee = \$60,813,328 Loss Estimate recorded in loss reserves at Inception = \$ 400,000 Loss Estimate recorded in loss reserves at 12/31/12 = \$20,900,000	Expense = \$39,913,328 Other = \$20,900,000	\$ 60,813,328	Loss estimate is based on payment status of loans underlying the gurantee and probability of future defaults.
Sacramento District Postal Credit Union (CA) gurantee with Southern California Postal Credit Union (SCPCU) to gurantee performance of select specifically identified loans acquired by SCPCU under a P&A; dated 08/12/2011; expires 08/12/2014	Original gurantee = \$6,242,335 Current gurantee = \$5,682,855 Loss Estimate recorded in loss reserves at Inception = \$ 300,000 Loss Estimate recorded in loss reserves at 12/31/12 = \$ 300,000	Expense = \$5,382,855 Other = \$300,000	\$ 5,682,855	Loss estimate is based on payment status of loans underlying the gurantee and probability of future defaults and given SCPCU's loss retention deductible of \$533,000 at 12/31/2012.

## NOTES TO FINANCIAL STATEMENTS

USA One National Credit Union (USA One) (IL) guarantee with Credit Union 1 to guarantee performance of select specifically identified loan acquired by Credit Union 1 and net capital deficit under a P&A; dated 05/31/2012; expires 12/31/2015	Original guarantee = \$1,746,121 Current guarantee = \$1,709,516 Loss Estimate recorded at Inception = \$ 250,000 Loss Estimate recorded in loss reserves at 12/31/12 = \$ 600,000	Expense = \$1,109,516 Other = \$600,000	\$ 1,709,516	Loss estimate is based on payment status of loans underlying the guarantee and probability of future defaults.
<b>Total</b>			<b>\$ 78,744,691</b>	

## 3. Summary of Detail in 14A2

Description	Amount
a. Aggregate maximum potential amount of future payments guarantor could be required to make	\$ 78,744,691
b. Current liability recognized in financial statements:	
1. Noncontingent liabilities	\$ 24,400,000
2. Contingent liabilities	\$ -
c. Ultimate financial statement impact if action under guarantee required.	
1. Investments in SCA	\$ 7,000,000
2. Joint venture	\$ -
3. Dividends to stockholders (capital contribution)	\$ -
4. Expense	\$ 47,344,691
5. Other	\$ 24,400,000
<b>6. Total</b>	<b>\$ 78,744,691</b>

B. Does not apply.

C. Does not apply.

D. Does not apply.

E. Does not apply.

## 15. Leases

The Company has no material lease obligations at this time.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk – Does not apply.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities – Does not apply.

18. Gain or Loss to the Reporting Entity from Uninsured A&amp;H Plans and the Uninsured Portion of Partially Insured Plans – Does not apply.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators – Does not apply.

## 20. Fair Value Measurements --

A. Assets Measured at Fair Value on Recurring Basis: Levels 1, 2 and 3

(1) Description	(2) Level 1	(3) Level 2	(4) Level 3	(5) Total
a. Assets on balance sheet at fair value				
FHLB Stock	\$ -	\$ 329,100	\$ -	\$ 329,100
Other invested assets	\$ 1,115,792	\$ -	\$ -	\$ 1,115,792
<b>Total assets at fair value</b>	<b>\$ 1,115,792</b>	<b>\$ 329,100</b>	<b>\$ -</b>	<b>\$ 1,444,892</b>
b. Liabilities on bal. sheet at fair value	\$ -	\$ -	\$ -	\$ -

## NOTES TO FINANCIAL STATEMENTS

B. Assets and Liabilities Measured at Fair Value on Nonrecurring Basis -- Does not apply

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

The table below reflects the fair value and admitted values of all admitted assets and liabilities that are financial instruments 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.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)
Financial instruments -- assets					
Bonds	\$ 159,997,299	\$ 159,386,797		\$159,997,299	
Common stock -- FHLB	329,100	329,100		329,100	
Cash, cash equivalents & short-term investments	34,125,075	34,125,075	\$ 34,125,075		
Other invested assets	5,117,679	-			
<b>Total assets</b>	<b>\$ 199,569,153</b>	<b>\$ 193,840,972</b>	<b>\$ 34,125,075</b>	<b>\$160,326,399</b>	
Financial instruments -- liabilities	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

D. Reasons Not Practical to Estimate Fair Value -- Does not apply.

21. Other Items -- Does not apply.

22. Events Subsequent

The Company evaluated all events or transactions that occurred after December 31, 2012 and through February 27, 2013, the date of this filing. There have been no events subsequent to December 31, 2012, through the date of this filing which could have a material effect on the Company's financial condition.

23. Reinsurance -- Does not apply.

24. Retrospectively Rated Contracts & Contract Subject to Redetermination -- Does not apply.

25. Changes in Incurred Losses and Loss Adjustment Expenses

The Company writes only one line of business, "Other" (with two products written solely to credit unions: primary share insurance and excess share insurance) and sets loss reserves on a prudent basis for potential claims events. Primary insurance claims can involve specifically identified claims events and other events incurred but not reported (IBNR). The Company also sets aside unallocated loss reserves for its primary insurance book of business so that aggregate loss reserves remain within an actuarially accepted range. Excess insurance claims events are infrequent (rare) but potentially severe and as a result, upon consultation with the Company's independent actuary, the Company provides annual loss reserve additions so that cumulative loss reserves are within an actuarially accepted range.

The Company provided specific loss reserves of approximately \$32.24 million during 2009 related to two Primary-insured credit unions in Nevada, one of which was acquired by another Primary-insured credit union through a purchase and assumption (P&A) transaction that resulted in a gross claim paid of \$8,000,000 under a secondary capital note transaction. The Company transferred \$7,440,000 and \$7,290,000 of guaranty loss reserves to an allowance for loss on the secondary capital note as of December 31, 2012 and as of December 31, 2011, respectively. The Company had also provided \$24.6 million in the reserve for guaranty losses account at December 31, 2009 for estimated losses on a second troubled Nevada credit union. The Company determined its estimated loss at the time on this credit union through an analysis of potential losses under different events that may transpire during the workout period for this credit union, including capital assistance, merger/P&A with guarantees, liquidation and financial and operational recovery by the credit union, and the likelihood of occurrence of each identified event.

Although the Company does not normally charge a premium under its primary insurance program, the Company's governing Ohio statute and its primary insurance policy permit premiums to be assessed against Primary-insureds in order to ensure that the Company maintains a sufficient equity base for its insurance risk. As a result of escalating risks identified in the state of Nevada in 2009, as discussed above, the Company billed its Primary-insureds a first time ever special premium assessment of \$0.15 per \$100 of each Primary-insured's total shares on December 31, 2009. This special premium assessment generated approximately \$15.2 million of revenues in 2009 but was not collected until 2010, to partially offset the primary insurance losses of over \$32 million discussed above.

On September 30, 2010, the Company again billed its Primary-insureds a special premium assessment of \$0.15 per \$100 of each Primary-insured's total shares. The special premium assessment generated approximately \$16.2 million of revenues in 2010.

On September 30, 2011, the Company billed its Primary-insureds a third special premium assessment of \$0.15 per \$100 of each Primary-insured's total shares. The special premium assessment generated approximately \$16.4 million of revenues in 2011.

On September 30, 2012, the Company billed its Primary-insured a fourth special premium assessment of \$0.09 per \$100 of each Primary-insured's total shares. The special premium assessment generated approximately \$10.4 million of revenues in 2012.

Since the Company has no specific excess insurance loss events identified at December 31, 2012 and 2011, for which a loss reserve would normally be established, all of the Company's loss reserves related to excess insurance and its unallocated primary insurance loss reserves are treated as unallocated IBNR loss reserves. For purposes of Schedule P, in any given year the cumulative unallocated IBNR loss reserves held are considered to have occurred as follows: (1) 60% in current year; (2) 30% in the previous year; and (3) 10% in the second previous year and have been allocated as such in Schedule P, which is comparable to methods used by other insurance companies with infrequent claims events. Since claims events are rare (infrequent but potentially severe), the typical year shows favorable development. A summary of the favorable loss development for the Company's single line of business ("Other") for 2012 and a reconciliation of loss provision, claims payments, prior year loss development and gross losses incurred in 2012, follows (dollars in thousands):

**NOTES TO FINANCIAL STATEMENTS**

On February 12, 2010, the Company provided capital assistance to a troubled Nevada credit union, through an advance of \$22,000,000 under an SRI and an SAA as amended effective March 3, 2011 by SRI-1 and the Amended SAA, which primarily provided for a five-year recovery and repayment plan through February 25, 2015 as described further below. The SRI and SRI-1 is collectively referred to herein as the SRI-1. On December 21, 2011, the Company supplemented its previously provided capital assistance with an additional \$4.4 million under a Second Amended SAA and SRI-2 for \$4.4 million based on the credit union's financial and operational progress through 2011, providing the credit union with sufficient resources to continue its recovery. The Amended SAA, Second Amended SAA, SRI-1 and SRI-2 establish a plan to restore the credit union's regulatory net worth and set a course for financial recovery by the credit union. The funds advanced to the credit union under the SRI-1 and SRI-2 are permitted to be included in regulatory net worth by the credit union's Nevada regulatory authority and the Company's rights to any repayment under the SRI-1 and SRI-2 are subordinated to the claims of the credit union's members and creditors. The Amended SAA and Second Amended SAA requires that the credit union comply with and operate within certain parameters designed to assist the credit union. These agreements also required that the credit union develop and implement a Restructuring Plan of Action for 2010 and 2011, including annual updates to the Restructuring Plan for subsequent years (Restructuring Plan), designed to enhance revenues, reduce operating costs and implement new loan collections and other procedures in order to allow the credit union to stabilize operations, return to profitability and to rebuild its net capital over time.

The SRI-1 and Amended SAA divide the SRI into ten sub-instruments of \$2.2 million each plus interest and the original maturity date of August 11, 2010 is extended to February 25, 2015 (with maturities for the ten \$2.2 million sub-instruments beginning February 12, 2015). The SRI-1 also provides for a reduction in the interest rate under the SRI from 3.25% per annum to the two-year US Treasury rate (0.31% and 0.79% effective March 3, 2012 and 2011, respectively) adjusted annually on March 3 of each anniversary of SRI-1, and requires repayments against the capital assistance and interest under the SRI-1 to be made to the Company by the credit union, when the credit union's regulatory net worth exceeds 6.0% of total assets. The SRI-2 is structured similarly to SRI-1, with two sub-instruments of \$2.2 million each plus interest at the two-year US Treasury rate (0.26% and 0.28% effective December 21, 2012 and 2011, respectively) adjusted annually on December 21 of each anniversary of SRI-2, and with maturities for the two \$2.2 million sub-instruments on December 30, 2016 and December 31, 2016. Both SRI-1 and SRI-2 require that accrued and unpaid interest at each annual interest adjustment date be capitalized into the principal balance commencing on March 3, 2011 for SRI-1 and December 21, 2012 for SRI-2. Capitalized interest at December 31, 2012 and 2011 was \$930,480 and \$750,260, respectively, for SRI-1. Capitalized interest at December 31, 2012 was \$12,353 for SRI-2 (none at December 31, 2011).

The Company has evaluated the ultimate collectability of SRI-1 and SRI-2, based on various factors including the long-term workout period required before the credit union will be in a position to begin repayment of SRI-1 and SRI-2 and interest thereon. As a result, in 2010, the Company transferred \$22,000,000 of guaranty loss reserves into an allowance for loss account, fully reserving the entire outstanding balance of the SRI-1 as of December 31, 2010. An additional \$4,400,000 of guaranty loss reserves was transferred into an allowance for loss account, fully reserving the entire outstanding balance of the SRI-2 as of December 31, 2011. At December 31, 2012, the balance of SRI-1 (\$22,930,480) and SRI-2 (\$4,412,353), totaling \$27,342,833, including capitalized interest, continues to be fully reserved.

At December 31, 2012 and 2011, the Company has also fully reserved \$59,550 and \$150,061, respectively, of accrued interest due to the Company under the SRI-1 and SRI-2 that have not been capitalized into the balances outstanding for SRI-1 and SRI-2 as of those dates.

Although the Company does not normally charge a premium under its primary insurance program, the Company's governing Ohio statute and its primary insurance policy permit premiums to be assessed against Primary-insureds in order to ensure that the Company maintains a sufficient equity base for its insurance risk. As a result of escalating risks identified in the state of Nevada in 2009, as discussed above, the Company billed its Primary-insureds a first time ever special premium assessment of \$0.15 per \$100 of each Primary-insured's total shares on December 31, 2009. This special premium assessment generated approximately \$15.2 million of revenues in 2009 but was not collected until 2010, to partially offset the primary insurance losses of over \$32 million discussed above.

On September 30, 2010, the Company again billed its Primary-insureds a special premium assessment of \$0.15 per \$100 of each Primary-insured's total shares. The special premium assessment generated approximately \$16.2 million of revenues in 2010.

On September 30, 2011, the Company billed its Primary-insureds a third special premium assessment of \$0.15 per \$100 of each Primary-insured's total shares. The special premium assessment generated approximately \$16.4 million of revenues in 2011.

On September 30, 2012, the Company billed its Primary-insured a fourth special premium assessment of \$0.09 per \$100 of each Primary-insured's total shares. The special premium assessment generated approximately \$10.5 million of revenues in 2012.

Since the Company has no specific excess insurance loss events identified at December 31, 2012 and 2011, for which a loss reserve would normally be established, all of the Company's loss reserves related to excess insurance and its unallocated primary insurance loss reserves are treated as unallocated IBNR loss reserves. For purposes of Schedule P, in any given year the cumulative unallocated IBNR loss reserves held are considered to have occurred as follows: (1) 60% in current year; (2) 30% in the previous year; and (3) 10% in the second previous year and have been allocated as such in Schedule P, which is comparable to methods used by other insurance companies with infrequent claims events. Since claims events are rare (infrequent but potentially severe), the typical year shows favorable development. A summary of the favorable loss development for the Company's single line of business ("Other") for 2012 and a reconciliation of loss provision, claims payments, prior year loss development and gross losses incurred in 2012, follows (dollars in thousands):

## NOTES TO FINANCIAL STATEMENTS

Year of Development	Col. 1 Prior Year (2011) Loss Reserves Allocated	Col. 2 Current Year (2012) loss Reserves Allocated	Col. 3 Claims Paid/ (Recovered) in 2012	Col. 4 Current Calendar Year (2012) Losses and LAE Incurred (Col 2 - Col 1)	Col. 5 Unfavorable (Favorable) Development (Col 2 - Col 1 + Col 3)	Col. 6 Transfers from Guaranty Loss Reserves to Allow. For Loss on Capital Assistance	Col. 7 Gross Losses Incurred for Current Year IBNR Loss Reserves (Col 4-Col 5-Col 6)
<b>SPECIFIC LOSS EVENTS:</b>							
2006 and prior	\$ 395	\$ 20	\$ 375		\$ -		
2007	-	-	-		-		
2008	20	20	-		-		
2009	19,800	21,400	(285)		1,315		
2010	1,900	2,600	-		700		
2011	300	300	-		-		
2012	xxxxxxx	600			xxxxxxx		
<b>Total Specific Loss Reserves</b>	<b>\$ 22,415</b>	<b>\$ 24,940</b>	<b>\$ 90</b>				
Increase (Decrease) in Specific Loss Reserves				\$ 2,525	2,015		\$ 600
Claims Paid in 2011				90			
LAE (Unpaid)	\$ 40	\$ 40					
Other Changes in Development -- (Amount transferred to Allowance for Loss for Capital Assistance)				150		\$ 150	
Miscellaneous							
UNALLOCATED IBNR LOSSES:							
2009	\$ 839	xxxxxxx			\$ (839)		
2010	2,517	1,173			(1,344)		
2011	5,034	3,521			(1,513)		
2012	xxxxxxx	7,041			xxxxxxx		
<b>Total Unallocated Loss Reserves</b>	<b>\$ 8,390</b>	<b>\$ 11,735</b>					
Increase (Decrease) in Unallocated Loss Reserves				3,345	(3,696)		7,041
<b>Total (Including LAE of \$40,000)</b>	<b>\$ 30,845</b>	<b>\$ 36,715</b>	<b>\$ 90</b>	<b>\$ 6,110</b>	<b>\$ (1,681)</b>	<b>\$ 150</b>	<b>\$ 7,641</b>

See previous discussion concerning additional premiums that have been accrued at December 31, 2012 (Special Premium Assessment) as a result of the impact of the changes in the provision for incurred loss and LAE expenses attributable to insured events of prior years.

Activity in the reserve for guaranty losses' account for the years ended December 31, 2012 and 2011, is summarized as follows:

	2012	2011
Balance -- January 1	\$ 30,805,000	\$ 22,095,000
Reserves provided (recovered) for losses incurred in:		
Current year	7,641,000	5,491,409
Prior years	(1,680,430)	7,776,000
Provision for allowance for loss on capital assistance	150,000	50,000
Total provision for losses incurred	<u>6,110,570</u>	<u>13,317,409</u>
Less: Claims paid (net) on losses incurred in:		
Current year	-	157,409
Prior years	<u>90,570</u>	<u>4,400,000</u>
Total claims paid -- net	<u>90,570</u>	<u>4,557,409</u>
Less reserves reclassified to allowance for losses on notes and other receivables related to losses in previous years	150,000	50,000
Balance -- December 31	<u>\$ 36,675,000</u>	<u>\$ 30,805,000</u>

26. Intercompany Pooling Arrangements – Does not apply.

27. Structured Settlements – Does not apply.

28. Health Care Receivables – Does not apply.

29. Participating Accident and Health Policies – Does not apply.

30. Premium Deficiency Reserves

The Company provides deposit insurance to participating credit unions under the Company's primary and excess contracts. Under the primary insurance contract, a deposit of 1.3% of the member's year-end share balance is required. These capitalization deposits are non-interest bearing and the investment earnings therefrom are used to fund the Company's deposit insurance programs in lieu of a normal premium charge. Special Premium Assessments may be charged from time to time against insured credit unions to fund claims activity during unusual times, such as the past two years, in order to maintain the insurance fund at a regulatory acceptable primary insurance equity ratio (currently the equity ratio is

**NOTES TO FINANCIAL STATEMENTS**

1.59% of primary insurance fund equity to primary insured shares). Even so, the deposits for the primary and excess deposit contracts are at-risk to the insured credit unions and ultimately can act as a reserve that is available to pay claims if needed. The aggregate of capitalization deposits that are available to pay claims are \$155,520,266 at December 31, 2012. Therefore the Company has determined there is not a need for a premium deficiency reserve and none has been recorded at December 31, 2012. This evaluation was completed on February 4, 2013. The Company considers investment income when evaluating the need for premium deficiency reserves.

1. Liability for premium deficiency reserve	\$	-
2. Date of most recent evaluation		February 4, 2013
3. Was anticipated investment income utilized in calculation?	Yes (X)	No ( )

- 31. High Deductibles – Does not apply.
- 32. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses – Does not apply.
- 33. Asbestos/Environmental Reserves – Does not apply.
- 34. Subscriber Savings Accounts – Does not apply.
- 35. Multiple Peril Crop – Does not apply.
- 36. Financial Guaranty Insurance – Does not apply.

**GENERAL INTERROGATORIES**  
**PART 1 - COMMON INTERROGATORIES**

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes (X) No ( )
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes (X) No ( ) N/A ( )
- 1.3 State Regulating? 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 (X)
- 2.2 If yes, date of change: .....
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2007
- 3.2 State the as of date of 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. 12/31/2007
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 01/15/2009
- 3.4 By what department or departments?  
Ohio Department of Insurance
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes ( ) No ( ) N/A (X)
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes ( ) No ( ) N/A (X)
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes ( ) No (X)
- 4.12 renewals? Yes ( ) No (X)
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes ( ) No (X)
- 4.22 renewals? Yes ( ) No (X)

**GENERAL INTERROGATORIES**  
**PART 1 - COMMON INTERROGATORIES**

GENERAL

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes ( ) No (X)

5.2 If yes, provide the name of entity, the NAIC company code, and state of domicile for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
---------------------	------------------------	------------------------

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes ( ) No (X)

6.2 If yes, give full information:  
.....

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

7.2 If yes, 7.21 State the percentage of foreign control; .....%

7.22 State the nationality(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 Nationality	2 Type of Entity
------------------	---------------------

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes ( ) No (X)

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.  
.....

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes ( ) No (X)

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC
---------------------	-----------------------------	----------	----------	-----------	----------

**GENERAL INTERROGATORIES**  
**PART 1 - COMMON INTERROGATORIES**

GENERAL

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Deloitte & Touche LLP, 180 E. Broad St., Columbus, OH 43215
- 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 Model 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 domiciliary state insurance laws? Yes (X) No ( ) N/A ( )
- 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?  
Elissa M. Sirovotka, FCAS, MAAA; Towers Watson, 71 S. Wacker Dr., Suite 2600, Chicago, IL 60608
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes ( ) No (X)
- 12.11 Name of real estate holding company  
.....
- 12.12 Number of parcels involved .....
- 12.13 Total book/adjusted carrying value \$ .....
- 12.2 If yes, provide explanation  
.....
13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?  
.....
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States branch on risks wherever located? Yes ( ) No ( )
- 13.3 Have there been any changes made to any of the trust indentures during the year? Yes ( ) No ( )
- 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes ( ) No ( ) N/A (X)
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes (X) No ( )
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;  
(c) Compliance with applicable governmental laws, rules and regulations;  
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  
(e) Accountability for adherence to the code.
- 14.11 If the response to 14.1 is No, please explain:  
.....
- 14.2 Has the code of ethics for senior managers been amended? Yes ( ) No (X)
- 14.21 If the response to 14.2 is Yes, provide information related to amendment(s).  
.....
- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes ( ) No (X)
- 14.31 If the response to 14.3 is Yes, provide the nature of any waiver(s).  
.....
- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes ( ) No (X)
- 15.2 If the response to 15.1 is yes, indicated the American Bankers Association (ABA) Routing Number and the name of issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

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

**GENERAL INTERROGATORIES**  
**PART 1 - COMMON INTERROGATORIES**

BOARD OF DIRECTORS

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

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   | \$ .....       |
|      | 20.12 To stockholders not officers   | \$ .....       |
|      | 20.13 Trustees, supreme or grand (Fraternal only)  | \$ .....       |
| 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   | \$ .....       |
|      | 20.22 To stockholders not officers   | \$ .....       |
|      | 20.23 Trustees, supreme or grand (Fraternal only)  | \$ .....       |
| 21.1 | Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? | Yes ( ) No (X) |
| 21.2 | If yes, state the amount thereof at December 31 of the current year:   |                |
|      | 21.21 Rented from others   | \$ .....       |
|      | 21.22 Borrowed from others   | \$ .....       |
|      | 21.23 Leased from others   | \$ .....       |
|      | 21.24 Other  | \$ .....       |
| 22.1 | Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?                   | Yes ( ) No (X) |
| 22.2 | If answer is yes:  |                |
|      | 22.21 Amount paid as losses or risk adjustment   | \$ .....       |
|      | 22.22 Amount paid as expenses  | \$ .....       |
|      | 22.23 Other amounts paid   | \$ .....       |
| 23.1 | Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?  | Yes ( ) No (X) |
| 23.2 | If yes, indicate any amounts receivable from parent included in the Page 2 amount:   | \$ .....       |

**GENERAL INTERROGATORIES**  
**PART 1 - COMMON INTERROGATORIES**

INVESTMENT

- 24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03) Yes (X) No ( )
- 24.02 If no, give full and complete information relating thereto:  
.....  
.....
- 24.03 For the 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)  
.....  
.....
- 24.04 Does the Company's security lending program meet the requirements for a conforming program as outlined in Risk-Based Capital Instructions? Yes ( ) No ( ) N/A (X)
- 24.05 If answer to 24.04 is YES, report amount of collateral for conforming programs. \$ .....
- 24.06 If answer to 24.04 is NO, report amount of collateral for other programs. \$ .....
- 24.07 Does your security lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes ( ) No ( ) N/A (X)
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes ( ) No ( ) N/A (X)
- 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes ( ) No ( ) N/A (X)
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 24.101 Total fair value of reinvented collateral assets reported on Schedule DL, Parts 1 and 2 \$ .....
- 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$ .....
- 24.103 Total payable for securities lending reported on the liability page \$ .....
- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03) Yes (X) No ( )
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- |  |  |                    |
|--|--|--------------------|
|  | 25.21 Subject to repurchase agreements                 | \$ .....           |
|  | 25.22 Subject to reverse repurchase agreements         | \$ .....           |
|  | 25.23 Subject to dollar repurchase agreements          | \$ .....           |
|  | 25.24 Subject to reverse dollar repurchase agreements  | \$ .....           |
|  | 25.25 Pledged as collateral                            | \$ .....           |
|  | 25.26 Placed under option agreements                   | \$ .....           |
|  | 25.27 Letter stock or securities restricted as to sale | \$ .....           |
|  | 25.28 On deposit with state or other regulatory body   | \$ ..... 1,400,000 |
|  | 25.29 Other  | \$ .....           |

**GENERAL INTERROGATORIES**  
**PART 1 - COMMON INTERROGATORIES**

INVESTMENT

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
----------------------------	------------------	-------------

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes ( ) No (X)
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes ( ) No ( ) N/A (X)  
If no, attach a description with this statement.
- 27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes ( ) No (X)
- 27.2 If yes, state the amount thereof at December 31 of the current year. \$ .....
28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds, and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III General Examination Considerations, F - Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes (X) No ( )

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

1 Name of Custodian(s)	2 Custodian's Address
---------------------------	--------------------------

JP Morgan Chase Trust ..... 100 E. Broad St., Columbus, OH 43271-8192 .....

Fifth Third Trust ..... 21 E. State St., Columbus, OH 43215 .....

Corporate One Federal Credit Union ..... 9700 Orion Place, Columbus, OH 43240 .....

FHLB of Cincinnati ..... 221 E. 4th, Suite 1000, Cincinnati, OH 45202 .....

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

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

**GENERAL INTERROGATORIES**  
**PART 1 - COMMON INTERROGATORIES**

INVESTMENT

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

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

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

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

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

NONE .....

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

29.2 If yes, complete the following schedule:

1 CUSIP Number	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
-------------------	--------------------------	-----------------------------------

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

1 Name of Mutual Fund (from question 29.2)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
--	--	---	------------------------

**GENERAL INTERROGATORIES**  
**PART 1 - COMMON INTERROGATORIES**

INVESTMENT

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds .....	\$ ..... 167,833,295	\$ ..... 168,443,797	\$ ..... 610,502
30.2 Preferred stocks .....	\$ .....	\$ .....	\$ .....
30.3 Totals .....	\$ ..... 167,833,295	\$ ..... 168,443,797	\$ ..... 610,502

30.4 Describe the sources or methods utilized in determining the fair values:  
Custodial market values compared to independent broker market values and published quotes.  
.....

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 (X) No ( )

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes (X) 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:  
.....  
.....

**GENERAL INTERROGATORIES**  
**PART 1 - COMMON INTERROGATORIES**

OTHER

33.1 Amount of payments to Trade Associations, service organizations and statistical or Rating Bureaus, if any? \$ .....

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

1 Name	2 Amount Paid
.....	\$ .....
.....	\$ .....
.....	\$ .....
.....	\$ .....

34.1 Amount of payments for legal expenses, if any? \$ ..... 265,134

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

1 Name	2 Amount Paid
LIONEL, SAWYER & COLLINS .....	\$ ..... 167,194
.....	\$ .....
.....	\$ .....
.....	\$ .....

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ ..... 408,037

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

1 Name	2 Amount Paid
SPRINGFIELD CONSULTING .....	\$ ..... 110,011
GERALD DUANE WELSH .....	\$ ..... 127,839
.....	\$ .....
.....	\$ .....

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

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes ( ) No (X)

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

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

1.31 Reason for excluding:  
 .....

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

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ .....

1.62 Total incurred claims \$ .....

1.63 Number of covered lives .....

All years prior to most current three years:

1.64 Total premium earned \$ .....

1.65 Total incurred claims \$ .....

1.66 Number of covered lives .....

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ .....

1.72 Total incurred claims \$ .....

1.73 Number of covered lives .....

All years prior to most current three years:

1.74 Total premium earned \$ .....

1.75 Total incurred claims \$ .....

1.76 Number of covered lives .....

2. Health Test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	\$ .....	\$ .....
2.2 Premium Denominator	\$ .....	\$ .....
2.3 Premium Ratio (Line 2.1/Line 2.2)	\$ .....	\$ .....
2.4 Reserve Numerator	\$ .....	\$ .....
2.5 Reserve Denominator	\$ .....	\$ .....
2.6 Reserve Ratio (Line 2.4/Line 2.5)	\$ .....	\$ .....

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

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

3.21 Participating policies \$ .....

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

4. For Mutual reporting entities and Reciprocal Exchange 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? .....

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

5. For Reciprocal Exchanges only:

5.1 Does the exchange appoint local agents? Yes ( ) No ( )

5.2 If yes, is the commission paid:

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

5.22 As a direct expense of the exchange Yes ( ) No ( ) N/A (X)

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

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

5.5 If yes, give full information.  
 .....

**GENERAL INTERROGATORIES**  
**PART 2 - PROPERTY AND 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?  
Does not apply
- 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:  
Gross loss exposure based on monthly financial statements from insureds, reduced by expected collections on assets to arrive at net loss reserve.
- 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?  
Co. has \$7.5 mil in reins. & at-risk capital deposits (agg. \$3.345 mil) for its excess program & can reassess the dep. For primary prog. co. can also assess up to 3% for each CU ins. shares & holds at-risk cap. dep. of 1.3% (total \$152.1 mil). Hist avg net claims have been 3% of assets of failed CUs
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes ( ) No (X)
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss.  
Company holds \$155.5 million at-risk capitalization deposits from its insureds that are available to pay claims and may be reassessed under statute.
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes ( ) No (X)
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions.
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes ( ) No (X)
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes ( ) No (X)
- 8.2 If yes, give full information.
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
(c) Aggregate stop loss reinsurance coverage;  
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes ( ) No (X)
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of the 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. Yes ( ) No (X)
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes ( ) No (X)
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
(a) The entity does not utilize reinsurance; or  
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or  
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes ( ) No (X)  
Yes ( ) No (X)  
Yes ( ) No (X)

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

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 reporting entity would have been required to charge had it retained the risks. Has this been done? Yes ( ) No ( ) N/A (X)
- 11.1 Has this 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   | \$ ..... |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ ..... |
- 12.2 Of the amount on Line 15.3 of the asset schedule, Page 2, state the amount which is secured by letters of credit, collateral and other funds: \$ .....
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes ( ) No ( ) N/A (X)
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- |            |        |
|------------|--------|
| 12.41 From | .....% |
| 12.42 To   | .....% |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by 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          | \$ ..... |
| 12.62 Collateral and other funds | \$ ..... |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ ..... 850,617,217
- 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 (X) No ( )
- 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. ..... 1
- 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 (X)
- 14.4 If the answer to 14.3 is no, are the methods described in 14.2 entirely contained in written agreements? Yes ( ) No (X)
- 14.5 If the answer to 14.4 is no, please explain:  
 N/A  
 .....
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes ( ) No (X)
- 15.2 If yes, give full information.  
 .....

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

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

\* Disclose type of coverage:  
 .....  
 .....

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5? Yes ( ) No (X)

Included 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	\$ .....
17.12 Unfunded portion of Interrogatory 17.11	\$ .....
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$ .....
17.14 Case reserves portion of Interrogatory 17.11	\$ .....
17.15 Incurred but not reported portion of Interrogatory 17.11	\$ .....
17.16 Unearned premium portion of Interrogatory 17.11	\$ .....
17.17 Contingent commission portion of Interrogatory 17.11	\$ .....

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	\$ .....
17.19 Unfunded portion of Interrogatory 17.18	\$ .....
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$ .....
17.21 Case reserves portion of Interrogatory 17.18	\$ .....
17.22 Incurred but not reported portion of Interrogatory 17.18	\$ .....
17.23 Unearned premium portion of Interrogatory 17.18	\$ .....
17.24 Contingent commission portion of Interrogatory 17.18	\$ .....

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. \$ .....

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. \$ .....

## 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
<b>Gross Premiums Written (Page 8, Part 1B, Columns 1, 2 and 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)					
2. Property lines (Lines 1, 2, 9, 12, 21 and 26)					
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)					
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34)	270,644	295,667	468,569	541,935	1,446,483
5. Nonproportional reinsurance lines (Lines 31, 32 and 33)					
6. Total (Line 35)	270,644	295,667	468,569	541,935	1,446,483
<b>Net Premiums Written (Page 8, Part 1B, Column 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)					
8. Property lines (Lines 1, 2, 9, 12, 21 and 26)					
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)					
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34)	231,102	251,891	348,058	350,775	1,246,032
11. Nonproportional reinsurance lines (Line 31, 32 and 33)					
12. Total (Line 35)	231,102	251,891	348,058	350,775	1,246,032
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	(12,427,918)	(20,284,207)	(18,980,933)	(40,429,455)	(7,786,672)
14. Net investment gain (loss) (Line 11)	2,093,232	2,641,131	3,156,991	4,901,147	6,923,658
15. Total other income (Line 15)	11,730,339	17,648,791	17,690,452	16,626,908	1,368,131
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	4,500	500	18,000		4,400
18. Net income (Line 20)	1,391,153	5,215	1,848,510	(18,901,400)	500,717
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Column 3)	223,033,328	219,356,794	201,970,870	210,481,620	185,592,689
20. Premiums and considerations (Page 2, Column 3)					
20.1 In course of collection (Line 15.1)					
20.2 Deferred and not yet due (Line 15.2)	62,670	67,685	84,900	125,590	146,730
20.3 Accrued retrospective premiums (Line 15.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 26)	39,689,621	45,966,143	31,262,113	62,249,516	15,215,280
22. Losses (Page 3, Line 1)	36,675,000	30,805,000	22,095,000	32,860,000	9,112,000
23. Loss adjustment expenses (Page 3, Line 3)	40,000	40,000	40,000	40,000	40,000
24. Unearned premiums (Page 3, Line 9)					
25. Capital paid up (Page 3, Line 30 and Line 31)					
26. Surplus as regards policyholders (Page 3, Line 37)	183,343,707	173,390,651	170,708,757	148,232,104	170,377,409
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	6,982,119	9,398,754	6,981,696	(9,559,574)	2,278,886
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	183,343,707	173,390,651	170,708,757	148,232,104	170,377,409
29. Authorized control level risk-based capital	3,018,277	2,194,154	1,836,848	2,532,657	2,505,734
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Column 3) (Item divided by Page 2, Line 12, Column 3) x 100.0					
30. Bonds (Line 1)	74.2	73.8	68.3	61.7	70.6
31. Stocks (Line 2.1 and Line 2.2)	9.7	9.7	11.9	11.0	10.9
32. Mortgage loans on real estate (Line 3.1 and Line 3.2)					
33. Real estate (Lines 4.1, 4.2 and 4.3)	0.3	0.3	0.4	0.3	0.4
34. Cash, cash equivalents and short-term investments (Line 5)	15.9	16.3	19.4	27.0	18.1
35. Contact loans (Line 6)					
36. Derivatives (Line 7)				X X X	X X X
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)					
39. Securities lending reinvested collateral assets (Line 10)				X X X	X X X
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds (Schedule D, Summary, Line 12, Column 1)					
43. Affiliated preferred stocks (Schedule D, Summary, Line 18, Column 1)					
44. Affiliated common stocks (Schedule D, Summary, Line 24, Column 1)	20,481,355	20,447,204	20,354,595	20,201,828	20,220,648
45. Affiliated short-term investments (Schedule DA Verification, Column 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Line 42 through Line 47	20,481,355	20,447,204	20,354,595	20,201,828	20,220,648
49. Total investment in parent included in Line 42 through Line 47 above					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Column 1, Line 37 x 100.0)	11.2	11.8	11.9	13.6	11.9

**FIVE-YEAR HISTORICAL DATA**

(Continued)

	1 2012	2 2011	3 2010	4 2009	5 2008
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24)	118,150	228,858	200,768	355,941	2,142,709
52. Dividends to stockholders (Line 35)					
53. Change in surplus as regards policyholders for the year (Line 38)	9,953,057	2,681,891	22,476,653	(22,145,306)	(40,171,105)
<b>Gross Losses Paid (Page 9, Part 2, Columns 1 and 2)</b>					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)					
55. Property lines (Lines 1, 2, 9, 12, 21 and 26)					
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)					
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34)	240,570	4,606,949	22,093,306	9,588,309	(1,730)
58. Nonproportional reinsurance lines (Lines 31, 32, and 33)					
59. Total (Line 35)	240,570	4,606,949	22,093,306	9,588,309	(1,730)
<b>Net Losses Paid (Page 9, Part 2, Column 4)</b>					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)					
61. Property lines (Lines 1, 2, 9, 12, 21 and 26)					
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)					
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34)	240,570	4,606,949	22,093,306	9,588,309	(1,730)
64. Nonproportional reinsurance lines (Lines 31, 32, and 33)					
65. Total (Line 35)	240,570	4,606,949	22,093,306	9,588,309	(1,730)
<b>Operating Percentages (Page 4)</b> (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)	2,644.1	5,286.8	3,254.7	9,503.6	69.7
68. Loss expenses incurred (Line 3)	251.1	221.6	137.5	118.7	29.0
69. Other underwriting expenses incurred (Line 4)	2,582.5	2,644.4	2,161.1	2,003.4	626.3
70. Net underwriting gain (loss) (Line 8)	(5,377.7)	(8,052.8)	(5,453.4)	(11,525.8)	(624.9)
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Line 4 plus Line 5 minus Line 15 divided by Page 8, Part 1B, Column 6, Line 35 x 100.0)	(2,493.4)	(4,362.1)	(2,921.5)	(2,736.7)	516.5
72. Losses and loss expenses incurred to premiums earned (Page 4, Line 2 plus Line 3 divided by Page 4, Line 1 x 100.0)	2,895.2	5,508.4	3,392.3	9,622.4	98.6
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Column 6, Line 35 divided by Page 3, Line 37, Column 1 x 100.0)	0.1	0.1	0.2	0.2	0.7
<b>One Year Loss Development (000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Column 11)	(1,681)	7,776	3,855	(3,417)	(5,423)
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, Column 1 x 100.0)	(1.0)	4.6	2.6	(2.0)	(2.6)
<b>Two Year Loss Development (000 omitted)</b>					
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, Column 12)	7,608	14,687	(5,337)	(7,173)	(6,502)
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, Column 2 x 100.0)	4.5	9.9	(3.1)	(3.4)	(3.2)

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? If no, please explain:

Yes ( ) No ( )

**SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES**

**SCHEDULE P - PART 1 - SUMMARY**

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported - Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Columns 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Columns 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	9,229							9,229	X X X
2. 2003	1,898	28	1,870	32							32	X X X
3. 2004	1,869	245	1,624									X X X
4. 2005	1,927	295	1,632	375							375	X X X
5. 2006	1,785	247	1,538									X X X
6. 2007	1,713	223	1,490									X X X
7. 2008	1,446	200	1,246	2,445							2,445	X X X
8. 2009	542	191	351	33,640						285	33,640	X X X
9. 2010	469	121	348									X X X
10. 2011	297	44	253	157							157	X X X
11. 2012	271	40	231									X X X
12. Totals	X X X	X X X	X X X	45,878						285	45,878	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding - Direct & Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1.													X X X
2.													X X X
3.													X X X
4.	20											20	X X X
5.													X X X
6.													X X X
7.	20											20	X X X
8.	21,400											21,400	X X X
9.	2,600		1,173									3,773	X X X
10.	300		3,521									3,821	X X X
11.	600		7,041						40			7,681	X X X
12.	24,940		11,735						40			36,715	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter - Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1.	X X X	X X X	X X X	X X X	X X X	X X X			X X X		
2.	32		32	1.7		1.7					
3.											
4.	395		395	20.5		24.2				20	
5.											
6.											
7.	2,465		2,465	170.5		197.8				20	
8.	55,040		55,040	10,155.0		15,680.9				21,400	
9.	3,773		3,773	804.5		1,084.2				3,773	
10.	3,978		3,978	1,339.4		1,572.3				3,821	
11.	7,681		7,681	2,834.3		3,325.1				7,641	40
12.	X X X	X X X	X X X	X X X	X X X	X X X			X X X	36,675	40

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

**SCHEDULE P - PART 2 - SUMMARY**

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT		
	1 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012	11 One Year	12 Two Year	
1. Prior	10,786	9,894	9,246	9,236	9,234	9,234	9,231	9,229	9,229	9,229			
2. 2003	3,063	1,848	703	32	32	32	32	32	32	32			
3. 2004	XXX	3,633	2,013	736									
4. 2005	XXX	XXX		2,207	824	220	220	320	395	395		75	
5. 2006	XXX	XXX	XXX	4,414	2,473	637							
6. 2007	XXX	XXX	XXX	XXX	4,945	1,962	852						
7. 2008	XXX	XXX	XXX	XXX	XXX	6,293	4,626	3,460	2,465	2,465		(995)	
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	36,752	42,527	54,279	54,755	476	12,228	
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,473	4,417	3,773	(644)	(3,700)	
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,491	3,978	(1,513)	XXX	
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,641	XXX	XXX	
											12. Totals	(1,681)	7,608

**SCHEDULE P - PART 3 - SUMMARY**

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
1. Prior	0 0 0	3,890	3,850	3,845	3,845	9,234	9,231	9,229	9,229	9,229	XXX	XXX
2. 2003	32	32	32	32	32	32	32	32	32	32	XXX	XXX
3. 2004	XXX										XXX	XXX
4. 2005	XXX	XXX								375	XXX	XXX
5. 2006	XXX	XXX	XXX								XXX	XXX
6. 2007	XXX	XXX	XXX	XXX							XXX	XXX
7. 2008	XXX	XXX	XXX	XXX	XXX		2,350	2,445	2,445	2,445	XXX	XXX
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	7,240	29,240	33,640	33,355	XXX	XXX
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX	XXX
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	157	157	XXX	XXX
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		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 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012
1. Prior										
2. 2003										
3. 2004	XXX									
4. 2005	XXX	XXX				824				
5. 2006	XXX	XXX	XXX			2,473	637			
6. 2007	XXX	XXX	XXX	XXX		4,945	1,912	752		
7. 2008	XXX	XXX	XXX	XXX	XXX	3,823	2,256	995		
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	4,512	2,987	839	
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,973	2,517	1,173
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,034	3,521
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,041

**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

**Allocated by States and Territories**

States, Etc.	1		4	5	6	7	8	9		
	Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken							Direct Premiums Written	Direct Premiums Earned
1. Alabama	AL	E								
2. Alaska	AK	N								
3. Arizona	AZ	E								
4. Arkansas	AR	N								
5. California	CA	E	270,644	270,644	570	570	300,000			
6. Colorado	CO	N								
7. Connecticut	CT	N								
8. Delaware	DE	N								
9. Dist. Columbia	DC	N								
10. Florida	FL	N								
11. Georgia	GA	N								
12. Hawaii	HI	N								
13. Idaho	ID	L					20,000			
14. Illinois	IL	L				1,300,000	3,200,000			
15. Indiana	IN	E			375,000					
16. Iowa	IA	N								
17. Kansas	KS	N								
18. Kentucky	KY	N								
19. Louisiana	LA	N								
20. Maine	ME	L								
21. Maryland	MD	E								
22. Massachusetts	MA	N								
23. Michigan	MI	N								
24. Minnesota	MN	N								
25. Mississippi	MS	N								
26. Missouri	MO	N								
27. Montana	MT	N								
28. Nebraska	NE	N								
29. Nevada	NV	E			(135,000)	1,465,000	21,400,000			
30. New Hampshire	NH	L								
31. New Jersey	NJ	N								
32. New Mexico	NM	N								
33. New York	NY	N								
34. North Carolina	NC	N								
35. North Dakota	ND	N								
36. Ohio	OH	L					20,000			
37. Oklahoma	OK	N								
38. Oregon	OR	N								
39. Pennsylvania	PA	N								
40. Rhode Island	RI	N								
41. South Carolina	SC	N								
42. South Dakota	SD	N								
43. Tennessee	TN	N								
44. Texas	TX	E								
45. Utah	UT	N								
46. Vermont	VT	N								
47. Virginia	VA	N								
48. Washington	WA	N								
49. West Virginia	WV	N								
50. Wisconsin	WI	N								
51. Wyoming	WY	N								
52. American Samoa	AS	N								
53. Guam	GU	N								
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N								
56. Northern Mariana Islands	MP	N								
57. Canada	CAN	N								
58. Aggregate other alien	OT	X X X				3,345,000	11,735,000			
59. Totals	(a)	5	270,644	270,644	240,570	6,110,570	36,675,000			
<b>DETAILS OF WRITE-INS</b>										
58001. UNASSIGNED		X X X				3,345,000	11,735,000			
58002.		X X X								
58003.		X X X								
58998. Summary of remaining write-ins for Line 58 from overflow page		X X X								
58999. Totals (Line 58001 through Line 58003 plus Line 58998) (Line 58 above)		X X X				3,345,000	11,735,000			

(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.

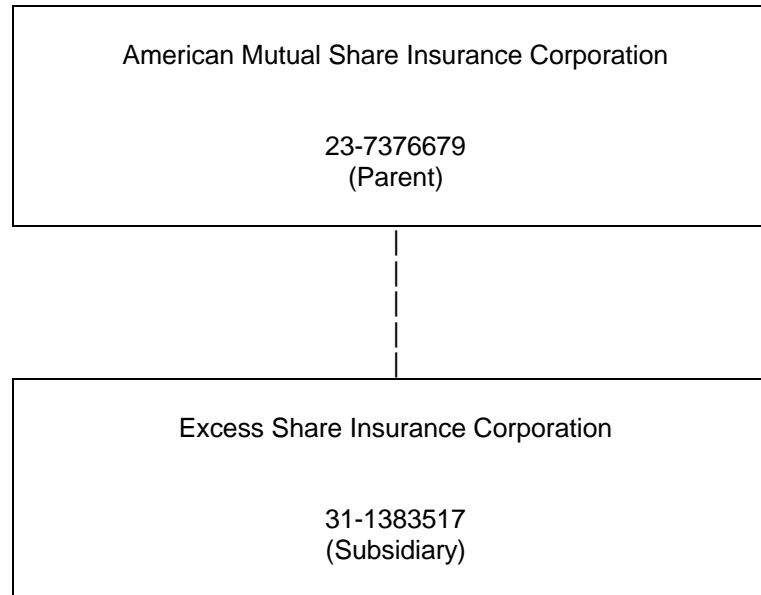
**Explanation of basis of allocation of premiums by states, etc.**

Premiums are allocated to those states where the insured risks are located.

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

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE American Mutual Share Insurance Corporation  
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART

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# Property and Casualty

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# Property and Casualty

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