17884 German Mutual Insurance, Rhonda Bockelman
NAIC letter June 27, 2013 Jean Buckley

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PROPERTY AND CASUALTY COMPANIES—ASSOCIATION EDITION

ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2012

OF THE CONDITION AND AFFAIRS OF THE

GERMAN MUTUAL INSURANCE COMPANY

NAIC Group Code 0000 (Current Period), 0000 (Prior Period) NAIC Company Code 17884 Employer's ID Number 34-4469685

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

Country of Domicile United States

Incorporated/Organized 12/28/1984 Commenced Business 06/01/1867

Statutory Home Office 1000 WESTMORELAND AVENUE (Street and Number), NAPOLEON, OH, US 43545 (City or Town, State, Country and Zip Code)

Main Administrative Office 1000 WESTMORELAND AVENUE (Street and Number) NAPOLEON, OH, US 43545 (City or Town, State, Country and Zip Code) 419-599-3993 (Area Code) (Telephone Number)

Mail Address P.O. BOX 230 (Street and Number or P.O. Box), NAPOLEON, OH, US 43545 (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 1000 WESTMORELAND AVENUE (Street and Number) NAPOLEON, OH, US 43545 (City or Town, State, Country and Zip Code) 419-599-3993-208 (Area Code) (Telephone Number)

Internet Website Address www.heartland-ins.com

Statutory Statement Contact RHONDA K BOCKELMAN (Name) 419-599-3993-208 (Area Code) (Telephone Number) (Extension)

rhonda.bockelman@heartland-ins.com (E-mail Address) 419-599-0109 (Fax Number)

OFFICERS

Name	Title	Name	Title
SCOTT C. PIPER #	PRESIDENT	RONALD D. SANDS	SECRETARY
RHONDA K. BOCKELMAN	TREASURER		

OTHER OFFICERS

PHYLLIS A. KNAPE	VICE PRESIDENT		

DIRECTORS OR TRUSTEES

SCOTT C. PIPER #	PHILIP W. MENZEL	RONALD D. SANDS	GREGORY A EDWARDS
J. SCOTT MILLER	ALAN E. WYSE	LESTER L. GERICKE	RONALD H. GERKEN
LORI B MILLER	GENE A. ROTH	PAUL F. BRINKER #	

State of OHIO

County of HENRY 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.

SCOTT C. PIPER	RONALD D. SANDS	RHONDA K. BOCKELMAN
PRESIDENT	SECRETARY	TREASURER

Subscribed and sworn to before me this 12TH day of JULY, 2013

a. Is this an original filing? Yes [ ] No [X]
b. If no,
1. State the amendment number 2
2. Date filed 07/12/2013
3. Number of pages attached 9

MEGAN BATT NOTARY
FEBRUARY 12, 2016

NOTES TO FINANCIAL STATEMENTS

German Mutual Insurance Company
Notes to Annual Statement
2012

Note 1 - Summary of Significant Accounting Policies

A Accounting Practices

The Company prepares its financial statements in conformity with accounting practices prescribed or permitted by the Ohio Insurance Department.

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

B Use of Estimates in the Preparation of the Financial Statements

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

Significant estimates used in preparing these financial statements include those used in computing the liability for outstanding claims. It is at least reasonably possible that the significant estimates used will change within the next year.

C Accounting Policies

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

Net investment income earned consists primarily of interest, dividends and rent income less investment related expense. Interest is recognized on an accrual basis and dividends are recognized on an ex-dividend basis. Rental income includes an imputed rent for the Company's occupancy of its own buildings. Net realized capital gains (losses) are recognized on a specific identification basis when securities are sold, redeemed or otherwise disposed. Realized capital losses include writedowns for impairments considered to be other than temporary. Investment income due and accrued is not admitted if amounts are over 90 days past due.

Real estate investments are classified in the balance sheet as properties occupied by the company and properties held for sale. Properties occupied by the company are carried at depreciated cost less encumbrances. Properties held for sale are carried at the lower of depreciated cost or fair value less estimated cost to sell. The fair values of properties held for sale are based upon quoted market prices, if available. If quoted market prices are unavailable, fair values are based upon market appraisals performed every five years using certified valuation techniques. Fair values for these properties will be immediately determined whenever circumstances indicate that the carrying amounts may not be recoverable. Fair values of properties occupied by the company will be measured only if circumstances indicate that the financial condition of the company is in question.

NOTES TO FINANCIAL STATEMENTS

For purposes of the statement of cash flows, the Company considers all certificates of deposit, repurchase agreements and savings accounts with a maturity of one year or less to be cash equivalents. Investment grade short-term investments are state at cost, which is also their fair value. Non-investment grade short-term investments are stated at the lower of amortized value or fair value.

For repurchase agreements, Company policy requires a minimum of 100% of the fair value of securities purchased under repurchase agreements to be maintained as collateral.

Reinsurance recoverables are estimates of paid and unpaid losses collectible from the Company's reinsurers. The amounts ultimately collected may be more or less than these estimates. Any adjustments of these estimates is reflected in income as they are determined. The Company periodically reviews the financial condition of its reinsurers and amounts recoverable there from, recording an allowance when necessary for uncollectible reinsurance.

1. Investment grade short-term investments are stated at cost, which is also their fair value. Non-investment grade short-term investments are stated at the lower of amortized value or fair value.

2. Investment grade bonds not backed by other loans are stated at amortized value using the interest method and adjusted for other than temporary fair value decline unless required by the NAIC to be carried at fair value. Non-investment grade bonds with NAIC designations of 3 through 6 are stated at the lower of amortized value or fair value.

3. Common stocks (including mutual funds) are reported at current fair value. Unrealized appreciation and depreciation of stocks are reported as changes in policyholders' surplus. Realized gains and losses are determined on the specific identification basis.

4. Investment grade redeemable preferred stocks are stated at cost or amortized cost. Investment grade perpetual preferred stocks are stated at fair value. Non-investment grade preferred stocks are stated at the lower of amortized value or fair value.

5. The Company has no mortgage loans.

6. The Company has no loan-backed securities.

7. The Company has no investments in subsidiaries, controlled or affiliated companies.

8. The Company has no investments in joint ventures, partnerships or limited liability companies.

9. The Company has no derivative investments.

1 0 The Company does not anticipate investment income when evaluating the need for premium deficiency reserves.

1 1 Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in the period determined. Unpaid losses and loss adjustment expenses are reported net of receivables for salvage and subrogation of approximately $135,000 and $95,000 at December 31, 2012 and 2011.

NOTES TO FINANCIAL STATEMENTS

1 2 The Company's building, equipment and application software are depreciated primarily on the straight-line method.

The Company has a written capitalization policy for prepaid expenses and purchases of items such as electronic data processing equipment, software, furniture, vehicles, other equipment and building improvements. The predefined capitalization thresholds under this policy have not changed from those of the prior year.

1 3 Not applicable as the Company does not write major medical insurance.

Note 2 - Accounting Changes and Correction of Errors

A. Accounting Changes Other than Codification and Correction of Errors

The Company adopted SSAP 10R, Income Taxes - Revised, a Temporary Replacement of SSAP 10, during 2009. The adoption of SSAP 10R caused total assets and surplus to increase by $127,501. See Note 9 in these financial statements for more information.

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

Not applicable.

B. Statutory Mergers

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2011, Lime City Mutual Insurance Association merged into German Mutual Insurance Company and was accounted for as a statutory merger in accordance with SSAP 68. Accordingly, German Mutual Insurance Company's 2011 financial statements are inclusive of the merged Lime City Mutual Insurance Association's financial activity for the entire year. There wasn't an exchange of shares of stock between the entities due to both entities being considered mutual companies and ultimately, deemed owned by the policyholders. Thus Lime City Mutual Association's policyholders are policyholders of German Mutual Insurance Company as of the merger date.

Below is a schedule providing the results of operations of the previously separate entities for the 2011 year prior to the consummation of the statutory merger:

	German Mutual Insurance Company	Lime City Mutual Association	Combined German Mutual Insurance Company
Underwriting Income			
Premiums earned	$23,024,455	$ 491,270	$ 23,515,725
Losses, loss expenses and other underwriting expenses incurred	28,824,779	729,354	29,554,133
Net underwriting loss	(5,800,324)	(238,084)	(6,038,408)
Investment income	920,793	12,387	933,180
Other income	142,495	4,733	147,228
Loss before federal income tax	(4,737,036)	(220,964)	(4,958,000)
Federal income tax	17,037	-	17,037
Net loss	(4,754,073)	(220,964)	(4,975,037)
Beginning Policyholders' Surplus	15,399,866	970,991	16,370,857
Change in net unrealized capital gains and losses	(410,601)	(5,006)	(415,607)
Change in net deferred tax asset	1,961,396	-	1,961,396
Change in nonadmitted assets	(2,245,618)	(769)	(2,246,387)
Ending Policyholders' Surplus	$ 9,950,970	$ 744,252	$ 10,695,222

NOTES TO FINANCIAL STATEMENTS

C Writedowns for Impairment of Investments in Affiliates

Not applicable.

Note 4 - Discontinued Operations

A Not applicable.

Note 5 - Investments

A Mortgage Loans

Not applicable.

B Troubled Debt Restructuring for Creditors

Not applicable.

C Reverse Mortgages

Not applicable.

D Loan-Backed Securities

Not applicable.

E Repurchase Agreements

Not applicable.

F Writedowns for Impairment of Real Estate Impairments and Retail Land Sales

Not applicable.

G Low Income Housing Tax Credits

Not applicable.

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

A Detail for Those Greater than 10% of Admitted Assets

Not applicable.

B Writedowns for Impairments of Joint Ventures, Partnerships and LLCs

Not applicable.

Note 7 - Investment Income

A Accrued Investment Income

NOTES TO FINANCIAL STATEMENTS

The Company does not admit investment income due and accrued if amounts are over 90 days past due.

B Amounts Nonadmitted

Not applicable.

Note 8 - Derivative Instruments

A Not applicable

Note 9 - Income Taxes
A.
1.

NOTES TO FINANCIAL STATEMENTS

The components of the net DTA (deferred tax asset) recognized in the Company's Assets, Liabilities, Surplus and Other Funds are as follows:

		2012			2011			Change		
		Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
a.	Gross Deferred Tax Assets	$ 5,184,425	$ 43,877	$ 5,228,302	$ 4,046,329	$ 395,967	$ 4,442,296	$ 1,138,096	$ (352,090)	$ 786,006
b.	Statutory Valuation Allowance Adjustment	-	-	-	-	-	-	-	-	-
c.	Adjusted Gross Deferred Tax Assets (a-b)	5,184,425	43,877	5,228,302	4,046,329	395,967	4,442,296	1,138,096	(352,090)	786,006
d.	Deferred Tax Assets Nonadmitted	4,288,880	-	4,288,880	3,887,997	319,579	4,207,576	400,883	(319,579)	81,304
e.	Subtotal (Net Admitted Deferred Tax Assets) (c-d)	895,545	43,877	939,422	158,332	76,388	234,720	737,213	(32,511)	704,702
f.	Deferred Tax Liabilities	16,288	114,766	131,054	16,451	7,937	24,388	(163)	106,829	106,666
g.	Net Admitted Deferred Tax Assets (e-f)	$ 879,257	$ (70,889)	$ 808,368	$ 141,881	$ 68,451	$ 210,332	$ 737,376	$ (139,340)	$ 598,036

Admission Calculation Components

		2012			2011			Change		
		Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
a.	Federal income taxes paid in prior years recoverable through loss carrybacks	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
b.	Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from (a) above) after application of the threshold limitation. The lesser of b1 and b2 below:	879,257	-	879,257	141,881	68,451	210,332	737,376	(68,451)	668,925
	1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	879,257	-	879,257	141,881	68,451	210,332	737,376	(68,451)	668,925
	2. Adjusted gross deferred tax assets allowed per limitation threshold	xxx	xxx	1,239,656	xxx	xxx	1,411,601	xxx	xxx	(171,945)
c.	Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a and b above) offset by gross deferred tax liabilities	16,288	43,877	60,165	16,451	7,937	24,388	(163)	35,940	35,777
d.	Deferred tax assets admitted as the result of application of SSAP 101.	$ 895,545	$ 43,877	$ 939,422	$ 158,332	$ 76,388	$ 234,720	$ 737,213	$ (32,511)	$ 704,702

Other Admissibility Criteria

	2012	2011
Ratio percentage used to determine recovery period and threshold limitation amount	369%	420%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in b2 above.	$ 8,264,375	$ 9,410,673

NOTES TO FINANCIAL STATEMENTS

Impact of Tax Planning Strategies

	2012			2011			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Adjusted Gross DTAs (%of Total Adjusted Gross DTAs)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Admitted Adjusted Gross DTAs (%of Total Net Admitted Adjusted Gross DTAs)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Does the company's tax planning strategies include the use of reinsurance? Yes( ) No(X)

	2012	Tax Rate
Provision computed at statutory rate	$(800,599)	-35.0%
Tax exempt income	(145,974)	-6.4%
Change in nonadmitted assets	(48,720)	-2.1%
Taxable portion of tax exempt income	22,633	1.0%
Disallowed expenses	4,707	0.2%
Dividends received deduction	(4,910)	-0.2%
Total federal income tax	$(972,863)	-42.5%
Federal and foreign income taxes incurred	$ -	-
Change in net deferred income taxes	(972,863)	42.5%
Total statutory income taxes	$(972,863)	42.5%

Operating Loss and Tax Credit Carryforwards

At December 31, 2012, the Company had unused operating loss carryforwards available to offset against future taxable income of approximately $9,800,000 which expire in 2030 through 2032.

Income taxes incurred in the current and prior years which will be available for recoupment in the event of future net losses are as follows:

2012	$ -
2011	-

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

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

NOTES TO FINANCIAL STATEMENTS

F Consolidated Federal Income Tax Return

Not applicable.

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

A Nature of Relationships

Not applicable.

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

Not applicable.

C Change in Terms of Intercompany Arrangements

Not applicable.

D Amounts Due to or from Related Parties

Not applicable.

E Guarantees or Undertakings for Related Parties

Not applicable.

F Management, Service Contracts, Cost Sharing Arrangements

Not applicable.

G Nature of Relationships that Could Affect Operations

Not applicable.

H Amount Deducted for Investment in Upstream Company

Not applicable.

NOTES TO FINANCIAL STATEMENTS

I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets

Not applicable.

J Writedowns for Impairment of Investments in Affiliates

Not applicable.

K Foreign Subsidiary Valued Using CARVM

Not applicable.

L Downstream Holding Company Valued Using Look-Through Method

Not applicable.

Note 11 - Debt

A Not applicable

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

A Defined Benefit Plans

The Company sponsors a postretirement health care benefit plan covering substantially all employees of the Company and members of the Board of Directors who reach retirement age while working for the Company, have
at least 15 years of service, and were employed as of December 31, 2004. This plan also covers the employee's spouse who has reached retirement age. The Company has terminated this plan for all employees hired and board of directors elected after December 31, 2004.

A summary of assets, obligations and assumptions of the Other Postretirement Benefit Plan are as follows at December 31, 2012 and 2011

	2012	2011
Change in benefit obligation		
Benefit obligation at beginning of year	$ 1,196,772	$ 1,027,707
Service cost	-	-
Interest cost	52,396	58,908
Contribution by plan participants	-	-
Actuarial (gain) loss	(153,956)	68,197
Foreign currency exchange rate changes	-	-
Benefits paid	(33,040)	(33,040)
Plan amendments	-	-
Business combinations, divestitures, curtailments, settlements and special termination benefits	-	-
Benefits obligation at end of year	$ 1,062,172	$ 1,196,772

NOTES TO FINANCIAL STATEMENTS

Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Actual return on plan assets	-	-
Foreign currency exchange rate changes	-	-
Employer contribution	33,040	33,040
Plan participants' contributions	-	-
Benefits paid	(33,040)	(33,040)
Business combinations, divestitures and settlements	-	-
Fair value of plan assets at end of year	$ -	$ -

Funded status		
Unamortized prior service cost	$(1,062,172)	$(1,196,772)
Unrecognized net (gain) or loss	(196,442)	(42,486)
Remaining net obligation or net asset at initial date of application	353,538	397,731
Accrued liabilities	$(905,076)	$(841,527)

The Company has accrued a liability of $1,078,000 at December 31, 2012 and 2011, respectively.

Accumulated benefit obligation for vested employees and partially vested employees to the extent vested	$1,062,172	$1,196,772
Benefit obligation for non-vested employees		
Accumulated benefit obligation	$1,975,523	$2,336,944
Components of net periodic benefit cost		
Interest cost	$ 52,396	$ 58,908
Expected return on plan assets	-	-
Amortization of unrecognized transition obligation or transition asset	44,193	44,193
Amount of recognized gains and losses	(0)	(38)
Amount of prior service cost recognized	-	-
Amount of gain or loss recognized due to a settlement or curtailment	-	-

NOTES TO FINANCIAL STATEMENTS

Total net periodic benefit cost	$ 96,589	$ 103,063

The Company has recognized a benefit cost of $-0- for 2012 and 2011

Weighted-average assumptions used to determine net periodic benefit cost as of Dec. 31:		
Weighted average discount rate	4.50%	5.50%
Weighted-average assumptions used to determine projected benefit obligations as of Dec. 31:		
Weighted average discount rate	4.00%	4.50%

For measurement purposes, a 9.5% and 10% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2012and 2011, respectively. The rate was assumed to decrease gradually to 5 percent by the year 2021 and remain at that level thereafter.
and remain at that level thereafter.

Measurement dates of December 31, 2012, and 2011 were used to determine the above.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1 Percentage Point Increase	1 Percentage Point Decrease
Effect on total of service and interest cost components	$ 5,485	$ (4,780)
Effect on postretirement benefit obligation	102,521	(89,670)

The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

Year	Amount
2013	$ 64,984
2014	67,601
2015	70,580
2016	73,936
2017	91,195
2018-2022	676,388

B Defined Contribution Plans

The Company sponsors a 401(K) plan for the benefit of substantially all of its employees who meet eligibility requirements. The Company contributes up to a maximum of 5% of compensation of each employee who contributes to the plan. Additional contributions may be made at the discretion of the board of directors. The Company contributed to the employees' trusts and charged against income $95,305 for 2012 and $90,802 for 2011. At December 31, 2012 and 2011, the fair value of plan assets was $2,564,338 and $2,059,303, respectively.

NOTES TO FINANCIAL STATEMENTS

C Multiemployer Plans

Not applicable.

D Consolidated/Holding Company Plans

Not applicable.

E Postemployment Benefits and Compensated Absences

Not applicable.

F Impact of Medicare Modernization Act on Postretirement Benefits

Not applicable.

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

A Outstanding Shares

Not applicable.

B Dividend Rate of Preferred Stock

Not applicable.

C., D., E. and F. Dividend Restrictions

Not applicable.

G Mutual Surplus Advances

Not applicable.

H Company Stock Held for Special Purposes

Not applicable.

I. Changes in Special Surplus Funds

Not applicable.

J Changes in Unassigned Funds

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

Unrealized gain (loss) on securities	$ 213,138
Nonadmitted assets	6,205,687

The unrealized gain is net of the applicable deferred tax liability of ($114,766)

K Surplus Notes

Not applicable.

L. and M. Quasi Reorganizations

NOTES TO FINANCIAL STATEMENTS

Not applicable.

Note 14 - Contingencies

A Contingent Commitments

Not applicable.

B Guaranty Fund and Other Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments should be accrued at the time of the insolvencies. Other assessments should be accrued either at the time the assessments are levied or in the case of premium-based assessments, at the time the premiums are written, or, in the case of loss-based assessments, at the time the losses are incurred.

The Company received a refund of $ 6,280 from guaranty fund assessment in 2012. The Company is not aware of any other guaranty fund assessments that it may be liable for.

C Gain Contingencies

Not applicable.

D Extra Contractual Obligation and Bad Faith Losses

Not applicable.

E Other Contingencies

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

Note 15 - Leases

A Lessee Leasing Arrangements

The Company leases office equipment under various noncancelable operating leases that expire through November, 2015. Rental expense for 2012 and 2011 was $33,787 and $33,152, respectively.

Future minimum rental payments are as follows:

Year	
2013	$22,049
2014	10,493
2015	8,768

B Lessor Leasing Arrangements

Not applicable

Note 16 - Information about Financial Instruments with Off-Balance Sheet Risk and with Concentrations of Credit Risk

NOTES TO FINANCIAL STATEMENTS

A Face or Contract Amounts

Not applicable

B Nature and Terms

Not applicable

C Exposure to Credit-Related Losses

The Company maintains its cash balances at numerous financial institutions and at several brokerage companies. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to $250,000. Brokerage accounts are not insured by the Federal Deposit Insurance Corporation. At December 31, 2012, the Company's uninsured cash balances total $9,240,186. Securities are pledged as collateral for $3,399,215 of the uninsured cash balance.

D Collateral Policy

Not applicable

Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A Transfers of Receivables Reported as Sales

Not applicable

B Transfers and Servicing of Financial Assets

Not applicable

C Wash Sales

Not applicable

Note 18 - Gain or Loss from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

A Administrative Services Only Plans

Not applicable

B Administrative Services Contract Plans

Not applicable

C Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

NOTES TO FINANCIAL STATEMENTS

A Not applicable

Note 20 - Fair Value Measurements

SSAP 100, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to adjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (leavel 3 measurements). The three levels of the fair value hierarachy under SSAP 100 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liablities in active markets that the plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active market
- Quoted prices for identical or similar assets or liabilities in inactive market
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31,2011 and 2010.

Common stocks, mutual funds and preferred stocks - valued at the closing price reported on the active market on which the individual securities and mutual funds are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Futhermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTES TO FINANCIAL STATEMENTS

The following tables set forth by level, within the fair value hierarchy, the Company's assets at fair value.

Assets at Fair Value as of December 31, 2012	Level 1	Level 2	Level 3	Total
Common stocks				
Industrial and miscellaneous	$ 985,446	$ -	$ -	$ 985,446
Mutual funds	8,051,201	-	-	8,051,201
Preferred stocks				
Industrial and miscellaneous	202,960	-	-	202,960
Total assets at fair value	$ 9,239,607	$ -	$ -	$ 9,239,607

Assets at Fair Value as of December 31, 2011	Level 1	Level 2	Level 3	Total
Common stocks				
Industrial and miscellaneous	$ 1,219,845	$ -	$ -	$ 1,219,845
Mutual funds	7,141,201	-	-	7,141,201
Preferred stocks				
Industrial and miscellaneous	204,400	-	-	204,400
Total assets at fair value	$ 8,565,446	$ -	$ -	$ 8,565,446

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels 1, 2 and 3.

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

Type of Financial Instrument	Fair Value	Admitted Value	Level 1	Level 2
Bonds	$ 3,183,577	$ 3,091,655	$ 3,183,577	$ -
Preferred stocks	202,960	202,960	202,960	-
Common stocks	9,036,647	9,036,647	9,036,647	-
Cash and cash equivalents	8,547,075	8,547,075	8,547,075	-
Certificate of deposits	450,000	450,000	450,000	-
Total assets	$ 21,420,259	$ 21,328,337	$ 21,420,259	$ -

NOTES TO FINANCIAL STATEMENTS

Note 21 - Other Items

A Extraordinary Items

Not applicable

B Troubled Debt Restructuring of Debtors

Not applicable

C Other Disclosures

Not applicable

D Uncollectible Premiums Receivable

At December 31, 2012 and 2011, the Company had admitted assets of $3,828,597 and $3,690,062 respectively, in premiums receivable due from policyholders. The Company routinely assesses the collectibility of these receivables. Based upon Company experience, these receivables are expected to be fully collectible and no provision for uncollectible amounts has been recorded.

E Business Interruption Insurance Recoveries

Not applicable

F State Transferable Tax Credits

Not applicable

G Subprime Mortgage Related Risk Exposure

1) Subprime Mortgage Exposures

The Company invests in several asset classes that could potentially be adversely affected by subprime mortgage exposure. These investments include equity investments in financial institutions and equity investments in mutual funds. The Company believes that its greatest exposure is to unrealized losses from declines in asset values versus realized losses resulting from defaults or foreclosures. Conservative investment practices limit the Company's exposure to such losses.

2) Direct Exposure - Mortgage Loans

The Company has no direct investments in mortgage loans

NOTES TO FINANCIAL STATEMENTS

3) Direct Exposure - Other Investment Classes

The Company has other investment classes that could have subprime mortgage exposure including unaffiliated equity securities, both preferred and common, issued by financial institutions participating in subprime lending and equity securities in mututal funds. The impact on these investments should the subprime credit crisis worsen cannot be assessed at this time. Asset values for unaffiliated equity securities issued by financial institutions and mutual funds have declined and these reduced asset values have been reflected in the financial statements.

4) Underwriting Exposure

Not applicable.

Note 22 - Events Subsequent

A The Company performed subsequent events procedures through February 15, 2013. The Company has not evaluated any subsequent events after this date related to the financial statements. There were no events to report.

Note 23 - Reinsurance

A Unsecured Reinsurance Recoverables

NAIC Code	Federal ID #	Name of Reinsurer	Amount
10219	23-1641984	QBE Reinsurance Corp	$2,889,000
10357	52-1952955	Platinum Re	$3,528,000
21482	05-0316605	Factory Mutual Ins.	(20,000)
22730	06-1182357	Allied World Re Co.	27,000
	AA-1340004	R & V Versicherung	53,000
	AA-1440060	Lansforsakringar Sak	32,000
	AA-1440076	Sirius International Re	(8,000)
			$5,946,000

B Reinsurance Recoverables in Dispute

The Company does not have reinsurance recoverables in dispute for paid losses and loss adjustment expenses that exceed 5% of policyholders' surplus for an individual reinsurer or 10% of policyholders' surplus in aggregate.

C Reinsurance Assumed and Ceded

The Company reinsures risks with other companies and treats expected recoveries on unpaid losses as risks for which the Company is not liable. To the extent that the reinsuring companies are unable to meet their obligations under these reinsurance agreements, the Company is contingently liable for all such losses. The Company is not aware of any obligations as of December 31, 2011. The Company has reduced its liabilities by $3,064,611 and $4,175,083 in 2012 and 2011, respectively, for anticipated reinsurance recoverable.

Certain ceded reinsurance contracts provide for additional or return commissions based on the actual loss experience of the reinsured business. Amounts accrued at December 31, 2012 and 2011, for ceded commissions on reinsurance contracts was $-0-,and $2,350 respectively.

D Uncollectible Reinsurance

NOTES TO FINANCIAL STATEMENTS

During the most recent year, the Company did not write off any reinsurance balances.

E Commutation of Ceded Reinsurance

Not applicable

F Retroactive Reinsurance

Not applicable

G Reinsurance Accounted for as a Deposit

Not applicable

Note 24- Retrospectively Rated Contracts and Contracts Subject to Redetermination

A., B., C. and D. Not applicable

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

A The estimated cost of loss and loss adjustment expenses (LAE) attributable to insured events of prior years decreased by $75,465 during 2012. This increased the current calendar year losses and LAE incurred by this amount as shown in the first three columns of the chart below. Increases or decreases of this nature occur as the result of claim settlements during the current year, and as additional information is received regarding individual claims, causing changes from the original estimates of the cost of these claims. Recent loss development trends are also taken into account in evaluating the overall adequacy of unpaid losses and LAE. The last two columns reconcile this deficiency to the information shown in Schedule P - Part 2 which includes the defense and cost containment (DCC) portions of LAE but excludes the adjusting and other (AO) portion of LAE.

Schedule P Lines of Business	2012 Calendar Year Losses and LAE Incurred	2012 Loss Year Losses and LAE Incurred Sch. P - Part 1	Total Deficiency (Redundancy)	Loss and DCC Deficiency (Redundancy) Sch. P - Part 2	Impact of AO On Total Deficiency (Redundancy)
Homeowners and farmowners	6,499,423	6,331,000	168,423	52,000	116,423
Auto liability - private passenger	3,148,497	3,431,000	(282,503)	32,000	(314,503)
Auto liability - commercial	158,753	149,000	9,753	6,000	3,753
Commercial multiple peril	852,560	677,000	175,560	147,000	28,560
Other liability	91,483	56,000	35,483	37,000	(1,517)
Special property	379,030	364,000	15,030	2,000	13,030
Auto physical damage	2,384,790	2,441,000	(56,210)	(65,000)	8,790
Products liability	10,929	1,000	9,929	10,000	(71)
	13,525,465	13,450,000	75,465	221,000	(145,535)

Note 26 - Intercompany Pooling Arrangements

A Not applicable

Note 27 - Structural Settlements

NOTES TO FINANCIAL STATEMENTS

A Reserves Released Due to Purchase of Annuities

The Company has purchased annuities from life insurers under which the claimants are payees. These annuities have been used to reduce unpaid losses and the Company is not contingently liable for these claims.

B Annuity Insurers with Balances Due Greater than 1% of Policyholders' Surplus

Not applicable

Note 28 - Health Care Receivables

A. and B. Not applicable

Note 29 - Participating Policies

A Not applicable

Note 30 - Premium Deficiency Reserves

A The Company evaluated the need to record a premium deficiency reserve as of the end of the current year and recorded a reserve of $-0- for its property and casualty business. This evaluation was completed on February 26, 2013 by the Company's outside Actuary.
There were no entries for a -0- reserve recorded in the aggregate write-in for liabilities and the no expense is recorded in the aggregate write-in for underwriting deductions. The Company does not anticipate investment income when evaluating the need for premium deficiency reserves.

Note 31 - High Deductibles

A Not applicable

Note 32 - Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses

A., B. and C. Not applicable

Note 33 - Asbestos and Environmental Reserves

A., B., C., D., E., and F. Not applicable

Note 34 - Subscriber Savings Accounts

A Not applicable

Note 35 - Multiple Peril Crop Insurance

A Not applicable
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Note 36 - Financial Guaranty Insurance

A. and B. Not applicable

NOTES TO FINANCIAL STATEMENTS

FIVE-YEAR HISTORICAL DATA

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

	1 2012	2 2011	3 2010	4 2009	5 2008
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	6,540,486	6,431,504	6,048,944	5,894,188	5,760,650
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	7,077,226	6,731,843	6,107,030	5,627,322	5,368,944
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	17,381,261	17,523,810	16,516,095	14,397,973	13,481,694
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	0	0	0	0	0
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
6. Total (Line 35)	30,998,973	30,687,157	28,672,069	25,919,483	24,611,288
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	4,163,732	4,605,093	5,179,486	5,095,452	5,024,150
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	4,233,427	4,952,972	5,545,365	5,151,079	4,941,119
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	9,426,395	11,618,953	14,313,987	12,493,434	11,824,298
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	0	0	0	0	0
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
12. Total (Line 35)	17,823,554	21,177,018	25,038,838	22,739,965	21,789,567
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(3,810,395)	(6,038,408)	(2,852,720)	(1,684,880)	119,313
14. Net investment gain (loss) (Line 11)	1,392,533	933,180	1,128,907	659,332	288,188
15. Total other income (Line 15)	130,436	147,228	(45,042)	115,732	91,598
16. Dividends to policyholders (Line 17)	0	0	0	0	0
17. Federal and foreign income taxes incurred (Line 19)	0	17,037	(364,366)	(300,954)	199,002
18. Net income (Line 20)	(2,287,426)	(4,975,037)	(1,227,034)	(608,862)	300,097
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	28,958,667	29,317,385	35,624,667	34,698,979	32,819,910
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	3,828,597	3,690,062	2,900,577	2,565,415	2,252,434
20.2 Deferred and not yet due (Line 15.2)	0	0	0	0	0
20.3 Accrued retrospective premiums (Line 15.3)	0	0	0	0	0
21. Total liabilities excluding protected cell business (Page 3, Line 26)	19,181,573	18,622,163	19,253,810	18,216,081	17,428,229
22. Losses (Page 3, Line 1)	4,778,655	4,842,471	4,641,079	4,853,556	5,110,755
23. Loss adjustment expenses (Page 3, Line 3)	1,191,826	1,199,751	1,152,212	1,132,721	1,042,602
24. Unearned premiums (Page 3, Line 9)	8,935,480	8,682,485	11,021,192	9,927,647	9,251,306
25. Capital paid up (Page 3, Lines 30 & 31)	0	0	0	0	0
26. Surplus as regards policyholders (Page 3, Line 37)	9,777,094	10,695,222	16,370,857	16,482,898	15,391,681
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	(2,431,893)	(6,249,548)	(1,427,476)	274,409	(1,006,854)
Risk-Based Capital Analysis					
28. Total adjusted capital	9,777,094	10,695,222	16,370,857	16,482,898	15,391,681
29. Authorized control level risk-based capital	2,481,115	2,507,906	2,506,783	2,292,214	1,936,516
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3)(Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	13.6	51.2	47.3	41.0	28.5
31. Stocks (Lines 2.1 & 2.2)	40.5	36.0	41.8	34.7	26.7
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	0.0	0.0	0.0	0.0	0.0
33. Real estate (Lines 4.1, 4.2 & 4.3)	6.5	6.3	5.2	5.3	5.8
34. Cash, cash equivalents and short-term investments (Line 5)	39.5	6.6	5.8	19.0	39.0
35. Contract loans (Line 6)	0.0	0.0	0.0	0.0	0.0
36. Derivatives (Line 7)	0.0	0.0	0.0	XXX	XXX
37. Other invested assets (Line 8)	0.0	0.0	0.0	0.0	0.0
38. Receivables for securities (Line 9)	0.0	0.0	0.0	0.0	0.0
39. Securities lending reinvested collateral assets (Line 10)	0.0	0.0	0.0	XXX	XXX
40. Aggregate write-ins for invested assets (Line 11)	0.0	0.0	0.0	0.0	0.0
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)	0	0	0	0	0
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)	0	0	0	0	0
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	0	0	0	0	0
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)	0	0	0	0	0
46. Affiliated mortgage loans on real estate		0	0	0	0
47. All other affiliated		0	0	0	0
48. Total of above Lines 42 to 47	0	0	0	0	0
49. Total Investment in parent included in lines 42 to 47 above					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	0.0	0.0	0.0	0.0	0.0

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2012	2 2011	3 2010	4 2009	5 2008
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)	838,643	(639,395)	1,023,913	2,359,381	(3,580,149)
52. Dividends to stockholders (Line 35)	0	0	0	0	0
53. Change in surplus as regards policyholders for the year (Line 38)	(918,128)	(5,675,635)	(1,300,786)	1,091,217	(3,460,134)
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	6,447,610	4,381,036	3,492,855	3,461,046	4,452,312
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	4,296,681	4,216,081	4,041,858	3,066,794	2,566,149
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	24,541,382	18,109,889	10,985,140	10,380,503	9,896,286
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	0	0	0	0	0
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
59. Total (Line 35)	35,285,673	26,707,006	18,519,853	16,908,343	16,914,747
Net Losses Paid (Page 9, Part 2, Col. 4)					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	3,080,931	3,976,780	3,240,747	3,064,211	3,682,938
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,556,829	3,267,091	3,434,068	3,046,600	2,504,904
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	6,035,320	11,469,923	9,386,118	7,594,560	6,840,604
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	0	0	0	0	0
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
65. Total (Line 35)	11,673,080	18,713,794	16,060,933	13,705,371	13,028,446
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	66.1	80.4	64.8	61.0	55.0
68. Loss expenses incurred (Line 3)	10.9	8.5	7.1	7.8	7.0
69. Other underwriting expenses incurred (Line 4)	44.7	36.7	39.1	38.8	37.4
70. Net underwriting gain (loss) (Line 8)	(21.7)	(25.7)	(11.0)	(7.6)	0.6
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	43.3	40.1	37.8	37.2	36.5
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	77.0	89.0	72.0	68.8	62.1
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	182.3	198.0	159.1	138.0	141.6
One Year Loss Development (000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	220	677	(204)	58	(877)
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100.0)	2.1	4.1	(1.2)	0.4	(4.7)
Two Year Loss Development (000 omitted)					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	1,065	(154)	9	(877)	(229)
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0)	6.5	(0.9)	0.1	(4.7)	(1.2)

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? Yes [ ] No [ ]

If no, please explain: