



PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

ANNUAL STATEMENT

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

FARMERS INSURANCE OF COLUMBUS, INC.

NAIC Group Code 0212 0212 NAIC Company Code 36889 Employer's ID Number 31-0956373
(Current) (Prior)

Organized under the Laws of Ohio, State of Domicile or Port of Entry Ohio
Country of Domicile United States of America

Incorporated/Organized 04/05/1979 Commenced Business 06/08/1979

Statutory Home Office 2500 Farmers Drive, Suite 200, Columbus, OH, US 43235
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 2500 Farmers Drive, Suite 200
(Street and Number)
Columbus, OH, US 43235 614-602-3046
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address P.O. Box 2478 Terminal Annex, Los Angeles, CA, US 90051
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 2500 Farmers Drive, Suite 200
(Street and Number)
Columbus, OH, US 43235 323-932-3441
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.farmers.com

Statutory Statement Contact Scott Ballew, 323-932-3441
(Name) (Area Code) (Telephone Number)
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OFFICERS

President Daniel Mark Lewis # Vice President, Treasurer Ronald Gregory Myhan
Secretary Doren Eugene Hohl

OTHER

Bryan Francis Murphy Vice President James Leslie Nutting Vice President Jeffrey Michael Sauls # Vice President

DIRECTORS OR TRUSTEES

Kenneth Wayne Bentley Peter David Kaplan David Wayne Louie #
Dale Anne Marlin # Ronald Gregory Myhan Donald Eugene Rodriguez
David Anthony Travers John Tsu-Chao Wu

State of Ohio SS:
County of Muskingum

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.

Daniel Mark Lewis
President

Doren Eugene Hohl
Secretary

Ronald Gregory Myhan
Vice President, Treasurer

Subscribed and sworn to before me this 17th day of January, 2013
Chawntilly Krier

- 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.....



CHAWNTILLY KRIER
Notary Public, State of Ohio
My Commission Expires
07/22/2015

State of California
County of Los Angeles

Subscribed and sworn to (or affirmed) before me on this
15th day of February, 2013, by
Date Month Year

(1) Doren Eugene Hohl,
Name of Signer

proved to me on the basis of satisfactory evidence to be
the person who appeared before me,

and

(2) Ronald Gregory Myhan,
Name of Signer

proved to me on the basis of satisfactory evidence to be
the person who appeared before me.

Signature of Notary Public



Place Notary Stamp Above

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE FARMERS INSURANCE OF COLUMBUS, INC.

ASSETS

| | Current Year | | | Prior Year |
|--|--------------|-------------------------|---|-----------------------------|
| | 1 Assets | 2 Nonadmitted Assets | 3 Net Admitted Assets (Cols. 1 - 2) | 4 Net Admitted Assets |
| 1. Bonds (Schedule D) | 208,533,223 | | 208,533,223 | 207,986,170 |
| 2. Stocks (Schedule D): | | | | |
| 2.1 Preferred stocks | | | | |
| 2.2 Common stocks | | | | |
| 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) | | | | |
| 4.2 Properties held for the production of income (less | | | | |
| \$ | | | | |
| encumbrances) | | | | |
| 4.3 Properties held for sale (less \$ | | | | |
| encumbrances) | | | | |
| 5. Cash (\$78,882 , Schedule E - Part 1), cash equivalents | | | | |
| (\$ | | | | |
| , Schedule E - Part 2) and short-term | | | | |
| investments (\$2,139,726 , Schedule DA) | 2,218,608 | | 2,218,608 | 2,098,872 |
| 6. Contract loans (including \$ premium notes) | | | | |
| 7. Derivatives (Schedule DB) | | | | |
| 8. Other invested assets (Schedule BA) | | | | |
| 9. Receivable for securities | | | | |
| 10. Securities lending reinvested collateral assets (Schedule DL) | | | | |
| 11. Aggregate write-ins for invested assets | | | | |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 210,751,832 | | 210,751,832 | 210,085,042 |
| 13. Title plants less \$ charged off (for Title insurers | | | | |
| only) | | | | |
| 14. Investment income due and accrued | 1,391,301 | | 1,391,301 | 1,712,789 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | 3,266,239 | 1,125,896 | 2,140,343 | 2,123,807 |
| 15.2 Deferred premiums, agents' balances and installments booked but | | | | |
| deferred and not yet due (including \$ | | | | |
| earned but unbilled premiums) | 25,233,961 | | 25,233,961 | 24,442,028 |
| 15.3 Accrued retrospective premiums | 52,277 | | 52,277 | 19,027 |
| 16. Reinsurance: | | | | |
| 16.1 Amounts recoverable from reinsurers | 9,276,771 | | 9,276,771 | 8,550,492 |
| 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 | 7,842,114 | 707,221 | 7,134,893 | 6,697,986 |
| 19. Guaranty funds receivable or on deposit | | | | |
| 20. Electronic data processing equipment and software | | | | |
| 21. Furniture and equipment, including health care delivery assets | | | | |
| (\$) | | | | |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | | |
| 23. Receivables from parent, subsidiaries and affiliates | | | | |
| 24. Health care (\$) and other amounts receivable | | | | |
| 25. Aggregate write-ins for other than invested assets | 349,973 | | 349,973 | 317,542 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and | | | | |
| Protected Cell Accounts (Lines 12 to 25) | 258,164,468 | 1,833,117 | 256,331,352 | 253,948,714 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell | | | | |
| Accounts | | | | |
| 28. Total (Lines 26 and 27) | 258,164,468 | 1,833,117 | 256,331,352 | 253,948,714 |
| DETAILS OF WRITE-INS | | | | |
| 1101. | | | | |
| 1102. | | | | |
| 1103. | | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | | | | |
| 1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above) | | | | |
| 2501. Business-owned life insurance - cash value | 349,973 | | 349,973 | 317,542 |
| 2502. | | | | |
| 2503. | | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | | | |
| 2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) | 349,973 | | 349,973 | 317,542 |

LIABILITIES, SURPLUS AND OTHER FUNDS

| | 1 Current Year | 2 Prior Year |
|--|-------------------|-----------------|
| 1. Losses (Part 2A, Line 35, Column 8) | 64,612,946 | 62,979,761 |
| 2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6) | 7,443,998 | 8,229,933 |
| 3. Loss adjustment expenses (Part 2A, Line 35, Column 9) | 17,382,592 | 17,844,017 |
| 4. Commissions payable, contingent commissions and other similar charges | | |
| 5. Other expenses (excluding taxes, licenses and fees) | 52,546 | 30,506 |
| 6. Taxes, licenses and fees (excluding federal and foreign income taxes) | 2,185,837 | 1,970,161 |
| 7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses)) | | |
| 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 \$48,744,925 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) | 60,847,339 | 59,023,158 |
| 10. Advance premium | 1,451,050 | 1,883,908 |
| 11. Dividends declared and unpaid: | | |
| 11.1 Stockholders | | |
| 11.2 Policyholders | 30,766 | 30,766 |
| 12. Ceded reinsurance premiums payable (net of ceding commissions) | 5,667,146 | 6,953,180 |
| 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 | 3,086,966 | 3,454,552 |
| 20. Derivatives | | |
| 21. Payable for securities | | |
| 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 | 952,868 | 1,337,397 |
| 26. Total liabilities excluding protected cell liabilities (Lines 1 through 25) | 163,714,054 | 163,737,339 |
| 27. Protected cell liabilities | | |
| 28. Total liabilities (Lines 26 and 27) | 163,714,054 | 163,737,339 |
| 29. Aggregate write-ins for special surplus funds | 774,016 | 774,016 |
| 30. Common capital stock | 1,000,000 | 1,000,000 |
| 31. Preferred capital stock | | |
| 32. Aggregate write-ins for other than special surplus funds | | |
| 33. Surplus notes | | |
| 34. Gross paid in and contributed surplus | 61,550,000 | 61,550,000 |
| 35. Unassigned funds (surplus) | 29,293,282 | 26,887,359 |
| 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 (Lines 29 to 35, less 36) (Page 4, Line 39) | 92,617,298 | 90,211,375 |
| 38. TOTALS (Page 2, Line 28, Col. 3) | 256,331,352 | 253,948,714 |
| DETAILS OF WRITE-INS | | |
| 2501. Accounts payable | 474,490 | 877,891 |
| 2502. Deferred Agent/DM compensation liability | 395,608 | 350,543 |
| 2503. Pooled share of unauthorized reinsurance | 82,770 | 108,963 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | |
| 2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) | 952,868 | 1,337,397 |
| 2901. Increase due to SSAP No. 10 net deferred tax | 774,016 | 774,016 |
| 2902. | | |
| 2903. | | |
| 2998. Summary of remaining write-ins for Line 29 from overflow page | | |
| 2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above) | 774,016 | 774,016 |
| 3201. | | |
| 3202. | | |
| 3203. | | |
| 3298. Summary of remaining write-ins for Line 32 from overflow page | | |
| 3299. Totals (Lines 3201 thru 3203 plus 3298)(Line 32 above) | | |

STATEMENT OF INCOME

| | 1 Current Year | 2 Prior Year |
|--|-------------------|-----------------|
| UNDERWRITING INCOME | | |
| 1. Premiums earned (Part 1, Line 35, Column 4)..... | 136,728,591 | 145,434,456 |
| DEDUCTIONS: | | |
| 2. Losses incurred (Part 2, Line 35, Column 7)..... | 82,295,989 | 88,214,929 |
| 3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)..... | 14,991,704 | 18,024,540 |
| 4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)..... | 45,212,183 | 50,103,399 |
| 5. Aggregate write-ins for underwriting deductions..... | | |
| 6. Total underwriting deductions (Lines 2 through 5)..... | 142,499,877 | 156,342,868 |
| 7. Net income of protected cells..... | | |
| 8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7)..... | (5,771,285) | (10,908,412) |
| INVESTMENT INCOME | | |
| 9. Net investment income earned (Exhibit of Net Investment Income, Line 17)..... | 6,487,775 | 7,123,508 |
| 10. Net realized capital gains or (losses) less capital gains tax of \$50,011 (Exhibit of Capital Gains (Losses))..... | 27,792 | (86,739) |
| 11. Net investment gain (loss) (Lines 9 + 10)..... | 6,515,567 | 7,036,768 |
| OTHER INCOME | | |
| 12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$82,392 amount charged off \$1,152,067)..... | (1,069,675) | (927,343) |
| 13. Finance and service charges not included in premiums..... | 2,216,131 | 1,673,622 |
| 14. Aggregate write-ins for miscellaneous income..... | 471,711 | (54,597) |
| 15. Total other income (Lines 12 through 14)..... | 1,618,168 | 691,682 |
| 16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)..... | 2,362,450 | (3,179,962) |
| 17. Dividends to policyholders..... | 8,403 | 4,383 |
| 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)..... | 2,354,047 | (3,184,345) |
| 19. Federal and foreign income taxes incurred..... | 410,989 | (1,986,841) |
| 20. Net income (Line 18 minus Line 19)(to Line 22)..... | 1,943,057 | (1,197,504) |
| CAPITAL AND SURPLUS ACCOUNT | | |
| 21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)..... | 90,211,375 | 91,278,752 |
| 22. Net income (from Line 20)..... | 1,943,057 | (1,197,504) |
| 23. Net transfers (to) from Protected Cell accounts..... | | |
| 24. Change in net unrealized capital gains or (losses) less capital gains tax of \$62,845..... | 116,712 | (71,851) |
| 25. Change in net unrealized foreign exchange capital gain (loss)..... | | |
| 26. Change in net deferred income tax..... | 766,994 | (1,721,230) |
| 27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)..... | (447,034) | 1,109,406 |
| 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, Lines 36.1 and 36.2, Column 2 minus Column 1)..... | | |
| 37. Aggregate write-ins for gains and losses in surplus..... | 26,193 | 813,803 |
| 38. Change in surplus as regards policyholders for the year (Lines 22 through 37)..... | 2,405,922 | (1,067,376) |
| 39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37)..... | 92,617,298 | 90,211,375 |
| DETAILS OF WRITE-INS | | |
| 0501. | | |
| 0502. | | |
| 0503. | | |
| 0598. Summary of remaining write-ins for Line 5 from overflow page..... | | |
| 0599. Totals (Lines 0501 thru 0503 plus 0598)(Line 5 above)..... | | |
| 1401. Miscellaneous income/(expense)..... | 475,980 | (50,328) |
| 1402. Premiums for business-owned life insurance..... | (4,269) | (4,269) |
| 1403. | | |
| 1498. Summary of remaining write-ins for Line 14 from overflow page..... | | |
| 1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above)..... | 471,711 | (54,597) |
| 3701. Pooled share of unauthorized reinsurance..... | 26,193 | 39,787 |
| 3702. Increase due to SSAP No. 10 net deferred tax..... | | 774,016 |
| 3703. | | |
| 3798. Summary of remaining write-ins for Line 37 from overflow page..... | | |
| 3799. Totals (Lines 3701 thru 3703 plus 3798)(Line 37 above)..... | 26,193 | 813,803 |

CASH FLOW

| | 1 | 2 |
|---|--------------|--------------|
| | Current Year | Prior Year |
| Cash from Operations | | |
| 1. Premiums collected net of reinsurance | 135,812,369 | 155,123,349 |
| 2. Net investment income | 7,572,476 | 7,510,268 |
| 3. Miscellaneous income | 1,618,168 | 691,682 |
| 4. Total (Lines 1 through 3) | 145,003,013 | 163,325,298 |
| 5. Benefit and loss related payments | 82,175,018 | 79,918,382 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | | |
| 7. Commissions, expenses paid and aggregate write-ins for deductions | 60,830,996 | 67,241,416 |
| 8. Dividends paid to policyholders | 8,403 | 4,383 |
| 9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses) | 461,000 | (1,118,984) |
| 10. Total (Lines 5 through 9) | 143,475,417 | 146,045,196 |
| 11. Net cash from operations (Line 4 minus Line 10) | 1,527,596 | 17,280,102 |
| Cash from Investments | | |
| 12. Proceeds from investments sold, matured or repaid: | | |
| 12.1 Bonds | 44,185,765 | 22,237,382 |
| 12.2 Stocks | | |
| 12.3 Mortgage loans | | |
| 12.4 Real estate | | |
| 12.5 Other invested assets | | |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments | | |
| 12.7 Miscellaneous proceeds | | |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) | 44,185,765 | 22,237,382 |
| 13. Cost of investments acquired (long-term only): | | |
| 13.1 Bonds | 45,238,667 | 53,095,782 |
| 13.2 Stocks | | |
| 13.3 Mortgage loans | | |
| 13.4 Real estate | | |
| 13.5 Other invested assets | | |
| 13.6 Miscellaneous applications | | |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) | 45,238,667 | 53,095,782 |
| 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) | (1,052,902) | (30,858,400) |
| Cash from Financing and Miscellaneous Sources | | |
| 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) | (354,957) | (4,162,003) |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) | (354,957) | (4,162,003) |
| RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS | | |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) | 119,736 | (17,740,301) |
| 19. Cash, cash equivalents and short-term investments: | | |
| 19.1 Beginning of year | 2,098,872 | 19,839,173 |
| 19.2 End of period (Line 18 plus Line 19.1) | 2,218,608 | 2,098,872 |

Note: Supplemental disclosures of cash flow information for non-cash transactions:

| | | |
|--|--|--|
| | | |
|--|--|--|

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

| Line of Business | | 1 Net Premiums Written per Column 6, Part 1B | 2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1 | 3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A | 4 Premiums Earned During Year (Cols. 1 + 2 - 3) |
|-----------------------------|---|---|---|---|--|
| 1. | Fire | 3,502,712 | 2,003,077 | 2,270,015 | 3,235,774 |
| 2. | Allied lines | 1,486,482 | 747,039 | 937,244 | 1,296,276 |
| 3. | Farmowners multiple peril | | | | |
| 4. | Homeowners multiple peril | 37,519,641 | 21,369,301 | 22,590,734 | 36,298,207 |
| 5. | Commercial multiple peril | 13,505,225 | 7,115,722 | 7,192,611 | 13,428,336 |
| 6. | Mortgage guaranty | | | | |
| 8. | Ocean marine | 272,528 | 369,954 | 378,597 | 263,885 |
| 9. | Inland marine | 426,192 | 606,134 | 585,730 | 446,596 |
| 10. | Financial guaranty | | | | |
| 11.1 | Medical professional liability - occurrence | | | | |
| 11.2 | Medical professional liability - claims-made | (5,518) | | | (5,518) |
| 12. | Earthquake | 198,276 | 100,974 | 108,403 | 190,847 |
| 13. | Group accident and health | 33,582 | | | 33,582 |
| 14. | Credit accident and health (group and individual) | | | | |
| 15. | Other accident and health | | | | |
| 16. | Workers' compensation | 3,805,385 | 1,644,546 | 1,485,494 | 3,964,437 |
| 17.1 | Other liability - occurrence | 1,582,613 | 955,067 | 976,359 | 1,561,321 |
| 17.2 | Other liability - claims-made | | | | |
| 17.3 | Excess workers' compensation | | | | |
| 18.1 | Products liability - occurrence | 2,193 | 991 | 978 | 2,205 |
| 18.2 | Products liability - claims-made | | | | |
| 19.1, 19.2 | Private passenger auto liability | 49,885,688 | 13,520,920 | 13,634,124 | 49,772,485 |
| 19.3, 19.4 | Commercial auto liability | 2,371,266 | 1,167,197 | 1,211,026 | 2,327,437 |
| 21. | Auto physical damage | 23,989,457 | 9,416,882 | 9,469,833 | 23,936,507 |
| 22. | Aircraft (all perils) | | | | |
| 23. | Fidelity | 8,042 | 449 | 398 | 8,093 |
| 24. | Surety | 61 | 235 | 150 | 145 |
| 26. | Burglary and theft | 110 | 96 | 91 | 114 |
| 27. | Boiler and machinery | (31,164) | 4,577 | 5,552 | (32,139) |
| 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 | | | | |
| 35. | TOTALS | 138,552,772 | 59,023,158 | 60,847,339 | 136,728,591 |
| DETAILS OF WRITE-INS | | | | | |
| 3401. | ..... |  |  |  |  |
| 3402. | ..... |  |  |  |  |
| 3403. | ..... |  |  |  |  |
| 3498. | Summary of remaining write-ins for Line 34 from overflow page | | | | |
| 3499. | Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above) | | | | |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

| Line of Business | | 1 Amount Unearned (Running One Year or Less from Date of Policy) (a) | 2 Amount Unearned (Running More Than One Year from Date of Policy) (a) | 3 Earned But Unbilled Premium | 4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience | 5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4 |
|-----------------------------|---|--|--|-------------------------------------|---|--|
| 1. | Fire | 2,270,015 | | | | 2,270,015 |
| 2. | Allied lines | 937,244 | | | | 937,244 |
| 3. | Farmowners multiple peril | | | | | |
| 4. | Homeowners multiple peril | 22,590,699 | 35 | | | 22,590,734 |
| 5. | Commercial multiple peril | 7,192,611 | | | | 7,192,611 |
| 6. | Mortgage guaranty | | | | | |
| 8. | Ocean marine | 378,597 | | | | 378,597 |
| 9. | Inland marine | 585,730 | | | | 585,730 |
| 10. | Financial guaranty | | | | | |
| 11.1 | Medical professional liability - occurrence | | | | | |
| 11.2 | Medical professional liability - claims-made | | | | | |
| 12. | Earthquake | 108,403 | | | | 108,403 |
| 13. | Group accident and health | | | | | |
| 14. | Credit accident and health (group and individual) | | | | | |
| 15. | Other accident and health | | | | | |
| 16. | Workers' compensation | 1,485,494 | | | | 1,485,494 |
| 17.1 | Other liability - occurrence | 976,279 | 80 | | | 976,359 |
| 17.2 | Other liability - claims-made | | | | | |
| 17.3 | Excess workers' compensation | | | | | |
| 18.1 | Products liability - occurrence | 978 | | | | 978 |
| 18.2 | Products liability - claims-made | | | | | |
| 19.1, 19.2 | Private passenger auto liability | 13,634,124 | | | | 13,634,124 |
| 19.3, 19.4 | Commercial auto liability | 1,211,026 | | | | 1,211,026 |
| 21. | Auto physical damage | 9,468,112 | 1,721 | | | 9,469,833 |
| 22. | Aircraft (all perils) | | | | | |
| 23. | Fidelity | 398 | | | | 398 |
| 24. | Surety | 150 | | | | 150 |
| 26. | Burglary and theft | 91 | | | | 91 |
| 27. | Boiler and machinery | 5,552 | | | | 5,552 |
| 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 | | | | | |
| 35. | TOTALS | 60,845,503 | 1,836 | | | 60,847,339 |
| 36. | Accrued retrospective premiums based on experience | | | | | |
| 37. | Earned but unbilled premiums | | | | | |
| 38. | Balance (Sum of Line 35 through 37) | | | | | 60,847,339 |
| DETAILS OF WRITE-INS | | | | | | |
| 3401. | ..... |  |  |  |  |  |
| 3402. | ..... |  |  |  |  |  |
| 3403. | ..... |  |  |  |  |  |
| 3498. | Summary of remaining write-ins for Line 34 from overflow page | | | | | |
| 3499. | Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above) | | | | | |

(a) State here basis of computation used in each case Monthly pro-rata

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

| Line of Business | 1 Direct Business (a) | Reinsurance Assumed | | Reinsurance Ceded | | 6 Net Premiums Written Cols. 1+2+3-4-5 |
|--|--------------------------|----------------------|--------------------------|--------------------|------------------------|---|
| | | 2 From Affiliates | 3 From Non-Affiliates | 4 To Affiliates | 5 To Non-Affiliates | |
| 1. Fire | | 3,502,712 | | | | 3,502,712 |
| 2. Allied lines | 591,672 | 1,486,482 | | 591,672 | | 1,486,482 |
| 3. Farmowners multiple peril | | | | | | |
| 4. Homeowners multiple peril | 23,304,948 | 37,519,641 | | 23,304,948 | | 37,519,641 |
| 5. Commercial multiple peril | 2,939,291 | 13,505,225 | | 2,939,291 | | 13,505,225 |
| 6. Mortgage guaranty | | | | | | |
| 8. Ocean marine | | 272,528 | | | | 272,528 |
| 9. Inland marine | 351,630 | 426,192 | | 351,630 | | 426,192 |
| 10. Financial guaranty | | | | | | |
| 11.1 Medical professional liability - occurrence | | | | | | |
| 11.2 Medical professional liability - claims-made | | (5,518) | | | | (5,518) |
| 12. Earthquake | 80,238 | 198,276 | | 80,238 | | 198,276 |
| 13. Group accident and health | | 33,582 | | | | 33,582 |
| 14. Credit accident and health (group and individual) | | | | | | |
| 15. Other accident and health | | | | | | |
| 16. Workers' compensation | | 3,805,385 | | | | 3,805,385 |
| 17.1 Other liability - occurrence | | 1,582,613 | | | | 1,582,613 |
| 17.2 Other liability - claims-made | | | | | | |
| 17.3 Excess workers' compensation | | | | | | |
| 18.1 Products liability - occurrence | | 2,193 | | | | 2,193 |
| 18.2 Products liability - claims-made | | | | | | |
| 19.1, 19.2 Private passenger auto liability | 69,663,150 | 49,885,688 | | 69,663,150 | | 49,885,688 |
| 19.3, 19.4 Commercial auto liability | | 2,371,266 | | | | 2,371,266 |
| 21. Auto physical damage | 50,348,318 | 23,989,457 | | 50,348,318 | | 23,989,457 |
| 22. Aircraft (all perils) | | | | | | |
| 23. Fidelity | | 8,042 | | | | 8,042 |
| 24. Surety | | 61 | | | | 61 |
| 26. Burglary and theft | | 110 | | | | 110 |
| 27. Boiler and machinery | | (31,164) | | | | (31,164) |
| 28. Credit | | | | | | |
| 29. International | | | | | | |
| 30. Warranty | | | | | | |
| 31. Reinsurance - nonproportional assumed property | XXX | | | | | |
| 32. Reinsurance - nonproportional assumed liability | XXX | | | | | |
| 33. Reinsurance - nonproportional assumed financial lines | XXX | | | | | |
| 34. Aggregate write-ins for other lines of business | | | | | | |
| 35. TOTALS | 147,279,246 | 138,552,772 | | 147,279,246 | | 138,552,772 |
| DETAILS OF WRITE-INS | | | | | | |
| 3401. | | | | | | |
| 3402. | | | | | | |
| 3403. | | | | | | |
| 3498. Summary of remaining write-ins for Line 34 from overflow page | | | | | | |
| 3499. Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above) | | | | | | |

(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 reported on an annualized basis \$

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE FARMERS INSURANCE OF COLUMBUS, INC.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

| Line of Business | Losses Paid Less Salvage | | | | 5 Net Losses Unpaid Current Year (Part 2A , Col. 8) | 6 Net Losses Unpaid Prior Year | 7 Losses Incurred Current Year (Cols. 4 + 5 - 6) | 8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1) |
|---|--------------------------|-----------------------------|-------------------------------|--|--|--------------------------------------|---|---|
| | 1 Direct Business | 2 Reinsurance Assumed | 3 Reinsurance Recovered | 4 Net Payments (Cols. 1 + 2 -3) | | | | |
| 1. Fire | | 1,392,307 | | 1,392,307 | 331,818 | 312,663 | 1,411,462 | 43.6 |
| 2. Allied lines | 39,136 | 979,723 | 39,136 | 979,723 | 154,525 | 159,191 | 975,057 | 75.2 |
| 3. Farmowners multiple peril | | | | | | | | |
| 4. Homeowners multiple peril | 16,599,540 | 21,102,287 | 16,599,540 | 21,102,287 | 8,266,116 | 8,782,877 | 20,585,526 | 56.7 |
| 5. Commercial multiple peril | 1,140,230 | 7,722,551 | 1,140,230 | 7,722,551 | 8,455,805 | 7,745,174 | 8,433,181 | 62.8 |
| 6. Mortgage guaranty | | | | | | | | |
| 8. Ocean marine | | 216,029 | | 216,029 | 218,307 | 202,178 | 232,158 | 88.0 |
| 9. Inland marine | | 64,222 | | 64,222 | 219,480 | 217,052 | 66,651 | 14.9 |
| 10. Financial guaranty | | | | | | | | |
| 11.1 Medical professional liability - occurrence | | 11,791 | | 11,791 | 91,550 | 98,856 | 4,485 | |
| 11.2 Medical professional liability - claims-made | | 16,252 | | 16,252 | 150,763 | 180,806 | (13,791) | 249.9 |
| 12. Earthquake | | 23,510 | | 23,510 | 3,205 | 3,175 | 23,540 | 12.3 |
| 13. Group accident and health | | 16,519 | | 16,519 | 6,745 | 3,959 | 19,305 | 57.5 |
| 14. Credit accident and health (group and individual) | | | | | | | | |
| 15. Other accident and health | | | | | | | | |
| 16. Workers' compensation | | 1,886,735 | | 1,886,735 | 9,298,067 | 8,811,746 | 2,373,056 | 59.9 |
| 17.1 Other liability - occurrence | | 577,612 | | 577,612 | 1,475,498 | 1,494,602 | 558,507 | 35.8 |
| 17.2 Other liability - claims-made | | | | | | | | |
| 17.3 Excess workers' compensation | | | | | | | | |
| 18.1 Products liability - occurrence | | 43,344 | | 43,344 | 22,365 | 45,886 | 19,824 | 898.9 |
| 18.2 Products liability - claims-made | | | | | | | | |
| 19.1, 19.2 Private passenger auto liability | 42,472,821 | 30,605,448 | 42,472,821 | 30,605,448 | 32,039,609 | 31,039,611 | 31,605,446 | 63.5 |
| 19.3, 19.4 Commercial auto liability | | 1,291,318 | | 1,291,318 | 2,368,539 | 2,169,130 | 1,490,727 | 64.1 |
| 21. Auto physical damage | 34,563,839 | 14,705,848 | 34,563,839 | 14,705,848 | 1,497,935 | 1,708,375 | 14,495,408 | 60.6 |
| 22. Aircraft (all perils) | | | | | | | | |
| 23. Fidelity | | (16) | | (16) | 7,418 | 1,267 | 6,135 | 75.8 |
| 24. Surety | | 2,617 | | 2,617 | 533 | 63 | 3,087 | 2,122.9 |
| 26. Burglary and theft | | (412) | | (412) | 2,889 | 2,927 | (450) | (393.5) |
| 27. Boiler and machinery | | 5,119 | | 5,119 | 1,777 | 221 | 6,676 | (20.8) |
| 28. Credit | | | | | | | | |
| 29. International | | | | | | | | |
| 30. Warranty | | | | | | | | |
| 31. Reinsurance - nonproportional assumed property | XXX | | | | | | | |
| 32. Reinsurance - nonproportional assumed liability | XXX | | | | | | | |
| 33. Reinsurance - nonproportional assumed financial lines | XXX | | | | | | | |
| 34. Aggregate write-ins for other lines of business | | | | | | | | |
| 35. TOTALS | 94,815,566 | 80,662,803 | 94,815,566 | 80,662,803 | 64,612,946 | 62,979,761 | 82,295,989 | 60.2 |
| DETAILS OF WRITE-INS | | | | | | | | |
| 3401. | | | | | | | | |
| 3402. | | | | | | | | |
| 3403. | | | | | | | | |
| 3498. Summary of remaining write-ins for Line 34 from overflow page | | | | | | | | |
| 3499. Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above) | | | | | | | | |

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE FARMERS INSURANCE OF COLUMBUS, INC.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

| Line of Business | Reported Losses | | | | Incurred But Not Reported | | | 8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7) | 9 Net Unpaid Loss Adjustment Expenses |
|---|---|-----------------------------|--|--|---------------------------|-----------------------------|---------------------------|---|--|
| | 1 Direct | 2 Reinsurance Assumed | 3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies | 4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3) | 5 Direct | 6 Reinsurance Assumed | 7 Reinsurance Ceded | | |
| 1. Fire | | 194,432 | | 194,432 | | 137,385 | | 331,818 | 77,606 |
| 2. Allied lines | 34,500 | 53,510 | 34,500 | 53,510 | 11,961 | 101,015 | 11,961 | 154,525 | 54,294 |
| 3. Farmowners multiple peril | | | | | | | | | |
| 4. Homeowners multiple peril | 3,327,752 | 4,237,008 | 3,327,752 | 4,237,008 | 2,072,286 | 4,029,109 | 2,072,286 | 8,266,116 | 2,183,559 |
| 5. Commercial multiple peril | 72,480 | 3,281,144 | 72,480 | 3,281,144 | 148,833 | 5,174,661 | 148,833 | 8,455,805 | 3,991,937 |
| 6. Mortgage guaranty | | | | | | | | | |
| 8. Ocean marine | | 163,830 | | 163,830 | | 54,477 | | 218,307 | 43,249 |
| 9. Inland marine | | 171,444 | | 171,444 | | 48,036 | | 219,480 | 30,675 |
| 10. Financial guaranty | | | | | | | | | |
| 11.1 Medical professional liability - occurrence | | 75,465 | | 75,465 | | 16,085 | | 91,550 | 10,298 |
| 11.2 Medical professional liability - claims-made | | 15,243 | | 15,243 | | 135,520 | | 150,763 | 15,090 |
| 12. Earthquake | | 1,686 | | 1,686 | | 1,519 | | 3,205 | 37,490 |
| 13. Group accident and health | | 2,896 | | 2,896 | | 3,850 | | (a) 6,745 | 931 |
| 14. Credit accident and health (group and individual) | | | | | | | | (a) | |
| 15. Other accident and health | | | | | | | | | |
| 16. Workers' compensation | | 3,288,127 | | 3,288,127 | | 6,009,939 | | 9,298,067 | 1,606,238 |
| 17.1 Other liability - occurrence | | 515,079 | | 515,079 | | 960,419 | | 1,475,498 | 238,705 |
| 17.2 Other liability - claims-made | | | | | | | | | |
| 17.3 Excess workers' compensation | | | | | | | | | |
| 18.1 Products liability - occurrence | | 18,525 | | 18,525 | | 3,840 | | 22,365 | 7,740 |
| 18.2 Products liability - claims-made | | | | | | | | | |
| 19.1, 19.2 Private passenger auto liability | 29,020,814 | 16,412,106 | 29,020,814 | 16,412,106 | 15,059,291 | 15,627,503 | 15,059,291 | 32,039,609 | 7,784,279 |
| 19.3, 19.4 Commercial auto liability | | 1,119,630 | | 1,119,630 | | 1,248,909 | | 2,368,539 | 650,799 |
| 21. Auto physical damage | 189,815 | 260,830 | 189,815 | 260,830 | 4,659,607 | 1,237,105 | 4,659,607 | 1,497,935 | 642,844 |
| 22. Aircraft (all perils) | | | | | | | | | |
| 23. Fidelity | | | | | | 7,418 | | 7,418 | 5,689 |
| 24. Surety | | 23 | | 23 | | 510 | | 533 | 726 |
| 26. Burglary and theft | | 2,873 | | 2,873 | | 16 | | 2,889 | (153) |
| 27. Boiler and machinery | | 414 | | 414 | | 1,363 | | 1,777 | 596 |
| 28. Credit | | | | | | | | | |
| 29. International | | | | | | | | | |
| 30. Warranty | | | | | | | | | |
| 31. Reinsurance - nonproportional assumed property | XXX | | | | XXX | | | | |
| 32. Reinsurance - nonproportional assumed liability | XXX | | | | XXX | | | | |
| 33. Reinsurance - nonproportional assumed financial lines | XXX | | | | XXX | | | | |
| 34. Aggregate write-ins for other lines of business | | | | | | | | | |
| 35. TOTALS | 32,645,361 | 29,814,266 | 32,645,361 | 29,814,266 | 21,951,978 | 34,798,680 | 21,951,978 | 64,612,946 | 17,382,592 |
| DETAILS OF WRITE-INS | | | | | | | | | |
| 3401. | | | | | | | | | |
| 3402. | | | | | | | | | |
| 3403. | | | | | | | | | |
| 3498. | Summary of remaining write-ins for Line 34 from overflow page | | | | | | | | |
| 3499. | Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above) | | | | | | | | |

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

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE FARMERS INSURANCE OF COLUMBUS, INC.

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 | 2,896,419 | | | 2,896,419 |
| 1.2 Reinsurance assumed | 14,991,704 | | | 14,991,704 |
| 1.3 Reinsurance ceded | 18,927,451 | | | 18,927,451 |
| 1.4 Net claim adjustment service (1.1 + 1.2 - 1.3) | (1,039,327) | | | (1,039,327) |
| 2. Commission and brokerage: | | | | |
| 2.1 Direct excluding contingent | | 18,820,275 | | 18,820,275 |
| 2.2 Reinsurance assumed, excluding contingent | | 10,626,553 | | 10,626,553 |
| 2.3 Reinsurance ceded, excluding contingent | | 18,820,275 | | 18,820,275 |
| 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 (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7) | | 10,626,553 | | 10,626,553 |
| 3. Allowances to managers and agents | | 443,064 | | 443,064 |
| 4. Advertising | | 3,860,409 | | 3,860,409 |
| 5. Boards, bureaus and associations | | 201,259 | | 201,259 |
| 6. Surveys and underwriting reports | | 1,197,039 | | 1,197,039 |
| 7. Audit of assureds' records | | 25,229 | | 25,229 |
| 8. Salary and related items: | | | | |
| 8.1 Salaries | 7,163,124 | 12,370,099 | 89,178 | 19,622,402 |
| 8.2 Payroll taxes | 727,127 | 935,276 | 7,316 | 1,669,719 |
| 9. Employee relations and welfare | 3,092,498 | 3,812,433 | 156 | 6,905,087 |
| 10. Insurance | 172,423 | 179,605 | | 352,028 |
| 11. Directors' fees | | 24,863 | | 24,863 |
| 12. Travel and travel items | 760,100 | 497,686 | 3,321 | 1,261,107 |
| 13. Rent and rent items | 566,188 | 1,386,448 | | 1,952,636 |
| 14. Equipment | 238,594 | 356,150 | 2,548 | 597,292 |
| 15. Cost or depreciation of EDP equipment and software | 331,571 | 2,322,387 | | 2,653,958 |
| 16. Printing and stationery | 90,439 | 226,709 | 388 | 317,536 |
| 17. Postage, telephone and telegraph, exchange and express | 430,161 | 1,404,341 | 7 | 1,834,509 |
| 18. Legal and auditing | 321,025 | 386,340 | 21 | 707,386 |
| 19. Totals (Lines 3 to 18) | 13,893,249 | 29,629,337 | 102,936 | 43,625,522 |
| 20. Taxes, licenses and fees: | | | | |
| 20.1 State and local insurance taxes deducting guaranty association credits of \$ | | 4,051,025 | | 4,051,025 |
| 20.2 Insurance department licenses and fees | | 230,242 | | 230,242 |
| 20.3 Gross guaranty association assessments | | 1,788 | | 1,788 |
| 20.4 All other (excluding federal and foreign income and real estate) | 12,084 | 179,247 | | 191,331 |
| 20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) | 12,084 | 4,462,302 | | 4,474,386 |
| 21. Real estate expenses | | | | |
| 22. Real estate taxes | | | | |
| 23. Reimbursements by uninsured plans | | | | |
| 24. Aggregate write-ins for miscellaneous expenses | 2,125,699 | 493,991 | 2,644 | 2,622,334 |
| 25. Total expenses incurred | 14,991,704 | 45,212,183 | 105,580 | 60,309,468 |
| 26. Less unpaid expenses - current year | 17,382,592 | 2,238,383 | | 19,620,975 |
| 27. Add unpaid expenses - prior year | 17,844,017 | 2,000,667 | | 19,844,684 |
| 28. Amounts receivable relating to uninsured plans, prior year | | | | |
| 29. Amounts receivable relating to uninsured plans, current year | | | | |
| 30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29) | 15,453,129 | 44,974,467 | 105,580 | 60,533,176 |
| DETAILS OF WRITE-INS | | | | |
| 2401. Miscellaneous IT-related ULAE expenses | 2,125,699 | | | 2,125,699 |
| 2402. Miscellaneous IT-related agent network expenses | | 460,536 | | 460,536 |
| 2403. Charitable contributions | | 33,455 | | 33,455 |
| 2498. Summary of remaining write-ins for Line 24 from overflow page | | | 2,644 | 2,644 |
| 2499. Totals (Lines 2401 thru 2403 plus 2498)(Line 24 above) | 2,125,699 | 493,991 | 2,644 | 2,622,334 |

(a) Includes management fees of \$ 23,481,046 to affiliates and \$ to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

| | 1 Collected During Year | 2 Earned During Year |
|---|----------------------------|-------------------------|
| 1. U.S. Government bonds | (a) 1,566,957 | 1,385,679 |
| 1.1 Bonds exempt from U.S. tax | (a) 714,994 | 689,994 |
| 1.2 Other bonds (unaffiliated) | (a) 4,632,620 | 4,517,499 |
| 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 ..... | ..... | ..... |
| 3. Mortgage loans | (c) ..... | ..... |
| 4. Real estate | (d) ..... | ..... |
| 5. Contract loans ..... | ..... | ..... |
| 6. Cash, cash equivalents and short-term investments | (e) 271 | 182 |
| 7. Derivative instruments | (f) ..... | ..... |
| 8. Other invested assets ..... | ..... | ..... |
| 9. Aggregate write-ins for investment income ..... | ..... | ..... |
| 10. Total gross investment income | 6,914,843 | 6,593,355 |
| 11. Investment expenses ..... | ..... | (g) 105,580 |
| 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) |
| 15. Aggregate write-ins for deductions from investment income ..... | ..... | ..... |
| 16. Total deductions (Lines 11 through 15) ..... | ..... | 105,580 |
| 17. Net investment income (Line 10 minus Line 16) ..... | ..... | 6,487,775 |
| DETAILS OF WRITE-INS | | |
| 0901. Miscellaneous - Investment Income ..... | ..... | ..... |
| 0902. .... | ..... | ..... |
| 0903. .... | ..... | ..... |
| 0998. Summary of remaining write-ins for Line 9 from overflow page ..... | ..... | ..... |
| 0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above) ..... | ..... | ..... |
| 1501. .... | ..... | ..... |
| 1502. .... | ..... | ..... |
| 1503. .... | ..... | ..... |
| 1598. Summary of remaining write-ins for Line 15 from overflow page ..... | ..... | ..... |
| 1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above) ..... | ..... | ..... |

- (a) Includes \$ 53,445 accrual of discount less \$ 816,658 amortization of premium and less \$ 27,008 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 \$ 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 \$ 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) (Columns 1 + 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) | 121,370 | (43,568) | 77,802 | 179,556 | ..... |
| 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 | | | | | |
| 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) | 121,370 | (43,568) | 77,802 | 179,556 | ..... |
| DETAILS OF WRITE-INS | | | | | |
| 0901. | | | | | |
| 0902. | | | | | |
| 0903. | | | | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | | | | | |
| 0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above) | | | | | |

EXHIBIT OF NON-ADMITTED 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 | | | |
| 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) | | | |
| 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 (Lines 1 to 11) | | | |
| 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 | 1,125,896 | 946,103 | (179,793) |
| 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 | 707,221 | 439,979 | (267,242) |
| 19. Guaranty funds receivable or on deposit | | | |
| 20. Electronic data processing equipment and software | | | |
| 21. Furniture and equipment, including health care delivery assets | | | |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | |
| 23. Receivables from parent, subsidiaries and affiliates | | | |
| 24. Health care and other amounts receivable | | | |
| 25. Aggregate write-ins for other than invested assets | | | |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 1,833,117 | 1,386,082 | (447,035) |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | |
| 28. Total (Lines 26 and 27) | 1,833,117 | 1,386,082 | (447,035) |
| DETAILS OF WRITE-INS | | | |
| 1101. | | | |
| 1102. | | | |
| 1103. | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | | | |
| 1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above) | | | |
| 2501. | | | |
| 2502. | | | |
| 2503. | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | | |
| 2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) | | | |

NOTES TO FINANCIAL STATEMENTS

| Note # | Description | Page # |
|--------|---|--------|
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| 2 | Accounting Changes and Corrections of Errors | 14.2 |
| 3 | Business Combinations and Goodwill | 14.3 |
| 4 | Discontinued Operations | 14.3 |
| 5 | Investments | 14.3 |
| 6 | Joint Ventures, Partnerships and Limited Liability Companies | 14.4 |
| 7 | Investment Income | 14.4 |
| 8 | Derivative Instruments | 14.4 |
| 9 | Income Taxes | 14.5 |
| 10 | Information Concerning Parent, Subsidiaries, Affiliates and other Related Parties | 14.10 |
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| 13 | Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations | 14.14 |
| 14 | Contingencies | 14.15 |
| 15 | Leases | 14.16 |
| 16 | Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk | 14.16 |
| 17 | Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities | 14.16 |
| 18 | Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans | 14.16 |
| 19 | Direct Premium Written/Produced by Managing General Agents/Third Party Administrators | 14.17 |
| 20 | Fair Value Measurements | 14.17 |
| 21 | Other Items | 14.19 |
| 22 | Events Subsequent | 14.28 |
| 23 | Reinsurance | 14.28 |
| 24 | Retrospectively Rated Contracts and Contracts Subject to Redetermination | 14.30 |
| 25 | Change in Incurred Losses and Loss Adjustment Expenses | 14.30 |
| 26 | Intercompany Pooling Arrangements | 14.30 |
| 27 | Structured Settlements | 14.31 |
| 28 | Health Care Receivables | 14.31 |
| 29 | Participating Policies | 14.31 |
| 30 | Premium Deficiency Reserves | 14.31 |
| 31 | High Deductibles | 14.32 |
| 32 | Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expense | 14.32 |
| 33 | Asbestos/Environmental Reserves | 14.32 |
| 34 | Subscriber Savings Accounts | 14.35 |
| 35 | Multiple Peril Crop Insurance | 14.35 |
| 36 | Financial Guaranty Insurance | 14.35 |

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

The financial statements of Farmers Insurance of Columbus, Inc. (“the Company”) are presented on the basis of accounting practices prescribed or permitted by the Insurance Department of the state of Ohio (“DOI”).

The Company recognizes only statutory accounting practices prescribed or permitted by the state of Ohio (the “State”) for determining and reporting the financial condition and results of operations of an insurance company, and for determining its solvency under the Ohio Insurance Law. The National Association of Insurance Commissioners (“NAIC”) Accounting Practices and Procedures Manual (the “Codification”), version effective January 1, 2001 and subsequently amended (“NAIC SAP”) has been adopted as a component of prescribed or permitted practices by the State. The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices. The Company did not utilize any permitted practices during the years presented.

A reconciliation of the Company’s net income and surplus between NAIC SAP and practices prescribed by the State of Ohio for year-to-date December 31, 2012 and the year ended December 31, 2011 is shown below (in thousands):

| | <u>State of Domicile</u> | 2012 | 2011 |
|---|------------------------------|-------------|-------------|
| <u>NET INCOME</u> | | | |
| (1) Ohio basis (Page 4, Line 20, Columns 1 & 2) | Ohio | \$ 1,943 | \$ (1,198) |
| (2) State Prescribed Practices that increase/(decrease) NAIC SAP: | Ohio | - | - |
| (3) State Permitted Practices that increase/(decrease) NAIC SAP: | Ohio | - | - |
| (4) NAIC SAP (1-2-3=4) | Ohio | \$ 1,943 | \$ (1,198) |
| <u>SURPLUS</u> | | | |
| (5) Ohio basis (Page 3, Line 37, Columns 1 & 2) | Ohio | \$ 92,617 | \$ 90,211 |
| (6) State Prescribed Practices that increase/(decrease) NAIC SAP: | Ohio | - | - |
| (7) State Permitted Practices that increase/(decrease) NAIC SAP: | Ohio | - | - |
| (8) NAIC SAP (5-6-7=8) | Ohio | \$ 92,617 | \$ 90,211 |

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

C. Accounting Policy

Premiums are earned pro rata over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Ceded unearned premium reserves under the All Lines reinsurance agreements (see Note 21C) are calculated based on a quota share percentage of the underlying pro-rata direct unearned premium reserves.

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred.

In addition, the Company uses the following accounting policies:

- (1) Short-term investments include all investments whose maturities, at the time of acquisition, are greater than three months and less than one year and are stated at amortized cost, which approximates fair value.
- (2-4) Bonds not backed by other loans are generally carried at amortized cost or the lower of amortized cost or fair value depending on their NAIC designation. Bond premium or discount is amortized using the interest method.

Unaffiliated common stocks are carried at NAIC market value. The change in the stated value is recorded as a change in net unrealized capital gains or losses, a component of unassigned funds.

NOTES TO FINANCIAL STATEMENTS

Redeemable preferred stocks are carried at amortized cost or at the lower of amortized cost or fair value, depending on their NAIC designation. Redeemable preferred stock premium or discount is amortized using the interest method. Non-redeemable preferred stocks are carried at market value or the lower of cost or fair value based on their NAIC designation.

The Company recognizes other-than-temporary impairment losses on investments when the decline in fair value specific to an issuer's fundamental credit difficulties, or a non-interest related decline, is deemed to be other than temporary. There are a number of assumptions and estimates inherent in evaluating impairments specific to an issuer's fundamental credit difficulties, or non-interest related decline, and determining if they are other than temporary, including: 1) The Company's ability and intent to retain the investment for a period of time sufficient to allow for an anticipated recovery in value; 2) the recoverability of principal and interest; 3) the length of time and extent to which the fair value has been less than amortized cost for bonds or cost for unaffiliated common and preferred stocks; 4) the financial condition, near-term and long-term prospects of the issue or issuer, including relevant industry conditions and trends, and implications of rating agency actions and offering prices; and 5) the specific reasons that a security is in a significant unrealized loss position, including market conditions which could affect access to liquidity. Interest rate related impairments are deemed other than temporary when the Company has the intent to sell an investment, at the reporting date, before recovery of the cost of the investment.

- (5) The Company has no mortgage loans.
- (6) Mortgage-backed bonds and structured securities are stated at either amortized cost or the lower of amortized cost or market value. Premiums and discounts on mortgage-backed securities and structured securities are amortized using the retrospective method, except for interest-only mortgage-backed securities, which are amortized using the prospective method.

Loan-backed securities with evidence of deterioration of credit quality for which it is probable that the company will be unable to collect all contractually required payments receivable, are written down to the present value of expected cash flows to be received.
- (7) The Company has no investments in subsidiaries, controlled, and affiliated ("SCA") companies.
- (8) The Company has no ownership interest in joint ventures, partnerships or limited liability companies.
- (9) The Company has no investments in derivative instruments.
- (10) The Company utilizes anticipated investment income in the calculation of premium deficiency reserves, in accordance with SSAP No. 53, Property-Casualty Contracts - Premiums. The Company evaluates the need for a premium deficiency reserve on a line of business level for all books. At December 31, 2012 and 2011, the Company had not established any premium deficiency reserves based on this calculation.
- (11) Reserves for 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 ("IBNR"). 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 reserves are continually reviewed and any adjustments are reflected in the period determined.
- (12) The Company has not modified its capitalization policy from the prior period.

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

On November 6, 2011, SSAP No. 101, Income Taxes, a replacement of SSAP No.10R and SSAP No. 10, was adopted by the NAIC. SSAP No. 101 contains changes to accounting for current and deferred federal and foreign income taxes, which is effective on January 1, 2012. This guidance provides that the deferred tax asset admissibility would no longer be elective, and the reversal and surplus limitation parameters in the admissibility tests are determined based on risk-based capital levels. It also requires gross deferred tax assets to be reduced by a statutory valuation allowance if it is more likely than not that some portion or all of the gross deferred tax assets will not be realized. The cumulative effect of adopting this pronouncement is not expected to be material on the Company's financial statements at January 1, 2012. The cumulative effect of adopting SSAP No. 101, if any, will be reported as a cumulative effect of changes in accounting principles on Page 4, Line 31.

In 2011, the NAIC approved revised standard on accounting for liabilities, contingencies, and impairments of assets Income Taxes (SSAP No 5R, Liabilities, Contingencies, and Impairments of Assets). This revised standard allowed an exemption from liability recognition for guarantees to both wholly owned non-insurance and insurance entities. This wholly owned exclusion does not include guarantees from one subsidiary to another. The Company has no guarantee from one subsidiary to another. In addition, the revisions to SSAP 16R (Electronic Data Processing Equipment and Software); SSAP 35R (Guaranty Fund and Other Assessments); and SSAP 91R (Accounting for Transfers and Servicing of Financial Assets and Extinguishment) did not have any material impact on the Company's financial statements.

NOTES TO FINANCIAL STATEMENTS

3. BUSINESS COMBINATIONS AND GOODWILL

A. Statutory Purchase Method

Not applicable.

B. Statutory Merger

Not applicable.

C. Impairment Loss

Not applicable.

4. DISCONTINUED OPERATIONS

Not applicable.

5. INVESTMENTS

A. Mortgage Loans

Not applicable.

B. Debt Restructuring

Not applicable.

C. Reverse Mortgages

Not applicable.

D. Loan-Backed Securities

- (1) Prepayment assumptions were obtained from an external securities information service and are consistent with the current interest rate and economic environment.
- (2) Not applicable.
- (3) All loan backed other-than-temporary impairment securities were classified as such based on the fact that the present value of cash flows expected to be collected is less than the amortized cost basis of the security. See aggregate totals below.

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|--------------|--|---|--|--|------------|--|
| | Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI | Present Value of Projected Cash Flows | Recognized Other-Than- Temporary Impairment | Amortized cost After Other-Than- Temporary Impairment | Fair Value | Date of Financial Statement Where Reported |
| 32051GZU2 | 459,160 | 451,003 | (8,157) | 451,003 | 359,999 | 9/30/2009 |
| 12668AJB2 | 486,902 | 482,032 | (4,870) | 482,032 | 428,003 | 12/31/2009 |
| 12668AJB2 | 447,571 | 383,657 | (63,914) | 383,657 | 399,042 | 3/31/2010 |
| 17311LAA9 | 556,329 | 481,643 | (74,686) | 481,643 | 409,669 | 12/31/2010 |
| 17311LAA9 | 348,838 | 305,270 | (43,568) | 305,270 | 371,049 | 9/30/2012 |
| Total | XXX | XXX | \$ (195,195) | XXX | XXX | XXX |

- (4) All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains) (in thousands):
 - a. The aggregate amount of unrealized losses:

| | | |
|--|------------------------|--------|
| | 1. Less than 12 months | (\$45) |
| | 2. 12 months or Longer | (\$29) |
 - b. The aggregate related fair value of securities with unrealized losses:

| | | |
|--|------------------------|---------|
| | 1. Less than 12 months | \$9,851 |
| | 2. 12 months or Longer | \$154 |

NOTES TO FINANCIAL STATEMENTS

- (5) All loan-backed and structured securities were reviewed to determine if there were any indications of potential other-than-temporary impairment. If any indication of other-than-temporary impairment existed, then a cash flow and credit support analysis were performed. If it was determined that the company was to receive less than 100% contractual cash flows, an other-than-temporary impairment was measured and taken in accordance with SSAP 43R.

E. Repurchase Agreements and/or Securities Lending Program

Not applicable.

F. Real Estate

(1) Not applicable.

(2) Not applicable.

G. Low-Income Housing Tax Credits

None.

6. JOINT VENTURES, PARTNERSHIPS, AND LIMITED LIABILITY COMPANIES

A. Not applicable.

B. Not applicable.

7. INVESTMENT INCOME

A. Investment income due and accrued with amounts over 90 days past due is non-admitted.

B. The Company had no investment income due and accrued excluded from surplus at both December 31, 2012 and 2011.

8. DERIVATIVE INSTRUMENTS

Not applicable.

NOTES TO FINANCIAL STATEMENTS

9. INCOME TAXES

A. The components of the net deferred tax assets/(liability) at December 31 are as follows (in thousands):

| | 12/31/2012 | | | 12/31/2011 | | |
|--|------------|---------|--------------------|------------|---------|--------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| | Ordinary | Capital | (Col 1+2) Total | Ordinary | Capital | (Col 4+5) Total |
| (a) Gross Deferred Tax Assets | \$ 7,795 | \$ 108 | \$ 7,903 | \$ 7,040 | \$ 163 | \$ 7,203 |
| (b) Statutory Valuation Allowance Adjustments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| (c) Adjusted Gross Deferred Tax Assets (1a - 1b) | \$ 7,795 | \$ 108 | \$ 7,903 | \$ 7,040 | \$ 163 | \$ 7,203 |
| (d) Deferred Tax Assets Nonadmitted | \$ 707 | \$ - | \$ 707 | \$ 440 | \$ - | \$ 440 |
| (e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d) | \$ 7,088 | \$ 108 | \$ 7,196 | \$ 6,600 | \$ 163 | \$ 6,763 |
| (f) Deferred Tax Liabilities | \$ 60 | \$ - | \$ 60 | \$ 65 | \$ - | \$ 65 |
| (g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f) | \$ 7,028 | \$ 108 | \$ 7,136 | \$ 6,535 | \$ 163 | \$ 6,698 |

| | Change | | |
|--|-----------------------|----------------------|--------------------|
| | (7) | (8) | (9) |
| | (Col 1-4) Ordinary | (Col 2-5) Capital | (Col 7+8) Total |
| (a) Gross Deferred Tax Assets | \$ 755 | \$ (55) | \$ 700 |
| (b) Statutory Valuation Allowance Adjustments | \$ - | \$ - | \$ - |
| (c) Adjusted Gross Deferred Tax Assets (1a - 1b) | \$ 755 | \$ (55) | \$ 700 |
| (d) Deferred Tax Assets Nonadmitted | \$ 267 | \$ - | \$ 267 |
| (e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d) | \$ 488 | \$ (55) | \$ 433 |
| (f) Deferred Tax Liabilities | \$ (5) | \$ - | \$ (5) |
| (g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f) | \$ 493 | \$ (55) | \$ 438 |

| | 12/31/2012 | | | 12/31/2011 | | |
|--|------------|---------|--------------------|------------|---------|--------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| | Ordinary | Capital | (Col 1+2) Total | Ordinary | Capital | (Col 4+5) Total |
| Admission Calculation Components SSAP No. 101 | | | | | | |
| (a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks. | \$ 736 | \$ 108 | \$ 844 | \$ 1,288 | \$ 139 | \$ 1,427 |
| (b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets from 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b) 2 Below) | \$ 6,291 | \$ - | \$ 6,291 | \$ 5,247 | \$ 24 | \$ 5,271 |
| 1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date. | \$ 6,291 | \$ - | \$ 6,291 | \$ 5,247 | \$ 24 | \$ 5,271 |
| 2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold. | xx,xxx | xx,xxx | \$ 12,907 | xx,xxx | xx,xxx | \$ 3,559 |
| (c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities | \$ 61 | \$ - | \$ 61 | \$ 65 | \$ - | \$ 65 |
| (d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c)) | \$ 7,088 | \$ 108 | \$ 7,196 | \$ 6,600 | \$ 163 | \$ 6,763 |

| | Change | | |
|--|-----------------------|----------------------|--------------------|
| | (7) | (8) | (9) |
| | (Col 1-4) Ordinary | (Col 2-5) Capital | (Col 7+8) Total |
| Admission Calculation Components SSAP No. 101 | | | |
| (a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks. | \$ (552) | \$ (31) | \$ (583) |
| (b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets from 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b) 2 Below) | \$ 1,044 | \$ (24) | \$ 1,020 |
| 1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date. | \$ 1,044 | \$ (24) | \$ 1,020 |
| 2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold. | xx,xxx | xx,xxx | \$ 9,348 |
| (c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities | \$ (4) | \$ - | \$ (4) |
| (d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c)) | \$ 488 | \$ (55) | \$ 433 |

NOTES TO FINANCIAL STATEMENTS

| 3. | 2012 | 2011 |
|--|-----------|-----------|
| (a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount | 802% | 724% |
| (b) Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above | \$ 85,482 | \$ 89,437 |

| 4. | 12/31/2012 | | | 12/31/2011 | | |
|---|----------------------------|---------------------------|--------------------------------------|----------------------------|---------------------------|--------------------------------------|
| | (1) Ordinary Percent | (2) Capital Percent | (3) (Col 1+2) Total Percent | (4) Ordinary Percent | (5) Capital Percent | (6) (Col 4+5) Total Percent |
| Impact of Tax-Planning Strategies | | | | | | |
| (a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs) | 0.0% | 1.4% | 1.4% | 0.0% | 0.0% | 0.0% |
| (b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs) | 0.0% | 1.5% | 1.5% | 0.0% | 1.7% | 1.7% |

| Impact of Tax-Planning Strategies | Change | | |
|---|---|--|--------------------------------------|
| | (7) (Col 1-4) Ordinary Percent | (8) (Col 2-5) Capital Percent | (9) (Col 7+8) Total Percent |
| (a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs) | 0.0% | 1.4% | 1.4% |
| (b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs) | 0.0% | -0.2% | -0.2% |

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

B. The Company is currently recognizing all deferred tax liabilities.

C. Current income taxes incurred consist of the following major components (in thousands):

| | (1) 12/31/2012 | (2) 12/31/2011 | (3) (Col 1-2) Change |
|--|-------------------|-------------------|----------------------------|
| 1. Current income tax | | | |
| (a) Federal | \$ 411 | \$ (1,987) | \$ 2,398 |
| (b) Foreign | \$ - | \$ - | \$ - |
| (c) Subtotal | \$ 411 | \$ (1,987) | \$ 2,398 |
| (d) Federal income tax on net capital gains | \$ 50 | \$ 94 | \$ (44) |
| (e) Utilization of capital loss carry-forwards | \$ - | \$ - | \$ - |
| (f) Other - Attorney-in-fact credit | \$ - | \$ - | \$ - |
| (g) Federal and foreign income taxes incurred | <u>\$ 461</u> | <u>\$ (1,893)</u> | <u>\$ 2,354</u> |

2. Deferred Tax Assets:

NOTES TO FINANCIAL STATEMENTS

(a) Ordinary

| | | | | | | |
|---|----|-------|----|-------|----|-------|
| (1) Discounting of unpaid losses | \$ | 1,813 | \$ | 1,935 | \$ | (122) |
| (2) Unearned premium reserve | \$ | 4,361 | \$ | 4,250 | \$ | 111 |
| (3) Policyholder reserves | \$ | - | \$ | - | \$ | - |
| (4) Investments | \$ | - | \$ | - | \$ | - |
| (5) Deferred acquisition costs | \$ | - | \$ | - | \$ | - |
| (6) Policyholder dividends accrual | \$ | - | \$ | - | \$ | - |
| (7) Fixed assets | \$ | - | \$ | - | \$ | - |
| (8) Compensation and benefit accrual | \$ | 383 | \$ | 485 | \$ | (102) |
| (9) Pension accrual | \$ | - | \$ | - | \$ | - |
| (10) Receivables - nonadmitted | \$ | 725 | \$ | - | \$ | 725 |
| (11) Net operating loss carry-forward | \$ | - | \$ | - | \$ | - |
| (12) Tax credit carry-forward | \$ | - | \$ | - | \$ | - |
| (13) Other assets - non admitted | \$ | - | \$ | - | \$ | - |
| (14) Intangible assets - R&D Credit | \$ | - | \$ | - | \$ | - |
| (15) Accrued expenses | \$ | 173 | \$ | 311 | \$ | (138) |
| (16) Post retirement accrual | \$ | 340 | \$ | 60 | \$ | 280 |
| (17) Miscellaneous | \$ | - | \$ | - | \$ | - |
| (18) Partnership basis differences | \$ | - | \$ | - | \$ | - |
| (19) Guarantee Fund Asset (Receivable) | \$ | - | \$ | - | \$ | - |
| (20) Excess ceding commissions | \$ | - | \$ | - | \$ | - |
| (21) Guarantee Fund Assessment | \$ | - | \$ | - | \$ | - |
| (22) Other (including items <5% of total ordinary tax ass | \$ | - | \$ | (1) | \$ | 1 |

| | | | | | | |
|---------------|----|-------|----|-------|----|-----|
| (99) Subtotal | \$ | 7,795 | \$ | 7,040 | \$ | 755 |
|---------------|----|-------|----|-------|----|-----|

| | | | | | | |
|--|----|-----|----|-----|----|-----|
| (b) Statutory valuation allowance adjustment | \$ | - | \$ | - | \$ | - |
| (c) Nonadmitted | \$ | 707 | \$ | 440 | \$ | 267 |

| | | | | | | |
|--|----|--------------|----|--------------|----|------------|
| (d) Admitted ordinary deferred tax assets (2a99-2b-2c) | \$ | <u>7,088</u> | \$ | <u>6,600</u> | \$ | <u>488</u> |
|--|----|--------------|----|--------------|----|------------|

(e) Capital:

| | | | | | | |
|--|----|-----|----|-----|----|------|
| (1) Investments | \$ | 10 | \$ | 73 | \$ | (63) |
| (2) Investment write downs | \$ | 98 | \$ | 90 | \$ | 8 |
| (3) Net capital loss carry-forward | \$ | - | \$ | - | \$ | - |
| (4) Real estate | \$ | - | \$ | - | \$ | - |
| (5) Other (including items <5% of total capital tax assets | \$ | - | \$ | - | \$ | - |
| (99) Subtotal | \$ | 108 | \$ | 163 | \$ | (55) |

| | | | | | | |
|--|----|---|----|---|----|---|
| (f) Statutory valuation allowance adjustment | \$ | - | \$ | - | \$ | - |
| (g) Nonadmitted | \$ | - | \$ | - | \$ | - |

| | | | | | | |
|---|----|------------|----|------------|----|-------------|
| (h) Admitted capital deferred tax assets (2e99-2f-2g) | \$ | <u>108</u> | \$ | <u>163</u> | \$ | <u>(55)</u> |
|---|----|------------|----|------------|----|-------------|

| | | | | | | |
|--|----|--------------|----|--------------|----|------------|
| (i) Admitted deferred tax assets (2d+2h) | \$ | <u>7,196</u> | \$ | <u>6,763</u> | \$ | <u>433</u> |
|--|----|--------------|----|--------------|----|------------|

NOTES TO FINANCIAL STATEMENTS

3. Deferred tax liabilities:

(a) Ordinary

| | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|------------|
| (1) Investments | \$ | 31 | \$ | 50 | \$ | (19) |
| (2) Fixed assets | \$ | - | \$ | - | \$ | - |
| (3) Deferred and uncollected premium | \$ | - | \$ | - | \$ | - |
| (4) Policyholder reserves | \$ | - | \$ | - | \$ | - |
| (5) Pension liabilities | \$ | - | \$ | - | \$ | - |
| (6) Intangible assets - R&D Credit | \$ | - | \$ | - | \$ | - |
| (7) Interest on surplus notes | \$ | - | \$ | - | \$ | - |
| (8) Lease Loans | \$ | - | \$ | - | \$ | - |
| (9) BOLI | \$ | 30 | \$ | 16 | \$ | 14 |
| (10) Guaranty Funds Receivable | \$ | - | \$ | - | \$ | - |
| (11) Other (including items <5% of total ordinary tax liabilities) | \$ | (1) | \$ | (1) | \$ | - |
| (99) Subtotal | <u>\$</u> | <u>60</u> | <u>\$</u> | <u>65</u> | <u>\$</u> | <u>(5)</u> |

(b) Capital:

| | | | | | | |
|--|-----------|----------|-----------|----------|-----------|----------|
| (1) Investments | \$ | - | \$ | - | \$ | - |
| (2) Real estate | \$ | - | \$ | - | \$ | - |
| (3) Bonds and stocks | \$ | - | \$ | - | \$ | - |
| (4) Other liabilities | \$ | - | \$ | - | \$ | - |
| (5) Other (including items <5% of total capital tax liabilities) | <u>\$</u> | <u>-</u> | <u>\$</u> | <u>-</u> | <u>\$</u> | <u>-</u> |
| (99) Subtotal | <u>\$</u> | <u>-</u> | <u>\$</u> | <u>-</u> | <u>\$</u> | <u>-</u> |

(c) Deferred tax liabilities (3a99 + 3b99) \$ 60 \$ 65 \$ (5)

4. Net deferred tax assets/liabilities (2i - 3c) \$ 7,136 \$ 6,698 \$ 438

5. The change in net deferred income taxes is composed of the following at December 31, 2012 and December 31, 2011 are as follows (in thousands):

| | (1) | (2) | (3) |
|--|--------------|--------------|---------------------|
| | 12/31/2012 | 12/31/2011 | (Col 1-2) Change |
| Adjusted gross deferred tax assets | \$ 7,903 | \$ 7,203 | \$ 700 |
| Total deferred tax liabilities | <u>\$ 60</u> | <u>\$ 65</u> | <u>\$ (5)</u> |
| Net deferred tax asset | \$ 7,843 | \$ 7,138 | \$ 705 |
| Tax effect of unrealized (gains) losses | | | <u>\$ (63)</u> |
| Change in net deferred income tax (change)/benefit | | | <u>\$ 768</u> |

NOTES TO FINANCIAL STATEMENTS

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

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate at 35.0% to income before income taxes. The significant items causing this difference are as follows (in thousands):

| | (1) 12/31/2012 | Effective Tax Rate |
|---|-------------------|-----------------------|
| Provision computed at statutory rate | \$ 841 | 35.00% |
| Tax-exempt interest | \$ (241) | (10.05%) |
| Dividend received deduction | \$ - | 0.00% |
| 15% exemption adjustment | \$ 38 | 1.59% |
| Unallowable deductions | \$ 34 | 1.41% |
| LLC Income | \$ - | 0.00% |
| LLC change in deferred taxes | \$ - | 0.00% |
| Prior year under/(over) accrual of income taxes | \$ (584) | (24.27%) |
| Change in nonadmitted assets | \$ (394) | (16.39%) |
| Other | \$ (1) | (0.02%) |
| Total | \$ (307) | (12.73%) |
| | | |
| Federal taxes incurred | \$ 411 | 17.10% |
| Tax on capital gains/(losses) | \$ 50 | 2.08% |
| Less: Change in net deferred income tax | \$ (768) | (31.90%) |
| Total statutory income taxes | \$ (307) | (12.73%) |

E.

- When available, the Company utilizes net operating loss carry forwards to offset taxable income under the terms of the tax sharing agreement. As of December 31, 2012, the Company did not have any net operating loss carry forwards. Certain net operating loss carry forwards, as well as tax goodwill amortization, are subject to an annual limitation under Internal Revenue Code section 382.
- The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses as of December 31, 2012 and December 31, 2011 (in thousands):

| | <u>Amount</u> |
|----------------------|---------------|
| Current year | \$ 843 |
| First preceding year | \$ - |

- (3) Deposits admitted under Internal Revenue Service Code Section 6603 (in thousands) None

NOTES TO FINANCIAL STATEMENTS

F.

1. The Company's federal income tax return is consolidated with the following entities, with Farmers Insurance Exchange as the parent company.

| | |
|---|---|
| Farmers Insurance Exchange | Hawaii Insurance Consultants Ltd. |
| American Pacific Insurance Company, Inc. | i21 Insurance Services |
| Apex Adjustment Bureau, Inc. | Illinois Farmers Insurance Company |
| Bayview Adjustment Bureau, Inc. | Insurance Data Systems, G.P. |
| Bristol West Casualty Insurance Company | Mid-Century Insurance Company |
| Bristol West Holdings, Inc. | Mid-Century Insurance Company of Texas |
| Bristol West Insurance Company | Security National Insurance Company |
| Bristol West Insurance Services of California, Inc. | Texas Farmers Insurance Company |
| Bristol West Insurance Services of Georgia, Inc. | Western Star Insurance Services, Inc. |
| Bristol West Insurance Services of Pennsylvania, Inc. | 20th Century Insurance Services, Inc. |
| Bristol West Insurance Services of Texas, Inc. | 21st Century Advantage Insurance Company |
| Bristol West Insurance Services, Inc. of Florida | 21st Century Assurance Company |
| Bristol West Preferred Insurance Company | 21st Century Auto Insurance Company of New Jersey |
| BWIS of Nevada, Inc. | 21st Century Casualty Company |
| Coast National General Agency, Inc. | 21st Century Centennial Insurance Company |
| Coast National Holding Company | 21st Century Indemnity Insurance Company |
| Coast National Insurance Company | 21st Century Insurance & Financial Services |
| Farmers Insurance Company of Idaho | 21st Century Insurance Company |
| Farmers Insurance Company of Oregon | 21st Century Insurance Company of the Southwest |
| Farmers Insurance Company, Inc. | 21st Century Insurance Group |
| Farmers Insurance Hawaii, Inc. | 21st Century National Insurance Company |
| Farmers Insurance of Columbus, Inc. | 21st Century North America Insurance Company |
| Farmers New Century Insurance Company | 21st Century Pacific Insurance Company |
| Farmers Specialty Insurance Company | 21st Century Pinnacle Insurance Company |
| FCOA, LLC | 21st Century Preferred Insurance Company |
| Kraft Lake Insurance Agency Inc. | 21st Century Premier Insurance Company |
| Foremost Express Insurance Agency, Inc. | 21st Century Security Insurance Company |
| Foremost Financial Services Corporation | 21st Century Superior Insurance Company |
| Foremost Insurance Company Grand Rapids, Michigan | 50th State Risk Management Services, Inc. |
| Foremost Lloyds of Texas | |
| Foremost Property and Casualty Insurance Company | |
| Foremost Signature Insurance Company | |
| GP, LLC | |

2. Farmers Insurance Exchange ("FIE") and its eligible affiliates have executed a tax-sharing agreement whereby FIE receives from its affiliates the tax they would pay if they had filed separate returns and pays to the affiliates amounts for the tax benefits realized by the consolidated group through utilization of their net losses. Any expense or benefit so derived is recognized in the respective affiliate's current year tax provision. Intercompany tax balances are settled monthly based on estimates with the final settlement made annually within 30 days after the return has been filed.
- G. 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.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AND AFFILIATES

- A.B.C. The Company had no material related party transactions during 2012 and 2011 that would require disclosure.
- D. At December 31, 2012 and 2011, the Company reported \$3.1 million and \$3.5 million as amounts due to affiliates, respectively. The terms of settlement require that these amounts be settled within 45 days.
- E. There are no guarantees or undertakings, written or otherwise, for the benefit of an affiliate (see Note 14A).
- F. Certain members of the Farmers Property and Casualty Companies (the "Farmers P&C Companies") participate in an intercompany reinsurance agreement in which they share in the net premiums and ultimate losses of affiliates. With FIE as the lead company, the Farmers P&C Companies, except Farmers Reinsurance Company, AIG/21st affiliates (effective July 1, 2009), and the Bristol West Insurance affiliates (which only cede 90%), cede all of their direct and assumed personal business and business insurance to FIE, which then retrocedes a share of the business back to the participants according to their respective participation percentages (see Note 26). Effective July 1, 2008, Coast National Insurance Company cedes all of its direct and assumed personal business and business insurance to FIE. In addition, effective January 1, 2010, both Bristol West Casualty Insurance Company and Bristol West Insurance Company, cede 100% of their direct business to FIE, while Bristol West Preferred Insurance Company and Security National Insurance Company cede 100% of their direct business to FIE effective December 31, 2010. Finally, effective December 31, 2010, the 95% Retrocession reinsurance agreement between the Farmers Insurance Exchange and the Foremost Insurance Company, Grand Rapids was cancelled on a cut-off basis. For the year ended December 31, 2012, the Company assumed \$138.6 million in net premiums written, \$136.7 million in net premiums earned, and \$82.3 million in net losses incurred, as result of its participation in the intercompany reinsurance agreement.

NOTES TO FINANCIAL STATEMENTS

FIE has a service agreement with the Company. Under the terms of this agreement, FIE provides various services to the Company as are necessary and appropriate for the Company to discharge its obligations to its policyholders, shareholders and regulators. This agreement broadly encompasses, claims adjustment services, investment management services, preparation of insurance policies, billing and collections, and other administrative services.

G. At December 31, 2012 and 2011, all outstanding shares of the Company were owned by FIE.

The Company is one of the Farmers P&C Companies, which is comprised of Farmers Insurance Exchange, Fire Insurance Exchange, Truck Insurance Exchange, Mid-Century Insurance Company, Farmers New Century Insurance Company, Mid-Century Insurance Company of Texas, Texas Farmers Insurance Company, Illinois Farmers Insurance Company, Farmers Insurance Company, Inc., Farmers Insurance Company of Arizona, Farmers Insurance Company of Idaho, Farmers Insurance Company of Oregon, Farmers Insurance Company of Washington, Farmers Insurance of Columbus, Inc., Civic Property and Casualty Company, Exact Property and Casualty Company, Neighborhood Spirit Property and Casualty Company, Farmers Texas County Mutual Insurance Company, Farmers Reinsurance Company, Foremost Insurance Company Grand Rapids, Michigan, Foremost Property and Casualty Insurance Company, Farmers Specialty Insurance Company, Foremost Signature Insurance Company, Foremost County Mutual Insurance Company, Foremost Lloyds of Texas, Bristol West Casualty Insurance Company, Bristol West Insurance Company, Bristol West Preferred Insurance Company, Coast National Insurance Company, and Security National Insurance Company. Others are: 21st Century North America Insurance Company, 21st Century Centennial Insurance Company, 21st Century Premier Insurance Company, 21st Century Security Insurance Company, Farmers Insurance Hawaii, Inc., 21st Century Superior Insurance Company, 21st Century Advantage Insurance Company, 21st Century Preferred Insurance Company, 21st Century Pinnacle Insurance Company, 21st Century Indemnity Insurance Company, 21st Century National Insurance Company, 21st Century Auto Insurance Company of New Jersey, American Pacific Insurance Company, Inc., 21st Century Pacific Insurance Company, 21st Century Assurance Company, 21st Century Insurance Company, 21st Century Casualty Company, and 21st Century Insurance Company of the Southwest. For more details on ownership, see Schedule Y.

H. The Company does not own shares of an upstream intermediate or ultimate parent, which are applicable under Section 4(B)(b)(x) of the NAIC Valuation of Securities manual.

I. The Company had no investments in an individual Subsidiary, Controlled, or Affiliated entity ("SCA") that exceeded 10% of its admitted assets at both December 31, 2012 and 2011.

J. The Company did not recognize any impairment write down on investments in SCA's during the years ended December 31, 2012 and 2011.

K. The Company does not have any investments in foreign insurance companies.

L. The Company does not hold any investments in downstream noninsurance holding companies.

11. DEBT

Not applicable.

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

A. Defined Benefit Plans

Not applicable.

B. Defined Contribution Plans

Not applicable.

C. Multi-employer Plans

Not applicable.

D. Consolidated/Holding Company Plans

Pension Plan

FIE and certain of the Farmers P&C Companies participate in two non-contributory retirement plans (the "Regular Plan" and the "Restoration Plan") sponsored by Farmers Group, Inc. ("FGI"). The Regular Plan covers substantially all employees of the Farmers P&C Companies and FGI and its subsidiaries who have reached age 21 and have rendered one year of service. Benefits are based on years of service and the employee's compensation during the last five years of employment. The Restoration Plan provides supplemental retirement benefits for certain key employees of the Farmers P&C Companies and FGI and its subsidiaries. Information regarding the Regular and Restoration Plans' funded status is not developed separately. FIE has no legal obligation for benefits under this plan.

NOTES TO FINANCIAL STATEMENTS

For the 2011-2012 and 2010-2011 plan years, the minimum required contribution did not exceed the full funding limitation under the Internal Revenue Code. As a result, as of year-to-date December 31, 2012, the Farmers P&C Companies, FGI and its subsidiaries made total contributions to the Plans of \$175.0 million, of which \$107.2 million came from the Farmers P&C Companies. The Company's share of the Farmers P&C Companies' contributions was \$1.1 million in 2012. In 2011, the Farmers P&C Companies, FGI and its subsidiaries made total contributions to the Plans of \$150.0 million, of which \$89.9 million came from the Farmers P&C Companies. The Company's share of the Farmers P&C Companies' contributions was \$0.9 million in 2011.

Effective January 1, 2009, FIE and certain of the Farmers P&C Companies began participating in a third non-contributory retirement plan ("Cash Balance Program") also sponsored by FGI. The Cash Balance Program covers new hires, effective January 1, 2009, and all employees who are not grandfathered under the Regular Plan as of December 31, 2008. Vested employees who are age 40 and over or who have 10 or more years of service as of December 31, 2008 are grandfathered in the Regular Plan. Under the Cash Balance Program, FGI and the Farmers P&C Companies will make regular contributions based on a percentage of base pay. The contributions vary based on age and length of service. In addition, the Cash Balance Program has a minimum annual return of 5.0%. Employees, who are vested under the Regular Plan as of December 31, 2008, under the age of 40 and have fewer than 10 years of service, will receive transitional contributions to maximize the benefit under the Cash Balance Program.

Short Term Incentive Program

Effective January 1, 2009, FIE and certain of the Farmers P&C Companies, participate in a new Short Term Incentive Program ("STIP") and a 401(k) Savings Plan sponsored by FGI. These two plans replaced the previous Farmers P&C Companies' Deferred Profit Sharing and Cash Profit Sharing plans that were discontinued effective January 1, 2009. The STIP is a performance-based plan that provides employees an annual incentive pay based on the achievement of certain Farmers P&C Companies' goals and individual employee performance. The Company's share of expense under this plan was \$0.7 million and \$1.0 million as of December 31, 2012 and 2011, respectively.

401(k) Savings Plan

Effective January 1, 2009, FIE and certain of the Farmers P&C Companies, participate in a 401(k) Savings Program sponsored by FGI. Contributions are made by eligible employees up to the yearly maximums allowable as defined by the Internal Revenue Service. FIE and certain Farmers Companies will match eligible employees' contributions up to 6.0% of earned base pay. All eligible employees are 100% vested in the 401(k) Savings Plan. The Company's share of expense under this plan was \$0.4 million and \$0.4 million as of December 31, 2012 and 2011, respectively.

NOTES TO FINANCIAL STATEMENTS

E. Post-employment Benefits and Compensated Absences

Postretirement Benefits

FIE and certain of the Farmers P&C Companies, provide certain postretirement benefits to retired employees. The postretirement medical benefits plan is a contributory defined benefit plan for employees who were retired or who were eligible for early retirement as of January 1, 1991, and is a contributory defined dollar plan for all other employees retiring after January 1, 1991. Currently, access to a retiree medical plan is available to retiring employees age 55 or older with five or more years of service, and a subsidy toward payment of retiree medical premiums is provided to retiring employees age 55 or older with ten or more years of service. A retiree life insurance benefit is no longer offered to retiring employees; although some retirees retain a life insurance benefit under legacy provisions.

The funded status of the plan for the Farmers P&C Companies as of December 31 is as follows (in thousands):

| | 2012 | 2011 |
|---|--------------------|--------------------|
| Change in Benefit Obligation: | | |
| Net benefit obligation at beginning of year | \$ 107,539 | \$ 95,207 |
| Service cost | 8,186 | 7,045 |
| Interest cost | 4,658 | 4,796 |
| Plan participants' contributions | 1,576 | 2,020 |
| Actuarial (gain)/loss | 988 | 2,082 |
| Transfer in | 2,604 | - |
| ERRP to be used to reduce future retiree premiums | (596) | 657 |
| Benefits paid | <u>(3,941)</u> | <u>(4,268)</u> |
| Net benefit obligation at end of year | \$ 121,015 | \$ 107,539 |
| Benefit obligation for nonvested employees at end of year | <u>(35,751)</u> | <u>(32,115)</u> |
| Benefit obligation for vested employees at end of year | <u>\$ 85,264</u> | <u>\$ 75,424</u> |
| Change in Plan Assets: | | |
| Fair value of plan assets at beginning of year | \$ - | \$ - |
| Plan participants' contributions (expected) | 1,576 | 2,020 |
| Employer contributions | 2,365 | 2,247 |
| Federal subsidy on benefits paid | 142 | 569 |
| Benefits paid | <u>(4,083)</u> | <u>(4,835)</u> |
| Fair value of plan assets at beginning of year | <u>\$ -</u> | <u>\$ -</u> |
| Funded Status: | | |
| Funded status at end of year | \$ (85,264) | \$ (75,424) |
| Unrecognized net actuarial loss/(gain) | (7,000) | (7,769) |
| Unrecognized prior service cost/(benefit) | <u>(4,348)</u> | <u>(4,680)</u> |
| Net amount recognized at end of year | <u>\$ (96,612)</u> | <u>\$ (87,873)</u> |

NOTES TO FINANCIAL STATEMENTS

The Farmers P&C Companies' total benefit obligation for vested employees at the end of 2012 and 2011 was \$85.3 million and \$75.4 million, respectively. The Company's share of this postretirement benefit obligation was \$0.9 million and \$0.7 million at December 31, 2012 and 2011, respectively. The total funded status for the Farmers P&C Companies was \$96.6 million and \$87.9 million, respectively. The Company's share was \$1.0 million and \$0.9 million at December 31, 2012 and 2011, respectively.

Components of the net periodic benefit cost recognized by the Farmers P&C Companies for the years ended December 31 are as follows (in thousands):

| | 2012 | 2011 |
|--|------------------|-----------------|
| Service cost | \$ 9,297 | \$ 7,052 |
| Interest cost | 3,354 | 3,437 |
| Net amortization of Prior Service Cost | (333) | (332) |
| Actuarial gain | <u>(619)</u> | <u>(653)</u> |
| Net periodic benefit cost | <u>\$ 11,699</u> | <u>\$ 9,504</u> |

The Company's share of the net periodic benefit cost recognized by the Farmers P&C Companies was \$0.1 million in 2012 and \$0.1 million in 2011.

The weighted average assumed discount rate used in the above benefit computations was 3.60% in 2012 and 4.20% in 2011. There was no weighted average rate of increase in future compensation levels in both 2012 and 2011 due to change in underlying plan.

The health care cost trend rate for participants retired before January 1, 1991 was 8% during 2012, graded down to 5% in 2020 by 0.4% per year.

A 1.00% increase or decrease in the assumed health care cost trend rate would have resulted in the following (in thousands):

| | 1 % Increase | 1 % Decrease |
|--|-----------------|-----------------|
| Effect on 2012 service and interest components of net periodic postretirement healthcare benefit costs | \$ 10 | \$ (8) |
| Effect on accumulated postretirement benefit obligation for health care benefits at December, 31, 2012 | \$ 305 | \$ (274) |

Compensated Absences

The Company does not accrue for compensated absences due to immateriality.

F. Impact of Medicare Modernization Act on Postretirement Benefits

Not applicable.

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

(1-5) The Company had 10,000 shares of \$100 par value common stock authorized, and 10,000 shares issued and outstanding at December 31, 2012 and 2011.

(6) No restrictions have been placed on unassigned funds.

(7) The Company does not have advances to surplus.

(8) The Company does not hold stock for special purposes.

(9) The Company does not have any special surplus funds balances.

(10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and (losses) were \$(19.0) thousand and \$(135.7) thousand at December 31, 2012 and 2011, respectively.

NOTES TO FINANCIAL STATEMENTS

(11) The Company has not issued any surplus notes.

(12-13) The Company has not undergone any quasi-reorganizations.

14. CONTINGENCIES

A. Contingent Commitments

Not applicable.

B. Assessments

(1) The Company receives periodic assessments from certain states to reimburse policyholders and claimants of insolvent carriers. Depending on the guidelines established by each state, these assessments are expensed, recouped from policyholders, or utilized as credits against premium taxes. Premium tax credits are realized between 3 to 10 years depending on the guidelines established by each state.

The Company had no material guaranty fund assessment accrued in 2012 and 2011.

(2) Not applicable.

C. Gain Contingencies

None.

D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Law Suits

The Company paid the following amounts during 2012 to settle claims related extra contractual obligations or bad faith claims stemming from lawsuits:

| | Direct |
|--|-----------|
| Claims related ECO and bad faith losses paid | \$125,352 |

Number of claims where amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits during 2012:

| (a) | (b) | (c) | (d) | (e) |
|-------------|--------------|---------------|----------------|----------------------|
| 0-25 Claims | 26-50 Claims | 51-100 Claims | 101-500 Claims | More than 500 Claims |
| X | | | | |

Indicate whether claim count information is disclosed per claim or per claimant.

(f) Per Claim [X]

(g) Per Claimant []

E. Product Warranties

None.

F. All Other Contingencies

Litigation

Certain of the Farmers P&C Companies are defendants in certain lawsuits arising in the normal course of business, which are in various stages of development. Some of these matters seek punitive as well as compensatory damages. While it is not possible to predict the outcome of these matters with certainty, management believes that their ultimate disposition will not have a material effect on the Company's financial position or results of operations. In addition, certain of the Farmers P&C Companies are, from time to time, involved as parties in various governmental and administrative proceedings.

NOTES TO FINANCIAL STATEMENTS

California Earthquake Authority

On December 1, 1996, Fire became a participant in the California Earthquake Authority ("CEA") on behalf of the Farmers P&C Companies. The CEA was established by the California Legislature to provide earthquake insurance to the owners of residential property in the state of California. Insurers who elect to participate in the program are liable for twelve years, for a portion of aggregate losses up to \$2.4 billion, contingent on losses exceeding a specified limit. Effective February 23, 2012, the latest date for which information was available, the Farmers P&C Companies' residential earthquake insurance market share was 12.73%, and its respective share of this contingent liability was \$262.0 million at December 31, 2012. In the case of a triggering event, and based on its intercompany reinsurance participation of 1.00%, the Company's share of this contingent liability before external reinsurance would be \$2.6 million. As of December 31, 2012, a triggering event has not occurred, and, therefore, no provision has been made in the accompanying financial statements for any liability or loss that may result from a catastrophic earthquake event.

Revolving Credit Agreement

On September 27, 2006, FGI entered into a revolving credit agreement with certain financial institutions. Under this agreement, FGI an aggregate borrowing capacity of \$250 million of the \$3.0 billion total borrowing capacity in the credit agreement. The proceeds of the facility were available to FGI for general corporate purposes, including loans to the Farmers P&C Companies. The \$3.0 billion revolving credit facility matured on September 30, 2011. On October 31, 2011, FGI entered into a new revolving credit agreement with certain financial institutions. Under this agreement, FGI has an aggregate borrowing capacity of EUR 200.0 million of the EUR 2.5 billion total borrowing capacity in the credit agreement. The proceeds of the facility are available to FGI for general corporate purposes. FGI has not borrowed against the current or prior lines of credit on behalf of the Farmers P&C Companies, and had no outstanding borrowings under either agreement as of December 31, 2012 and 2011. The Company's share of fees paid by the Farmers P&C Companies in 2012 and 2011 for the right to access these facilities was \$2,663 and \$1,156, respectively.

On December 4, 2012, FGI terminated its participation in a EUR 2.5 billion revolving credit agreement.

15. LEASES

A. Lessee Operating Leases

Not applicable.

B. Lessor Leases

Not applicable.

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

Not applicable.

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

A. Transfers of Receivables Reported as Sales

Not applicable.

B. Transfer and Servicing of Financial Assets

Not applicable.

C. Wash Sales

The Company had no wash sale transactions in the periods presented that require disclosure.

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

A. ASO Plans

Not applicable.

B. ASC Plans

Not applicable.

C. Medicare or Similarly Structured Cost Based Reimbursement Contract

Not applicable.

NOTES TO FINANCIAL STATEMENTS

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

Not applicable.

20. FAIR VALUE MEASUREMENTS

A. Inputs Used For Assets Measured At Fair Value

1. Fair Value Measurements by Levels 1, 2 and 3

The Company has categorized its assets that are measured at fair value into the three-level fair value hierarchy as reflected in the table below. (in thousands)

Level 1 - are liquid investments traded in active markets and valued based on unadjusted quoted prices. Assets in this category are preferred and common stock securities.

Level 2 - The securities that fall into this category are bonds, preferred stocks, common stocks and call options which are not exchange traded. These securities are valued based upon models with observable inputs - for example market interest rates, credit spreads etc. They may have been determined by independent pricing services using observable inputs.

NOTES TO FINANCIAL STATEMENTS

Level 3 - are investments valued based upon models with "significant" non-observable inputs (assumptions). Such assumptions can be about loss severities, prepayment speed, interest rate volatilities, earnings forecast, comparables sales etc.

| (1) Description for each class of asset or liability | (2) Level 1 | (3) Level 2 | (4) Level 3 | (5) Total |
|---|----------------|----------------|----------------|---------------|
| a. Assets at Fair Value | | | | |
| Perpetual Preferred stock | | | | |
| Industrial and Misc | - | - | - | - |
| Parent, Subsidiaries and Affiliates | - | - | - | - |
| Total Perpetual Preferred Stocks | \$ - | \$ - | \$ - | \$ - |
| Bonds | | | | |
| U.S. Governments | - | - | - | - |
| Industrial and Misc | - | - | 154 | 154 |
| Hybrid Securities | - | - | - | - |
| Parent, Subsidiaries and Affiliates | - | - | - | - |
| Total Bonds | \$ - | \$ - | \$ 154 | \$ 154 |
| Common Stock | | | | |
| Industrial and Misc | - | - | - | - |
| Parent, Subsidiaries and Affiliates | - | - | - | - |
| Total Common Stocks | \$ - | \$ - | \$ - | \$ - |
| Real Estate Joint Venture Interest - Unaff | - | - | - | - |
| Other Joint-Venture Interest - Unaff. | - | - | - | - |
| Total Assets at Fair Value | \$ - | \$ - | \$ 154 | \$ 154 |

2. Rollforward of Level 3 (in thousands)

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (12) |
|---|------------------------|------------------------------|--------------------------------|--|---|-------------|-------------|----------------|-----------------|------------------------|
| | Balance at 01/01/12 | Transfers into Level 3 | Transfers out of Level 3 | Total Gains / (Losses) included in Net Income | Total Gains / (Losses) included in Surplus | Purchases | Issuances | Sales | Settlements | Balance at 12/31/12 |
| Residential mortgage backed securities | \$ 246 | \$ 151 | \$ - | \$ (7) | \$ 33 | \$ - | \$ - | \$ (24) | (246) | \$ 153 |
| Commercial mortgage backed securities | - | - | - | - | - | - | - | - | - | - |
| Asset backed securities | - | - | - | - | - | - | - | - | - | - |
| Other Bonds | - | - | - | - | - | - | - | - | - | - |
| Preferred Stock | - | - | - | - | - | - | - | - | - | - |
| Common Stock | - | - | - | - | - | - | - | - | - | - |
| Real estate joint venture interest - Unaff. | - | - | - | - | - | - | - | - | - | - |
| Other joint-venture interest - Unaff. | - | - | - | - | - | - | - | - | - | - |
| Total | \$ 246 | \$ 151 | \$ - | \$ (7) | \$ 33 | \$ - | \$ - | \$ (24) | \$ (246) | \$ 153 |

3. Policy on Transfers In and Out of Level 3

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an investment to be transferred in or out of Level 3.

4. Inputs and Techniques Used for Level 2 and Level 3 Fair Values

Bonds carried at fair value categorized as Level 2 were valued using a market approach. These valuations were determined to be Level 2 valuations as quoted markets prices for similar instruments in an active market were utilized. This was accomplished by the use of matrix pricing. Matrix pricing takes quoted prices of bonds with similar features that are inputs into the analysis included duration, credit quality, tax status and call and sinking fund features.

Bonds and/or Common stocks carried at fair value categorized as Level 3 were valued using unobservable inputs. These unobservable inputs reflect our own assumptions about the criteria that market participants would use in pricing these assets (including assumptions about risk). These assumptions were based on the best information available in the circumstances.

NOTES TO FINANCIAL STATEMENTS

5. Derivative Fair Values None.

B. Other Fair Value Disclosures

None.

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

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

| | (1) | (2) | (3) | (4) | (5) | (6) |
|---------------------------------------|------------|----------------|-----------|------------|---------|--|
| Type of Financial Instrument | Fair Value | Admitted Value | Level 1 | Level 2 | Level 3 | Not Practicable (Carrying Value) |
| Bonds | \$ 219,398 | \$ 208,533 | \$ 95,650 | \$ 123,123 | \$ 624 | \$ - |
| Cash, Cash Equivalents and Short-Term | \$ 2,219 | \$ 2,219 | \$ 2,219 | \$ - | \$ - | \$ - |
| | | | | | | |
| Total Assets | \$ 221,617 | \$ 210,752 | \$ 97,869 | \$ 123,123 | \$ 624 | \$ - |

D. Reasons Not Practical to Estimate Fair Values

None.

21. OTHER ITEMS

A. Extraordinary Items

None.

B. Troubled Debt Restructuring: Debtors

Not applicable.

C. Other Disclosures

Securities on Deposit

Investments with a carrying value of \$0.6 million and \$0.6 million at December 31, 2012 and 2011, respectively, were on deposit with regulatory authorities as required by law.

Auto Physical Damage Quota Share Agreement

Effective January 1, 2004, Farmers Reinsurance Company ("Farmers Re") assumes annually \$200.0 million and Zurich Insurance Company ("Zurich") assumes \$800.0 million of gross written premiums under an Auto Physical Damage ("APD") Quota Share reinsurance agreement with the Farmers P&C Companies. In addition, Farmers Re and Zurich assume a quota share percentage of ultimate net losses sustained by the Farmers P&C Companies in their APD lines of business. The agreement, which can be terminated after 30 days' notice by any of the parties, also provides for the Farmers P&C Companies to receive a ceding commission of 18.0% of premiums, with additional experience commissions that depend on loss experience. This experience commission arrangement limits Farmers Re and Zurich's potential underwriting gain on the assumed business to 2.5% of premiums assumed. The APD agreement was initially entered into on April 1, 2001, which replaced a January 1, 1998 reinsurance agreement.

The following are the significant changes to the 2004 APD agreement:

Effective January 1, 2006, the Farmers P&C Companies modified the terms of the APD agreement with Farmers Re and Zurich. The new agreement provides for annual ceded premiums of \$1.0 billion of gross written premiums with 20.0% assumed by Farmers Re and 80.0% assumed by Zurich, a 25.8% ceding commission for acquisition expenses, and an 8.2% ceding commission for unallocated loss adjustment expense. The agreement also includes provisions for additional experience commissions that will depend on loss experience and recoveries below a specified ratio for each year. This experience commission arrangement limits Farmers Re and Zurich's potential underwriting gain on the assumed business to 2.0% of premiums assumed plus 20.0% of the underwriting gain resulting from a combined ratio under 98.0%. The APD agreement, can be cancelled after 90 days notice by any of the parties.

Effective, January 1, 2012, the APD agreement was replaced with a new APD treaty with substantially the same terms as the prior agreement but with the ceding commission for acquisition expenses ranging between 27.1% and 29.1% and the ceding commission for unallocated loss adjustment expenses ranging between 8.0% and 10.0%, both based on a previous five-year average experience. In addition, the experience commission was eliminated.

The Company's share of ceded premiums was \$10.0 million and \$10.0 million for December 31, 2012 and 2011, respectively. Ceded incurred losses and loss adjustment expenses totaled \$7.2 million and \$7.1 million for the years ended December 31, 2012 and 2011, respectively. The Company's share of the total experience commission income was \$2.9 million and \$2.7 million for the years ended December 31, 2012 and 2011, respectively.

NOTES TO FINANCIAL STATEMENTS

All Lines Quota Share Reinsurance Agreement

Effective December 31, 2002, certain of the Farmers P&C Companies began participating in a 10.0% All Lines Quota Share reinsurance agreement (“All Lines agreement”) with Farmers Re and Zurich which has been amended over the years. The All Lines agreement provided for a cession of a quota share of the premiums written and the ultimate net losses sustained in all lines of business written by Farmers P&C Companies after the APD agreement has been applied. Loss recoveries are subjected to a maximum ratio. In addition, under this treaty the Farmers P&C Companies’ catastrophe losses are subject to a maximum of \$800.0 million. The All Lines agreement also provided for the Farmers P&C Companies to receive a provisional ceding commission of 22.0% of premiums for acquisition expenses which are recognized as ceded premiums are written, and 8.8% of premiums for unallocated loss adjustment expenses and 5.3% of premiums for other expenses which are both recognized as premiums are earned, with additional experience commissions potentially payable depending on loss experience.

The following are the significant changes to the 2002 All Lines agreement:

Effective December 31, 2004, the 10.0% All Lines agreement was amended and the quota share participation was increased by 2.0% to 12.0%;

Effective December 31, 2005, the quota share participation was decreased from 12.0% to 6.0%;

Effective December 31, 2007, the quota share participation was further reduced by 1.0 % to 5.0%. In addition, under this treaty the Farmers P&C Companies' catastrophe losses were changed from \$800.0 million to a maximum of \$1.0 billion;

Effective September 30, 2008, the quota share was modified and the participation was increased from 5.0% to 25.0%. In addition to this change, the ceding commission for acquisition expenses was increased from 22.0% to 25.0%.

Effective June 30, 2009, the All Lines agreement was amended and the quota share participation was increased by 12.5% to 37.5%.

Effective December 31, 2009, the All Lines agreement was modified and the participation ratio was decreased by 2.5% to 35.0%. In addition to this change, the provisional ceding commission for acquisition expenses was increased from 25.0% to 25.7%, and the ceding commission for unallocated loss adjustment expense increased from 8.8% to 9.0%. The ceding commission for other expenses remained at 5.3%.

Effective June 30, 2010, the All Lines agreement was amended and the quota share participation was decreased by 10.0% to 25.0%.

Effective December 31, 2010, the All Lines Quota Share reinsurance agreement was modified and the participation ratio was decreased by 13.0% to 12.0%. In addition to this change, the provisional ceding commissions for acquisition expenses increased by 1.0% from 25.7% to 26.7%, while the Farmers P&C Companies' catastrophe losses were changed from \$1.0 billion to a maximum of \$1.2 billion. The unallocated loss adjustment expense and other expenses remained unchanged at 9.0% and 5.3%, respectively.

Effective December 31, 2011, the All Lines agreement was amended subsequent to which Farmers Re and Zurich entered into a 20.0% All Lines agreement, under which each assumes a percentage of all lines of business written by the Farmers P&C Companies, prospectively. Under the All Lines agreement, which amended the 12.0% All Lines agreement in effect since December 31, 2010, Farmers Re and Zurich assume a 4.0% and 16.0% respective quota share of the premiums written and the ultimate net losses sustained in all lines of business written by the Farmers P&C Companies after the APD agreement has been applied. In addition, under the All Lines agreement, the Farmers P&C Companies catastrophe losses are subject to a maximum of \$1.2 billion. As a result, Farmers Re and Zurich are subject to a maximum annual catastrophe loss of \$48.0 million and \$192.0 million, respectively. The All Lines agreement, which can be terminated after 90 days notice by any of the parties, also provides for the Farmers P&C Companies to receive a provisional ceding commission of 26.7% of premiums for acquisition expenses, 9.0% of premiums for unallocated loss adjustment expense and 5.3% of premiums for other expenses. Unearned premiums totaling \$527.2 million were transferred from the Farmers P&C Companies to Farmers Re and Zurich as a result of their increased participation in the All Lines agreement through December 31, 2011. In addition, Farmers Re and Zurich remitted \$140.8 million of reinsurance commissions to the Farmers P&C Companies for acquisition expenses due to the increased participation in the All Lines agreement. FIE’s share of the unearned premiums transferred and reinsurance commission was \$272.8 million and \$72.8 million, respectively.

NOTES TO FINANCIAL STATEMENTS

Effective December 31, 2012, the All Lines agreement was amended and Swiss Reinsurance America Corporation (“Swiss Re”) was added as a participant to the treaty, prospectively. Under the terms of this amended agreement, Farmers Re, ZIC and Swiss Re assume a 2.5%, 16.0%, and 1.5% respective quota share of the premiums written and the ultimate net losses sustained in all lines of business written by the Farmers P&C Companies after the APD agreement has been applied. Unearned premiums totaling \$102.0 million were transferred from Farmers Re to the Farmers P&C Companies as a result of its decreased participation in the All Lines agreement effective December 31, 2012. In addition, Farmers P&C Companies remitted \$27.0 million of reinsurance commissions to Farmers Re for acquisition expenses due to the decreased participation in the All Lines agreement. Effective simultaneously with the reduction of Farmers Re’s quota share participation, the Farmers P&C Companies in turn transferred unearned premiums totaling \$102.0 million to Swiss Re as a result of its participation in the agreement. In addition, Swiss Re remitted \$27.0 million to the Farmers P&C Companies as a result of the change in the All lines quota share agreement effective December 31, 2012.

Based on the results for 2012 and 2011, the Company's share of recoveries were \$24.7million and \$14.0 million, respectively. For the years ended December 31, 2012 and 2011, the Company's share of ceded premiums earned were \$34.2 million and \$19.8 million, respectively. The Company's share of ceding commissions was \$11.1 million and \$8.2 million for the years ended December 31, 2012 and 2011, respectively.

Texas Attorney General Premium Litigation

On August 5, 2002, the Texas Attorney General and Texas Department of Insurance (“TDI”) initiated a legal action against FIE, Fire and certain of their affiliates, which alleged certain improprieties in the pricing of a portion of their homeowners insurance policies written in the state of Texas. On December 18, 2002, the parties executed a Settlement Agreement, which, when approved by the court, will provide for certain rate reductions and refunds to Texas policyholders. No fines or penalties are included, and there is no admission of wrongdoing. The settlement also allows FIE and Fire, which had previously sent notices terminating all of their homeowner policies, to continue operating in the homeowner’s insurance market in Texas. The timetable for final court approval of the settlement is unclear. Certain additional parties intervened in the approval process, objecting to the settlement. The settlement did receive preliminary approval from the trial court, but the interveners sought and obtained a ruling from the Court of Appeals on January 21, 2005 that the settlement could not proceed as a class action settlement because the Attorney General did not have authority to settle the case in that manner. The Texas Supreme Court accepted review of this matter and held on April 27, 2007 that the Attorney General did have the necessary authority to settle the case as a class action. The matter was remanded to the Court of Appeals, which affirmed the certification of the settlement class and has remanded the matter to the trial court for final determination of the fairness of the settlement. It is expected that a further preliminary approval hearing, and final approval hearing, will take place before the trial court in 2013. Management has established a reserve based on applicable accounting procedures.

Prematic Service Company Billing Cases

FIE and FGI are defendants in a class action lawsuit in California regarding the installment service fees billed to customers of Prematic Service Corporation. This matter has been tentatively settled within the provision which was established based upon applicable accounting procedures.

Similar cases were filed against affiliates of FIE in New Mexico which resulted in summary judgments in favor of plaintiffs, after which defendants appealed. The appellate court reversed the trial court judgments, and ordered the plaintiff cases to be dismissed in favor of defendants. Plaintiffs sought further review by the New Mexico Supreme Court, which requests were denied. Plaintiffs have moved the New Mexico Supreme Court to reconsider. The New Mexico Supreme Court subsequently denied plaintiffs requests for reconsideration. As a result, these cases are concluded in favor of defendants.

FCRA Adverse Action Notice Cases

Farmers Insurance Exchange and other Farmers insuring entities are involved in multi district litigation pending in the United States District Court in Oklahoma. Plaintiffs in the litigation allege that certain prior notices sent by the defendants did not comply with requirements of the Fair Credit Reporting Act (FCRA). Plaintiffs allege a willful violation of the FCRA and seek statutory damages of \$100 to \$1,000 per violation. (A similar case that was pending in Oregon District Court was previously tried to a defense verdict.) This matter was settled in 2011 within the reserve previously established for this case.

NOTES TO FINANCIAL STATEMENTS

Medical Payment Reimbursement Case

Truck Insurance Exchange, Mid-Century Insurance Company and Farmers Insurance Company of Oregon are defendants in an Oregon class action lawsuit seeking damages for alleged improper adjustment of medical reimbursement claims under automobile med pay coverage. The case went to trial in late 2003, resulting in a judgment against defendants. The judgment was appealed by defendants to the Oregon Court of Appeals. The Court of Appeal affirmed a portion of the judgment, but ruled that the punitive damage portion of the judgment was in error, and reduced it. Both parties appealed to the Oregon Supreme Court. The Oregon Supreme Court reversed the Court of Appeal, and reinstated the entire judgment amount. Defendants filed a petition seeking review by the U.S. Supreme Court, which was denied. Management had established a provision based on applicable accounting procedures. The judgement amount owing has been paid, with the exception of some continued disputed attorneys fees, which are still being litigated.

Uninsured and Underinsured Election Forms

Farmers Insurance Company of Arizona is a defendant in a putative class action filed in New Mexico. Plaintiffs allege that UM/UIM rejection and election forms used in New Mexico do not comply with New Mexico law. Plaintiffs seek unspecified damages, or otherwise seek to require defendant to reopen and readjust the claims of the plaintiff class members. No class has been certified in the case to date, and the case remains in a pretrial phase. Management has established a provision based on applicable accounting procedures.

Fogel vs Farmers Group, Inc (“Fogel Case”)

Zurich Insurance Group Ltd (formerly Zurich Financial Services Ltd) was a defendant in a putative class action in California state court captioned Benjamin Fogel v. Farmers Group, Inc. (Fogel Case). The case, originally filed in August 2003, was brought on behalf of a putative class of all policyholders of the Farmers Exchanges from 1999 to the present. The plaintiff alleged that Farmers Group, Inc. and certain of its affiliates (Farmers), which acted as the attorneys-in-fact for policyholders of the Farmers Exchanges, had collected excessive and unreasonable management fees. The complaint sought, amongst other things, disgorgement, as well as damages and injunctive relief. In February 2005, the trial court granted Farmers’ motion for summary judgment, and the plaintiff appealed. In 2008, a California appellate court reversed the trial court’s ruling and reinstated the litigation. On September 9, 2009, the plaintiff filed a motion seeking to certify a nationwide class of all policyholders of the Farmers Exchanges since August 1, 1999. On October 7, 2010, the Group announced that it had agreed in principle to a proposed nationwide settlement of the Fogel Case. Under the terms of the proposed settlement, a sum of \$455.0 million was made available to approximately 12.5 million policyholders who may qualify for a distribution under the settlement, with any residual amount going to the Farmers Exchanges. The Group would also pay attorneys’ fees to class action counsel of up to USD 90.0 million, as well as the costs of administering the settlement. On December 12, 2010, the parties executed the settlement agreement. On January 12, 2011, the parties filed a motion seeking preliminary court approval of the proposed settlement. On February 3, 2011, the court granted a motion to intervene by a class member who objected to certain aspects of the proposed settlement. The hearing on the motion for preliminary approval was held on March 2, 2011, and the court granted the motion. Notices were mailed and published to class members and a number of objections and opt-out requests were submitted. On October 31, 2011, the court granted a motion by the State of Montana to intervene so it could object to certain aspects of the proposed settlement. On December 21, 2011, the court granted final approval of the settlement, and it reduced the total award of attorneys’ fees, expenses, and incentive awards to approximately \$74.0 million (instead of \$90.0 million). Five notices of appeal were filed, including one by Intervener State of Montana, and the appeal period expired. All appeals were subsequently abandoned in September 2012. The settlement is now final, and the Fogel case has ended.

The residual amount due the Exchanges as a result of this settlement after taxes is approximately \$191.0 million. After giving effect to the intercompany reinsurance pooling program, FIE’s share of this settlement was \$98.8 million and is reflected in the accompanying financial statements.

Property Payment Reimbursement Case

Farmers Insurance Exchange is a defendant in a pending class action lawsuit seeking damages for alleged improper adjustment of property claims. Management has established a provision based on applicable accounting procedures.

Farmers Agency Force Deferred Compensation Plan

On June 1, 2004, FIE and certain of the Farmers P&C Companies implemented a tax-deferred savings plan for their agents and district managers which allowed eligible participants to defer up to 50% of their auto new commissions into a deferred compensation program. To be eligible to participate in the plan, a full-time agent must have completed six months of service and qualifying participants are vested 100% on their accrued benefit at all times. This Plan is not subject to ERISA and is not intended to be a qualified plan.

The program is administered by TBG Financial, a third party administrator, and the maximum qualifying deferred amount allowed in any plan year per each participating Sponsor is \$5.0 million. Fund balances are monitored monthly and investment earnings in the deferred compensation liability account are credited (or debited) to the account balances. The investment earnings in the deferred compensation liability account were \$47,000 and \$(18,000) at December 31, 2012 and 2011, respectively.

NOTES TO FINANCIAL STATEMENTS

Business Owned Life Insurance

In conjunction with the Farmers Agency Force Deferred Compensation Plan, FIE and certain of the Farmers P&C Companies purchased a Variable Group Life insurance policy for certain employees, with FIE named as beneficiary. The policy provides a life insurance benefit of \$50,000 at no cost to those qualifying officers and employees who voluntarily chose to become insured. There are no cash surrender values for the participating employees. The cash surrender value of the policy was reported as an asset on the balance sheet of FIE. At December 31, 2012, the investment earnings and insurance expenses were \$42,000 and \$4,000, respectively. At December 31, 2011, the investment losses and insurance expenses were \$12,000 and \$4,000, respectively.

There are no policyholders' funds allocated to the premiums of this group insurance policy.

Additional Schedule P Data

The following summary, as reported in columns 13 through 24 in the Company's 2012 Schedule P- Part I, presents net unpaid losses, defense and cost containment expense ("DCC") and adjusting and other expense ("AO") reserves for accident years 2002, 2001, 2000, 1999, 1998 and 1997 and prior for each line of business reported (in thousands):

| Schedule P Part 1 - Summary | | | | | | |
|-----------------------------|-------------------|-----------------|----------------|----------------|---------------|---|
| Accident Year | Net Losses Unpaid | | Net DCC Unpaid | | AO Unpaid | Total Net Losses, DCC & AO Unpaid |
| | Case | Bulk & IBNR | Case | Bulk & IBNR | | |
| 1997 & prior | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 1998 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 0 |
| 1999 | \$ 186 | \$ 273 | \$ 3 | \$ 58 | \$ 40 | 560 |
| 2000 | \$ 181 | \$ 316 | \$ 5 | \$ 67 | \$ 41 | 610 |
| 2001 | \$ 238 | \$ 332 | \$ 8 | \$ 64 | \$ 52 | 696 |
| 2002 | \$ 144 | \$ 337 | \$ 5 | \$ 79 | \$ 39 | <u>604</u> |
| Total | <u>\$ 749</u> | <u>\$ 1,259</u> | <u>\$ 21</u> | <u>\$ 269</u> | <u>\$ 172</u> | <u>\$ 2,469</u> |

| Schedule P Part 1A - Homeowners/Farmowners | | | | | | |
|--|-------------------|----------------|----------------|----------------|--------------|---|
| Accident Year | Net Losses Unpaid | | Net DCC Unpaid | | AO Unpaid | Total Net Losses, DCC & AO Unpaid |
| | Case | Bulk & IBNR | Case | Bulk & IBNR | | |
| 1997 & prior | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 1998 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| 1999 | \$ 5 | \$ 0 | \$ 0 | \$ 9 | \$ 0 | 14 |
| 2000 | \$ 7 | \$ 0 | \$ 0 | \$ (0) | \$ 0 | 8 |
| 2001 | \$ 13 | \$ (4) | \$ 0 | \$ (0) | \$ 0 | 10 |
| 2002 | \$ 11 | \$ 7 | \$ (0) | \$ 1 | \$ 1 | <u>20</u> |
| Total | <u>\$ 36</u> | <u>\$ 4</u> | <u>\$ (0)</u> | <u>\$ 9</u> | <u>\$ 2</u> | <u>\$ 51</u> |

NOTES TO FINANCIAL STATEMENTS

| Schedule P Part 1B - Private Passenger Auto Liability/Medical | | | | | | |
|---|-------------------|--------------|----------------|----------------|-------------|-----------------------------------|
| Accident Year | Net Losses Unpaid | | Net DCC Unpaid | | AO Unpaid | Total Net Losses, DCC & AO Unpaid |
| | Case | Bulk & IBNR | Case | Bulk & IBNR | | |
| 1997 & prior | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 1998 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 0 |
| 1999 | \$ (14) | \$ 11 | \$ 0 | \$ (14) | \$ 2 | (15) |
| 2000 | \$ (36) | \$ 18 | \$ 0 | \$ (8) | \$ 2 | (24) |
| 2001 | \$ (152) | \$ (13) | \$ 0 | \$ (22) | \$ 2 | (184) |
| 2002 | \$ (49) | \$ (5) | \$ 0 | \$ (8) | \$ 3 | <u>(60)</u> |
| Total | <u>\$ (251)</u> | <u>\$ 11</u> | <u>\$</u> | <u>\$ (52)</u> | <u>\$ 9</u> | <u>\$ (282)</u> |

| Schedule P Part 1C - Commercial Auto/Truck Liability/Medical | | | | | | |
|--|-------------------|-------------|----------------|-------------|-------------|-----------------------------------|
| Accident Year | Net Losses Unpaid | | Net DCC Unpaid | | AO Unpaid | Total Net Losses, DCC & AO Unpaid |
| | Case | Bulk & IBNR | Case | Bulk & IBNR | | |
| 1997 & prior | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 1998 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 0 |
| 1999 | \$ 0 | \$ 1 | \$ 0 | \$ 1 | \$ 0 | 2 |
| 2000 | \$ 0 | \$ 1 | \$ 0 | \$ 2 | \$ 0 | 3 |
| 2001 | \$ 1 | \$ 1 | \$ 2 | \$ 2 | \$ 0 | 6 |
| 2002 | \$ 1 | \$ 2 | \$ 0 | \$ 0 | \$ 0 | <u>5</u> |
| Total | <u>\$ 3</u> | <u>\$ 5</u> | <u>\$ 3</u> | <u>\$ 5</u> | <u>\$ 1</u> | <u>\$ 16</u> |

| Schedule P Part 1D - Workers' Compensation | | | | | | |
|--|-------------------|---------------|----------------|--------------|---------------|-----------------------------------|
| Accident Year | Net Losses Unpaid | | Net DCC Unpaid | | AO Unpaid | Total Net Losses, DCC & AO Unpaid |
| | Case | Bulk & IBNR | Case | Bulk & IBNR | | |
| 1997 & prior | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 1998 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 0 |
| 1999 | \$ 167 | \$ 175 | \$ 1 | \$ 17 | \$ 26 | 386 |
| 2000 | \$ 152 | \$ 248 | \$ 2 | \$ 21 | \$ 30 | 453 |
| 2001 | \$ 189 | \$ 261 | \$ 3 | \$ 23 | \$ 35 | 513 |
| 2002 | \$ 102 | \$ 213 | \$ 1 | \$ 20 | \$ 26 | <u>361</u> |
| Total | <u>\$ 610</u> | <u>\$ 897</u> | <u>\$ 8</u> | <u>\$ 81</u> | <u>\$ 117</u> | <u>\$ 1,713</u> |

NOTES TO FINANCIAL STATEMENTS

| Schedule P Part 1E - Commerical Multiple Peril | | | | | | |
|--|-------------------|---------------|----------------|---------------|--------------|-----------------------------------|
| Accident Year | Net Losses Unpaid | | Net DCC Unpaid | | AO Unpaid | Total Net Losses, DCC & AO Unpaid |
| | Case | Bulk & IBNR | Case | Bulk & IBNR | | |
| 1997 & prior | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 1998 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| 1999 | \$ 2 | \$ 29 | \$ 1 | \$ 33 | \$ 8 | 74 |
| 2000 | \$ 1 | \$ 34 | \$ 3 | \$ 37 | \$ 7 | 82 |
| 2001 | \$ 2 | \$ 75 | \$ 2 | \$ 61 | \$ 7 | 146 |
| 2002 | \$ 3 | \$ 43 | \$ 3 | \$ 47 | \$ 6 | <u>101</u> |
| Total | <u>\$ 8</u> | <u>\$ 180</u> | <u>\$ 8</u> | <u>\$ 179</u> | <u>\$ 28</u> | <u>\$ 403</u> |

| Schedule P Part 1F - Section 1 - Medical Malpractice - Occurrence | | | | | | |
|---|-------------------|-------------|----------------|-------------|-------------|-----------------------------------|
| Accident Year | Net Losses Unpaid | | Net DCC Unpaid | | AO Unpaid | Total Net Losses, DCC & AO Unpaid |
| | Case | Bulk & IBNR | Case | Bulk & IBNR | | |
| 1997 & prior | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 1998 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| 1999 | \$ 0 | \$ 2 | \$ 0 | \$ 0 | \$ 0 | 2 |
| 2000 | \$ 13 | \$ 2 | \$ 0 | \$ 0 | \$ 1 | 16 |
| 2001 | \$ 20 | \$ 2 | \$ 1 | \$ 0 | \$ 5 | 28 |
| 2002 | \$ 12 | \$ 4 | \$ 0 | \$ 0 | \$ 1 | <u>17</u> |
| Total | <u>\$ 45</u> | <u>\$ 9</u> | <u>\$ 1</u> | <u>\$ 1</u> | <u>\$ 6</u> | <u>\$ 62</u> |

| Schedule P Part 1F - Section 2 - Medical Malpractice - Claims Made | | | | | | |
|--|-------------------|--------------|----------------|-------------|-------------|-----------------------------------|
| Accident Year | Net Losses Unpaid | | Net DCC Unpaid | | AO Unpaid | Total Net Losses, DCC & AO Unpaid |
| | Case | Bulk & IBNR | Case | Bulk & IBNR | | |
| 1997 & prior | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 1998 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| 1999 | \$ 0 | \$ 50 | \$ 0 | \$ 0 | \$ 3 | 53 |
| 2000 | \$ 0 | \$ 3 | \$ 0 | \$ 0 | \$ 0 | 4 |
| 2001 | \$ 0 | \$ 6 | \$ 0 | \$ 0 | \$ 2 | 9 |
| 2002 | \$ 5 | \$ 36 | \$ 0 | \$ 1 | \$ 2 | <u>45</u> |
| Total | <u>\$ 5</u> | <u>\$ 95</u> | <u>\$ 0</u> | <u>\$ 2</u> | <u>\$ 7</u> | <u>\$ 110</u> |

NOTES TO FINANCIAL STATEMENTS

| Schedule P Part G - Special Liability | | | | | | |
|---------------------------------------|-------------------|--------------|----------------|--------------|---------------|-----------------------------------|
| Accident Year | Net Losses Unpaid | | Net DCC Unpaid | | AO Unpaid | Total Net Losses, DCC & AO Unpaid |
| | Case | Bulk & IBNR | Case | Bulk & IBNR | | |
| 1997 & prior | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 1998 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| 1999 | \$ 13 | \$ 2 | \$ 0 | \$ 3 | \$ (0) | 17 |
| 2000 | \$ 4 | \$ 2 | \$ 0 | \$ 5 | \$ (0) | 11 |
| 2001 | \$ 59 | \$ 14 | \$ 0 | \$ 12 | \$ (0) | 85 |
| 2002 | \$ 53 | \$ 18 | \$ 0 | \$ 14 | \$ (0) | <u>85</u> |
| Total | <u>\$ 129</u> | <u>\$ 35</u> | <u>\$</u> | <u>\$ 34</u> | <u>\$ (0)</u> | <u>\$ 197</u> |

| Schedule P Part 1H - Section 1 - Other Liability | | | | | | |
|--|-------------------|----------------|----------------|----------------|-------------|-----------------------------------|
| Accident Year | Net Losses Unpaid | | Net DCC Unpaid | | AO Unpaid | Total Net Losses, DCC & AO Unpaid |
| | Case | Bulk & IBNR | Case | Bulk & IBNR | | |
| 1997 & prior | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 1998 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| 1999 | \$ (0) | \$ 4 | \$ 0 | \$ 2 | \$ 0 | 6 |
| 2000 | \$ 4 | \$ 3 | \$ 0 | \$ 2 | \$ 0 | 9 |
| 2001 | \$ 1 | \$ (34) | \$ 0 | \$ (25) | \$ 0 | (57) |
| 2002 | \$ 2 | \$ 10 | \$ 0 | \$ 3 | \$ 0 | <u>15</u> |
| Total | <u>\$ 6</u> | <u>\$ (16)</u> | <u>\$ 0</u> | <u>\$ (18)</u> | <u>\$ 2</u> | <u>\$ (27)</u> |

| Schedule P Part II - Special Property | | | | | | |
|---------------------------------------|-------------------|--------------|----------------|--------------|---------------|-----------------------------------|
| Accident Year | Net Losses Unpaid | | Net DCC Unpaid | | AO Unpaid | Total Net Losses, DCC & AO Unpaid |
| | Case | Bulk & IBNR | Case | Bulk & IBNR | | |
| 1997 & prior | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 1998 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| 1999 | \$ 14 | \$ 1 | \$ 0 | \$ 5 | \$ (0) | 20 |
| 2000 | \$ 35 | \$ 5 | \$ 0 | \$ 7 | \$ (0) | 47 |
| 2001 | \$ 104 | \$ 26 | \$ (0) | \$ 12 | \$ (0) | 141 |
| 2002 | \$ 7 | \$ 9 | \$ (0) | \$ 1 | \$ (0) | <u>17</u> |
| Total | <u>\$ 161</u> | <u>\$ 40</u> | <u>\$ 0</u> | <u>\$ 25</u> | <u>\$ (0)</u> | <u>\$ 226</u> |

NOTES TO FINANCIAL STATEMENTS

| Schedule P - Part 1J - Auto Physical Damage | | | | | | |
|---|-------------------|---------------|----------------|-------------|-------------|-----------------------------------|
| Accident Year | Net Losses Unpaid | | Net DCC Unpaid | | AO Unpaid | Total Net Losses, DCC & AO Unpaid |
| | Case | Bulk & IBNR | Case | Bulk & IBNR | | |
| 1997 & prior | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 1998 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| 1999 | \$ (1) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | (0) |
| 2000 | \$ (0) | \$ 0 | \$ (0) | \$ 0 | \$ 0 | (0) |
| 2001 | \$ 0 | \$ (2) | \$ 0 | \$ 0 | \$ 0 | (1) |
| 2002 | \$ (3) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | <u>(3)</u> |
| Total | <u>\$ (4)</u> | <u>\$ (2)</u> | <u>\$ (0)</u> | <u>\$ 1</u> | <u>\$ 0</u> | <u>\$ (5)</u> |

| Schedule P - Part 1K - Section 1 - Fidelity/Surety | | | | | | |
|--|-------------------|-------------|----------------|-------------|-------------|-----------------------------------|
| Accident Year | Net Losses Unpaid | | Net DCC Unpaid | | AO Unpaid | Total Net Losses, DCC & AO Unpaid |
| | Case | Bulk & IBNR | Case | Bulk & IBNR | | |
| 1997 & prior | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 1998 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| 1999 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 0 |
| 2000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 0 |
| 2001 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 0 |
| 2002 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | <u>0</u> |
| Total | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 1</u> |

| Schedule P - Part 1R - Section 1 - Products Liability - Occurrence | | | | | | |
|--|-------------------|-------------|----------------|-------------|-------------|-----------------------------------|
| Accident Year | Net Losses Unpaid | | Net DCC Unpaid | | AO Unpaid | Total Net Losses, DCC & AO Unpaid |
| | Case | Bulk & IBNR | Case | Bulk & IBNR | | |
| 1997 & prior | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 1998 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| 1999 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 1 |
| 2000 | \$ (0) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 1 |
| 2001 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 1 |
| 2002 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | <u>1</u> |
| Total | <u>\$ 0</u> | <u>\$ 1</u> | <u>\$ 0</u> | <u>\$ 1</u> | <u>\$ 0</u> | <u>\$ 3</u> |

D. Uncollected Premium Balances and Amounts Due from Agents and Brokers

At December 31, 2012 and 2011, the Company had premiums receivable of \$27.4 million and \$26.6 million, respectively. The Company routinely assesses the collectability of these receivables.

E. Business Interruption Insurance Recoveries

None.

NOTES TO FINANCIAL STATEMENTS

F. State Transferable and Non-Transferable Tax Credits

None.

G. Subprime Mortgage Related Risk Exposure

(1) Generally, direct and indirect subprime exposures were identified based upon consideration of the following types of features: 1) Interest rate above prime to borrowers that did not qualify for prime rate loans. 2) Borrowers with low credit ratings (FICO scores). 3) Interest only or negative amortizing loans. 4) Unconventionally high initial loan-to-value ratios. 5) Unusually low initial payments based on a fixed introductory rate that expires after a short initial period and then adjusts to an unusually high rate based upon a variable index rate plus a margin. 6) Borrowers with less than conventional documentation of their income and/or net assets. 7) Very high or no limits on how much the payment amount or the interest rate may increase or reset periods. 8) Include substantial prepayment penalties and or prepayment penalties that extend beyond the initial interest rate adjustment.

(2) The Company does not have direct exposure through investments in subprime mortgage loans.

(3) The Company has the following direct exposure through other investments as of December 31, 2012:

| | Actual Cost | Book/Adjusted Carrying Value (excluding interest) | Fair Value | Other Than Temporary Impairment Losses Recognized |
|---|----------------|---|---------------|--|
| a. Residential mortgage backed securities | \$ 763,027 | \$ 761,537 | \$ 813,854 | \$ (352,962) |
| b. Commercial mortgage backed securities | | | | |
| c. Collateralized debt obligations | | | | |
| d. Structured securities | | | | |
| e. Equity investments in SCAs | | | | |
| f. Other assets | | | | |
| g. Total | | | | |

(4) The Company does not have underwriting exposure to subprime mortgage risk through Mortgage Guaranty or Financial Guaranty insurance coverage.

22. EVENTS SUBSEQUENT

Subsequent events have been considered through February 15, 2013 for these statutory financial statements, which were issued on February 15, 2013. There were no events occurring subsequent to the end of the year that merited recognition or disclosure in these statements.

23. REINSURANCE

A. Unsecured Reinsurance Recoverables

The Company had unsecured aggregate recoverables for losses, paid and unpaid including IBNR, loss adjustment expenses and unearned premium with the following reinsurers, authorized or unauthorized, that exceeded 3% of the Company's policyholder surplus at December 31, 2012 (in thousands):

| NAIC Group Code | Federal Identification Number | Reinsurer | 2012 | 2011 |
|-----------------------|-------------------------------------|----------------------------|---------|---------|
| 0212 | 95-2575893 | Farmers Insurance Exchange | 124,547 | 116,060 |

NOTES TO FINANCIAL STATEMENTS

B. Reinsurance Recoverable in Dispute

None.

C. Reinsurance Assumed and Ceded

- (1) The maximum amount of return commission which would have been due reinsurers if they, or the Company, or a receiver, had canceled all insurance assumed as of the end of the periods covered by this annual statement with the return of the unearned premiums is as follows (in thousands):

| 2012 | Assumed Reinsurance | | Ceded Reinsurance | | Net | |
|---------------------------------|---------------------|-------------------|-------------------|-------------------|------------------|-------------------|
| | Premium Reserve | Commission Equity | Premium Reserve | Commission Equity | Premium Reserve | Commission Equity |
| Affiliates | \$ 60,847 | \$ 19,352 | \$ 48,745 | \$ 17,164 | \$ 12,102 | \$ 2,188 |
| All other | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | <u>\$ 60,847</u> | <u>\$ 19,352</u> | <u>\$ 48,745</u> | <u>\$ 17,164</u> | <u>\$ 12,102</u> | <u>\$ 2,188</u> |
| Direct unearned premium reserve | | | <u>\$ 48,745</u> | | | |
| 2011 | Assumed Reinsurance | | Ceded Reinsurance | | Net | |
| | Premium Reserve | Commission Equity | Premium Reserve | Commission Equity | Premium Reserve | Commission Equity |
| Affiliates | \$ 59,023 | \$ 20,580 | \$ 46,635 | \$ 16,489 | \$ 12,388 | \$ 4,090 |
| All other | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | <u>\$ 59,023</u> | <u>\$ 20,580</u> | <u>\$ 46,635</u> | <u>\$ 16,489</u> | <u>\$ 12,388</u> | <u>\$ 4,090</u> |
| Direct unearned premium reserve | | | <u>\$ 46,635</u> | | | |

- (2) The Company has no additional or return commissions, predicated on loss experience or any other form of profit sharing arrangements, in this annual statement as a result of existing contractual arrangements.

- (3) The Company does not have protected cells.

D. Uncollectible Reinsurance

None.

E. Commutation of Ceded Reinsurance

None.

F. Retroactive Reinsurance

None.

G. Reinsurance Accounted for as a Deposit

None.

H. Run-off Agreements

None.

NOTES TO FINANCIAL STATEMENTS

24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

- A. Mid Century Insurance Company ("Mid Century"), one of the Farmers P&C Companies, has one workers' compensation policy with Farmers Group Inc. ("FGI"), which is subject to retrospective rating features. Mid Century estimates the accrued retrospective premium adjustment through the review of the individual retrospectively rated risk and by comparing case basis loss development with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium. The total accrued retrospective premiums receivable was recorded at \$5.2 million and \$1.9 million for the years ended December 31, 2012 and 2011, respectively. The Company's share of the accrued retrospective premiums receivable totaled \$52,000 and \$19,000 for the years ended December 31, 2012 and 2011, respectively. This policy was cancelled effective January 1, 2011 and in run-off.
- B. The Company records accrued retrospective premium as an adjustment to written premium.
- C. The amount of net premiums written subject to retrospective rating features for the years ended December 31, 2012 and 2011 for Mid Century was \$0 million and \$4.7 million, respectively. As of December 31, 2012, the Company's share was \$0, which was 0% of the Farmers P&C Companies' total net workers' compensation premiums written of \$396.7 million. As of December 31, 2011, the Company's share was \$47,000, which was 1.2% of the Company's total net workers' compensation premiums written of \$411.4 million.
- D. The Company had no medical loss ratio rebates at both December 31, 2012 and 2011.
- E. The Company had no non-admitted retrospective premiums at both December 31, 2012 and 2011.

25. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

Reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years have decreased by \$2.3 million as of December 31, 2012, as a result of reestimation of unpaid losses and loss adjustment expenses principally on the homeowners, commercial multiple peril and other liability lines of insurance. This was partially offset by an increase in private passenger auto lines of insurance. This decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased and decreased, as additional information becomes known regarding individual claims.

26. INTERCOMPANY POOLING ARRANGEMENTS

The Company and certain of the Farmers P&C Companies participate in an intercompany reinsurance program (the "Intercompany Program"), with FIE as the lead company, pursuant to which each participant assumes a proportionate share of the Farmers P&C Companies' results from FIE based on their respective participation percentages (see table below). FIE is also a participant in various other reinsurance contracts with affiliates, which occur prior to the Intercompany Program.

First, FIE under 100% quota share reinsurance agreements assumes the business written, net of non-affiliated reinsurance, by all of the Farmers P&C Companies, excluding Farmers Re. Next, FIE under a quota share auto physical damage ("APD") reinsurance agreement cedes APD business to Farmers Re and Zurich (see note 21C). Subsequent to this, FIE cedes 20.0% of all lines of business to Farmers Re and Zurich under the All Lines agreement. Finally, FIE retrocedes the remaining business of the Farmers P&C Companies to the insurers participating in the Intercompany Program according to their respective participation percentages.

NOTES TO FINANCIAL STATEMENTS

The reinsurance participants and their respective participation percentages are as follows:

| NAIC Company Code | Participant | Participation Percentage | |
|-------------------------|---|-----------------------------|--------|
| | | 2012 | 2011 |
| 21652 | Farmers Insurance Exchange | 51.75% | 51.75% |
| 21660 | Fire Insurance Exchange | 7.50% | 7.50% |
| 21687 | Mid-Century Insurance Company | 16.00% | 16.00% |
| 21709 | Truck Insurance Exchange | 7.75% | 7.75% |
| 10806 | Farmers New Century Insurance Company | 0.75% | 0.75% |
| 21695 | Texas Farmers Insurance Company | 1.00% | 1.00% |
| 21679 | Illinois Farmers Insurance Company | 0.75% | 0.75% |
| 21628 | Farmers Insurance Company, Inc. | 0.75% | 0.75% |
| 21601 | Farmers Insurance Company of Idaho | 0.75% | 0.75% |
| 21636 | Farmers Insurance Company of Oregon | 7.00% | 7.00% |
| 21644 | Farmers Insurance Company of Washington | 2.00% | 2.00% |
| 36889 | Farmers Insurance of Columbus, Inc. | 1.00% | 1.00% |
| 10315 | Civic Property and Casualty Company | 1.00% | 1.00% |
| 10318 | Exact Property and Casualty Company | 1.00% | 1.00% |
| 10317 | Neighborhood Spirit Property and Casualty Company | 1.00% | 1.00% |

In addition, there are certain Farmers P&C Companies that cede their business to FIE but do not participate in the Intercompany Program. These companies consist of: Farmers Insurance Company of Arizona, Mid-Century Insurance Company of Texas, and Farmers Texas County Mutual Insurance Company. Others are: Bristol West Casualty Insurance Company, Bristol West Insurance Company, Bristol West Preferred Insurance Company, Coast National Insurance Company, and Security National Insurance Company. The subsidiaries of FIC, Grand Rapids: Foremost Property and Casualty Insurance Company, Farmers Specialty Insurance Company, Foremost Signature Insurance Company; and FIC, Grand Rapids' affiliates: Foremost County Mutual Insurance Company and Foremost Lloyds of Texas cede their business to FIC, Grand Rapids prior to FIC, Grand Rapids' cession to FIE. Finally, the affiliates of 21st Century North America Insurance Company ("21CNAI") cede their business to 21CNAI prior to 21CNAI's cession to FIE and entities involved are: 21st Century Centennial Insurance Company, 21st Century Premier Insurance Company, 21st Century Security Insurance Company, Farmers Insurance Hawaii, Inc., 21st Century Superior Insurance Company, 21st Century Advantage Insurance Company, 21st Century Preferred Insurance Company, 21st Century Pinnacle Insurance Company, 21st Century Indemnity Insurance Company, 21st Century National Insurance Company, 21st Century Auto Insurance Company of New Jersey, American Pacific Insurance Company, Inc., 21st Century Pacific Insurance Company, 21st Century Assurance Company, 21st Century Insurance Company, 21st Century Casualty Company, and 21st Century Insurance Company of the Southwest.

The Company reported \$4.1 million and \$7.0 million at December 31, 2012 and 2011, respectively, as amounts due to affiliates respectively, resulting from its participation in the intercompany reinsurance pooling agreement.

27. STRUCTURED SETTLEMENTS

Not applicable.

28. HEALTH CARE RECEIVABLES

Not applicable.

29. PARTICIPATING POLICIES

Not applicable.

30. PREMIUM DEFICIENCY RESERVES

The Company utilizes anticipated investment income in the calculation of premium deficiency reserves, in accordance with SSAP No. 53, Property-Casualty Contracts - Premiums. The Company evaluates the need for a premium deficiency reserve on a line of business level for all books. The Company evaluated the need to record a premium deficiency reserve as of the end of the current year and determined that no additional reserve was required. This evaluation was completed on February 22, 2013. As of December 31, 2012 and 2011, the Company had not established any premium deficiency reserves based on this calculation.

NOTES TO FINANCIAL STATEMENTS

| | | |
|---|---|-------------------|
| | 2012 | 2011 |
| 1. Liability carried for premium deficiency reserves \$ | \$ <u>0</u> | \$ <u>0</u> |
| 2. Date of the most recent evaluation of this liability | <u>02/22/2013</u> | <u>02/11/2012</u> |
| 3. Was anticipated investment income utilized in the calculation? | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | |

31. HIGH DEDUCTIBLES

Not applicable.

32. DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES OR UNPAID LOSS ADJUSTMENT EXPENSES

Case loss reserves for workers' compensation claims have been discounted on a tabular basis using the National Council on Compensation Insurance Table at 3.5%. The Company's share of the discounted reserves was \$0.1 million and \$0.1 million for years ended December 31, 2012 and 2011, respectively. In 2012 and 2011, the Company did not discount unpaid loss adjustment expenses.

A. Tabular Discount

| Schedule P Lines of Business | 2012 | | 2011 | |
|---|------------------------------|------|------------------------------|------|
| | Tabular Discount Included in | | Tabular Discount Included in | |
| | Schedule P Part 1* | | Schedule P Part 1* | |
| | 1 | 2 | 3 | 4 |
| | Case | IBNR | Case | IBNR |
| 1. Homeowners/Farmowners | | | | |
| 2. Private Passenger Auto Liability/Medical | | | | |
| 3. Commercial Auto/Truck Liability/Medical | | | | |
| 4. Workers' Compensation | \$ 103,148 | | \$ 79,857 | |
| 5. Commercial Multiple Peril | | | | |
| 6. Medical Professional Liability – occurrence | | | | |
| 7. Medical Professional Liability – claims-made | | | | |
| 8. Special Liability | | | | |
| 9. Other Liability – occurrence | | | | |
| 10. Other Liability – claims-made | | | | |
| 11. Special Property | | | | |
| 12. Auto Physical Damage | | | | |
| 13. Fidelity, Surety | | | | |
| 14. Other (including Credit, Accident & Health) | | | | |
| 15. International | | | | |
| 16. Reinsurance Nonproportional Assumed Property | | | | |
| 17. Reinsurance Nonproportional Assumed Liability | | | | |
| 18. Reinsurance Nonproportional Assumed Financial Lines | | | | |
| 19. Products Liability – occurrence | | | | |
| 20. Products Liability – claims-made | | | | |
| 21. Financial Guaranty/Mortgage Guaranty | | | | |
| 22. Warranty | | | | |
| 23. Total | \$ 103,148 | | \$ 79,857 | |

* Must exclude medical loss reserves and all loss adjustment expense reserves.

B. Nontabular Discount

None.

33. ASBESTOS/ENVIRONMENTAL RESERVES

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

The Company has exposure to environmental, asbestos, and other toxic claims that losses arises from the sale of general liability insurance. The Company estimates the full impact of the asbestos exposures by establishing full case reserves on all known losses and computing incurred but not reported ("IBNR") losses based on previous experience.

The Company's asbestos-related losses (including coverage dispute costs) for each of the five most recent years were as follows:

(1) Direct:

NOTES TO FINANCIAL STATEMENTS

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|-------------------|-------------------|------------------|------------------|------------------|
| a. Beginning reserves: | \$ 442,720 | \$ 421,070 | \$ 278,420 | \$ 57,440 | \$ 32,680 |
| b. Incurred losses and loss adjustment expenses: | \$ (18,580) | \$ (143,080) | \$ (219,710) | \$ (24,000) | \$ (5,150) |
| c. Calendar year payments for losses and loss adjustment expenses: | <u>\$ 3,070</u> | <u>\$ (430)</u> | <u>\$ 1,270</u> | <u>\$ 760</u> | <u>\$ 2,260</u> |
| d. Ending reserves: | <u>\$ 421,070</u> | <u>\$ 278,420</u> | <u>\$ 57,440</u> | <u>\$ 32,680</u> | <u>\$ 25,270</u> |

Amounts represent the Company's pooled share of the total Farmers P&C Companies' exposure as per the terms of the intercompany reinsurance program.

(2) Assumed Reinsurance:

The Company has no asbestos-related exposure resulting from the assumption of unaffiliated reinsurance.

(3) Net of Ceded Reinsurance:

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|-------------------|-------------------|------------------|------------------|------------------|
| a. Beginning reserves: | \$ 442,340 | \$ 420,510 | \$ 278,220 | \$ 57,440 | \$ 32,680 |
| b. Incurred losses and loss adjustment expenses: | \$ (18,760) | \$ (142,730) | \$ (219,510) | \$ (24,000) | \$ (5,150) |
| c. Calendar year payments for losses and loss adjustment expenses: | <u>\$ 3,070</u> | <u>\$ (440)</u> | <u>\$ 1,270</u> | <u>\$ 760</u> | <u>\$ 2,260</u> |
| d. Ending reserves: | <u>\$ 420,510</u> | <u>\$ 278,220</u> | <u>\$ 57,440</u> | <u>\$ 32,680</u> | <u>\$ 25,270</u> |

- B. The Company recorded the following amounts for IBNR and/or bulk reserves related to asbestos claims at December 31, 2012:

| | 2012 | 2011 |
|-------------------------------|-----------|-----------|
| (1) Direct: | \$ 24,100 | \$ 29,470 |
| (2) Assumed Reinsurance: | None | None |
| (3) Net of Ceded Reinsurance: | \$ 24,100 | \$ 29,470 |

- C. The Company recorded the following amounts for loss adjustment expenses for case, IBNR and/or bulk reserves related to asbestos claims at December 31, 2012:

| | 2012 | 2011 |
|-------------------------------|----------|----------|
| (1) Direct: | \$ 6,860 | \$ 8,610 |
| (2) Assumed Reinsurance: | None | None |
| (3) Net of Ceded Reinsurance: | \$ 6,860 | \$ 8,610 |

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

NOTES TO FINANCIAL STATEMENTS

The company's environmental-related losses (including coverage dispute costs) for each of the five most recent years were as follows:

(1) Direct:

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|
| a. Beginning reserves: | \$ 1,127,320 | \$ 1,117,500 | \$ 909,190 | \$ 718,600 | \$ 787,850 |
| b. Incurred losses and loss adjustment expenses: | \$ 134,180 | \$ (54,190) | \$ 9,170 | \$ 361,030 | \$ 185,380 |
| c. Calendar year payments for losses and loss adjustment expenses: | <u>\$ 144,000</u> | <u>\$ 154,120</u> | <u>\$ 199,760</u> | <u>\$ 291,780</u> | <u>\$ 288,870</u> |
| d. Ending reserves: | <u>\$ 1,117,500</u> | <u>\$ 909,190</u> | <u>\$ 718,600</u> | <u>\$ 787,850</u> | <u>\$ 684,360</u> |
| Amounts represent the Company's pooled share of the total Farmers P&C Companies' exposure as per the terms of the intercompany reinsurance program. | | | | | |

(2) Assumed Reinsurance:

The Company has no environmental-related exposure resulting from the assumption of unaffiliated reinsurance.

(3) Net of Ceded Reinsurance:

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|---------------------|-------------------|-------------------|-------------------|-------------------|
| a. Beginning reserves: | \$ 1,127,320 | \$ 1,117,500 | \$ 909,190 | \$ 718,600 | \$ 787,850 |
| b. Incurred losses and loss adjustment expenses: | \$ 134,180 | \$ (54,190) | \$ 9,170 | \$ 361,030 | \$ 185,370 |
| c. Calendar year payments for losses and loss adjustment expenses: | <u>\$ 144,000</u> | <u>\$ 154,120</u> | <u>\$ 199,760</u> | <u>\$ 291,780</u> | <u>\$ 288,870</u> |
| d. Ending reserves: | <u>\$ 1,117,500</u> | <u>\$ 909,190</u> | <u>\$ 718,600</u> | <u>\$ 787,850</u> | <u>\$ 684,350</u> |

E. The Company recorded the following amounts for IBNR and/or bulk reserves related to environmental claims at December 31, 2012:

| | 2012 | 2011 |
|-------------------------------|------------|------------|
| (1) Direct: | \$ 587,840 | \$ 699,320 |
| (2) Assumed Reinsurance: | None | None |
| (3) Net of Ceded Reinsurance: | \$ 587,840 | \$ 699,320 |

NOTES TO FINANCIAL STATEMENTS

- F. The Company recorded the following amounts for loss adjustment expenses for case, IBNR and/or bulk reserves related to environmental claims at December 31, 2012:

| | 2012 | 2011 |
|-------------------------------|------------|------------|
| (1) Direct: | \$ 340,420 | \$ 399,880 |
| (2) Assumed Reinsurance: | None | None |
| (3) Net of Ceded Reinsurance: | \$ 340,420 | \$ 399,880 |

34. SUBSCRIBER SAVINGS ACCOUNTS

Not applicable.

35. MULTIPLE PERIL CROP INSURANCE

Not applicable.

36. FINANCIAL GUARANTY INSURANCE

Not applicable.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [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. 12/31/2009
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2009
- 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). 05/20/2011
- 3.4 By what department or departments?
Ohio
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [] No [] 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]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1 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) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

| 1 Nationality | 2 Type of Entity |
|------------------|---------------------|
| | |

GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
.....
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [X] No []
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal 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 |
|--|--------------------------------|----------|----------|-----------|----------|
| BFP Securities | St. Louis, Missouri | | | | YES |
| Farmers Financial Solutions, LLC | Agoura Hills, California | | | | YES |

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Price Waterhouse Cooper LLP, 350 S. Grand Ave. Los Angeles, CA 90071
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [] No [X]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption:
.....
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [] No [X]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption:
.....
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [] N/A []
- 10.6 If the 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?
James Nutting, FCAS, MAAA, 4680 Wilshire Blvd, Los Angeles, CA 90010, Actuary of Farmers Insurance Group
- 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?
Not Applicable
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No [X]
- 13.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No [X]
- 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).
.....

GENERAL INTERROGATORIES

- 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, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

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

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 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 the 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: \$

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 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 the Risk-Based Capital Instructions? Yes [] No [] N/A []
- 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 securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [] No [] N/A []
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [] No [] N/A []
- 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 []

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE FARMERS INSURANCE OF COLUMBUS, INC.
GENERAL INTERROGATORIES

24.10 For the reporting entity's security lending program state the amount of the following as December 31 of the current year:

| | |
|---|----------|
| 24.101 Total fair value of reinvested 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 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 other securities restricted as to sale | \$ |
| 25.28 On deposit with state or other regulatory body | \$567,322 |
| 25.29 Other | \$ |

25.3 For category (25.27) provide the following:

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

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes No

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes No N/A
 If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes No

27.2 If yes, state the amount thereof at December 31 of the current year. \$

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

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

| 1 Name of Custodian(s) | 2 Custodian's Address |
|----------------------------------|---|
| JP Morgan Chase Bank, N. A. | 4 New York Plaza - 12th Floor, Mail Code: NY1-E291, New York, NY. 10004 |

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) |
|--------------|------------------|------------------------------|
| N/A | | |

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

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

| 1 Old Custodian | 2 New Custodian | 3 Date of Change | 4 Reason |
|--------------------|--------------------|---------------------|-------------|
| N/A | | | |

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/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 |
|--|--|---|
| 104518 | Deutsche Investment Management Americas, Inc. | 345 Park Avenue, New York, NY 10154 |

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE FARMERS INSURANCE OF COLUMBUS, INC.
GENERAL INTERROGATORIES

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

| 1 CUSIP # | 2 Name of Mutual Fund | 3 Book/Adjusted Carrying Value |
|-----------------|--------------------------|-----------------------------------|
| 29.2999 - Total | | |

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

| 1 Name of Mutual Fund (from above table) | 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 |
|---|---|---|------------------------|
| | | | |

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 | 210,672,949 | 221,537,885 | 10,864,935 |
| 30.2 Preferred stocks | | | |
| 30.3 Totals | 210,672,949 | 221,537,885 | 10,864,935 |

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

For the majority of securities, in determining fair market value, quotes were obtained from third party sources. If quotes from these sources were not available, a broker estimate was utilized. Any few instances where a broker estimate was not available, the market value was analytically determined.

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [] No [X]

- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [] No []

- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []

- 32.2 If no, list exceptions:

GENERAL INTERROGATORIES

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?\$96,293

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?\$

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

| 1 Name | 2 Amount Paid |
|-----------|------------------|
| | |

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

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 |
|-----------|------------------|
| | |

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

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

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

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ _____
 1.31 Reason for excluding

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

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

1.6 Individual policies:

| | |
|---|---------------------------|
| | Most current three years: |
| 1.61 Total premium earned | \$ |
| 1.62 Total incurred claims | \$ |
| 1.63 Number of covered lives ..... | ..... |
| All years prior to most current three years | |
| 1.64 Total premium earned | \$ |
| 1.65 Total incurred claims | \$ |
| 1.66 Number of covered lives ..... | ..... |

1.7 Group policies:

| | |
|---|---------------------------|
| | Most current three years: |
| 1.71 Total premium earned | \$ |
| 1.72 Total incurred claims | \$ |
| 1.73 Number of covered lives ..... | ..... |
| All years prior to most current three years | |
| 1.74 Total premium earned | \$ |
| 1.75 Total incurred claims | \$ |
| 1.76 Number of covered lives ..... | ..... |

2. Health Test:

| | 1 Current Year | 2 Prior Year |
|-----------------------------------|-------------------|-----------------|
| 2.1 Premium Numerator | | |
| 2.2 Premium Denominator | | |
| 2.3 Premium Ratio (2.1/2.2) | 0.000 | 0.000 |
| 2.4 Reserve Numerator | | |
| 2.5 Reserve Denominator | | |
| 2.6 Reserve Ratio (2.4/2.5) | 0.000 | 0.000 |

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

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

| | |
|---------------------------------------|----------|
| 3.21 Participating policies | \$ |
| 3.22 Non-participating policies | \$ |

4. For mutual reporting Entities and Reciprocal Exchanges Only:

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

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

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

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

5. For Reciprocal Exchanges Only:

5.1 Does the Exchange appoint local agents? Yes [] No []

5.2 If yes, is the commission paid:

| | |
|--|------------------------|
| 5.21 Out of Attorney's-in-fact compensation..... | Yes [] No [] N/A [] |
| 5.22 As a direct expense of the exchange..... | Yes [] No [] N/A [] |

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

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

5.5 If yes, give full information

GENERAL INTERROGATORIES

PART 2 - PROPERTY 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?
Purchase reinsurance protection for workers' compensation business or policies.
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process.
The company licenses Catastrophe Modeling Software from outside vendors specializing in these products. Based on these models, California Earthquake and Texas Hurricane have been identified as having the most significant potential for large losses.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
In addition, various catastrophe mitigation actions including but not limited to joining the California Earthquake Authority, the Company has purchased catastrophe reinsurance protection.
- 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 [X] No []
- 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.
.....
- 7.1 Has this 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 ratio 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 []
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [] No [X]
- 8.2 If yes, give full information
.....
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [] No [X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under 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 32 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
(a) The entity does not utilize reinsurance; or, Yes [] No [X]
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [] No [X]
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [X] No []
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [X] No [] N/A []

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? Yes [] No [X]
- 11.2 If yes, give full information
.....
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- 12.11 Unpaid losses\$ 44,477
- 12.12 Unpaid underwriting expenses (including loss adjustment expenses)\$ 7,799
- 12.2 Of the amount on Line 15.3, 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 [X] N/A []
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- 12.41 From %
- 12.42 To %
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [] No [X]
- 12.6 If yes, state the amount thereof at December 31 of 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):\$ 100,000
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [] No [X]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount:3
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [] No [X]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
.....
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [] No []
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [] No []
- 14.5 If the answer to 14.4 is no, please explain:
.....
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [] No [X]
- 15.2 If yes, give full information
.....
- 16.1 Does the reporting entity write any warranty business? Yes [] No [X]
If yes, disclose the following information for each of the following types of warranty coverage:

| | 1 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:
.....

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

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

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

17.11 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5 \$
 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 - P art 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 funds administered as of the reporting date. \$

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE FARMERS INSURANCE OF COLUMBUS, INC.

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) | 127,304,776 | 123,905,266 | 105,373,020 | 90,422,090 | 95,007,949 |
| 2. Property lines (Lines 1, 2, 9, 12, 21 & 26) | 80,975,086 | 73,392,019 | 63,957,599 | 56,621,624 | 57,857,310 |
| 3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | 77,510,469 | 78,460,853 | 75,048,019 | 60,203,588 | 72,503,454 |
| 4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | 41,686 | 46,740 | 7,193 | 7,768 | 11,007 |
| 5. Nonproportional reinsurance lines (Lines 31, 32 & 33) | | | | | |
| 6. Total (Line 35) | 285,832,018 | 275,804,878 | 244,385,832 | 207,255,070 | 225,379,719 |
| 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) | 57,641,627 | 59,999,560 | 53,120,711 | 44,599,433 | 51,871,760 |
| 8. Property lines (Lines 1, 2, 9, 12, 21 & 26) | 29,603,229 | 29,429,554 | 26,537,391 | 20,420,786 | 22,424,121 |
| 9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | 51,266,230 | 52,082,765 | 47,770,563 | 31,992,753 | 43,576,774 |
| 10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | 41,686 | 46,740 | 7,193 | 7,768 | 11,007 |
| 11. Nonproportional reinsurance lines (Lines 31, 32 & 33) | | | | | |
| 12. Total (Line 35) | 138,552,772 | 141,558,619 | 127,435,858 | 97,020,740 | 117,883,662 |
| Statement of Income (Page 4) | | | | | |
| 13. Net underwriting gain (loss) (Line 8) | (5,771,285) | (10,908,412) | (6,144,777) | 3,643,606 | (5,614,582) |
| 14. Net investment gain or (loss) (Line 11) | 6,515,567 | 7,036,768 | 6,997,847 | 7,072,672 | 6,695,999 |
| 15. Total other income (Line 15) | 1,618,168 | 691,682 | (1,058,446) | (1,286,229) | 327,383 |
| 16. Dividends to policyholders (Line 17) | 8,403 | 4,383 | 10,603 | 17,418 | 15,786 |
| 17. Federal and foreign income taxes incurred (Line 19) | 410,989 | (1,986,841) | 1,155,469 | 2,886,308 | 178,084 |
| 18. Net income (Line 20) | 1,943,057 | (1,197,504) | (1,371,448) | 6,526,323 | 1,214,929 |
| Balance Sheet Lines (Pages 2 and 3) | | | | | |
| 19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3) | 256,331,352 | 253,948,714 | 251,452,784 | 225,548,566 | 231,715,708 |
| 20. Premiums and considerations (Page 2, Col. 3) | | | | | |
| 20.1 In course of collection (Line 15.1) | 2,140,343 | 2,123,807 | 3,377,495 | 2,766,210 | 3,657,708 |
| 20.2 Deferred and not yet due (Line 15.2) | 25,233,961 | 24,442,028 | 34,165,955 | 21,102,872 | 15,387,066 |
| 20.3 Accrued retrospective premiums (Line 15.3) | 52,277 | 19,027 | 95,976 | 38,015 | 75,108 |
| 21. Total liabilities excluding protected cell business (Page 3, Line 26) | 163,714,054 | 163,737,339 | 160,174,033 | 134,451,457 | 147,460,930 |
| 22. Losses (Page 3, Line 1) | 64,612,946 | 62,979,761 | 55,259,412 | 54,771,496 | 60,789,106 |
| 23. Loss adjustment expenses (Page 3, Line 3) | 17,382,592 | 17,844,017 | 16,554,342 | 16,187,534 | 16,508,360 |
| 24. Unearned premiums (Page 3, Line 9) | 60,847,339 | 59,023,158 | 62,898,996 | 42,047,588 | 46,695,952 |
| 25. Capital paid up (Page 3, Lines 30 & 31) | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| 26. Surplus as regards policyholders (Page 3, Line 37) | 92,617,298 | 90,211,375 | 91,278,752 | 91,097,109 | 84,254,778 |
| Cash Flow (Page 5) | | | | | |
| 27. Net cash from operations (Line 11) | 1,527,596 | 17,280,102 | 7,741,183 | (11,757,335) | 11,719,700 |
| Risk-Based Capital Analysis | | | | | |
| 28. Total adjusted capital | 92,617,298 | 90,211,375 | 91,278,752 | 91,097,109 | 84,254,778 |
| 29. Authorized control level risk-based capital | 10,695,648 | 12,360,479 | 10,889,329 | 8,990,252 | 10,256,707 |
| Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Line divided by Page 2, Line 12, Col. 3) x100.0 | | | | | |
| 30. Bonds (Line 1) | 98.9 | 99.0 | 90.0 | 95.0 | 78.9 |
| 31. Stocks (Lines 2.1 & 2.2) | | | | | |
| 32. Mortgage loans on real estate (Lines 3.1 and 3.2) | | | | | |
| 33. Real estate (Lines 4.1, 4.2 & 4.3) | | | | | |
| 34. Cash, cash equivalents and short-term investments (Line 5) | 1.1 | 1.0 | 10.0 | 5.0 | 21.1 |
| 35. Contract loans (Line 6) | | | | | |
| 36. Derivatives (Line 7) | | | | XXX | XXX |
| 37. Other invested assets (Line 8) | | | | | |
| 38. Receivables for securities (Line 9) | | | | | |
| 39. Securities lending reinvested collateral assets (Line 10) | | | | XXX | XXX |
| 40. Aggregate write-ins for invested assets (Line 11) | | | | | |
| 41. Cash, cash equivalents and invested assets (Line 12) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Investments in Parent, Subsidiaries and Affiliates | | | | | |
| 42. Affiliated bonds (Schedule D, Summary, Line 12, Col. 1) | | | | | |
| 43. Affiliated preferred stocks (Schedule D, Summary, Line 18, Col. 1) | | | | | |
| 44. Affiliated common stocks (Schedule D, Summary, Line 24, Col. 1) | | | | | |
| 45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10) | | | | | |
| 46. Affiliated mortgage loans on real estate | | | | | |
| 47. All other affiliated | | | | | |
| 48. Total of above Lines 42 to 47 | | | | | |
| 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) | | | | | |

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE FARMERS INSURANCE OF COLUMBUS, INC.

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) | 116,712 | (71,851) | 156,999 | (220,879) | |
| 52. Dividends to stockholders (Line 35) | | | | | |
| 53. Change in surplus as regards policyholders for the year (Line 38) | 2,405,922 | (1,067,376) | 181,642 | 6,842,332 | 489,102 |
| 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) | 76,905,321 | 64,747,461 | 53,533,596 | 53,651,387 | 56,130,132 |
| 55. Property lines (Lines 1, 2, 9, 12, 21 & 26) | 51,768,173 | 48,327,568 | 31,217,803 | 31,692,226 | 36,692,004 |
| 56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | 46,785,756 | 51,050,546 | 35,238,503 | 45,469,136 | 61,194,325 |
| 57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | 19,120 | 18,579 | 884 | 2,845 | 3,487 |
| 58. Nonproportional reinsurance lines (Lines 31, 32 & 33) | | | | | |
| 59. Total (Line 35) | 175,478,369 | 164,144,154 | 119,990,786 | 130,815,594 | 154,019,948 |
| 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) | 34,432,500 | 31,476,717 | 27,235,232 | 27,399,783 | 30,681,538 |
| 61. Property lines (Lines 1, 2, 9, 12, 21 & 26) | 17,165,198 | 17,355,657 | 10,614,199 | 11,600,432 | 15,857,124 |
| 62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | 29,045,986 | 31,643,628 | 18,025,354 | 21,968,531 | 29,268,340 |
| 63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | 19,120 | 18,579 | 884 | 2,845 | 3,487 |
| 64. Nonproportional reinsurance lines (Lines 31, 32 & 33) | | | | | |
| 65. Total (Line 35) | 80,662,803 | 80,494,581 | 55,875,669 | 60,971,590 | 75,810,489 |
| Operating Percentages (Page 4) (Line 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) | 60.2 | 60.7 | 52.9 | 54.1 | 62.9 |
| 68. Loss expenses incurred (Line 3) | 11.0 | 12.4 | 12.1 | 11.2 | 11.9 |
| 69. Other underwriting expenses incurred (Line 4) | 33.1 | 34.5 | 40.8 | 31.1 | 29.8 |
| 70. Net underwriting gain (loss) (Line 8) | (4.2) | (7.5) | (5.8) | 3.6 | (4.6) |
| 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) | 31.5 | 34.9 | 34.9 | 34.0 | 30.6 |
| 72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0) | 71.2 | 73.0 | 65.0 | 65.3 | 74.8 |
| 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) | 149.6 | 156.9 | 139.6 | 106.5 | 139.9 |
| 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) | (953) | (2,529) | (5,510) | (4,758) | (4,192) |
| 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) | (1.1) | (2.8) | (6.0) | (5.6) | (5.0) |
| Two Year Loss Development (000 omitted) | | | | | |
| 76. Development in estimated losses and loss expenses incurred two years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12) | (3,500) | (6,907) | (7,825) | (5,490) | (4,819) |
| 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) | (3.8) | (7.6) | (9.3) | (6.6) | (6.3) |

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

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE FARMERS INSURANCE OF COLUMBUS, INC.
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 | | | | | | 10 Salvage and Subrogation Received | 11 Total Net Paid Cols (4 - 5 + 6 - 7 + 8 - 9) | 12 Number of Claims Reported Direct and Assumed |
|--|-------------------------|------------|------------------|--------------------------------|------------|---------------------------------------|------------|------------------------------|------------|--|---|--|
| | 1 Direct and Assumed | 2 Ceded | 3 Net (1 - 2) | Loss Payments | | Defense and Cost Containment Payments | | Adjusting and Other Payments | | | | |
| | | | | 4 Direct and Assumed | 5 Ceded | 6 Direct and Assumed | 7 Ceded | 8 Direct and Assumed | 9 Ceded | | | |
| | | | | | | | | | | | | |
| 1. Prior..... | XXX | XXX | XXX | 298 | 101 | 44 | 1 | 19 | 0 | 6 | 259 | XXX |
| 2. 2003..... | 128,667 | 44,302 | 84,365 | 69,842 | 24,862 | 4,258 | 920 | 8,708 | | 3,223 | 57,026 | XXX |
| 3. 2004..... | 129,982 | 36,889 | 93,093 | 63,184 | 18,480 | 3,308 | 686 | 8,570 | | 3,404 | 55,896 | XXX |
| 4. 2005..... | 132,033 | 27,416 | 104,617 | 69,169 | 15,181 | 3,533 | 631 | 9,643 | 1,256 | 3,908 | 65,276 | XXX |
| 5. 2006..... | 134,335 | 20,425 | 113,910 | 68,661 | 10,079 | 2,844 | 261 | 10,228 | 1,459 | 4,157 | 69,933 | XXX |
| 6. 2007..... | 144,225 | 20,787 | 123,438 | 78,842 | 10,735 | 3,035 | 251 | 11,974 | 1,498 | 4,781 | 81,368 | XXX |
| 7. 2008..... | 150,604 | 28,444 | 122,160 | 97,770 | 23,598 | 3,474 | 1,061 | 12,788 | 2,033 | 4,574 | 87,340 | XXX |
| 8. 2009..... | 163,520 | 61,851 | 101,669 | 85,942 | 32,994 | 3,209 | 1,215 | 13,752 | 5,008 | 4,805 | 63,686 | XXX |
| 9. 2010..... | 167,595 | 61,010 | 106,584 | 84,747 | 30,784 | 2,624 | 812 | 15,288 | 4,937 | 5,939 | 66,126 | XXX |
| 10. 2011..... | 181,228 | 35,794 | 145,434 | 93,300 | 17,029 | 1,768 | 245 | 16,364 | 2,605 | 6,218 | 91,553 | XXX |
| 11. 2012..... | 186,735 | 50,006 | 136,729 | 67,813 | 18,251 | 529 | 122 | 12,114 | 4,084 | 4,204 | 58,000 | XXX |
| 12. Totals..... | XXX | XXX | XXX | 779,568 | 202,094 | 28,626 | 6,205 | 119,447 | 22,879 | 45,218 | 696,462 | XXX |

| | Losses Unpaid | | | | Defense and Cost Containment Unpaid | | | | Adjusting and Other Unpaid | | 23 Salvage and Subrogation Anticipated | 24 Total Net Losses and Expenses Unpaid | 25 Number of Claims Outstanding Direct and Assumed |
|-----------------|--------------------|-------|--------------------|-------|-------------------------------------|-------|--------------------|-------|----------------------------|-------|---|--|---|
| | Case Basis | | Bulk + IBNR | | Case Basis | | Bulk + IBNR | | | | | | |
| | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | | | |
| | Direct and Assumed | Ceded | Direct and Assumed | Ceded | Direct and Assumed | Ceded | Direct and Assumed | Ceded | Direct and Assumed | Ceded | | | |
| 1. Prior..... | 842 | 93 | 1,276 | 17 | 21 | 0 | 269 | 0 | 172 | | 7 | 2,469 | XXX |
| 2. 2003..... | 269 | 45 | 317 | 34 | 9 | 0 | 69 | 0 | 39 | | 3 | 626 | XXX |
| 3. 2004..... | 159 | 6 | 333 | 2 | 5 | 1 | 103 | 0 | 42 | | 4 | 633 | XXX |
| 4. 2005..... | 290 | 2 | 359 | 0 | 13 | 0 | 152 | 0 | 42 | | 7 | 853 | XXX |
| 5. 2006..... | 320 | 25 | 430 | 27 | 15 | 1 | 211 | 13 | 60 | | 9 | 971 | XXX |
| 6. 2007..... | 661 | 121 | 589 | 34 | 25 | (16) | 289 | 20 | 92 | | 40 | 1,496 | XXX |
| 7. 2008..... | 1,240 | 397 | 1,121 | 53 | 17 | 20 | 531 | 183 | 158 | | 43 | 2,413 | XXX |
| 8. 2009..... | 2,361 | 401 | 1,838 | 430 | 81 | 26 | 863 | 173 | 316 | | 109 | 4,428 | XXX |
| 9. 2010..... | 4,690 | 1,217 | 3,444 | 639 | 97 | 39 | 1,644 | 574 | 614 | | 218 | 8,020 | XXX |
| 10. 2011..... | 9,108 | 1,088 | 7,513 | 1,007 | 103 | 12 | 2,790 | 355 | 1,416 | | 546 | 18,468 | XXX |
| 11. 2012..... | 16,482 | 3,213 | 25,790 | 5,968 | 81 | 16 | 3,955 | 836 | 5,344 | | 2,531 | 41,619 | XXX |
| 12. Totals..... | 36,422 | 6,608 | 43,010 | 8,211 | 467 | 100 | 10,876 | 2,155 | 8,294 | | 3,519 | 81,996 | XXX |

| | Total Losses and Loss Expenses Incurred | | | Loss and Loss Expense Percentage (Incurred /Premiums Earned) | | | Nontabular Discount | | 34 Inter-Company Pooling Participation Percentage | Net Balance Sheet Reserves After Discount | |
|-----------------|---|--------|---------|--|-------|------|---------------------|--------------|--|---|----------------------|
| | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | | 35 | 36 |
| | Direct and Assumed | Ceded | Net | Direct and Assumed | Ceded | Net | Loss | Loss Expense | | Losses Unpaid | Loss Expenses Unpaid |
| 1. Prior..... | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | 2,008 | 461 |
| 2. 2003..... | 83,512 | 25,860 | 57,652 | 64.9 | 58.4 | 68.3 | | | 1.0 | 508 | 117 |
| 3. 2004..... | 75,703 | 19,174 | 56,529 | 58.2 | 52.0 | 60.7 | | | 1.0 | 484 | 149 |
| 4. 2005..... | 83,200 | 17,071 | 66,129 | 63.0 | 62.3 | 63.2 | | | 1.0 | 647 | 206 |
| 5. 2006..... | 82,769 | 11,865 | 70,904 | 61.6 | 58.1 | 62.2 | | | 1.0 | 699 | 272 |
| 6. 2007..... | 95,507 | 12,644 | 82,863 | 66.2 | 60.8 | 67.1 | | | 1.0 | 1,095 | 401 |
| 7. 2008..... | 117,098 | 27,345 | 89,753 | 77.8 | 96.1 | 73.5 | | | 1.0 | 1,910 | 503 |
| 8. 2009..... | 108,361 | 40,247 | 68,114 | 66.3 | 65.1 | 67.0 | | | 1.0 | 3,368 | 1,060 |
| 9. 2010..... | 113,147 | 39,002 | 74,145 | 67.5 | 63.9 | 69.6 | | | 1.0 | 6,277 | 1,743 |
| 10. 2011..... | 132,363 | 22,342 | 110,021 | 73.0 | 62.4 | 75.7 | | | 1.0 | 14,526 | 3,942 |
| 11. 2012..... | 132,109 | 32,490 | 99,619 | 70.7 | 65.0 | 72.9 | | | 1.0 | 33,091 | 8,528 |
| 12. Totals..... | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | 64,613 | 17,383 |

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

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE FARMERS INSURANCE OF COLUMBUS, INC.

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..... | 27,665 | 35,512 | 38,062 | 39,520 | 39,933 | 40,767 | 40,784 | 39,868 | 39,619 | 39,335 | (284) | (533) |
| 2. 2003..... | 52,313 | 49,296 | 49,058 | 49,245 | 49,163 | 49,191 | 49,163 | 48,974 | 48,947 | 48,914 | (33) | (60) |
| 3. 2004..... | XXX | 50,736 | 49,461 | 48,751 | 48,420 | 48,107 | 47,999 | 48,022 | 47,996 | 47,920 | (77) | (102) |
| 4. 2005..... | XXX | XXX | 60,678 | 60,244 | 59,385 | 57,941 | 57,961 | 57,842 | 57,771 | 57,704 | (67) | (138) |
| 5. 2006..... | XXX | XXX | XXX | 65,850 | 64,231 | 62,784 | 62,527 | 62,150 | 62,160 | 62,082 | (79) | (68) |
| 6. 2007..... | XXX | XXX | XXX | XXX | 75,476 | 73,625 | 72,684 | 72,483 | 72,428 | 72,301 | (126) | (182) |
| 7. 2008..... | XXX | XXX | XXX | XXX | XXX | 84,028 | 80,567 | 79,280 | 78,991 | 78,858 | (133) | (422) |
| 8. 2009..... | XXX | XXX | XXX | XXX | XXX | XXX | 62,169 | 59,726 | 59,035 | 59,060 | 25 | (666) |
| 9. 2010..... | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 64,522 | 63,390 | 63,192 | (198) | (1,330) |
| 10. 2011..... | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 94,842 | 94,860 | 18 | XXX |
| 11. 2012..... | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 86,247 | XXX | XXX |
| 12. Totals | | | | | | | | | | | (953) | (3,500) |

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 Number of Claims Closed With Loss Payment | 12 Number of Claims Closed Without Loss Payment |
|-------------------------------------|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|---|--|
| | 1 2003 | 2 2004 | 3 2005 | 4 2006 | 5 2007 | 6 2008 | 7 2009 | 8 2010 | 9 2011 | 10 2012 | | |
| 1. Prior..... | .000 | 17,854 | 26,856 | 31,379 | 33,622 | 34,969 | 35,939 | 36,413 | 36,775 | 37,014 | XXX | XXX |
| 2. 2003..... | 24,119 | 37,020 | 42,372 | 45,388 | 46,788 | 47,485 | 47,883 | 48,100 | 48,227 | 48,319 | XXX | XXX |
| 3. 2004..... | XXX | 24,828 | 37,556 | 42,192 | 44,822 | 46,072 | 46,724 | 47,089 | 47,289 | 47,326 | XXX | XXX |
| 4. 2005..... | XXX | XXX | 31,278 | 46,512 | 51,654 | 54,499 | 55,925 | 56,578 | 56,864 | 56,889 | XXX | XXX |
| 5. 2006..... | XXX | XXX | XXX | 33,723 | 50,039 | 55,590 | 58,633 | 60,076 | 60,815 | 61,165 | XXX | XXX |
| 6. 2007..... | XXX | XXX | XXX | XXX | 40,878 | 59,452 | 65,274 | 68,543 | 70,125 | 70,892 | XXX | XXX |
| 7. 2008..... | XXX | XXX | XXX | XXX | XXX | 48,419 | 65,608 | 71,399 | 74,808 | 76,585 | XXX | XXX |
| 8. 2009..... | XXX | XXX | XXX | XXX | XXX | XXX | 34,479 | 47,707 | 52,237 | 54,942 | XXX | XXX |
| 9. 2010..... | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 33,190 | 49,669 | 55,775 | XXX | XXX |
| 10. 2011..... | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 55,850 | 77,794 | XXX | XXX |
| 11. 2012..... | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 49,970 | 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..... | 11,711 | 8,259 | 5,520 | 4,794 | 4,041 | 4,082 | 3,554 | 2,274 | 1,884 | 1,527 |
| 2. 2003..... | 20,410 | 7,087 | 3,516 | 2,031 | 1,341 | 1,050 | 783 | 587 | 469 | 353 |
| 3. 2004..... | XXX | 18,742 | 7,062 | 3,862 | 2,223 | 1,312 | 846 | 612 | 498 | 434 |
| 4. 2005..... | XXX | XXX | 21,061 | 8,187 | 4,782 | 2,067 | 1,290 | 841 | 583 | 510 |
| 5. 2006..... | XXX | XXX | XXX | 22,967 | 8,723 | 4,052 | 2,315 | 1,256 | 854 | 601 |
| 6. 2007..... | XXX | XXX | XXX | XXX | 24,282 | 8,053 | 4,411 | 2,202 | 1,368 | 824 |
| 7. 2008..... | XXX | XXX | XXX | XXX | XXX | 23,733 | 9,180 | 4,590 | 2,491 | 1,416 |
| 8. 2009..... | XXX | XXX | XXX | XXX | XXX | XXX | 18,293 | 6,587 | 3,581 | 2,097 |
| 9. 2010..... | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 19,768 | 7,250 | 3,875 |
| 10. 2011..... | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 24,771 | 8,941 |
| 11. 2012..... | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 22,940 |

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

| States, Etc. | 1 Active Status | Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies Not Taken | | 4 Dividends Paid or Credited to Policyholders on Direct Business | 5 Direct Losses Paid (Deducting Salvage) | 6 Direct Losses Incurred | 7 Direct Losses Unpaid | 8 Finance and Service Charges Not Included in Premiums | 9 Direct Premiums Written for Federal Purchasing Groups (Included in Column 2) |
|--|--------------------|---|-----------------------------|---|---|-----------------------------|---------------------------|---|---|
| | | 2 Direct Premiums Written | 3 Direct Premiums Earned | | | | | | |
| 1. Alabama AL | N | | | | | | | | |
| 2. Alaska AK | N | | | | | | | | |
| 3. Arizona AZ | N | | | | | | | | |
| 4. Arkansas AR | N | | | | | | | | |
| 5. California CA | Q | | | | | | | | |
| 6. Colorado CO | N | | | | | | | | |
| 7. Connecticut CT | N | | | | | | | | |
| 8. Delaware DE | N | | | | | | | | |
| 9. District of Columbia DC | N | | | | | | | | |
| 10. Florida FL | N | | | | | | | | |
| 11. Georgia GA | N | | | | | | | | |
| 12. Hawaii HI | N | | | | | | | | |
| 13. Idaho ID | N | | | | | | | | |
| 14. Illinois IL | N | | | | | | | | |
| 15. Indiana IN | N | | | | | | | | |
| 16. Iowa IA | N | | | | | | | | |
| 17. Kansas KS | N | | | | | | | | |
| 18. Kentucky KY | N | | | | | | | | |
| 19. Louisiana LA | N | | | | | | | | |
| 20. Maine ME | N | | | | | | | | |
| 21. Maryland MD | N | | | | | | | | |
| 22. Massachusetts MA | N | | | | | | | | |
| 23. Michigan MI | L | | | | | | | | |
| 24. Minnesota MN | N | | | | | | | | |
| 25. Mississippi MS | N | | | | | | | | |
| 26. Missouri MO | N | | | | | | | | |
| 27. Montana MT | N | | | | | | | | |
| 28. Nebraska NE | N | | | | | | | | |
| 29. Nevada NV | N | | | | | | | | |
| 30. New Hampshire NH | N | | | | | | | | |
| 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 | 147,279,246 | 145,169,380 | | 94,815,566 | 99,217,407 | 54,597,338 | 2,342,787 | |
| 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 | N | | | | | | | | |
| 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 | XXX | | | | | | | | |
| 59. Totals | (a) 2 | 147,279,246 | 145,169,380 | | 94,815,566 | 99,217,407 | 54,597,338 | 2,342,787 | |
| DETAILS OF WRITE-INS | | | | | | | | | |
| 58001. | XXX | | | | | | | | |
| 58002. | XXX | | | | | | | | |
| 58003. | XXX | | | | | | | | |
| 58998. Summary of remaining write-ins for Line 58 from overflow page | XXX | | | | | | | | |
| 58999. Totals (Lines 58001 through 58003 plus 58998)(Line 58 above) | XXX | | | | | | | | |

(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 assigned to the states in which the risk is located.

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

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART**

PLEASE REFER TO SCHEDULE Y PART 1A

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF FARMERS INSURANCE GROUP

PART 1 - ORGANIZATIONAL CHART

| Company | FEIN | NAIC | Domiciled | Ownership | % |
|---|------------|-------|-----------|--|--------|
| 20th Century Insurance Services, Inc. | 95-4723863 | NA | NV | 21st Century Insurance Group | 100.00 |
| 21st Century Advantage Insurance Company | 22-3398993 | 25232 | MN | 21st Century North America Insurance Company | 100.00 |
| 21st Century Assurance Company | 13-3551577 | 44245 | DE | Farmers Insurance Exchange | 80.00 |
| 21st Century Assurance Company | 13-3551577 | 44245 | DE | Fire Insurance Exchange | 10.00 |
| 21st Century Assurance Company | 13-3551577 | 44245 | DE | Truck Insurance Exchange | 10.00 |
| 21st Century Auto Insurance Company of New Jersey | 22-3337475 | 10184 | NJ | 21st Century Centennial Insurance Company | 100.00 |
| 21st Century Casualty Company | 95-4136306 | 36404 | CA | 21st Century Insurance Group | 100.00 |
| 21st Century Centennial Insurance Company | 23-2044095 | 34789 | PA | Farmers Insurance Exchange | 80.00 |
| 21st Century Centennial Insurance Company | 23-2044095 | 34789 | PA | Fire Insurance Exchange | 10.00 |
| 21st Century Centennial Insurance Company | 23-2044095 | 34789 | PA | Truck Insurance Exchange | 10.00 |
| 21st Century Indemnity Insurance Company | 13-1967524 | 43974 | PA | 21st Century Premier Insurance Company | 100.00 |
| 21st Century Insurance and Financial Services, Inc. | 51-0283170 | NA | DE | Farmers Insurance Exchange | 80.00 |
| 21st Century Insurance and Financial Services, Inc. | 51-0283170 | NA | DE | Fire Insurance Exchange | 10.00 |
| 21st Century Insurance and Financial Services, Inc. | 51-0283170 | NA | DE | Truck Insurance Exchange | 10.00 |
| 21st Century Insurance Company | 95-2565072 | 12963 | CA | 21st Century Insurance Group | 100.00 |
| 21st Century Insurance Company of the Southwest | 86-0812982 | 10245 | TX | 21st Century Insurance Group | 100.00 |
| 21st Century Insurance Group | 95-1935264 | NA | DE | Farmers Insurance Exchange | 80.00 |
| 21st Century Insurance Group | 95-1935264 | NA | DE | Fire Insurance Exchange | 10.00 |
| 21st Century Insurance Group | 95-1935264 | NA | DE | Truck Insurance Exchange | 10.00 |
| 21st Century National Insurance Company | 13-3801089 | 36587 | NY | 21st Century Security Insurance Company | 100.00 |
| 21st Century North America Insurance Company | 13-3333609 | 32220 | NY | Farmers Insurance Exchange | 80.00 |
| 21st Century North America Insurance Company | 13-3333609 | 32220 | NY | Fire Insurance Exchange | 10.00 |
| 21st Century North America Insurance Company | 13-3333609 | 32220 | NY | Truck Insurance Exchange | 10.00 |
| 21st Century Pacific Insurance Company | 02-0226203 | 23795 | CO | Farmers Insurance Exchange | 80.00 |
| 21st Century Pacific Insurance Company | 02-0226203 | 23795 | CO | Fire Insurance Exchange | 10.00 |
| 21st Century Pacific Insurance Company | 02-0226203 | 23795 | CO | Truck Insurance Exchange | 10.00 |
| 21st Century Pinnacle Insurance Company | 13-3922232 | 10710 | NJ | 21st Century North America Insurance Company | 100.00 |
| 21st Century Preferred Insurance Company | 95-2743473 | 22225 | PA | 21st Century Centennial Insurance Company | 100.00 |
| 21st Century Premier Insurance Company | 22-1721971 | 20796 | PA | 21st Century Centennial Insurance Company | 100.00 |
| 21st Century Security Insurance Company | 02-0227294 | 23833 | PA | Farmers Insurance Exchange | 80.00 |
| 21st Century Security Insurance Company | 02-0227294 | 23833 | PA | Fire Insurance Exchange | 10.00 |
| 21st Century Security Insurance Company | 02-0227294 | 23833 | PA | Truck Insurance Exchange | 10.00 |
| 21st Century Superior Insurance Company | 95-4232263 | 43761 | CA | 21st Century North America Insurance Company | 100.00 |
| 50th State Risk Management Services, Inc. | 99-0215429 | NA | HI | Hawaii Insurance Consultants, Ltd. | 100.00 |
| American Pacific Insurance Company, Inc. | 13-3953213 | 10805 | HI | Farmers Insurance Hawaii, Inc. | 100.00 |
| Apex Adjustment Bureau, Inc. | 59-2029544 | N/A | FL | Bristol West Holdings, Inc. | 100.00 |

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF FARMERS INSURANCE GROUP
PART 1 - ORGANIZATIONAL CHART**

| Company | FEIN | NAIC | Domiciled | Ownership | % |
|---|-------------|-------------|------------------|--------------------------------------|----------|
| Bayview Adjustment Bureau, Inc. | 65-0221990 | N/A | CA | Bristol West Holdings, Inc. | 100.00 |
| Bristol West Casualty Insurance Company | 34-1893500 | 11034 | OH | Coast National Insurance Company | 100.00 |
| Bristol West Holdings, Inc. | 13-3994449 | N/A | DE | Farmers Insurance Exchange | 42.00 |
| Bristol West Holdings, Inc. | 13-3994449 | N/A | DE | Fire Insurance Exchange | 03.75 |
| Bristol West Holdings, Inc. | 13-3994449 | N/A | DE | Truck Insurance Exchange | 06.75 |
| Bristol West Holdings, Inc. | 13-3994449 | N/A | DE | Mid-Century Insurance Company | 47.50 |
| Bristol West Insurance Company | 38-1865162 | 19658 | OH | Coast National Insurance Company | 100.00 |
| Bristol West Insurance Services Inc., of Florida | 65-0616769 | N/A | FL | Bristol West Holdings, Inc. | 100.00 |
| Bristol West Insurance Services of California, Inc. | 65-0880876 | N/A | CA | Bristol West Holdings, Inc. | 100.00 |
| Bristol West Insurance Services of Georgia, Inc. | 65-0956634 | N/A | GA | Bristol West Holdings, Inc. | 100.00 |
| Bristol West Insurance Services of Pennsylvania, Inc. | 65-0935354 | N/A | PA | Bristol West Holdings, Inc. | 100.00 |
| Bristol West Insurance Services of Texas, Inc. | 75-2791620 | N/A | TX | Bristol West Holdings, Inc. | 100.00 |
| Bristol West Preferred Insurance Company | 86-1174452 | 12774 | MI | Bristol West Holdings, Inc. | 100.00 |
| BWIS of Nevada, Inc. | 65-0919338 | N/A | NV | Bristol West Holdings, Inc. | 100.00 |
| Civic Property & Casualty Co. | 95-4528269 | 10315 | CA | Fire Insurance Exchange | 80.00 |
| Civic Property & Casualty Co. | 95-4528269 | 10315 | CA | Truck Insurance Exchange | 20.00 |
| Coast National General Agency, Inc. | 76-0543593 | N/A | TX | Bristol West Holdings, Inc. | 100.00 |
| Coast National Holding Company | 33-0246699 | N/A | CA | Bristol West Holdings, Inc. | 100.00 |
| Coast National Insurance Company | 33-0246701 | 25089 | CA | Coast National Holding Company | 100.00 |
| Exact Property & Casualty Co. | 95-4528266 | 10318 | CA | Fire Insurance Exchange | 80.00 |
| Exact Property & Casualty Co. | 95-4528266 | 10318 | CA | Truck Insurance Exchange | 20.00 |
| Farmers Family Fund | 45-3561769 | N/A | CA | Farmers Group, Inc. | 100.00 |
| Farmers Financial Solutions, LLC | 77-0530616 | N/A | NV | FFS Holding, LLC | 100.00 |
| Farmers Insurance Co. of Arizona | 95-2626387 | 21598 | AZ | Farmers Insurance Exchange | 70.00 |
| Farmers Insurance Co. of Arizona | 95-2626387 | 21598 | AZ | Truck Insurance Exchange | 20.00 |
| Farmers Insurance Co. of Arizona | 95-2626387 | 21598 | AZ | Fire Insurance Exchange | 10.00 |
| Farmers Insurance Co. of Idaho | 95-2626385 | 21601 | ID | Farmers Insurance Exchange | 80.00 |
| Farmers Insurance Co. of Idaho | 95-2626385 | 21601 | ID | Truck Insurance Exchange | 13.30 |
| Farmers Insurance Co. of Idaho | 95-2626385 | 21601 | ID | Fire Insurance Exchange | 06.70 |
| Farmers Insurance Co. of Oregon | 95-2655893 | 21636 | OR | Farmers Insurance Exchange | 80.00 |
| Farmers Insurance Co. of Oregon | 95-2655893 | 21636 | OR | Truck Insurance Exchange | 20.00 |
| Farmers Insurance Co. of Washington | 95-2655894 | 21644 | WA | Fire Insurance Exchange | 80.00 |
| Farmers Insurance Co. of Washington | 95-2655894 | 21644 | WA | Truck Insurance Exchange | 20.00 |
| Farmers Insurance Co. Inc. | 48-0609012 | 21628 | KS | Farmers Insurance Exchange | 90.00 |
| Farmers Insurance Co. Inc. | 48-0609012 | 21628 | KS | Fire Insurance Exchange | 10.00 |
| Farmers Insurance Exchange | 95-2575893 | 21652 | CA | Interinsurance Exchange (See Note 1) | |

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF FARMERS INSURANCE GROUP

PART 1 - ORGANIZATIONAL CHART

| Company | FEIN | NAIC | Domiciled | Ownership | % |
|---|------------|-------|-----------|---|--------|
| Farmers Insurance Hawaii, Inc. | 22-2640040 | 28487 | HI | Farmers Insurance Exchange | 80.00 |
| Farmers Insurance Hawaii, Inc. | 22-2640040 | 28487 | HI | Fire Insurance Exchange | 10.00 |
| Farmers Insurance Hawaii, Inc. | 22-2640040 | 28487 | HI | Truck Insurance Exchange | 10.00 |
| Farmers Insurance of Columbus, Inc. | 31-0956373 | 36889 | OH | Farmers Insurance Exchange | 100.00 |
| Farmers New Century Insurance Company | 36-4165395 | 10806 | IL | Illinois Farmers Insurance Co. | 100.00 |
| Farmers Services Insurance Agency | 95-6048990 | N/A | CA | Truck Insurance Exchange | 100.00 |
| Farmers Specialty Insurance Company | 59-2326047 | 43699 | MI | Foremost Insurance Company Grand Rapids, Michigan | 100.00 |
| Farmers Texas County Mutual Insurance Company | 74-1067657 | 24392 | TX | County Mutual Company (See Note 2) | |
| FCOA, LLC | 27-0342907 | N/A | DE | Foremost Insurance Company Grand Rapids, Michigan | 100.00 |
| FFS Holding, LLC | 77-0530617 | N/A | NV | Mid Century Ins. Co. | 100.00 |
| Fire Insurance Exchange | 95-6235715 | 21660 | CA | Interinsurance Exchange (See Note 3) | |
| Foremost County Mutual Insurance Company | 38-1721730 | 29254 | TX | County Mutual Company (See Note 4) | |
| Foremost Express Insurance Agency, Inc. | 38-2505922 | NA | MI | FCOA, LLC | 100.00 |
| Foremost Financial Services Corporation | 73-0462770 | NA | DE | FCOA, LLC | 100.00 |
| Foremost Insurance Company Grand Rapids, Michigan | 38-1407533 | 11185 | MI | Farmers Insurance Exchange | 80.00 |
| Foremost Insurance Company Grand Rapids, Michigan | 38-1407533 | 11185 | MI | Fire Insurance Exchange | 10.00 |
| Foremost Insurance Company Grand Rapids, Michigan | 38-1407533 | 11185 | MI | Truck Insurance Exchange | 10.00 |
| Foremost Lloyds of Texas | 75-1779175 | 41688 | TX | Lloyds Company (See Note 5) | |
| Foremost Property and Casualty Insurance Company | 35-1604635 | 11800 | MI | Foremost Insurance Company Grand Rapids, Michigan | 100.00 |
| Foremost Signature Insurance Company | 38-2430150 | 41513 | MI | Foremost Insurance Company Grand Rapids, Michigan | 100.00 |
| GP, LLC | 65-1142050 | N/A | DE | Bristol West Holdings, Inc. | 100.00 |
| Hawaii Insurance Consultants, Ltd. | 99-0083322 | NA | HI | Farmers Insurance Exchange | 80.00 |
| Hawaii Insurance Consultants, Ltd. | 99-0083322 | NA | HI | Fire Insurance Exchange | 10.00 |
| Hawaii Insurance Consultants, Ltd. | 99-0083322 | NA | HI | Truck Insurance Exchange | 10.00 |
| i21 Insurance Services | 61-1420182 | NA | CA | 21st Century Insurance Group | 100.00 |
| Illinois Farmers Insurance Co. | 36-2661515 | 21679 | IL | Farmers Insurance Exchange | 100.00 |
| Insurance Data Systems, G.P. | 65-0881673 | N/A | FL | Bristol West Holdings, Inc. | 99.90 |
| Insurance Data Systems, G.P. | 65-0881673 | N/A | FL | GP, LLC | 00.10 |
| Kraft Lake Insurance Agency, Inc. | 38-2336672 | NA | MI | FCOA, LLC | 100.00 |
| Mid Century Insurance Company | 95-6016640 | 21687 | CA | Farmers Insurance Exchange | 80.00 |
| Mid Century Insurance Company | 95-6016640 | 21687 | CA | Fire Insurance Exchange | 12.50 |
| Mid Century Insurance Company | 95-6016640 | 21687 | CA | Truck Insurance Exchange | 07.50 |
| Mid Century Insurance Company of Texas | 74-2448744 | 28673 | TX | Farmers Insurance Exchange | 100.00 |
| Neighborhood Spirit Property & Casualty Co. | 95-4528264 | 10317 | CA | Fire Insurance Exchange | 80.00 |
| Neighborhood Spirit Property & Casualty Co. | 95-4528264 | 10317 | CA | Truck Insurance Exchange | 20.00 |
| Security National Insurance Company | 65-0109120 | 33120 | FL | Bristol West Holdings, Inc. - See Note 6 | 75.00 |

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF FARMERS INSURANCE GROUP
PART 1 - ORGANIZATIONAL CHART**

| Company | FEIN | NAIC | Domiciled | Ownership | % |
|--|-------------|-------------|------------------|--|----------|
| Security National Insurance Company | 65-0109120 | 33120 | FL | Insurance Data Systems, G.P. | 25.00 |
| Texas Farmers Insurance Co. | 94-1663548 | 21695 | TX | Farmers Insurance Exchange | 86.30 |
| Texas Farmers Insurance Co. | 94-1663548 | 21695 | TX | Mid Century Insurance Company | 13.70 |
| Truck Insurance Exchange | 95-2575892 | 21709 | CA | Interinsurance Exchange - See Note 7 | |
| Veyond Pacific Technology Solutions, LLC | 20-3821099 | NA | HI | Farmers Insurance Hawaii, Inc. | 99.92 |
| Veyond Pacific Technology Solutions, LLC | 20-3821099 | NA | HI | American Pacific Insurance Company, Inc. | 00.08 |
| Veyond Pacific Technology, Inc. | 20-3821011 | NA | HI | Veyond Pacific Technology Solutions, LLC | 100.00 |
| Veyond Technology Solutions, LLC | 04-3726591 | NA | HI | Farmers Insurance Hawaii, Inc. | 92.22 |
| Veyond Technology Solutions, LLC | 04-3726591 | NA | HI | American Pacific Insurance Company, Inc. | 7.78 |
| Veyond Technology, Inc. | 04-3682284 | NA | HI | Veyond Technology Solutions, LLC | 100.00 |
| Western Star Insurance Services, Inc. | 74-1593853 | NA | TX | FCOA, LLC | 100.00 |

Note 1: Farmers Insurance Exchange, formed and organized pursuant to California Insurance Code Section 1280, et seq., is owned by its policyholders. Its attorney-in-fact, Farmers Group, Inc., dba Farmers Underwriters Association, which is a subsidiary of Zurich Insurance Group Ltd. (See also Schedule Y, Part 1A)

Note 2: Farmers Texas County Mutual Insurance Company, formed and organized pursuant to Chapter 912 of the Texas Insurance Code, is managed by Farmers Group, Inc., dba Farmers Underwriters Association

Note 3: Fire Insurance Exchange, formed and organized pursuant to California Insurance Code Section 1280, et seq., is owned by its policyholders. Its attorney-in-fact, Fire Underwriters Association, which is a subsidiary of Zurich Insurance Group Ltd. (See also Schedule Y, Part 1A)

Note 4: Foremost County Mutual Insurance Company is managed by Foremost Insurance Company Grand Rapids, Michigan.

Note 5: Foremost Lloyds of Texas underwriters are officers and/or directors of Foremost Insurance Company Grand Rapids, Michigan.

Note 6: Security National Insurance Company shares held by Bristol West Holdings, Inc. are voting shares, while those held by Insurance Data Systems, G.P. are non-voting shares.

Note 7: Truck Insurance Exchange, formed and organized pursuant to California Insurance Code Section 1280, et seq., is owned by its policyholders. Its attorney-in-fact, Truck Underwriters Association, which is a subsidiary of Zurich Insurance Group Ltd. (See also Schedule Y, Part 1A)

OVERFLOW PAGE FOR WRITE-INS

Additional Write-ins for Underwriting and Investment Exhibit Part 3 Line 24

| | 1 | 2 | 3 | 4 |
|---|--------------------------|-----------------------------|---------------------|-------|
| | Loss Adjustment Expenses | Other Underwriting Expenses | Investment Expenses | Total |
| 2404. Miscellaneous investment expenses | | | 2,644 | 2,644 |
| 2497. Summary of remaining write-ins for Line 24 from overflow page | | | 2,644 | 2,644 |

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK

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| Schedule B - Verification Between Years | SI02 |
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| | |
|--|----|
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