



ANNUAL STATEMENT
For the Year Ended December 31, 2012
OF THE CONDITION AND AFFAIRS OF THE
BCS Insurance Company

NAIC Group Code 00023, NAIC Company Code 38245, Employer's ID Number 36-6033921
Organized under the Laws of Ohio, State of Domicile or Port of Entry Ohio
Country of Domicile United States
Incorporated/Organized 12/05/1950, Commenced Business 11/30/1952
Statutory Home Office 6740 North High Street, Worthington, OH, US 43085
Main Administrative Office 2 Mid America Plaza, Suite 200, Oakbrook Terrace, IL, US 60181
Mail Address 2 Mid America Plaza, Suite 200, Oakbrook Terrace, IL, US 60181
Primary Location of Books and Records 2 Mid America Plaza, Suite 200, Oakbrook Terrace, IL, US 60181
Internet Web Site Address www.bcsins.com
Statutory Statement Contact Elias Georgopoulos, 630-472-7749

OFFICERS

Table with 4 columns: Name, Title, Name, Title. Officers include Howard Francis Beacham III (President & Chief Executive Officer), Susan Ann Pickar (Treasurer), Henry Alan Carpenter (Senior Vice President, General Counsel & Secretary), and Steven Scott Martin (Chairman of the Board).

OTHER OFFICERS

Table with 4 columns: Name, Title, Name, Title. Other officers include Matthew Thomas Brannigan and David John Jacobs (Senior Vice Presidents), and Susan Chylla Lindquist and Dale Edward Palka (Senior Vice Presidents).

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Directors/Trustees include Howard Francis Beacham III, Matthew Thomas Brannigan, Henry Alan Carpenter, and Susan Ann Pickar, Steven Scott Martin, and David John Jacobs.

State of Illinois ss
County of DuPage

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

Signature of Howard Francis Beacham III

Howard Francis Beacham III
President & Chief Executive Officer

Signature of Henry Alan Carpenter

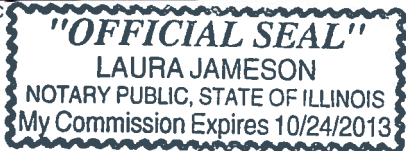
Henry Alan Carpenter
Senior Vice President, General Counsel & Secretary

Signature of Susan Ann Pickar

Susan Ann Pickar
Senior Vice President, Finance & Treasurer

Subscribed and sworn to before me this 15th day of February, 2013

Signature of Laura Jameson, Notary Public
Laura Jameson, Notary Public
10/24/2013



- a. Is this an original filing? Yes [ X ] No [ ]
b. If no:
1. State the amendment number 0
2. Date filed
3. Number of pages attached 0

**ANNUAL STATEMENT FOR THE YEAR 2012 OF THE BCS Insurance Company**

**ASSETS**

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	180,005,003		180,005,003	175,120,652
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	0		0	0
2.2 Common stocks .....	3,808,312		3,808,312	3,970,665
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances).....			0	0
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ ..... encumbrances) .....			0	0
5. Cash (\$ .....8,637,014 , Schedule E-Part 1), cash equivalents (\$ .....0 , Schedule E-Part 2) and short-term investments (\$ .....8,964,903 , Schedule DA).....	17,601,918		17,601,918	5,700,423
6. Contract loans (including \$ ..... premium notes).....			0	0
7. Derivatives (Schedule DB).....			0	0
8. Other invested assets (Schedule BA) .....	0		0	0
9. Receivables for securities .....			0	0
10. Securities lending reinvested collateral assets (Schedule DL).....			0	0
11. Aggregate write-ins for invested assets .....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	201,415,233	0	201,415,233	184,791,740
13. Title plants less \$ ..... charged off (for Title insurers only).....			0	0
14. Investment income due and accrued .....	1,617,161		1,617,161	1,456,673
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	36,825,561	3,453,711	33,371,850	25,653,772
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums).....			0	581,697
15.3 Accrued retrospective premiums.....			0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	5,770,185		5,770,185	9,456,593
16.2 Funds held by or deposited with reinsured companies .....	400,000		400,000	400,000
16.3 Other amounts receivable under reinsurance contracts .....			0	0
17. Amounts receivable relating to uninsured plans .....			0	0
18.1 Current federal and foreign income tax recoverable and interest thereon .....			0	0
18.2 Net deferred tax asset.....	3,412,807	653,666	2,759,141	1,790,591
19. Guaranty funds receivable or on deposit .....			0	0
20. Electronic data processing equipment and software.....			0	0
21. Furniture and equipment, including health care delivery assets (\$ ..... ) .....			0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
23. Receivables from parent, subsidiaries and affiliates .....			0	0
24. Health care (\$ ..... ) and other amounts receivable.....			0	0
25. Aggregate write-ins for other than invested assets .....	9,167,375	0	9,167,375	6,425,347
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	258,608,322	4,107,377	254,500,945	230,556,413
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
28. Total (Lines 26 and 27)	258,608,322	4,107,377	254,500,945	230,556,413
<b>DETAILS OF WRITE-INS</b>				
1101. ....			0	0
1102. ....			0	0
1103. ....			0	0
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0
2501. Unapplied Claim Payments.....	6,211,606		6,211,606	5,200,988
2502. State Income Tax & Premium Tax Recoverable.....	12,426		12,426	39,337
2503. Intercompany Reinsurance Asset.....	2,901,003		2,901,003	1,174,829
2598. Summary of remaining write-ins for Line 25 from overflow page .....	42,340	0	42,340	10,193
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	9,167,375	0	9,167,375	6,425,347

**ANNUAL STATEMENT FOR THE YEAR 2012 OF THE BCS Insurance Company**

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8) .....	27,709,015	27,766,871
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6) .....	0	0
3. Loss adjustment expenses (Part 2A, Line 35, Column 9) .....	6,667,270	4,890,751
4. Commissions payable, contingent commissions and other similar charges .....	738,387	84,844
5. Other expenses (excluding taxes, licenses and fees) .....	1,038,776	329,404
6. Taxes, licenses and fees (excluding federal and foreign income taxes) .....	2,668,190	2,259,790
7.1 Current federal and foreign income taxes (including \$ ..... on realized capital gains (losses)) .....	1,976,954	2,615,231
7.2 Net deferred tax liability .....	0	0
8. Borrowed money \$ ..... and interest thereon \$ .....	0	0
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ .....17,939,909 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) .....	18,018,045	15,363,027
10. Advance premium .....	0	0
11. Dividends declared and unpaid:		
11.1 Stockholders .....	0	0
11.2 Policyholders .....	0	0
12. Ceded reinsurance premiums payable (net of ceding commissions) .....	31,903,459	17,791,952
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19) .....	68,750	68,750
14. Amounts withheld or retained by company for account of others .....	0	0
15. Remittances and items not allocated .....	3,069,547	3,020,524
16. Provision for reinsurance (including \$ ..... certified) (Schedule F, Part 8) .....	1,055,800	1,401,800
17. Net adjustments in assets and liabilities due to foreign exchange rates .....	0	0
18. Drafts outstanding .....	0	0
19. Payable to parent, subsidiaries and affiliates .....	5,304,750	4,711,967
20. Derivatives .....	0	0
21. Payable for securities .....	0	0
22. Payable for securities lending .....	0	0
23. Liability for amounts held under uninsured plans .....	0	0
24. Capital notes \$ ..... and interest thereon \$ .....	0	0
25. Aggregate write-ins for liabilities .....	2,403,256	3,635,089
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25) .....	102,622,199	83,940,000
27. Protected cell liabilities .....	0	0
28. Total liabilities (Lines 26 and 27) .....	102,622,199	83,940,000
29. Aggregate write-ins for special surplus funds .....	0	0
30. Common capital stock .....	3,000,000	3,000,000
31. Preferred capital stock .....	0	0
32. Aggregate write-ins for other than special surplus funds .....	0	0
33. Surplus notes .....	0	0
34. Gross paid in and contributed surplus .....	36,484,581	36,484,581
35. Unassigned funds (surplus) .....	112,394,165	107,131,832
36. Less treasury stock, at cost:		
36.1 ..... shares common (value included in Line 30 \$ .....)	0	0
36.2 ..... shares preferred (value included in Line 31 \$ .....)	0	0
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39) .....	151,878,746	146,616,413
38. Totals (Page 2, Line 28, Col. 3)	254,500,945	230,556,413
<b>DETAILS OF WRITE-INS</b>		
2501. Retroactive Reinsurance Reserve Ceded.....	(80,492)	(111,919)
2502. Allowance for Doubtful Accounts.....	2,025,000	2,752,000
2503. Retroactive Reinsurance Reserve Assumed.....	391,269	426,261
2598. Summary of remaining write-ins for Line 25 from overflow page .....	67,479	568,747
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	2,403,256	3,635,089
2901. ....	0	0
2902. ....	0	0
2903. ....	0	0
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0
3201. ....	0	0
3202. ....	0	0
3203. ....	0	0
3298. Summary of remaining write-ins for Line 32 from overflow page .....	0	0
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)	0	0

**ANNUAL STATEMENT FOR THE YEAR 2012 OF THE BCS Insurance Company**

**STATEMENT OF INCOME**

	1 Current Year	2 Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4) .....	108,964,358	110,115,716
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7) .....	60,704,613	63,829,375
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1) .....	8,421,650	5,117,537
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2) .....	36,311,519	37,408,103
5. Aggregate write-ins for underwriting deductions .....	0	0
6. Total underwriting deductions (Lines 2 through 5) .....	105,437,782	106,355,015
7. Net income of protected cells .....	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7) .....	3,526,576	3,760,701
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....	6,706,406	7,272,537
10. Net realized capital gains (losses) less capital gains tax of \$ 452,520 (Exhibit of Capital Gains (Losses)) .....	858,361	866,662
11. Net investment gain (loss) (Lines 9 + 10) .....	7,564,767	8,139,199
<b>OTHER INCOME</b>		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ ..... amount charged off \$ ..... ) .....		0
13. Finance and service charges not included in premiums .....		0
14. Aggregate write-ins for miscellaneous income .....	685,868	(786,763)
15. Total other income (Lines 12 through 14) .....	685,868	(786,763)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15) .....	11,777,211	11,113,137
17. Dividends to policyholders .....		0
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17) .....	11,777,211	11,113,137
19. Federal and foreign income taxes incurred .....	3,583,887	3,774,121
20. Net income (Line 18 minus Line 19) (to Line 22) .....	8,193,324	7,339,016
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2) .....	146,616,413	142,045,303
22. Net income (from Line 20) .....	8,193,324	7,339,016
23. Net transfers (to) from Protected Cell accounts .....		0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 416,419 .....	808,341	(177,905)
25. Change in net unrealized foreign exchange capital gain (loss) .....		0
26. Change in net deferred income tax .....	540,525	(25,310)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3) .....	(718,480)	(228,891)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1) .....	346,000	1,164,200
29. Change in surplus notes .....		0
30. Surplus (contributed to) withdrawn from protected cells .....		0
31. Cumulative effect of changes in accounting principles .....	92,623	0
32. Capital changes:		
32.1 Paid in .....		0
32.2 Transferred from surplus (Stock Dividend) .....		0
32.3 Transferred to surplus .....		0
33. Surplus adjustments:		
33.1 Paid in .....		0
33.2 Transferred to capital (Stock Dividend) .....		0
33.3 Transferred from capital .....		0
34. Net remittances from or (to) Home Office .....		0
35. Dividends to stockholders .....	(4,000,000)	(3,500,000)
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1) .....	0	0
37. Aggregate write-ins for gains and losses in surplus .....	0	0
38. Change in surplus as regards policyholders for the year (Lines 22 through 37) .....	5,262,333	4,571,110
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37) .....	151,878,746	146,616,413
<b>DETAILS OF WRITE-INS</b>		
0501. ....		0
0502. ....		0
0503. ....		0
0598. Summary of remaining write-ins for Line 5 from overflow page .....	0	0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above) .....	0	0
1401. Retroactive Reinsurance Ceded.....	(31,427)	(65,001)
1402. Allowance for Doubtful Accounts.....	727,000	(189,000)
1403. Retroactive Reinsurance Assumed.....	(28,508)	(33,039)
1498. Summary of remaining write-ins for Line 14 from overflow page .....	18,803	(499,723)
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) .....	685,868	(786,763)
3701. ....		0
3702. ....		0
3703. ....		0
3798. Summary of remaining write-ins for Line 37 from overflow page .....	0	0
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above) .....	0	0

**CASH FLOW**

	1 Current Year	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance.....	117,114,003	115,951,809
2. Net investment income .....	7,580,544	7,833,239
3. Miscellaneous income .....	685,868	(786,763)
4. Total (Lines 1 through 3) .....	125,380,415	122,998,285
5. Benefit and loss related payments .....	57,076,061	65,875,640
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions .....	41,187,683	39,746,369
8. Dividends paid to policyholders .....	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ 452,520 tax on capital gains (losses).....	4,674,684	3,180,460
10. Total (Lines 5 through 9) .....	102,938,428	108,802,469
11. Net cash from operations (Line 4 minus Line 10) .....	22,441,987	14,195,816
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	50,362,914	43,444,756
12.2 Stocks .....	0	0
12.3 Mortgage loans .....	0	0
12.4 Real estate .....	0	0
12.5 Other invested assets .....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	51	0
12.7 Miscellaneous proceeds .....	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	50,362,965	43,444,756
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	53,581,599	52,968,650
13.2 Stocks .....	0	60,000
13.3 Mortgage loans .....	0	0
13.4 Real estate .....	0	0
13.5 Other invested assets .....	0	0
13.6 Miscellaneous applications .....	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	53,581,599	53,028,650
14. Net increase (decrease) in contract loans and premium notes .....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	(3,218,634)	(9,583,894)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds .....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	0	0
16.5 Dividends to stockholders .....	4,000,000	3,500,000
16.6 Other cash provided (applied).....	(3,321,858)	(356,581)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	(7,321,858)	(3,856,581)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	11,901,495	755,341
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	5,700,423	4,945,082
19.2 End of year (Line 18 plus Line 19.1) .....	17,601,918	5,700,423

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1 - PREMIUMS EARNED**

Line of Business		1	2	3	4
		Net Premiums Written per Column 6, Part 1B	Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire .....	0	0	0	0
2.	Allied lines .....	0	0	0	0
3.	Farmowners multiple peril .....	0	0	0	0
4.	Homeowners multiple peril .....	0	0	0	0
5.	Commercial multiple peril .....	0	0	0	0
6.	Mortgage guaranty .....	0	0	0	0
8.	Ocean marine .....	0	0	0	0
9.	Inland marine .....	54,340	0	12,098	42,242
10.	Financial guaranty .....	0	0	0	0
11.1	Medical professional liability-occurrence .....	0	0	0	0
11.2	Medical professional liability-claims-made .....	0	0	0	0
12.	Earthquake .....	0	0	0	0
13.	Group accident and health .....	94,054,266	9,793,022	9,985,821	93,861,467
14.	Credit accident and health (group and individual) .....	0	0	0	0
15.	Other accident and health .....	0	0	0	0
16.	Workers' compensation .....	0	0	0	0
17.1	Other liability - occurrence .....	0	0	0	0
17.2	Other liability - claims-made .....	17,510,770	5,570,005	8,020,126	15,060,649
17.3	Excess workers' compensation .....	0	0	0	0
18.1	Products liability-occurrence .....	0	0	0	0
18.2	Products liability-claims-made .....	0	0	0	0
19.1,19.2	Private passenger auto liability .....	0	0	0	0
19.3,19.4	Commercial auto liability .....	0	0	0	0
21.	Auto physical damage .....	0	0	0	0
22.	Aircraft (all perils) .....	0	0	0	0
23.	Fidelity .....	0	0	0	0
24.	Surety .....	0	0	0	0
26.	Burglary and theft .....	0	0	0	0
27.	Boiler and machinery .....	0	0	0	0
28.	Credit .....	0	0	0	0
29.	International .....	0	0	0	0
30.	Warranty .....	0	0	0	0
31.	Reinsurance-nonproportional assumed property .....	0	0	0	0
32.	Reinsurance-nonproportional assumed liability .....	0	0	0	0
33.	Reinsurance-nonproportional assumed financial lines .....	0	0	0	0
34.	Aggregate write-ins for other lines of business .....	0	0	0	0
35.	<b>TOTALS</b>	<b>111,619,376</b>	<b>15,363,027</b>	<b>18,018,045</b>	<b>108,964,358</b>
<b>DETAILS OF WRITE-INS</b>					
3401.	.....	0	0	0	0
3402.	.....	0	0	0	0
3403.	.....	0	0	0	0
3498.	Sum. of remaining write-ins for Line 34 from overflow page .....	0	0	0	0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0

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					0
2. Allied lines					0
3. Farmowners multiple peril					0
4. Homeowners multiple peril					0
5. Commercial multiple peril					0
6. Mortgage guaranty					0
8. Ocean marine					0
9. Inland marine	12,098				12,098
10. Financial guaranty					0
11.1 Medical professional liability-occurrence					0
11.2 Medical professional liability-claims-made					0
12. Earthquake					0
13. Group accident and health	7,765,366			2,220,455	9,985,821
14. Credit accident and health (group and individual)					0
15. Other accident and health					0
16. Workers' compensation					0
17.1 Other liability-occurrence					0
17.2 Other liability-claims-made	8,020,126				8,020,126
17.3 Excess workers' compensation					0
18.1 Products liability-occurrence					0
18.2 Products liability-claims-made					0
19.1,19.2 Private passenger auto liability					0
19.3,19.4 Commercial auto liability					0
21. Auto physical damage					0
22. Aircraft (all perils)					0
23. Fidelity					0
24. Surety					0
26. Burglary and theft					0
27. Boiler and machinery					0
28. Credit					0
29. International					0
30. Warranty					0
31. Reinsurance-nonproportional assumed property					0
32. Reinsurance-nonproportional assumed liability					0
33. Reinsurance-nonproportional assumed financial lines					0
34. Aggregate write-ins for other lines of business	0	0	0	0	0
35. TOTALS	15,797,590	0	0	2,220,455	18,018,045
36. Accrued retrospective premiums based on experience					
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					18,018,045
<b>DETAILS OF WRITE-INS</b>					
3401.					0
3402.					0
3403.					0
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0	0	0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0	0

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

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE BCS Insurance Company

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						0
2. Allied lines						0
3. Farmowners multiple peril						0
4. Homeowners multiple peril						0
5. Commercial multiple peril						0
6. Mortgage guaranty						0
8. Ocean marine						0
9. Inland marine	11,533,610				11,479,270	54,340
10. Financial guaranty						0
11.1 Medical professional liability-occurrence						0
11.2 Medical professional liability-claims-made	335,999				335,999	0
12. Earthquake						0
13. Group accident and health	253,154,172	1,636,657	7,004,182	17,319,625	150,421,120	94,054,266
14. Credit accident and health (group and individual)						0
15. Other accident and health						0
16. Workers' compensation						0
17.1 Other liability-occurrence						0
17.2 Other liability-claims-made	35,049,377			2,126,316	15,412,291	17,510,770
17.3 Excess workers' compensation						0
18.1 Products liability-occurrence						0
18.2 Products liability-claims-made						0
19.1,19.2 Private passenger auto liability						0
19.3,19.4 Commercial auto liability						0
21. Auto physical damage						0
22. Aircraft (all perils)						0
23. Fidelity	68,686			29,416	39,270	0
24. Surety						0
26. Burglary and theft						0
27. Boiler and machinery						0
28. Credit						0
29. International						0
30. Warranty						0
31. Reinsurance-nonproportional assumed property	XXX					0
32. Reinsurance-nonproportional assumed liability	XXX					0
33. Reinsurance-nonproportional assumed financial lines	XXX					0
34. Aggregate write-ins for other lines of business	0	0	0	0	0	0
35. TOTALS	300,141,844	1,636,657	7,004,182	19,475,357	177,687,950	111,619,376
<b>DETAILS OF WRITE-INS</b>						
3401.						0
3402.						0
3403.						0
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0	0	0

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [ ] No [ X ]

If yes: 1. The amount of such installment premiums \$ .....

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

**ANNUAL STATEMENT FOR THE YEAR 2012 OF THE BCS Insurance Company**

**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				.0	.0	.0	.0	
2. Allied lines				.0	.0	.0	.0	
3. Farmowners multiple peril				.0	.0	.0	.0	
4. Homeowners multiple peril				.0	.0	.0	.0	
5. Commercial multiple peril				.0	.0	.0	.0	
6. Mortgage guaranty				.0	.0	.0	.0	
8. Ocean marine				.0	.0	.0	.0	
9. Inland marine	5,611,011		5,611,011	.0	32,589	32,589	77.1	
10. Financial guaranty				.0	.0	.0	.0	
11.1 Medical professional liability-occurrence				.0	.0	.0	.0	
11.2 Medical professional liability-claims-made				.0	135,838	165,776	(29,938)	
12. Earthquake				.0	.0	.0	.0	
13. Group accident and health	129,372,919	10,154,901	81,703,405	57,824,415	22,116,715	24,908,524	55,032,606	
14. Credit accident and health (group and individual)				.0	.0	.0	.0	
15. Other accident and health				.0	.0	.0	.0	
16. Workers' compensation				.0	.0	.0	.0	
17.1 Other liability-occurrence				.0	.0	.0	.0	
17.2 Other liability-claims-made	7,651,429		4,712,982	2,938,447	5,423,873	2,692,571	5,669,749	
17.3 Excess workers' compensation				.0	.0	.0	.0	
18.1 Products liability-occurrence				.0	.0	.0	.0	
18.2 Products liability-claims-made				.0	.0	.0	.0	
19.1,19.2 Private passenger auto liability				.0	.0	.0	.0	
19.3,19.4 Commercial auto liability				.0	.0	.0	.0	
21. Auto physical damage				.0	.0	.0	.0	
22. Aircraft (all perils)				.0	.0	.0	.0	
23. Fidelity	(393)			(393)	.0	.0	(393)	
24. Surety				.0	.0	.0	.0	
26. Burglary and theft				.0	.0	.0	.0	
27. Boiler and machinery				.0	.0	.0	.0	
28. Credit				.0	.0	.0	.0	
29. International				.0	.0	.0	.0	
30. Warranty				.0	.0	.0	.0	
31. Reinsurance-nonproportional assumed property	XXX			.0	.0	.0	.0	
32. Reinsurance-nonproportional assumed liability	XXX			.0	.0	.0	.0	
33. Reinsurance-nonproportional assumed financial lines	XXX			.0	.0	.0	.0	
34. Aggregate write-ins for other lines of business	0	0	0	0	0	0	0	
35. TOTALS	142,634,966	10,154,901	92,027,398	60,762,469	27,709,015	27,766,871	60,704,613	
<b>DETAILS OF WRITE-INS</b>								
3401.				.0	.0	.0	.0	
3402.				.0	.0	.0	.0	
3403.				.0	.0	.0	.0	
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0	0	
3499. Totals (Lines 3401 through 3403 + 3498) (Line 34 above)	0	0	0	0	0	0	0	

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE BCS Insurance Company

**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				.0				.0	
2. Allied lines				.0				.0	
3. Farmowners multiple peril				.0				.0	
4. Homeowners multiple peril				.0				.0	
5. Commercial multiple peril				.0				.0	
6. Mortgage guaranty				.0				.0	
8. Ocean marine				.0				.0	
9. Inland marine				.0	841,271		808,682	.0	32,589
10. Financial guaranty				.0				.0	
11.1 Medical professional liability-occurrence				.0				.0	
11.2 Medical professional liability-claims-made		26,963		26,963	550,372	48,506	490,003	135,838	20,123
12. Earthquake				.0				.0	
13. Group accident and health	970,157	344,223	921,058	393,322	50,069,417	4,174,957	32,520,981	(a) 22,116,715	1,989,642
14. Credit accident and health (group and individual)				.0				(a) .0	
15. Other accident and health				.0				.0	
16. Workers' compensation				.0				.0	
17.1 Other liability-occurrence				.0				.0	
17.2 Other liability-claims-made	52,438,412		48,951,268	3,487,144	22,877,405		20,940,676	5,423,873	4,654,008
17.3 Excess workers' compensation				.0				.0	
18.1 Products liability-occurrence				.0				.0	
18.2 Products liability-claims-made				.0				.0	
19.1,19.2 Private passenger auto liability				.0				.0	
19.3,19.4 Commercial auto liability				.0				.0	
21. Auto physical damage				.0				.0	
22. Aircraft (all perils)				.0				.0	
23. Fidelity				.0	98,822		98,822	.0	3,497
24. Surety				.0				.0	
26. Burglary and theft				.0				.0	
27. Boiler and machinery				.0				.0	
28. Credit				.0				.0	
29. International				.0				.0	
30. Warranty				.0				.0	
31. Reinsurance-nonproportional assumed property	XXX			.0	XXX			.0	
32. Reinsurance-nonproportional assumed liability	XXX			.0	XXX			.0	
33. Reinsurance-nonproportional assumed financial lines	XXX			.0	XXX			.0	
34. Aggregate write-ins for other lines of business	.0	.0	.0	.0	.0	.0	.0	.0	.0
35. TOTALS	53,408,569	371,186	49,872,326	3,907,429	74,437,287	4,223,463	54,859,164	27,709,015	6,667,270
<b>DETAILS OF WRITE-INS</b>									
3401.				.0				.0	
3402.				.0				.0	
3403.				.0				.0	
3498. Sum. of remaining write-ins for Line 34 from overflow page	.0	.0	.0	.0	.0	.0	.0	.0	.0
3499. Totals (Lines 3401 through 3403 + 3498) (Line 34 above)	0	0	0	0	0	0	0	0	0

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

## UNDERWRITING AND INVESTMENT EXHIBIT

## PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct .....	9,964,915			9,964,915
1.2 Reinsurance assumed .....	(65,280)			(65,280)
1.3 Reinsurance ceded .....	2,675,100			2,675,100
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3) .....	7,224,535	0	0	7,224,535
2. Commission and brokerage:				
2.1 Direct, excluding contingent .....		68,140,771		68,140,771
2.2 Reinsurance assumed, excluding contingent .....		1,043,513		1,043,513
2.3 Reinsurance ceded, excluding contingent .....		56,663,102		56,663,102
2.4 Contingent-direct .....		1,000,132		1,000,132
2.5 Contingent-reinsurance assumed .....		0		0
2.6 Contingent-reinsurance ceded .....		30,151		30,151
2.7 Policy and membership fees .....				0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7) .....	0	13,491,163	0	13,491,163
3. Allowances to manager and agents .....				0
4. Advertising .....	15,124	140,405	4,051	159,580
5. Boards, bureaus and associations .....	7,074	64,643	1,922	73,639
6. Surveys and underwriting reports .....				0
7. Audit of assureds' records .....				0
8. Salary and related items:				
8.1 Salaries .....	478,946	6,267,078	193,883	6,939,907
8.2 Payroll taxes .....	40,273	332,092	10,017	382,382
9. Employee relations and welfare .....	348,294	2,990,689	100,216	3,439,199
10. Insurance .....	3,994	32,958	1,021	37,973
11. Directors' fees .....				0
12. Travel and travel items .....	39,986	419,218	10,992	470,196
13. Rent and rent items .....	86,288	740,118	22,805	849,211
14. Equipment .....	3,989	35,393	1,121	40,503
15. Cost or depreciation of EDP equipment and software .....	44,163	370,387	11,186	425,736
16. Printing and stationery .....	14,713	131,042	4,114	149,869
17. Postage, telephone and telegraph, exchange and express .....	10,494	91,979	2,724	105,197
18. Legal and auditing .....	100,953	1,479,124	363,859	1,943,936
19. Totals (Lines 3 to 18) .....	1,194,291	13,095,126	727,911	15,017,328
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ .....	533	5,492,596		5,492,596
20.2 Insurance department licenses and fees .....		1,338,698		1,338,698
20.3 Gross guaranty association assessments .....		33,107		33,107
20.4 All other (excluding federal and foreign income and real estate) .....		627,384		627,384
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) .....	0	7,491,785	0	7,491,785
21. Real estate expenses .....				0
22. Real estate taxes .....				0
23. Reimbursements by uninsured plans .....				0
24. Aggregate write-ins for miscellaneous expenses .....	2,824	2,233,445	818	2,237,087
25. Total expenses incurred .....	8,421,650	36,311,519	728,729	(a) 45,461,898
26. Less unpaid expenses-current year .....	6,667,270	4,402,475	42,879	11,112,624
27. Add unpaid expenses-prior year .....	4,890,751	2,633,507	40,530	7,564,788
28. Amounts receivable relating to uninsured plans, prior year .....	0	0	0	0
29. Amounts receivable relating to uninsured plans, current year .....				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	6,645,131	34,542,551	726,380	41,914,062
<b>DETAILS OF WRITE-INS</b>				
2401. Donations .....	2,824	25,226	818	28,868
2402. Group Service Administration .....		2,208,219		2,208,219
2403. ....				0
2498. Summary of remaining write-ins for Line 24 from overflow page .....	0	0	0	0
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	2,824	2,233,445	818	2,237,087

(a) Includes management fees of \$ 13,433,856 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) 626,651	609,522
1.1 Bonds exempt from U.S. tax	(a) 483,749	701,640
1.2 Other bonds (unaffiliated)	(a) 6,141,664	6,101,494
1.3 Bonds of affiliates	(a) 0	
2.1 Preferred stocks (unaffiliated)	(b) 0	
2.11 Preferred stocks of affiliates	(b) 0	
2.2 Common stocks (unaffiliated)	22,039	22,039
2.21 Common stocks of affiliates	0	
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 564	440
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	0	0
10. Total gross investment income	7,274,667	7,435,135
11. Investment expenses		(g) 728,729
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		0
16. Total deductions (Lines 11 through 15)		728,729
17. Net investment income (Line 10 minus Line 16)		6,706,406
<b>DETAILS OF WRITE-INS</b>		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9 above)	0	0
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		0

- (a) Includes \$ 312,706 accrual of discount less \$ 1,344,983 amortization of premium and less \$ 174,896 paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ 157 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 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	152,826		152,826		
1.1 Bonds exempt from U.S. tax	841,183		841,183		
1.2 Other bonds (unaffiliated)	457,847	(141,025)	316,822	1,387,112	
1.3 Bonds of affiliates	0	0	0	0	0
2.1 Preferred stocks (unaffiliated)	0	0	0	0	0
2.11 Preferred stocks of affiliates	0	0	0	0	0
2.2 Common stocks (unaffiliated)	0	0	0	0	0
2.21 Common stocks of affiliates	0	0	0	(162,353)	0
3. Mortgage loans	0	0	0	0	0
4. Real estate	0	0	0	0	0
5. Contract loans	0	0	0	0	0
6. Cash, cash equivalents and short-term investments	51		51	0	0
7. Derivative instruments	0		0	0	0
8. Other invested assets	0	0	0	0	0
9. Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10. Total capital gains (losses)	1,451,907	(141,025)	1,310,882	1,224,759	0
<b>DETAILS OF WRITE-INS</b>					
0901.			0		
0902.			0		
0903.			0		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9 above)	0	0	0	0	0

**ANNUAL STATEMENT FOR THE YEAR 2012 OF THE BCS Insurance Company**

**EXHIBIT OF NONADMITTED ASSETS**

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	.0	.0	.0
2. Stocks (Schedule D):			
2.1 Preferred stocks .....	.0	.0	.0
2.2 Common stocks .....	.0	.0	.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....	.0	.0	.0
3.2 Other than first liens .....	.0	.0	.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....	.0	.0	.0
4.2 Properties held for the production of income.....	.0	.0	.0
4.3 Properties held for sale .....	.0	.0	.0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....	.0	.0	.0
6. Contract loans .....	.0	.0	.0
7. Derivatives (Schedule DB).....	.0	.0	.0
8. Other invested assets (Schedule BA) .....	.0	.0	.0
9. Receivables for securities .....	.0	.0	.0
10. Securities lending reinvested collateral assets (Schedule DL).....	.0	.0	.0
11. Aggregate write-ins for invested assets .....	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	.0	.0	.0
13. Title plants (for Title insurers only).....	.0	.0	.0
14. Investment income due and accrued .....	.0	.0	.0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	3,453,711	1,973,212	(1,480,499)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	.0	.0	.0
15.3 Accrued retrospective premiums.....	.0	.0	.0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers .....	.0	.0	.0
16.2 Funds held by or deposited with reinsured companies .....	.0	.0	.0
16.3 Other amounts receivable under reinsurance contracts .....	.0	.0	.0
17. Amounts receivable relating to uninsured plans .....	.0	.0	.0
18.1 Current federal and foreign income tax recoverable and interest thereon .....	.0	.0	.0
18.2 Net deferred tax asset.....	653,666	1,498,109	844,443
19. Guaranty funds receivable or on deposit .....	.0	.0	.0
20. Electronic data processing equipment and software.....	.0	.0	.0
21. Furniture and equipment, including health care delivery assets .....	.0	.0	.0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....	.0	.0	.0
23. Receivables from parent, subsidiaries and affiliates .....	.0	.0	.0
24. Health care and other amounts receivable.....	.0	.0	.0
25. Aggregate write-ins for other than invested assets .....	.0	10,199	10,199
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	4,107,377	3,481,520	(625,857)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
28. Total (Lines 26 and 27)	4,107,377	3,481,520	(625,857)
<b>DETAILS OF WRITE-INS</b>			
1101. ....		.0	.0
1102. ....		.0	.0
1103. ....		.0	.0
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0
2501. Miscellaneous Accounts Receivable.....		10,199	10,199
2502. ....		.0	.0
2503. ....		.0	.0
2598. Summary of remaining write-ins for Line 25 from overflow page .....	.0	.0	.0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	0	10,199	10,199

## NOTES TO FINANCIAL STATEMENTS

## 1. Summary of Significant Accounting Policies

## A. Accounting Practices

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

	<b>State of Domicile</b>	<b>2012</b>	<b>2011</b>
<b>Net Income</b>			
(1) BCS Insurance Company State Basis (page 4 line 20, columns 1 & 2)	Ohio	\$ 8,193,324	\$ 7,339,016
(2) State Prescribed practices that increase/(decrease) NAIC SAP: e.g., Depreciation of fixed assets		-	-
(3) State Permitted practices that increase/(decrease) NAIC SAP: e.g., Depreciation, home office property		-	-
(4) NAIC SAP (1-2-3=4)		<u>\$ 8,193,324</u>	<u>\$ 7,339,016</u>
<b>Surplus</b>			
(5) BCS Insurance Company State Basis (page 3 line 37, columns 1 & 2)	Ohio	\$ 151,878,746	\$ 146,616,413
(6) State Prescribed practices that increase/(decrease) NAIC SAP: e.g., Depreciation of fixed assets		-	-
(7) State Permitted practices that increase/(decrease) NAIC SAP: e.g., Depreciation, home office property		-	-
(8) NAIC SAP (5-6-7=8)		<u>\$ 151,878,746</u>	<u>\$ 146,616,413</u>

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

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

## C. Accounting Policies

Premiums are earned over the terms of the related policies and reinsurance contracts. Unearned premium is established to cover the unexpired portion of premiums written. Such reserves are computed by the pro rata method. Expenses incurred in connection with acquiring new insurance business (acquisition costs) are charged to operations as incurred. Net investment income consists primarily of interest and dividends. Net realized capital gains (losses) are recognized on a specific identification basis when securities are sold, redeemed or otherwise disposed.

In addition, the Company uses the following accounting policies:

- Short-term investments are stated at cost, which approximates market.
- Long-term bonds are generally stated at their amortized value using the scientific interest method. Non-investment grade securities with NAIC designations of 3 through 6 are stated at the lower of amortized value or fair value, with any unrealized losses recorded as a reduction to surplus. If a security is deemed to be other than temporarily impaired, it is written down to its fair value through a charge to earnings.
- Common Stocks, other than investments in stocks of subsidiaries and affiliates, are stated at fair value.
- Preferred Stocks - Not applicable
- Mortgage Loans - Not applicable
- Prepayment assumptions for loan-backed securities are obtained from broker dealer survey values or Bloomberg System. These assumptions are consistent with current interest rates and the economic environment. The retrospective scientific method is used to value all loan backed and structured securities.
- Subsidiaries, Controlled and Affiliated Companies - Not applicable
- Joint ventures, Partnerships and Limited Liability Companies - Not applicable
- Derivatives - Not applicable
- Anticipated investment income as a factor for premium deficiency reserves - Not applicable
- Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is reasonable, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.
- Capitalization Policy - Not applicable

## NOTES TO FINANCIAL STATEMENTS

### 2. Accounting Changes and Corrections of Errors

Accounting changes adopted to conform to the provisions of NAIC SAP or other state prescribed practices are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is generally reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. Generally, the cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at the date if the new accounting principles had been applied retroactively for all prior periods.

Effective January 1, 2012, the Company adopted Statement of Statutory Accounting Principle ("SSAP") No. 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10* ("SSAP No. 101"). SSAP No. 101 changes statutory accounting for income taxes in two key areas (1) tax contingencies and (2) the admissibility of deferred tax assets.

Under SSAP No. 101, Federal and foreign income tax contingencies are now determined under a modified version of SSAP No. 5 – Revised, *Liabilities, Contingencies and Impairment of SSAP* ("SSAP No. 5R"). Under this standard, the recognition of tax loss contingencies uses a more likely than not model.

SSAP No. 101 also provides for a three-step calculation to determine the admitted portion of adjusted gross deferred tax assets. In the first part of the admissibility test, all filers will be allowed to use a reversal period that corresponds to the tax loss carryback provisions of the Internal Revenue Code. (The carry back period for the Company is two years.) In the second part of the admissibility test, the reversal period and surplus limitation parameters (one year & 10 percent or three years & 15 percent) are determined based upon risk-based capital ("RBC") levels. Companies not meeting the minimum threshold are prohibited from admitting anything in this part of the admissibility test. For purposes of determining test parameters, the Company used prior year-end calculations of RBC and current period surplus thresholds.

As a result of the Company's adoption of this guidance effective January 1, 2012, the Company was able to admit more deferred tax assets. This resulted in a \$92,623 increase to statutory surplus.

### 3. Business Combinations and Goodwill

#### A. Statutory Purchase Method

None

#### B. Statutory Merger

None

#### C. Impairment Loss

None

### 4. Discontinued Operations

Not Applicable

### 5. Investments

#### A. Mortgage Loans

None

#### B. Debt Restructuring

None

#### C. Reverse Mortgages

None

#### D. Loan Backed Securities

1. Anticipated prepayments for loan-backed and structured securities are used to determine the effective yield of an issue at purchase. Changes in the estimated cash flows of the issue are incorporated when determining the statement value at the end of each quarter and year-end. Prepayments for loan-backed and structured securities were obtained from the broker dealer survey or Bloomberg Systems. These assumptions are consistent with the current interest rate and economic environment. The retrospective scientific method is used to value most loan-backed and structured securities. For structured securities deemed to be high-risk, meaning the Company might not recover substantially all of its recorded investment due to unanticipated prepayment events, changes in investment yields due to changes in estimated future cash flows are accounted for on a prospective basis.

NOTES TO FINANCIAL STATEMENTS

2. The Company has the following recognized other-than-temporary impairments on loan-backed securities:

	(1) Amortized Cost Basis Before Other-than- Temporary Impairment	(2) Other-than-Temporary impairment Recognized in Loss	(3) Fair Value 1-(2a + 2b)
OTTI Recognized 1st Quarter			
a. Intent to sell	\$ -	\$ -	\$ -
b.			
Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	\$ -	\$ -	\$ -
c. Total 1st Quarter	\$ -	\$ -	\$ -
OTTI Recognized 2nd Quarter			
d. Intent to sell	\$ -	\$ -	\$ -
e.			
Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	\$ -	\$ -	\$ -
f. Total 2nd Quarter	\$ -	\$ -	\$ -
OTTI Recognized 3rd Quarter			
g. Intent to sell	\$ -	\$ -	\$ -
h.			
Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	\$ -	\$ -	\$ -
i. Total 3rd Quarter	\$ -	\$ -	\$ -
OTTI Recognized 4th Quarter			
j. Intent to sell	\$ 687,291	\$ 129,668	\$ 557,623
k.			
Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	\$ -	\$ -	\$ -
l. Total 4th Quarter	\$ 687,291	\$ 129,668	\$ 557,623
m. Annual Aggregate Total	\$ 687,291	\$ 129,668	\$ 557,623

## NOTES TO FINANCIAL STATEMENTS

3. The Company has the following information about recognized other-than-temporary impairments currently held:

(1) CUSIP	(2) Book/Adj Carrying Value Amortized cost before current period OTTI	(3) Present Value of Projected Cash Flow s	(4) Recognized Other-Than- Temporary Impairment	(5) Amortized cost After Other Than-Temporary Impairment	(6) Fair Value at time of OTTI	(7) Date of Financial Statement Where Reported
07387AAW5	222,340	217,469	4,871	217,469	139,284	September 2009
126670CM8	512,487	502,736	9,751	502,736	125,173	September 2009
126683AB7	510,256	352,195	158,061	352,195	300,707	September 2009
17307G6K9	318,395	307,806	10,589	307,806	202,617	September 2009
74958WAB2	358,941	326,537	32,404	326,537	166,582	September 2009
94983RAD6	246,682	242,840	3,842	242,840	159,505	September 2009
05949CKQ8	66,778	60,225	6,553	60,225	52,444	December 2009
07387AAW5	198,654	181,650	17,004	181,650	152,464	December 2009
126670CM8	502,507	361,137	141,370	361,137	162,417	December 2009
126683AB7	325,918	305,239	20,679	305,239	244,815	December 2009
17307G6K9	282,569	256,900	25,669	256,900	214,043	December 2009
74958WAB2	291,994	285,580	6,414	285,580	201,191	December 2009
78473WAC7	163,349	148,496	14,853	148,496	112,800	December 2009
94983RAD6	218,786	201,407	17,379	201,407	172,869	December 2009
94984GAD9	309,125	276,997	32,128	276,997	254,515	December 2009
05949CHQ2	94,361	86,742	7,619	86,742	82,868	June 2010
05949CKQ8	56,643	54,666	1,977	54,666	53,299	June 2010
07387AAW5	173,208	170,021	3,187	170,021	154,396	June 2010
126670CM8	359,686	228,671	131,015	228,671	176,566	June 2010
17307G6K9	244,330	227,920	16,410	227,920	219,649	June 2010
3623414F3	201,000	198,994	2,006	198,994	182,503	June 2010
590219AE1	232,338	223,683	8,655	223,683	219,172	June 2010
74958WAB2	262,652	242,236	20,416	242,236	197,438	June 2010
94983RAD6	187,226	185,231	1,995	185,231	169,665	June 2010
05949CHQ2	83,300	80,681	2,619	80,681	75,430	September 2010
07387AAW5	163,922	158,478	5,444	158,478	148,810	September 2010
126670CM8	228,466	178,226	50,239	178,226	185,929	September 2010
12668XAC9	653,073	481,764	171,309	481,764	327,661	September 2010
17307G6K9	220,422	216,777	3,645	216,777	209,478	September 2010
32051GRD9	710,127	707,617	2,510	707,617	466,547	September 2010
3623414F3	191,743	179,560	12,184	179,560	170,314	September 2010
78473WAC7	133,540	128,811	4,729	128,811	111,084	September 2010
94983RAD6	173,702	163,905	9,797	163,905	157,933	September 2010
126670CM8	176,119	111,448	64,671	111,448	183,181	December 2010
12668XAC9	473,126	472,382	743	472,382	349,280	December 2010
32051GRD9	688,923	688,543	380	688,543	451,067	December 2010
45254NML8	36,296	35,090	1,206	35,090	27,963	December 2010
61913PAP7	28,121	27,525	596	27,525	20,422	December 2010
94984GAD9	220,030	217,647	2,383	217,647	223,257	December 2010
1248MGAP9	222,340	296,423	21,875	200,465	174,517	December 2011
12544LAA9	512,487	513,764	3,598	508,889	475,047	December 2011
225458EZ7	510,256	424,292	10,068	500,188	338,684	December 2011
74958TAB9	318,395	211,442	16,921	301,474	171,336	December 2011
949834AA3	358,941	421,464	2,935	356,006	392,751	December 2011
1248MGAP9	291,313	282,938	79,456	211,857	211,857	December 2012
225458EZ7	395,978	365,019	50,212	345,766	345,766	December 2012
74958WAB2	146,675	135,318	11,357	135,318	137,278	December 2012
	<u>13,277,520</u>	<u>12,144,491</u>	<u>1,223,723</u>	<u>12,053,795</u>	<u>9,472,574</u>	

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):

a. The aggregate amount of unrealized losses:

1. Less than 12 months	\$11,295
2. 12 Months or Longer	\$627,175

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

1. Less than 12 months	\$3,338,052
2. 12 Months or Longer	\$4,490,994

## NOTES TO FINANCIAL STATEMENTS

4. The Company periodically reviews its fixed maturity securities on a case-by-case basis to determine if any decline in fair value below amortized cost is other-than-temporary. Factors considered when determining whether a decline is other-than-temporary include the length of time a security has been in an unrealized loss position, reasons for the decline in value, expectations for the amount and timing of a recovery in fair value, and the Company's intent to sell and whether the Company is more likely than not will be required to sell the security. When the Company intends to sell an impaired security or more likely than not will be required to sell an impaired security before recovery of its amortized cost basis, an other than temporary impairment is recognized in earnings. If the Company does not expect to recover the entire amortized cost basis of an impaired debt security, even if it does not intend to sell the security and it is not more likely than not that it will not be required to sell the security before recovery of its amortized cost basis, the entity must consider, based upon an estimate of the present value of cash flows expected to be collected on the debt security as compared to its amortized cost basis, whether a credit loss exists. The portion of the total other than temporary impairment related to a credit loss is recognized in the statement of income. For structured securities the difference between amortized cost and net present value of future cash flows is considered to be a credit loss. For all other securities, the difference between fair market value and amortized cost is considered to be a credit loss. If it is determined that a decline in fair value of an investment is temporary, an other-than-temporary impairment loss is not recorded.

Generally, securities with fair values that are less than 80% of cost and other securities the Company determines are underperforming or potential problem securities are subject to regular review. To facilitate the review, securities with significant declines in value, or where objective criteria evidencing credit deterioration have been met, are included on a watch list. Among the criteria for securities to be included on a watch list are: credit deterioration which has led to a significant decline in value of the security; a significant covenant related to the security has been breached; and an issuer has filed or indicated a possibility of filing for bankruptcy, has missed or announced it intends to miss a scheduled interest or principal payment, or has experienced a specific material adverse change that may impair its creditworthiness.

When performing these reviews, the Company considers the relevant facts and circumstances relating to each investment and exercises considerable judgment in determining whether a security is other-than-temporarily impaired. Assessment factors include judgments about an obligor's current and projected financial position, an issuer's current and projected ability to service and repay its debt obligations, the existence of, and realizable value of, any collateral backing the obligations, the macro-economic and the micro-economic outlooks for specific industries and issuers. Assessing the duration of asset-backed securities can also involve assumptions regarding underlying collateral such as prepayment rates, default and recovery rates, and third-party servicing capabilities.

Among the factors considered is whether the decline in fair value results from a change in the quality of the security itself, or from a downward movement in the market as a whole, the likelihood of recovering the carrying value based on the current and short-term prospects of the issuer, and the Company's ability and intent to hold the security until such a recovery may occur. Unrealized losses that are considered to be primarily the result of market conditions, such as increasing interest rates, unusual market volatility, or industry-related events, and where the Company also believes there exists a reasonable expectation for recovery and, furthermore, has the intent and ability to hold the investment until maturity or the market recovery, are usually determined to be temporary. To the extent factors contributing to recognize other-than-temporary impairment losses affected other investments, such investments were reviewed for other-than-temporary impairment and losses were recorded when appropriate.

In addition to the review procedures described above, investment in structured securities where market prices are depressed are subject to a review of their future estimated cash flows, including expected and stress case scenarios, to identify potential shortfalls in contractual payments. Even in the case of severely depressed market values on structured securities, the Company places significant importance on the results of its cash flow testing and its ability and intent to hold these securities until their fair values recover when reaching other-than-temporary impairment conclusions. If there has been an adverse change in estimated cash flows which results in negative yield, an other-than-temporary impairment is recognized in the consolidated statements of income.

There are inherent uncertainties in assessing the fair values assigned to the Company's investments and in determining whether a decline in fair value is other-than-temporary. The Company's review of fair value involves several criteria including economic conditions, credit loss experience, other issuer-specific developments and future cash flows. These assessments are based on the best available information at the time. Factors such as market liquidity, the widening of bid/ask spreads and a change in the cash flow assumptions can contribute to future price volatility. If actual experience differs negatively from the assumptions and other consideration, realized losses may be recognized in the consolidated statements of income in future periods.

The Company currently does not have the intent to sell securities with unrealized losses not considered other-than-temporary until they mature or recover in value. However, if the specific facts and circumstances surrounding a security or the outlook for its industry sector change, the Company may sell the security and realize a loss.

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

None

### F. Real Estate

None

### G. Investments in Low Income Housing Tax Credits (LIHTC)

Not Applicable

## NOTES TO FINANCIAL STATEMENTS

6. Joint Ventures, Partnerships and Limited Liability Companies

A. Detail for Those Greater than 10% of Admitted Assets

Not Applicable

B. Write-downs for Impairments

Not Applicable

7. Investment Income

A. Due and Accrued Investment Income

The Company nonadmits investment income due and accrued if amounts are over 90 days past due.

B. Amounts Nonadmitted

The total amount excluded was \$0.

8. Derivative Instruments

Not Applicable

## NOTES TO FINANCIAL STATEMENTS

## 9. Income Taxes

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

1. The change between years by tax character (ordinary and capital) for the year 2012 and 2011:

	12/31/2012		
	(1) Ordinary	(2) Capital	(3) (Col 1 + 2) Total
(a) Gross Deferred Tax Assets	\$ 3,358,684	\$ 715,940	\$ 4,074,624
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a-1b)	3,358,684	715,940	4,074,624
(d) Deferred Tax Assets Nonadmitted	639,095	14,571	653,666
(e) Subtotal Net Admitted Deferred Tax Asset (1c-1d)	2,719,589	701,369	3,420,958
(f) Deferred Tax Liabilities	49,405	612,412	661,817
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e-1f)	\$ 2,670,184	\$ 88,957	\$ 2,759,141

	12/31/2011		
	(4) Ordinary	(5) Capital	(6) (Col 4 + 5) Total
(a) Gross Deferred Tax Assets	\$ 2,818,894	\$ 1,180,737	\$ 3,999,631
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a-1b)	2,818,894	1,180,737	3,999,631
(d) Deferred Tax Assets Nonadmitted	984,984	513,125	1,498,109
(e) Subtotal Net Admitted Deferred Tax Asset (1c-1d)	1,833,910	667,612	2,501,522
(f) Deferred Tax Liabilities	43,319	667,612	710,931
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e-1f)	\$ 1,790,591	\$ -	\$ 1,790,591

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ 539,790	\$ (464,797)	\$ 74,993
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a-1b)	539,790	(464,797)	74,993
(d) Deferred Tax Assets Nonadmitted	(345,889)	(498,554)	(844,443)
(e) Subtotal Net Admitted Deferred Tax Asset (1c-1d)	885,679	33,757	919,436
(f) Deferred Tax Liabilities	6,086	(55,200)	(49,114)
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e-1f)	\$ 879,593	\$ 88,957	\$ 968,550

NOTES TO FINANCIAL STATEMENTS

2. The amount of admitted adjusted gross deferred tax assets admitted under each component of SSAP 101:

	12/31/2012		
	(1) Ordinary	(2) Capital	(3) (Col1+2) Total
<b>Admission Calculation Components SSAP No. 101</b>			
(a) Federal Income Taxes Paid In Prior Years	\$ 2,670,184	\$ 88,957	\$ 2,759,141
(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. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	-	-	-
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	XXX	XXX	149,119,605
(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	49,405	612,412	661,817
(d) Deferred Tax Assets Admitted as the Result of Application of SSAP No. 101 Total (2(a) + 2(b) + 2(c))	<u>\$ 2,719,589</u>	<u>\$ 701,369</u>	<u>\$ 3,420,958</u>
	12/31/2011		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
(a) Federal Income Taxes Paid In Prior Years	\$ 1,790,591	\$ -	\$ 1,790,591
(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. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	-	-	-
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	XXX	XXX	144,825,822
(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	43,319	667,612	710,931
(d) Deferred Tax Assets Admitted as the Result of Application of SSAP No. 101 Total (2(a) + 2(b) + 2(c))	<u>\$ 1,833,910</u>	<u>\$ 667,612</u>	<u>\$ 2,501,522</u>
	Change		
	(7) (Col1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
(a) Federal Income Taxes Paid In Prior Years	\$ 879,593	\$ 88,957	\$ 968,550
(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. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	-	-	-
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	XXX	XXX	4,293,783
(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	6,086	(55,200)	(49,114)
(d) Deferred Tax Assets Admitted as the Result of Application of SSAP No. 101 Total (2(a) + 2(b) + 2(c))	<u>\$ 885,679</u>	<u>\$ 33,757</u>	<u>\$ 919,436</u>

**NOTES TO FINANCIAL STATEMENTS**

3. The ratio used to determine applicable period used in 9A(2)b1 for determining the amount of adjusted gross DTAs:

	2012	2011
(a) Ratio Percentage Used to Determine Recovery Period and Threshold Limitation Amount	1764%	2205%
(b) Amount of Adjusted Capital and Surplus Used to Determine Recovery Period and Threshold Limitation in 2(b)2 Above	\$ 149,119,605	\$ 144,825,822

4. Disclose the impact of tax-planning strategies:

	12/31/2012		
	(1) Ordinary Percent	(2) Capital Percent	(3) Total Percent (Col 1+2)
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0%	0%	0%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	0%	0%	0%

	12/31/2011		
	(4) Ordinary Percent	(5) Capital Percent	(6) Total Percent (Col 4+5)
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0%	16%	16%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	0%	0%	0%

	Change		
	(7) (Col1-4) Ordinary Percent	(8) (Col 2-5) Capital Percent	(9) (Col 7+8) Total Percent
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0%	-16%	-16%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	0%	0%	0%

- (c) Does the Company's tax-planning strategies include the use of reinsurance? Yes  No

\* As reported on the statutory balance sheet for the most recently filed statement with the domiciliary state commissioner adjusted in accordance with SSAP No. 10R, Paragraph 10bii

B. Unrecognized Deferred Tax Liabilities

Not Applicable

**NOTES TO FINANCIAL STATEMENTS**

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

	(1)	(2)	(3)
	12/31/2012	12/31/2011	(Col 1-2) Change
1. Current Income Tax			
(a) Federal	\$ 3,583,887	\$ 3,774,121	\$ (190,234)
(b) Foreign	-	-	-
(c) Subtotal	3,583,887	3,774,121	(190,234)
(d) Federal income tax on net capital gains	452,520	34,296	418,224
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income taxes incurred	<u>\$ 4,036,407</u>	<u>\$ 3,808,417</u>	<u>\$ 227,990</u>

## NOTES TO FINANCIAL STATEMENTS

	(1) 12/31/2012	(2) 12/31/2011	(3) (Col 1-2) Change
2. Deferred Tax Assets:			
(a) Ordinary			
(1) Discounting of unpaid losses	\$ 421,686	\$ 339,287	\$ 82,399
(2) Unearned premium reserve	1,074,236	869,567	204,669
(3) Policyholder reserves	-	-	-
(4) Investments	-	-	-
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	-	-	-
(8) Compensation and benefits accrual	-	-	-
(9) Pension accrual	-	-	-
(10) Receivables - nonadmitted	1,862,762	1,610,040	252,722
(11) Net operating loss carry-forward	-	-	-
(12) Tax credit carry-forward	-	-	-
(13) Other (including items <5% of total ordinary tax assets)	-	-	-
(99) Subtotal	<u>3,358,684</u>	<u>2,818,894</u>	<u>539,790</u>
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	639,095	984,984	(345,889)
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	2,719,589	1,833,910	885,679
(e) Capital:			
(1) Investments	715,940	1,180,737	(464,797)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	<u>715,940</u>	<u>1,180,737</u>	<u>(464,797)</u>
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	14,571	513,125	(498,554)
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	701,369	667,612	33,757
(i) Admitted deferred tax assets (2d + 2h)	<u>3,420,958</u>	<u>2,501,522</u>	<u>919,436</u>
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	49,405	43,319	6,086
(2) Fixed assets	-	-	-
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total ordinary tax liabilities)	-	-	-
(99) Subtotal	<u>49,405</u>	<u>43,319</u>	<u>6,086</u>
(b) Capital:			
(1) Investments	612,412	667,612	(55,200)
(2) Real estate	-	-	-
(3) Other (including items <5% of total ordinary tax liabilities)	-	-	-
(99) Subtotal	<u>612,412</u>	<u>667,612</u>	<u>(55,200)</u>
(c) Deferred tax liabilities (3a99 + 3b99)	661,817	710,931	(49,114)
4. Net deferred tax assets/liabilities (2i - 3c)	<u>\$ 2,759,141</u>	<u>\$ 1,790,591</u>	<u>\$ 968,550</u>

## NOTES TO FINANCIAL STATEMENTS

D. Among the more significant book to tax adjustments were the following:

	December 31, 2012	Effective Tax Rate
Provision computed at statutory rate	4,158,109	34%
Nondeductible expense for meals, entertainment, lobbying and penalties	16,423	0%
Tax exempt interest	(202,773)	-2%
Provision to actual adjustment	24,025	0%
Change in nonadmitted assets	(499,902)	-4%
Total income tax reported	<u>3,495,882</u>	<u>29%</u>
Federal and foreign income taxes incurred	3,583,887	29%
Realized capital gains (losses) tax	452,520	4%
Change in net deferred income taxes	(540,525)	-4%
Total income tax	<u>3,495,882</u>	<u>29%</u>

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

- As of December 31, 2012 and December 31, 2011, the Company did not have any unused operating loss carryforwards available to offset against future taxable income.
- The income tax expense of \$4,018,467 from 2012 and \$3,848,933 from 2011 is available for recoupment in the event of future net losses. The reporting entity has a total of \$0 protective deposits which are on deposit with the Internal Revenue Service under Section 6603 of the Internal Revenue Service Code.

F. Consolidated Federal Income Tax Return

The Company's federal income tax return is consolidated with its parent, BCS Financial Corporation (BCSF). The method of allocation between companies is subject to written agreement, approved by the Board of Directors. Intercompany tax balances are settled annually. Allocation is based upon separate return calculations, with credit for net losses being obtained when utilized.

G. Federal or Foreign Federal Income Tax Loss Contingencies

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. Nature of Relationships

The Company has a management service agreement with BCS Financial Corporation (BCSF). It shares common management, staff and facilities provided by BCSF with its other affiliates. Expenses identified as specific to a company are charged directly; all other expenses are charged in accordance with the service agreement.

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

The Company paid cash dividends to BCSF of \$4,000,000 and \$3,500,000 in 2012 and 2011, respectively.

### C. Change in Intercompany Arrangements

None

### D. Amounts Due to or from Related Parties

At December 31, 2012, the Company reported \$5,304,750 due to affiliates. This is comprised of \$3,285,505 payable to BCS Financial Corporation, \$2,069,260 payable to BCSI Agency Inc., and a \$50,015 receivable from 4 Ever Life.

### E. Guarantees or Contingencies for Related Parties

None

### F. Management or Service Contracts and Cost Sharing Arrangements

The Company has a management service agreement with BCSF whereby BCSF provides all insurance management, administrative and advisory services as well as investment management and general office administrative services.

### G. Nature of Control Relationship Disclosure

All outstanding common shares are owned by BCSF, an insurance holding company domiciled in the state of Delaware.

### H. Amount Deducted for Investment in Upstream Company

Not Applicable

NOTES TO FINANCIAL STATEMENTS

I. Investments in SCA Entity that Exceeds 10% of Admitted Assets

Not Applicable

J. Investments in Impaired SCA Entities Disclosure

Not Applicable

K. Foreign Insurance Subsidiary

Not Applicable

L. Down Stream Holding Company Valued Using Look - Through Method

Not Applicable

11. Debt

A. Debt and Holding Company Obligations

Not Applicable

B. Federal Home Loan Bank (FHLB)

1. In the second quarter of 2010, the Company became a member of the Federal Home Loan Bank of Cincinnati (FHLBC) which provides the Company access to collateralized advances, collateralized funding agreement, and other FHLBC products. The Company's membership in FHLBC requires the ownership of member stock, and borrowing from FHLBC required the purchase of FHLBC activity based stock in an amount equal to .15 of 1 percent of total assets.

In 2010, the Company purchased \$344,400 of common stock in the FHLBC. In 2011, it purchased an additional \$60,000 of common stock and currently maintains an investment of \$404,400 in the FHLBC.

The Company, as a member of the FHLBC, has no outstanding borrowings at December 31, 2012. The Company has placed \$2,021,067 on deposit with FHLB to secure any future borrowings.

	Current Year	Prior Year
2. FHLB stock purchased/owned as part of the agreement	\$ 404,400	\$ 404,400
3. Collateral pledged to the FHLB	2,021,067	2,025,065
4. Borrowing capacity currently available	2,928,269	3,877,165
5. Agreement assets and liabilities	-	-
General Account:		
a. Assets	-	-
b. Liabilities	-	-
Separate Account:		
a. Assets	404,400	404,400
b. Liabilities	-	-

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

A. Defined Benefit Plan

None

B. Defined Contribution Plans

None

C. Multiemployer Plans

None

D. Consolidated/Holding Company Plans

BCSF sponsors a defined benefit pension plan, a postretirement healthcare benefit plan and a 401(k) Plan covering substantially all of its employees as well as a deferred compensation plan for select employees. The expenses of these plans are charged in accordance with the management service agreement. The Company incurred expenses of \$3,053,045 and \$2,890,112 in 2012 and 2011, respectively, relating to these plans. The Company has no legal obligation for benefits under these plans.

E. Postemployment Benefits and Compensated Absences

None

**NOTES TO FINANCIAL STATEMENTS**

F. Impact of Medicare Modernization Act on Postretirement Benefits

Not Applicable

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

1. Outstanding Shares

The Company has 300,000 shares of \$10 par value common stock authorized, issued and outstanding. The Company has no preferred stock authorized, issued or outstanding.

2. Dividend Rate of Preferred Stock

Not Applicable

3, 4, & 5. Dividend Restrictions

All dividends require notification to the Director of the Ohio Department of Insurance. The amount of dividends that can be paid by insurance companies domiciled in Ohio without prior approval of the Director of the Ohio Department of Insurance is subject to restriction and cannot exceed the greater of ten percent of prior year end surplus or the prior year's net income. The amount of dividends that could be paid in 2012 without prior approval was \$14,661,641. The Company paid dividends totaling \$4,000,000 to its stockholder during 2012.

6. Surplus Restriction

Not Applicable

7. Mutual Surplus Advances

Not Applicable

8. Company Stock Held for Special Purposes

Not Applicable

9. Changes in Special Surplus Funds

Not Applicable

10. Changes in Unassigned Funds

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

Description	Cumulative Increase (Decrease) in Surplus
1. Unrealized gains on Affiliated stock	1,172,433
2. Unrealized loss on Bonds	<u>(359,008)</u>
Total	<u><u>813,425</u></u>

11. Surplus Notes

Not Applicable

12. & 13. Quasi Reorganizations

Not Applicable

14. Contingencies

A. Contingent Commitments and Other Contingencies

- The Company entered into a consent order with the State of Washington arising out of a market conduct investigation. The consent order included a payment of a \$500,000 fine plus implementation of a two-year compliance plan. Under the terms of the consent order, an additional fine of \$250,000 would be waived if there were no material violations of the compliance plan within the two year period. The Company reasonably believes that the likelihood is remote that the additional \$250,000 fine will be levied and therefore has not accrued a contingent liability in the financial statements.

NOTES TO FINANCIAL STATEMENTS

2. Information about each guarantee:

1 Nature and circumstances of guarantee and key attributes, including date and duration of agreement	2 Liability recognition of guarantee. (Include amount recognized at inception. If no initial recognition document exception allowed under SSAP No. 5R.)	3 Ultimate financial statement impact if action under the guarantee is required	4 Maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee. If unable to develop an estimate, this should be specifically noted.	5 Current status of payment or performance risk of guarantee. Also provide additional discussion as warranted.
	<b>NONE</b>			

3. Aggregate Compilation of Guarantee Obligations:

a. Aggregate Maximum Potential of Future Payments of All Guarantees (undiscounted) the guarantor could be required to make under guarantees (Should equal total of Column 4 for (2) above.

\$ -

b. Current Liability Recognized in F/S:

1. Noncontingent Liabilities

\$ -

2. Contingent Liabilities

\$ -

c. Ultimate Financial Statement Impact if action under the guarantee is required.

**NONE**

1. Investments in SCA

\$ -

2. Joint Venture

\$ -

3. Dividends to Stockholders (capital contribution)

\$ -

4. Expense

\$ -

5. Other

\$ -

6. Total (Should equal (3)a.)

\$ -

B. Assessments

1. The Company is subject to guarantee fund assessments by the states in which it writes business. Guarantee fund assessments are accrued at the time of insolvency. The Company has accrued a liability for guarantee fund assessments of \$23,639 at December 31, 2012. The amount represents management's best estimates based on information received from the states in which the Company writes business and may change due to many factors including the Company's share of the ultimate cost of current insolvencies.

2. Assets recognized from paid and accrued premium tax offsets:

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end

\$ -

b. Decreases current year:

Policy surcharges collected

\$ -

Policy surcharges charged off

\$ -

Premium tax offset applied

\$ -

**NONE**

c. Increases current year:

Policy surcharges collected

\$ -

Policy surcharges charged off

\$ -

Premium tax offset applied

\$ -

d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end

\$ -

C. Gain Contingencies

None

D. Extra Contractual Obligations and Bad Faith Losses Stemming from Lawsuits

None

E. Product Warranties

None

**NOTES TO FINANCIAL STATEMENTS**

F. All Other Contingencies

None

15. Leases

A. & B. Disclosures Related to Lessee and Lessor Leasing Arrangements

None

16. Information About Financial Instruments with Off-Balance Sheet Risk

None

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

A. Transfer of Receivables Reported as Sales

Not Applicable

B. Transfer and Servicing of Financial Assets

Not Applicable

C. Wash Sales

1. The Company historically has not acquired securities with an NAIC designation of 3 or below. The Company has not sold and reacquired any security within a 30-day period of its original sale.
2. The details by NAIC designation 3 or below of securities sold during the year ended December 31, 2012 are reacquired within 30 days of the sale date are:

	Number of Transactions	Book Value of Securities Sold	Cost of Securities Repurchased	Gain/(Loss)
<u>Bonds:</u>				
a. NAIC 3	0	\$ -	\$ -	\$ -
b. NAIC 3	0	\$ -	\$ -	\$ -
c. NAIC 3	0	\$ -	\$ -	\$ -
d. NAIC 3	0	\$ -	\$ -	\$ -
<u>Preferred Stocks:</u>				
e. NAIC P/RP3	0	\$ -	\$ -	\$ -
f. NAIC P/RP4	0	\$ -	\$ -	\$ -
g. NAIC P/RP5	0	\$ -	\$ -	\$ -
h. NAIC P/RP6	0	\$ -	\$ -	\$ -

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

A. Administrative Services Only (ASO) Plans

Not Applicable

B. Administrative Services Contract (ASC) Plans

Not Applicable

C. Medicare or Similarly Structured Cost Based Reimbursement Contracts

Not Applicable

## NOTES TO FINANCIAL STATEMENTS

## 19. Direct Premium Written/Produced by Third Party Administrators (equal to or greater than 5% of surplus)

Name and Address of Managing General Agent or Third Party Administration	FEIN Number	Exclusive Contract	Types of Business Written	Types of Authority Granted	Total Direct Premium Written/Produced By
Interstate Risk Insurance Services, Inc. 1800 Sutter Street Suite 777 Concord, CA 94520	38-3656924	N	Legal Liability	P, U, B	12,538,550
Worldwide Insurance Services, Inc. dba HTH Worldwide One Radnor Corporate Center Suite 100 Radnor, PA 19087	54-1867679	N	Major Medical, AD & D	C, CA, P, U, B	42,753,232
AGA Service Company 2805 North Parham Road Richmond, VA 23294	54-1545622	N	Group Travel	C, CA, P, U, B	50,020,450
Plan Administrators, Inc. 8906 Two Notch Road, Ste. 200 Columbia, SC 29223	57-0718839	N	Accident & Health, Dental, AD & D, Disability	C, CA, P, U	112,232,450
All other TPA premium					33,336,963

## 20. Fair Value Measurements

## A. Input used for assets measured and reported at Fair Value.

## 1. Items measured and reported at Fair Value by levels 1, 2, and 3

Certain financial instruments are periodically measured at fair value on a nonrecurring basis, such as when impaired, or for certain bonds when carried at the lower of cost or fair value.

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties that is other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties.

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporation of current market inputs for similar financial instruments with comparable terms and credit quality (matrix pricing). In instances where there is little or no market activity for the same or similar instruments, the Company estimates fair value using methods, models, and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment, which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology model or input used.

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

*Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

*Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

*Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

## NOTES TO FINANCIAL STATEMENTS

**Assets Measured at Fair Value**

Certain financial assets are measured at fair value, such as certain bonds valued at the lower of cost or fair value, or investments that are impaired during the reporting period and recorded at fair value on the balance sheet at December 31. The following table summarizes assets measured at fair value:

Description of each class of assets	(Level 1)	(Level 2)	(Level 3)	(Total)
Assets at fair value				
U.S. Treasury	\$ -	\$ -	\$ -	\$ -
Government agencies	-	-	-	-
States and political subdivisions	-	-	-	-
Corporates securities	-	-	-	-
Structured securities				
U.S. government agency	-	-	-	-
Residential prime	-	1,045,389	-	1,045,389
Residential Alt A	-	-	-	-
Residential subprime	-	622,845	-	622,845
Commercial	-	820,000	-	820,000
Asset backed	-	-	-	-
Corporates	-	364,800	-	364,800
Total structured securities	-	2,853,033	-	2,853,033
Total bonds	-	2,853,033	-	2,853,033
Common Stock				
Federal Home Loan Bank	-	404,400	-	404,400
Plans' Liability Insurance Company	-	-	3,403,912	3,403,912
Total common stock	-	404,400	3,403,912	3,808,312
Total bonds and stocks	\$ -	\$ 3,257,433	\$ 3,403,912	\$ 6,661,345

Bonds measured at fair value are those bonds that were determined to be other-than-temporarily impaired at December 31 and bonds valued at the lower of cost or fair value at December 31. NAIC 3 – 6 rated bonds are valued at the lower of cost or market. The Company does not have any investment commitments at December 31, 2012.

## 2. Roll forward of Level 3 Items

Description	Beginning Balance at 1/1/2012	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/2012
U.S. Treasury	-	-	-	-	-	-	-	-	-	-
Government agencies	-	-	-	-	-	-	-	-	-	-
States political subdivision	-	-	-	-	-	-	-	-	-	-
Corporate securities	-	-	-	-	-	-	-	-	-	-
Structured securities										
U.S. government agency	-	-	-	-	-	-	-	-	-	-
Residential - prime	-	-	-	-	-	-	-	-	-	-
Residential - Alt-A	-	-	-	-	-	-	-	-	-	-
Residential - subprime	-	-	-	-	-	-	-	-	-	-
Commercial	-	-	-	-	-	-	-	-	-	-
Asset-backed	-	-	-	-	-	-	-	-	-	-
Corporate securities	-	-	-	-	-	-	-	-	-	-
Total structured	-	-	-	-	-	-	-	-	-	-
Total bonds	-	-	-	-	-	-	-	-	-	-
Common stock										
Federal Home Loan Bank	-	-	-	-	-	-	-	-	-	-
Plans' Liability Insurance Company	3,566,265	-	-	-	(162,353)	-	-	-	-	3,403,912
Total common stock	3,566,265	-	-	-	(162,353)	-	-	-	-	3,403,912
Total assets	3,566,265	-	-	-	(162,353)	-	-	-	-	3,403,912

## NOTES TO FINANCIAL STATEMENTS

## 3. Policy on Transfers into 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 instrument to be transferred into or out of Level 3. During the current year, no transfers into or out of Level 3 were required.

## 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 and applies analytic methods to determine the fair value of bonds held. Features that are inputs into the analysis include duration, credit quality, tax status and call and sinking fund features.

Common stocks categorized as Level 3 had key unobservable inputs. Also, the investment is less liquid, and there is limited trading activity. The use of independent non-binding broker quotations to value investments generally indicates there is a lack of liquidity or the general lack of transparency in the process to develop the valuation estimates generally causing these investments to be classified in Level 3.

## 5. Derivative Fair Values

Not applicable

## B. Other Fair Value Disclosures

Not applicable

## C. Fair Value for all financial instruments by levels 1, 2, and 3

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
U.S. Treasury	14,685,475	13,290,284	-	13,290,284	-	-
Government agencies	362,151	303,345	-	303,345	-	-
States political subdivision	52,802,849	49,594,979	-	49,594,979	-	-
Corporate securities	48,402,352	43,899,042	-	43,899,042	-	-
Structured securities						
U.S. government agency	41,014,441	38,424,434	-	38,424,434	-	-
Residential - prime	6,025,577	5,948,525	-	5,948,525	-	-
Residential - Alt-A	180,062	182,654	-	182,654	-	-
Residential - subprime	2,158,946	1,974,208	-	1,974,208	-	-
Commercial	21,501,761	20,385,389	-	20,385,389	-	-
Asset-backed	4,935,460	4,787,730	-	4,787,730	-	-
Corporate securities	1,427,785	1,214,413	-	1,214,413	-	-
Total structured	<u>77,244,032</u>	<u>72,917,353</u>	<u>-</u>	<u>72,917,353</u>	<u>-</u>	<u>-</u>
Total bonds	193,496,859	180,005,003	-	180,005,003	-	-
Common stock						
Federal Home Loan Bank	404,400	404,400	-	404,400	-	-
Plans' Liability Insurance Company	3,403,912	3,403,912	-	-	3,403,912	-
Total common stock	<u>3,808,312</u>	<u>3,808,312</u>	<u>-</u>	<u>404,400</u>	<u>3,403,912</u>	<u>-</u>
Total assets	<u>197,305,171</u>	<u>183,813,315</u>	<u>-</u>	<u>180,409,403</u>	<u>3,403,912</u>	<u>-</u>

## D. Financial instruments for which not practicable to Estimate Fair Value.

Not applicable

## 21. Other Items

## A. Extraordinary Items

None

## B. Troubled Debt Restructuring Debtors

None

## C. Other Disclosures

None

## D. Uncollectible Premiums Receivable

None

## E. Business Interruption Insurance Recoveries

None

## NOTES TO FINANCIAL STATEMENTS

## F. State Transferable Tax Credits

None

## G. Subprime Mortgage Related Risk Exposure

1. The Company has identified securities with the following characteristics as having subprime mortgage risk:

- a. First lien mortgages where borrowers have a FICO scores less than 650
- b. First lien mortgages with loan-to-value ratios greater than 95%
- c. Second lien mortgages where borrowers have FICO scores less than 675
- d. Borrowers with less than conventional documentation of their income and/or net assets and FICO scores less than 650

2. Direct Exposure through investments in subprime mortgage loans

None

3. The following summarizes the Company's investments in securities with underlying subprime exposure at December 31, 2012:

Investment type	Actual Cost	Book Adjusted Carrying Value	Fair Value	Other-than- Temporary Impairment Losses recognized to date
a. Residential mortgaged backed securities	1,264,026	1,091,838	929,401	271,657
b. Commercial mortgage backed securities	-	-	-	-
c. Collateralized debt obligations	-	-	-	-
d. Structured securities	-	-	-	-
e. Equity investments in subsidiaries	-	-	-	-
f. Other assets	-	-	-	-
g. Total	1,264,026	1,091,838	929,401	271,657

4. Underwriting exposure to subprime mortgage risk through Mortgage Guaranty or Financial Guaranty insurance coverage:

None

## 22. Events Subsequent

Subsequent events have been considered through February 15, 2013 for these statutory financial statements which are to be issued March 1, 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 has outlined below unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses and unearned premium with any individual reinsurers, authorized or unauthorized that exceed 3% of policyholders' surplus.

13-2918573	42439	TOA Reinsurance Co.	4,778,000
AA-1120337	00000	Aspen Insurance	5,230,000
AA-1340125	00000	Hannover Rueckversicherung AG	6,263,000
36-2149353	80985	4 Ever Life Insurance Co.	9,895,000
36-3503382	26794	Plans' Liability Ins. Co.	23,643,000

## B. Reinsurance Recoverable in Dispute

None

NOTES TO FINANCIAL STATEMENTS

C. Reinsurance Assumed and Ceded

1. The following table summarizes ceded and assumed unearned premiums and the related commission equity at December 31, 2012:

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	-	-	571,686	71,404	(571,686)	(71,404)
b. All Other	2,316,667	-	17,368,224	5,085,253	(15,051,557)	(5,085,253)
c. Total	2,316,667	-	17,939,909	5,156,656	(15,623,242)	(5,156,656)
d. Direct Unearned Premium Reserve			17,939,909			

2. The additional or return commission, predicted on loss experience or on any other form of profit sharing arrangements in this annual statement as a result of existing contractual arrangements is accrued as follows:

None

3. Types of risk attributed to each of the Company's protected cells

None

D. Uncollectible Reinsurance

The Company has written off in the current year reinsurance balances due (from the companies listed below) in the amount of \$970,630. The reinsurance balances due that were written off have no net income impact. A full allowance of the write off balance had been previously established in the line aggregate write-ins for liabilities on Page 3.

a. Losses incurred	\$ 1,055,145
b. Loss adjustment expenses incurred	\$ -
c. Premiums earned	\$ (84,506)
d. Other	\$ -
e. <u>Company</u>	<u>Amount</u>
Combined Insurance Co	\$ 408,392
Finial Reinsurance Co	\$ 288,395
Sirius International Insurance Corp	\$ 274,983
All Other	\$ (1,131)

E. Commutation of Assumed Reinsurance

None

NOTES TO FINANCIAL STATEMENTS

F. Retroactive Reinsurance

	<u>Reported Company</u>	
As:	December 31, 2012	
	<u>Assumed</u>	<u>Ceded</u>
a. Reserves Transferred:		
1. Initial Reserves	(316,695)	2,488,504
2. Adjustments - Prior Year(s)	(109,566)	(2,376,585)
3. Adjustments - Current Year	<u>34,992</u>	<u>(31,427)</u>
4. Current Total	<u>(391,269)</u>	<u>80,492</u>
b. Consideration (Paid) or Received:		
1. Initial Consideration	316,695	(2,488,504)
2. Adjustments - Prior Year(s)	10,219	-
3. Adjustments - Current Year	<u>-</u>	<u>-</u>
4. Current Total	<u>326,914</u>	<u>(2,488,504)</u>
c. Paid Losses (Reimbursed) or Recovered:		
1. Prior Year(s)	(587,500)	1,941,184
2. Current Year	<u>(63,500)</u>	<u>-</u>
3. Current Total	<u>(651,000)</u>	<u>1,941,184</u>
d. Special Surplus from Retroactive Reinsurance		
1. Initial Surplus Gain or Loss	-	-
2. Adjustments - Prior Year(s)	(99,347)	(2,376,585)
3. Adjustments - Current Year	34,992	(31,427)
4. Current Year Restricted Surplus	<u>(64,355)</u>	<u>(2,408,012)</u>
5. Cumulative Total Transferred to Unassigned Funds	<u>(715,355)</u>	<u>(466,828)</u>

e. All cedents and reinsurers involved in all transactions included in summary totals above:		Assumed	Ceded
<u>Company</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
Allianz Life Insurance Company of North America	(391,269)	-	
Plans' Liability Insurance Company			80,492
Total	<u>\$ (391,269)</u>	<u>\$</u>	<u>80,492</u>

f. List total Paid Loss/LAE amounts recoverable and amounts more than 90 days overdue, and collateral held as respects amounts recoverable from unauthorized reinsurers

1. Authorized Reinsurers		Total	Amounts Over
<u>Company</u>	<u>Paid/Loss/LAE Recoverable</u>	<u>90 Days Overdue</u>	
Alea North America Company	10,000	10,000	
Finial Reinsurance Company	1,000	1,000	
Lumbermens Mutual Casualty Company	140,000	140,000	
CX Reinsurance Company	479,000	479,000	
Total	<u>\$ 630,000</u>	<u>\$</u>	<u>630,000</u>

2. Unauthorized Reinsurers		Total	Amounts Over	Collateral
<u>Company</u>	<u>Paid/Loss/LAE Recoverable</u>	<u>90 Days Overdue</u>	<u>Overdue</u>	<u>Held</u>

NONE

G. Reinsurance Accounted for as a Deposit

Not Applicable

H. Run-Off Agreements

Not Applicable

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. Methods Used to Estimate

None

**NOTES TO FINANCIAL STATEMENTS**

B. Method used to Record

Not Applicable

C. Amount and Percent of Net Retrospective Premiums

None

D. Medical Loss Ratio Rebates Required Pursuant to the Public Health Service Act

Prior Reporting Year	Small Group Large Group Other Categories				Total
	Individual	Employer	Employer	with Rebates	
1 Medical Loss Ratio rebates incurred	-	-	-	-	-
2 Medical Loss Ratio rebates paid	-	-	-	-	-
3 Medical Loss Rebates unpaid	-	-	-	-	-
4 Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	
5 Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	
6 Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	
<b>Current Reporting Year</b>					
7 Medical Loss Ratio rebates incurred	-	-	-	-	-
8 Medical Loss Ratio rebates paid	-	-	-	-	-
9 Medical Loss Rebates unpaid	-	-	-	-	-
10 Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	
11 Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	
12 Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	

E. Calculation of non-admitted accrued retrospective premiums

None

25. Changes in Incurred Losses and Loss Adjustment Expenses

The estimated cost of loss and loss adjustment expenses attributable to insured events of prior years decreased by \$3,179,000 during 2012 as shown in the chart below. This is 9.73% of unpaid losses and loss adjustment expenses of \$32,658,000 as of December 31, 2011.

The decrease occurred in the accident and health line of business. Increases or decreases of this nature occur as the result of claim settlements during the current year, and as information is received regarding individual claims, causing changes from the original estimates of the cost of these claims. Recent loss development trends are also taken into account in evaluating the overall adequacy of unpaid losses and loss adjustment expenses.

	In ('000) 2012				
	2012 Calendar	Loss Year		Loss and DCC	Impact of AO
	Year Losses	Losses and		Shortage	on Total
	and LAE	LAE Incurred	Total Shortage	(Redundancy)	Shortage
	Incurred	Sch. P - Part 1	(Redundancy)	Sch. P - Part 2	(Redundancy)
Medical Malpractice	(39)	-	(39)	(38)	(1)
Accident and Health	57,775	64,625	(6,850)	(5,602)	(1,248)
Other Liability - Occurrence	-	-	-	-	-
Other Liability - Claims Made	11,354	8,563	2,791	2,459	332
Auto Physical Damage	-	-	-	-	-
Fidelity	3	-	3	3	-
Inland Marine / Other	32	32	-	-	-
	<u>69,126</u>	<u>73,220</u>	<u>(4,094)</u>	<u>(3,179)</u>	<u>(915)</u>

26. Intercompany Pooling Arrangements

Not Applicable

27. Structured Settlements

A. Reserves Released due to Purchase of Annuities.

In 2003, the Company purchased annuities that have a remaining balance of \$288,750 through New York Life Insurance Company under which the claimant is the payee.

<u>Loss Reserves Eliminated by Annuities</u>	<u>Unrecorded Loss Contingencies</u>
\$ 288,750	\$ -

**NOTES TO FINANCIAL STATEMENTS**

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

Not Applicable

28. Health Care Receivables

A. Pharmaceutical Rebate Receivables

Not Applicable

B. Risk Sharing Receivables

Not Applicable

29. Participating Policies

Not Applicable

30. Premium Deficiency Reserves

The Company evaluated the need to record a premium deficiency reserve as of the end of the current year and determined a reserve was not necessary. This evaluation was completed on February 15, 2013. The Company does anticipate investment income when evaluating the need for a premium deficiency reserve.

	( 1 )
1. Liability carried for premium deficiency reserves	\$ -
2. Date of the most recent evaluation of this liability	2/15/2013
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 and Loss Adjustment Expenses

A. Tabular Basis

Not Applicable

B. Non-Tabular Basis

Not Applicable

C. Changes in Discounting Assumptions

Not Applicable

33. Asbestos/ Environmental Reserves

Not Applicable

34. Subscriber Savings Account

Not Applicable

35. Multiple Peril Crop Insurance

None

36. Financial Guaranty Insurance

Not Applicable

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [  ] No [  ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [  ] No [  ] 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 [  ]
- 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. ....12/31/2008
- 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. ....12/31/2008
- 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). ....05/07/2010
- 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 [  ]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [  ] No [  ] N/A [  ]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [  ] No [  ]
- 4.12 renewals? Yes [  ] No [  ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [  ] No [  ]
- 4.22 renewals? Yes [  ] No [  ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [  ] No [  ]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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 [  ]
- 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 [  ]
- 7.2 If yes, .....
- 7.21 State the percentage of foreign control .....0.0
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

**ANNUAL STATEMENT FOR THE YEAR 2012 OF THE BCS Insurance Company**

**GENERAL INTERROGATORIES**

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [ X ]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [ X ]
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the 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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
KPMG LLP, 200 E. Randolph Dr. 56th Floor, Chicago, IL 60601.....
- 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?  
Charles C. Emma, EVP Streff, 514 W. State Street, Suite 210, Geneva, IL 60134.....
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [ X ]
- 12.11 Name of real estate holding company .....
- 12.12 Number of parcels involved .....0
- 12.13 Total book/adjusted carrying value \$ .....0
- 12.2 If yes, provide explanation

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]
- 13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]
- 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]
- 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?  
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 or is likely to conflict with the official duties of such person? Yes [ X ] No [ ]

### FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [ X ]
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- |  |   |          |
|--|---|----------|
|  | 20.11 To directors or other officers              | \$.....0 |
|  | 20.12 To stockholders not officers                | \$.....0 |
|  | 20.13 Trustees, supreme or grand (Fraternal only) | \$.....0 |
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- |  |   |          |
|--|---|----------|
|  | 20.21 To directors or other officers              | \$.....0 |
|  | 20.22 To stockholders not officers                | \$.....0 |
|  | 20.23 Trustees, supreme or grand (Fraternal only) | \$.....0 |
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [ X ]
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- |  |                            |          |
|--|----------------------------|----------|
|  | 21.21 Rented from others   | \$.....0 |
|  | 21.22 Borrowed from others | \$.....0 |
|  | 21.23 Leased from others   | \$.....0 |
|  | 21.24 Other                | \$.....0 |
- 22.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments? Yes [ X ] No [ ]
- 22.2 If answer is yes:
- |  |  |                |
|--|--|----------------|
|  | 22.21 Amount paid as losses or risk adjustment | \$.....0       |
|  | 22.22 Amount paid as expenses                  | \$.....606,935 |
|  | 22.23 Other amounts paid                       | \$.....0       |
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] No [ X ]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$.....0

### 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 [ ] No [ X ]
- 24.02 If no, give full and complete information, relating thereto  
The Company has securities on deposit with Federal Home Loan Bank to secure a line of credit.....
- 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 [ ] NA [ X ]
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$.....0
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$.....0
- 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 [ ] NA [ X ]
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [ ] No [ ] NA [ X ]
- 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [ ] No [ ] NA [ X ]
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- |        |   |         |
|--------|---|---------|
| 24.101 | Total fair value of 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                                       | \$..... |

**ANNUAL STATEMENT FOR THE YEAR 2012 OF THE BCS Insurance Company**

**GENERAL INTERROGATORIES**

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes  No

25.2 If yes, state the amount thereof at December 31 of the current year:

25.21	Subject to repurchase agreements	\$ .....	0
25.22	Subject to reverse repurchase agreements	\$ .....	0
25.23	Subject to dollar repurchase agreements	\$ .....	0
25.24	Subject to reverse dollar repurchase agreements	\$ .....	0
25.25	Pledged as collateral	\$ .....	2,021,067
25.26	Placed under option agreements	\$ .....	0
25.27	Letter stock or securities restricted as to sale	\$ .....	3,403,912
25.28	On deposit with state or other regulatory body	\$ .....	5,359,358
25.29	Other	\$ .....	0

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
Must sell to Blue Cross Blue Shield or affiliated company.....	Plans' Liability Insurance Company common stock.....	3,403,912
.....	.....	.....
.....	.....	.....
.....	.....	.....

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
State Street Bank & Trust Co. Boston.....	One Lincoln Street, Boston, MA 02111.....

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)
.....	.....	.....
.....	.....	.....
.....	.....	.....

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
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

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

1 Central Registration Depository Number(s)	2 Name	3 Address
109875.....	Asset Allocation Management Company, LLP.....	30 North LaSalle Street, 35th Floor, Chicago, IL 60602.....
106595.....	Wellington Management Company, LLP.....	75 State Street, Boston, MA 02109.....

**ANNUAL STATEMENT FOR THE YEAR 2012 OF THE BCS Insurance Company**

**GENERAL INTERROGATORIES**

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D - Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [ ] 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		0

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.....	188,969,899	202,461,762	13,491,863
30.2 Preferred Stocks.....	0	0	0
30.3 Totals	188,969,899	202,461,762	13,491,863

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

See Attachments.....

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

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

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

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

32.2 If no, list exceptions:

## GENERAL INTERROGATORIES

### OTHER

33.1 Amount of payments to Trade associations, service organizations and statistical or rating bureaus, if any? \$ .....73,640

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
Insurance Services Office, Inc.....	\$.....44,867

34.1 Amount of payments for legal expenses, if any? \$ .....178,890

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
Hinkhouse Williams Walsh LLP.....	\$.....105,256

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ .....0

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

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

**GENINTPT1 - Attachment**

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30.4 The Company's custodial bank provides the Company with the fair market value of the securities. A description of its methods follows: Interactive Data Services, JP Morgan Pricing Direct, Barclays Capital are all sources for U.S. Treasuries, Corporates, Governments, and Collateralized Mortgage Obligations; Interactive Data Service and Bloomberg are the primary sources for Municipals; manual pricing is provided by Bloomberg.

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

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? ..... Yes [ X ] No [ ]  
 1.2 If yes, indicate premium earned on U. S. business only ..... \$ .....1,704  
 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? ..... \$ .....0

1.3.1 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. .... \$ .....0  
 1.5 Indicate total incurred claims on all Medicare Supplement insurance. .... \$ .....0

1.6 Individual policies:

Most current three years:

1.6.1 Total premium earned ..... \$ .....0  
 1.6.2 Total incurred claims ..... \$ .....0  
 1.6.3 Number of covered lives ..... 0

All years prior to most current three years:

1.6.4 Total premium earned ..... \$ .....1,704  
 1.6.5 Total incurred claims ..... \$ .....0  
 1.6.6 Number of covered lives ..... 1

1.7 Group policies:

Most current three years:

1.7.1 Total premium earned ..... \$ .....0  
 1.7.2 Total incurred claims ..... \$ .....0  
 1.7.3 Number of covered lives ..... 0

All years prior to most current three years:

1.7.4 Total premium earned ..... \$ .....0  
 1.7.5 Total incurred claims ..... \$ .....0  
 1.7.6 Number of covered lives ..... 0

2. Health Test:

		1		2
		Current Year		Prior Year
2.1	Premium Numerator	\$ .....34,399,771	\$	.....35,553,852
2.2	Premium Denominator	\$ .....108,964,358	\$	.....110,115,716
2.3	Premium Ratio (2.1/2.2)	.....0.316		.....0.323
2.4	Reserve Numerator	\$ .....31,871,723	\$	.....34,298,522
2.5	Reserve Denominator	\$ .....50,173,875	\$	.....45,445,378
2.6	Reserve Ratio (2.4/2.5)	.....0.635		.....0.755

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:

3.2.1 Participating policies ..... \$ .....0  
 3.2.2 Non-participating policies ..... \$ .....0

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?..... 0.0 %  
 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. .... \$ .....0

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents?..... Yes [ ] No [ ]  
 5.2 If yes, is the commission paid:  
 5.2.1 Out of Attorney's-in-fact compensation..... Yes [ ] No [ ] N/A [X]  
 5.2.2 As a direct expense of the exchange..... Yes [ ] No [ ] N/A [X]

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

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?..... Yes [ ] No [ ]  
 5.5 If yes, give full information

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

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss: .....  
 No workers' compensation contracts were written.....
- 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: .....  
 N/A.....
- 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?.....  
 N/A.....
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?..... Yes [ ] No [ X ]
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophe loss  
 The Company is provided protection through Excess of loss reinsurance and primarily writes Accident & Health policies.....
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?..... Yes [ ] No [ X ]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions.....0
- 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 [ X ] No [ ]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?..... Yes [ ] No [ X ]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
 (a) The entity does not utilize reinsurance; or,..... 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 [ ] No [ X ]
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 & CASUALTY INTERROGATORIES**

- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force:..... Yes [ ] No [ X ]  
 11.2 If yes, give full information .....
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:  
 12.11 Unpaid losses..... \$ .....0  
 12.12 Unpaid underwriting expenses (including loss adjustment expenses)..... \$ .....0  
 12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds?..... \$ .....0  
 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? ..... Yes [ ] No [ ] N/A [X]  
 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:  
 12.41 From..... 0.0 %  
 12.42 To..... 0.0 %  
 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by 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 current year:  
 12.61 Letters of Credit..... \$ .....0  
 12.62 Collateral and other funds..... \$ .....0  
 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): ..... \$ .....625,000  
 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. ....10  
 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 .....	\$ .....0	\$ .....0	\$ .....0	\$ .....0	\$ .....0
16.12 Products .....	\$ .....0	\$ .....0	\$ .....0	\$ .....0	\$ .....0
16.13 Automobile .....	\$ .....0	\$ .....0	\$ .....0	\$ .....0	\$ .....0
16.14 Other* .....	\$ .....0	\$ .....0	\$ .....0	\$ .....0	\$ .....0

\* Disclose type of coverage:

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

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

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

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

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

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

18.1 Do you act as a custodian for health savings accounts? ..... Yes [ ] No [ X ]

18.2 If yes, please provide the amount of custodial funds held as of the reporting date. .... \$.....0

18.3 Do you act as an administrator for health savings accounts? ..... Yes [ ] No [ X ]

18.4 If yes, please provide the balance of the funds administered as of the reporting date. .... \$.....0

**ANNUAL STATEMENT FOR THE YEAR 2012 OF THE BCS Insurance Company**

**FIVE-YEAR HISTORICAL DATA**

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

	1 2012	2 2011	3 2010	4 2009	5 2008
<b>Gross Premiums Written</b> (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)	35,385,376	29,771,445	28,409,499	24,363,808	23,554,088
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	11,533,610	19,170,273	14,674,901	13,429,621	20,521,668
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	0	0	0	0	0
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	261,863,697	220,273,479	198,483,670	198,424,442	216,020,628
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
6. Total (Line 35)	308,782,683	269,215,197	241,568,070	236,217,871	260,096,384
<b>Net Premiums Written</b> (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	17,510,770	10,906,129	6,846,601	2,407,102	2,428,859
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	54,340	0	0	0	0
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	0	0	0	0	0
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	94,054,266	102,495,320	100,330,086	104,563,521	109,569,133
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
12. Total (Line 35)	111,619,376	113,401,449	107,176,687	106,970,623	111,997,992
<b>Statement of Income</b> (Page 4)					
13. Net underwriting gain (loss) (Line 8)	3,526,576	3,760,701	651,324	(3,403,852)	2,576,822
14. Net investment gain (loss) (Line 11)	7,564,767	8,139,199	7,711,001	8,229,825	4,995,094
15. Total other income (Line 15)	685,868	(786,763)	(389,884)	(216,310)	4,781,522
16. Dividends to policyholders (Line 17)	0	0	0	0	0
17. Federal and foreign income taxes incurred (Line 19)	3,583,887	3,774,121	2,822,572	1,540,415	5,449,224
18. Net income (Line 20)	8,193,324	7,339,016	5,149,869	3,069,248	6,904,214
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	254,500,945	230,556,413	217,904,472	220,244,811	221,788,448
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	33,371,850	25,653,772	24,593,140	24,573,010	24,654,720
20.2 Deferred and not yet due (Line 15.2)	0	581,697	2,018,200	3,251,759	2,592,780
20.3 Accrued retrospective premiums (Line 15.3)	0	0	0	0	0
21. Total liabilities excluding protected cell business (Page 3, Line 26)	102,622,199	83,940,000	75,859,169	79,821,817	81,231,426
22. Losses (Page 3, Line 1)	27,709,015	27,766,871	27,261,827	34,271,365	39,781,882
23. Loss adjustment expenses (Page 3, Line 3)	6,667,270	4,890,751	2,904,327	2,562,544	2,933,518
24. Unearned premiums (Page 3, Line 9)	18,018,045	15,363,027	12,077,294	10,409,971	11,578,918
25. Capital paid up (Page 3, Lines 30 & 31)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
26. Surplus as regards policyholders (Page 3, Line 37)	151,878,746	146,616,413	142,045,303	140,422,994	140,557,022
<b>Cash Flow</b> (Page 5)					
27. Net cash from operations (Line 11)	22,441,987	14,195,816	5,309,635	2,014,467	13,089,163
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	151,878,746	146,616,413	142,045,303	140,422,994	140,557,022
29. Authorized control level risk-based capital	8,452,151	6,568,281	8,295,704	9,252,423	9,316,786
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3)(Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	89.4	94.8	95.0	90.5	90.7
31. Stocks (Lines 2.1 & 2.2)	1.9	2.1	2.2	2.0	1.9
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	0.0	0.0	0.0	0.0	0.0
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.0	0.0	0.0	0.0	0.0
34. Cash, cash equivalents and short-term investments (Line 5)	8.7	3.1	2.8	7.5	7.4
35. Contract loans (Line 6)	0.0	0.0	0.0	0.0	0.0
36. Derivatives (Line 7)	0.0	0.0	0.0	XXX	XXX
37. Other invested assets (Line 8)	0.0	0.0	0.0	0.0	0.0
38. Receivables for securities (Line 9)	0.0	0.0	0.0	0.0	0.0
39. Securities lending reinvested collateral assets (Line 10)	0.0	0.0	0.0	XXX	XXX
40. Aggregate write-ins for invested assets (Line 11)	0.0	0.0	0.0	0.0	0.0
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)	0	0	0	0	0
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)	0	0	0	0	0
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	3,403,912	3,566,265	3,511,021	3,374,146	3,357,839
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)	128,930	128,930	128,930	1,125,491	104,735
46. Affiliated mortgage loans on real estate	0	0	0	0	0
47. All other affiliated	0	0	0	0	0
48. Total of above Lines 42 to 47	3,532,842	3,695,195	3,639,951	4,499,637	3,462,574
49. Total Investment in parent included in Lines 42 to 47 above	0	0	0	0	0
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	2.3	2.5	2.6	3.2	2.5

**ANNUAL STATEMENT FOR THE YEAR 2012 OF THE BCS Insurance Company**

**FIVE-YEAR HISTORICAL DATA**

(Continued)

	1 2012	2 2011	3 2010	4 2009	5 2008
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24) .....	.808,341	(177,905)	.298,932	.60,400	(126,699)
52. Dividends to stockholders (Line 35) .....	(4,000,000)	(3,500,000)	(3,500,000)	(3,500,000)	(6,500,000)
53. Change in surplus as regards policyholders for the year (Line 38) .....	5,262,333	4,571,110	1,622,309	(134,028)	(733,225)
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....	7,651,429	10,943,001	3,598,679	23,092,038	5,029,581
55. Property lines (Lines 1, 2, 9, 12, 21 & 26) .....	5,611,011	6,293,085	4,293,936	6,097,559	14,246,460
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) .....	0	0	0	0	0
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) .....	139,527,427	134,193,766	136,361,196	148,117,192	143,346,736
58. Nonproportional reinsurance lines (Lines 31, 32 & 33) .....	0	0	0	0	0
59. Total (Line 35) .....	152,789,867	151,429,852	144,253,811	177,306,789	162,622,777
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....	2,938,447	290,953	391,377	897,190	329,583
61. Property lines (Lines 1, 2, 9, 12, 21 & 26) .....	0	0	0	0	0
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) .....	0	0	0	0	0
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) .....	57,824,022	63,033,378	72,190,262	80,491,117	63,763,096
64. Nonproportional reinsurance lines (Lines 31, 32 & 33) .....	0	0	0	0	0
65. Total (Line 35) .....	60,762,469	63,324,331	72,581,639	81,388,307	64,092,679
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1) .....	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2) .....	55.7	58.0	62.1	70.2	59.4
68. Loss expenses incurred (Line 3) .....	7.7	4.6	3.7	3.3	3.9
69. Other underwriting expenses incurred (Line 4) .....	33.3	34.0	33.6	29.7	34.4
70. Net underwriting gain (loss) (Line 8) .....	3.2	3.4	0.6	(3.1)	2.3
<b>Other Percentages</b>					
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) .....	31.9	33.7	33.4	30.3	30.1
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0) .....	63.4	62.6	65.8	73.4	63.3
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0) .....	73.5	77.3	75.5	76.2	79.7
<b>One Year Loss Development (000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11) .....	(3,179)	(7,170)	(3,296)	.473	.906
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100.0) .....	(2.2)	(5.0)	(2.3)	0.3	0.6
<b>Two Year Loss Development (000 omitted)</b>					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12) .....	(6,532)	(5,900)	(18)	(2,644)	.544
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) .....	(4.6)	(4.2)	0.0	(1.9)	0.4

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

**SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES**  
**SCHEDULE P - PART 1 - SUMMARY**

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	XXX	XXX	XXX	242	241	45	45	0	0	0	1	XXX
2. 2003	235,981	148,812	87,169	143,937	95,589	7,873	6,330	1,827	576	0	51,142	XXX
3. 2004	217,631	159,733	57,898	112,938	78,254	1,377	760	2,031	869	0	36,463	XXX
4. 2005	251,987	175,373	76,613	137,686	90,698	5,247	2,597	2,793	1,124	0	51,307	XXX
5. 2006	271,936	191,467	80,470	154,345	102,628	3,814	2,613	2,226	905	0	54,239	XXX
6. 2007	297,379	195,546	101,833	158,166	97,435	3,108	1,699	2,568	1,111	0	63,597	XXX
7. 2008	260,235	148,263	111,972	157,711	88,741	3,869	1,725	3,045	1,027	0	73,131	XXX
8. 2009	236,739	128,599	108,140	140,483	69,944	2,700	828	2,334	835	0	73,910	XXX
9. 2010	238,765	133,255	105,509	128,218	63,765	3,160	1,151	2,009	698	0	67,773	XXX
10. 2011	263,133	153,017	110,116	141,534	77,861	3,491	700	2,511	478	0	68,498	XXX
11. 2012	295,879	186,915	108,964	108,154	67,576	1,963	487	2,970	1,030	0	43,994	XXX
12. Totals	XXX	XXX	XXX	1,383,415	832,732	36,647	18,934	24,314	8,653	0	584,056	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		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. ....	1,770	1,725	178	19	145	103	39	19	0	0	0	266	XXX
2. ....	2,695	2,695	24	24	2,309	2,309	24	24	0	0	0	0	XXX
3. ....	386	380	13	13	142	140	13	13	0	0	0	8	XXX
4. ....	430	430	0	0	28	28	0	0	0	0	0	0	XXX
5. ....	445	445	21	21	40	40	0	0	0	0	0	0	XXX
6. ....	804	804	2,821	2,821	47	47	0	0	0	0	0	0	XXX
7. ....	1,767	1,767	2,506	2,500	260	257	13	9	0	0	0	13	XXX
8. ....	1,157	1,037	1,129	1,122	152	138	512	508	155	147	0	153	XXX
9. ....	24,933	24,371	1,952	1,885	456	422	1,011	973	336	287	0	750	XXX
10. ....	2,707	1,540	8,429	7,031	776	61	1,563	1,285	757	354	0	3,961	XXX
11. ....	16,686	14,678	61,587	39,423	2,251	611	1,599	576	2,991	600	0	29,226	XXX
12. ....	53,780	49,872	78,660	54,859	6,606	4,156	4,774	3,407	4,239	1,388	0	34,377	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 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. ....	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	204	62
2. ....	158,689	107,547	51,142	67.2	72.3	58.7	0	0	0	0	0
3. ....	116,899	80,428	36,471	53.7	50.4	63.0	0	0	0	6	2
4. ....	146,183	94,877	51,307	58.0	54.1	67.0	0	0	0	0	0
5. ....	160,891	106,652	54,239	59.2	55.7	67.4	0	0	0	0	0
6. ....	167,514	103,917	63,597	56.3	53.1	62.5	0	0	0	0	0
7. ....	169,171	96,027	73,144	65.0	64.8	65.3	0	0	0	6	7
8. ....	148,622	74,560	74,063	62.8	58.0	68.5	0	0	0	127	26
9. ....	162,075	93,552	68,523	67.9	70.2	64.9	0	0	0	629	121
10. ....	161,769	89,310	72,459	61.5	58.4	65.8	0	0	0	2,565	1,396
11. ....	198,201	124,981	73,220	67.0	66.9	67.2	0	0	0	24,172	5,054
12. ....	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	27,709	6,668

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 BCS Insurance Company**

**SCHEDULE P - PART 2 - SUMMARY**

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior	12,391	7,608	6,736	13,113	13,153	12,884	11,662	11,762	11,731	11,696	(36)	(67)
2. 2003	58,384	55,437	55,972	49,572	49,881	50,165	50,085	49,971	49,892	49,891	(1)	(80)
3. 2004	XXX	44,808	36,692	34,673	34,343	34,277	34,337	34,255	34,254	35,309	1,055	1,054
4. 2005	XXX	XXX	53,123	48,508	50,419	49,787	49,759	49,646	49,640	49,638	(2)	(8)
5. 2006	XXX	XXX	XXX	54,381	55,302	53,679	52,958	52,976	52,916	52,918	2	(59)
6. 2007	XXX	XXX	XXX	XXX	60,992	64,206	62,648	62,196	62,175	62,141	(35)	(56)
7. 2008	XXX	XXX	XXX	XXX	XXX	67,844	71,868	72,018	71,135	71,126	(9)	(892)
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	77,489	74,684	73,161	72,556	(605)	(2,128)
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	71,462	66,895	67,164	268	(4,298)
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	73,840	70,023	(3,817)	XXX
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	68,889	XXX	XXX
										12. Totals	(3,179)	(6,532)

**SCHEDULE P - PART 3 - SUMMARY**

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
1. Prior	.000	1,787	2,441	7,318	7,507	7,504	10,435	11,304	11,429	11,430	XXX	XXX
2. 2003	28,232	46,405	47,960	48,491	49,002	49,827	49,905	49,905	49,891	49,891	XXX	XXX
3. 2004	XXX	16,468	32,942	34,253	34,219	34,225	34,234	34,234	34,238	35,301	XXX	XXX
4. 2005	XXX	XXX	25,769	45,779	48,992	49,141	49,671	49,625	49,640	49,638	XXX	XXX
5. 2006	XXX	XXX	XXX	28,199	51,689	52,831	52,873	52,968	52,916	52,918	XXX	XXX
6. 2007	XXX	XXX	XXX	XXX	34,599	59,824	62,161	62,188	62,168	62,141	XXX	XXX
7. 2008	XXX	XXX	XXX	XXX	XXX	39,021	69,263	70,998	71,042	71,113	XXX	XXX
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	47,409	71,849	72,349	72,411	XXX	XXX
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	47,555	65,122	66,463	XXX	XXX
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	46,734	66,465	XXX	XXX
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	42,054	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	2	3	4	5	6	7	8	9	10
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Prior	9,801	5,054	3,846	5,581	5,439	5,197	235	217	216	179
2. 2003	24,109	3,098	2,029	437	403	157	111	66	1	0
3. 2004	XXX	26,914	1,964	184	49	32	82	0	0	0
4. 2005	XXX	XXX	24,764	2,069	226	38	10	0	0	0
5. 2006	XXX	XXX	XXX	24,412	2,835	170	13	4	0	0
6. 2007	XXX	XXX	XXX	XXX	25,338	2,922	93	6	6	0
7. 2008	XXX	XXX	XXX	XXX	XXX	26,840	1,380	98	37	10
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	28,792	1,406	236	11
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	22,995	795	105
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	24,615	1,676
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	23,187

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE BCS Insurance Company

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 Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	L	21,606,871	21,546,082	0	12,215,168	14,551,206	9,809,360	0
2. Alaska	AK	L	292,401	290,560	0	200,911	163,921	39,229	0
3. Arizona	AZ	L	3,829,890	3,923,302	0	1,497,750	1,604,161	1,071,619	0
4. Arkansas	AR	L	2,511,185	2,471,686	0	981,039	1,312,372	1,115,972	0
5. California	CA	L	33,433,007	31,185,077	0	9,349,172	11,877,049	14,340,932	0
6. Colorado	CO	L	4,543,842	4,376,201	0	1,375,853	1,389,898	1,921,779	0
7. Connecticut	CT	L	4,906,942	4,711,352	0	2,184,487	2,190,850	764,026	0
8. Delaware	DE	L	875,373	985,029	0	387,128	179,112	206,626	0
9. Dist. Columbia	DC	L	15,043,195	10,140,963	0	3,630,788	4,671,916	1,784,562	0
10. Florida	FL	L	10,205,184	9,732,822	0	7,020,494	6,399,261	1,622,604	0
11. Georgia	GA	L	6,858,494	6,813,435	0	3,863,332	3,798,612	1,459,593	0
12. Hawaii	HI	L	125,621	115,076	0	49,860	55,500	114,470	0
13. Idaho	ID	L	1,202,639	1,140,800	0	541,154	442,618	279,516	0
14. Illinois	IL	L	7,832,717	7,416,163	0	7,525,835	20,383,399	17,042,017	0
15. Indiana	IN	L	9,473,556	9,168,500	0	4,706,915	4,638,813	1,594,534	0
16. Iowa	IA	L	1,805,245	1,783,029	0	1,155,310	1,138,213	334,431	0
17. Kansas	KS	L	1,352,196	1,403,747	0	813,108	782,448	335,552	0
18. Kentucky	KY	L	2,278,408	2,250,987	0	1,472,289	1,417,947	299,429	0
19. Louisiana	LA	L	4,252,513	4,185,118	0	1,556,948	2,410,425	2,661,869	0
20. Maine	ME	L	748,942	745,243	0	632,542	577,054	89,781	0
21. Maryland	MD	L	3,285,754	3,240,630	0	1,511,541	2,894,883	1,966,963	0
22. Massachusetts	MA	L	2,078,059	2,098,876	0	1,040,279	1,069,274	937,949	0
23. Michigan	MI	L	7,245,146	7,550,836	0	3,539,527	17,579,236	27,217,870	0
24. Minnesota	MN	L	4,053,359	3,901,306	0	1,691,977	1,753,621	1,082,815	0
25. Mississippi	MS	L	2,168,914	2,176,832	0	844,033	864,868	387,843	0
26. Missouri	MO	L	4,787,835	4,645,418	0	1,542,686	2,036,471	2,189,697	0
27. Montana	MT	L	622,372	622,045	0	317,141	326,991	196,046	0
28. Nebraska	NE	L	1,415,785	1,355,745	0	291,488	911,176	1,214,280	0
29. Nevada	NV	L	1,514,186	1,485,179	0	813,878	798,252	259,516	0
30. New Hampshire	NH	L	1,468,416	1,465,126	0	571,152	574,005	234,488	0
31. New Jersey	NJ	L	4,176,537	4,200,566	0	4,942,211	5,194,299	1,346,229	0
32. New Mexico	NM	L	345,250	339,064	0	119,238	125,994	46,784	0
33. New York	NY	L	36,856,705	34,413,392	0	17,257,717	16,666,707	8,705,347	0
34. No. Carolina	NC	L	7,689,091	7,560,828	0	3,101,862	3,989,166	2,019,126	0
35. No. Dakota	ND	L	282,935	279,396	0	172,718	231,653	258,475	0
36. Ohio	OH	L	8,948,047	8,753,666	0	4,935,721	5,028,382	1,292,575	0
37. Oklahoma	OK	L	2,199,980	2,190,146	0	1,250,140	1,189,329	375,340	0
38. Oregon	OR	L	1,802,057	1,715,092	0	967,167	959,504	267,346	0
39. Pennsylvania	PA	L	13,033,094	12,370,045	0	4,781,829	5,015,355	4,979,056	0
40. Rhode Island	RI	L	6,036,109	6,362,922	0	3,455,348	2,804,150	1,907,366	0
41. So. Carolina	SC	L	4,924,500	4,623,106	0	3,646,178	3,931,189	1,703,631	0
42. So. Dakota	SD	L	266,737	263,150	0	139,134	128,686	32,530	0
43. Tennessee	TN	L	8,110,691	8,078,444	0	4,389,844	4,051,780	1,405,956	0
44. Texas	TX	L	18,456,367	17,793,298	0	8,314,935	8,004,823	2,864,270	0
45. Utah	UT	L	1,354,247	1,223,100	0	960,165	1,002,876	184,965	0
46. Vermont	VT	L	395,163	332,646	0	131,813	346,211	663,968	0
47. Virginia	VA	L	5,622,074	5,567,433	0	2,186,137	1,915,285	796,090	0
48. Washington	WA	L	10,054,332	10,013,232	0	3,457,483	4,352,996	3,021,742	0
49. West Virginia	WV	L	653,167	757,903	0	405,885	421,231	215,252	0
50. Wisconsin	WI	L	4,568,360	4,554,015	0	3,225,185	3,530,012	1,378,434	0
51. Wyoming	WY	L	2,548,355	2,536,205	0	1,470,472	2,375,749	1,303,589	0
52. American Samoa	AS	N	0	0	0	0	0	0	0
53. Guam	GU	N	0	0	0	0	0	0	0
54. Puerto Rico	PR	L	0	8,195	0	0	(187,752)	502,444	0
55. U.S. Virgin Islands	VI	N	0	0	0	0	0	0	0
56. Northern Mariana Islands	MP	N	0	0	0	0	0	0	0
57. Canada	CAN	N	0	0	0	0	0	0	0
58. Aggregate other alien	OT	XXX	0	0	0	0	0	0	0
59. Totals	(a) 52		300,141,845	286,863,009	0	142,634,967	179,871,177	127,845,883	0
<b>DETAILS OF WRITE-INS</b>									
58001.		XXX							
58002.		XXX							
58003.		XXX							
58998. Sum. of remaining write-ins for Line 58 from overflow page		XXX	0	0	0	0	0	0	0
58999. Totals (Lines 58001 through 58003 + 58998) (Line 58 above)		XXX	0	0	0	0	0	0	0

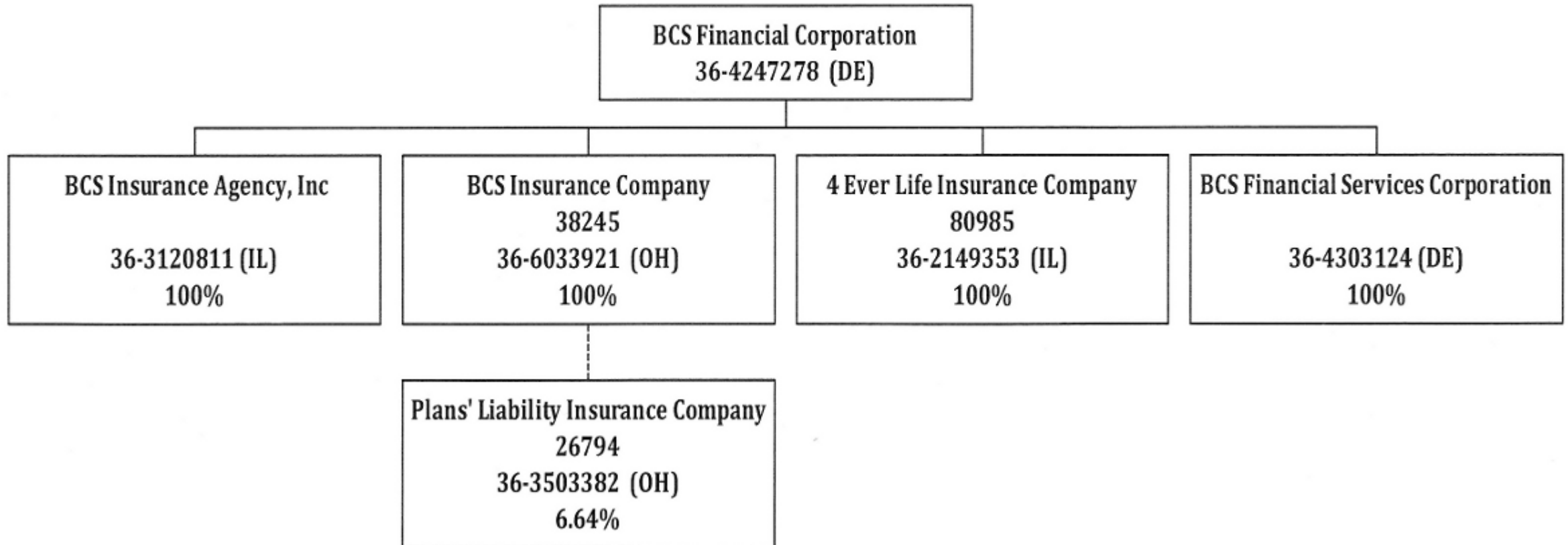
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

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

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

For group accident and health business BCS Insurance Company allocates premium by either the group situs state or by the insured member state depending upon the specific type of accident and health business. The group is the entity, usually an employer, that the policy is issued to and the insured member is the participant, usually an employee, to whom a certificate is issued to. For travel accident business the premium is allocated by state based upon the insured state of residence. The insured is the individual that purchases the travel accident coverage through a particular entity. For professional liability business the premium is allocated by the group situs state. The group is a corporate entity that purchases the policy.

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



# ALPHABETICAL INDEX

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## ANNUAL STATEMENT BLANK

Assets	2
Cash Flow	5
Exhibit of Capital Gains (Losses)	12
Exhibit of Net Investment Income	12
Exhibit of Nonadmitted Assets	13
Exhibit of Premiums and Losses (State Page)	19
Five-Year Historical Data	17
General Interrogatories	15
Jurat Page	1
Liabilities, Surplus and Other Funds	3
Notes To Financial Statements	14
Overflow Page For Write-Ins	101
Schedule A – Part 1	E01
Schedule A – Part 2	E02
Schedule A – Part 3	E03
Schedule A – Verification Between Years	SI02
Schedule B – Part 1	E04
Schedule B – Part 2	E05
Schedule B – Part 3	E06
Schedule B – Verification Between Years	SI02
Schedule BA – Part 1	E07
Schedule BA – Part 2	E08
Schedule BA – Part 3	E09
Schedule BA – Verification Between Years	SI03
Schedule D – Part 1	E10
Schedule D – Part 1A – Section 1	SI05
Schedule D – Part 1A – Section 2	SI08
Schedule D – Part 2 – Section 1	E11
Schedule D – Part 2 – Section 2	E12
Schedule D – Part 3	E13
Schedule D – Part 4	E14
Schedule D – Part 5	E15
Schedule D – Part 6 – Section 1	E16
Schedule D – Part 6 – Section 2	E16
Schedule D – Summary By Country	SI04
Schedule D – Verification Between Years	SI03
Schedule DA – Part 1	E17

# ALPHABETICAL INDEX

---

## ANNUAL STATEMENT BLANK (Continued)

Schedule DA – Verification Between Years	SI10
Schedule DB – Part A – Section 1	E18
Schedule DB – Part A – Section 2	E19
Schedule DB – Part A – Verification Between Years	SI11
Schedule DB – Part B – Section 1	E20
Schedule DB – Part B – Section 2	E21
Schedule DB – Part B – Verification Between Years	SI11
Schedule DB – Part C – Section 1	SI12
Schedule DB – Part C – Section 2	SI13
Schedule DB – Part D	E22
Schedule DB – Verification	SI14
Schedule DL – Part 1	E23
Schedule DL – Part 2	E24
Schedule E – Part 1 – Cash	E25
Schedule E – Part 2 – Cash Equivalents	E26
Schedule E – Part 3 – Special Deposits	E27
Schedule E – Verification Between Years	SI15
Schedule F – Part 1	20
Schedule F – Part 2	21
Schedule F – Part 3	22
Schedule F – Part 4	23
Schedule F – Part 5	24
Schedule F – Part 6 – Section 1	25
Schedule F – Part 6 – Section 2	27
Schedule F – Part 7	28
Schedule F – Part 8	29
Schedule F – Part 9	30
Schedule H – Accident and Health Exhibit – Part 1	31
Schedule H – Part 2, Part 3, and Part 4	32
Schedule H – Part 5 – Health Claims	33
Schedule P – Part 1 – Summary	34
Schedule P – Part 1A – Homeowners/Farmowners	36
Schedule P – Part 1B – Private Passenger Auto Liability/Medical	37
Schedule P – Part 1C – Commercial Auto/Truck Liability/Medical	38
Schedule P – Part 1D – Workers’ Compensation (Excluding Excess Workers’ Compensation)	39

# ALPHABETICAL INDEX

## ANNUAL STATEMENT BLANK (Continued)

Schedule P – Part 1E – Commercial Multiple Peril	40
Schedule P – Part 1F – Section 1 – Medical Professional Liability – Occurrence	41
Schedule P – Part 1F – Section 2 – Medical Professional Liability – Claims-Made	42
Schedule P – Part 1G – Special Liability (Ocean, Marine, Aircraft (All Perils), Boiler and Machinery)	43
Schedule P – Part 1H – Section 1 – Other Liability–Occurrence	44
Schedule P – Part 1H – Section 2 – Other Liability – Claims-Made	45
Schedule P – Part 1I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary & Theft)	46
Schedule P – Part 1J – Auto Physical Damage	47
Schedule P – Part 1K – Fidelity/Surety	48
Schedule P – Part 1L – Other (Including Credit, Accident and Health)	49
Schedule P – Part 1M – International	50
Schedule P – Part 1N – Reinsurance – Nonproportional Assumed Property	51
Schedule P – Part 1O – Reinsurance – Nonproportional Assumed Liability	52
Schedule P – Part 1P – Reinsurance – Nonproportional Assumed Financial Lines	53
Schedule P – Part 1R – Section 1 – Products Liability – Occurrence	54
Schedule P – Part 1R – Section 2 – Products Liability – Claims – Made	55
Schedule P – Part 1S – Financial Guaranty/Mortgage Guaranty	56
Schedule P – Part 1T – Warranty	57
Schedule P – Part 2, Part 3 and Part 4 – Summary	35
Schedule P – Part 2A – Homeowners/Farmowners	58
Schedule P – Part 2B – Private Passenger Auto Liability/Medical	58
Schedule P – Part 2C – Commercial Auto/Truck Liability/Medical	58
Schedule P – Part 2D – Workers’ Compensation (Excluding Excess Workers’ Compensation)	58
Schedule P – Part 2E – Commercial Multiple Peril	58
Schedule P – Part 2F – Section 1 – Medical Professional Liability – Occurrence	59
Schedule P – Part 2F – Section 2 – Medical Professional Liability – Claims – Made	59
Schedule P – Part 2G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	59
Schedule P – Part 2H – Section 1 – Other Liability – Occurrence	59
Schedule P – Part 2H – Section 2 – Other Liability – Claims – Made	59
Schedule P – Part 2I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	60
Schedule P – Part 2J – Auto Physical Damage	60
Schedule P – Part 2K – Fidelity, Surety	60
Schedule P – Part 2L – Other (Including Credit, Accident and Health)	60
Schedule P – Part 2M – International	60
Schedule P – Part 2N – Reinsurance – Nonproportional Assumed Property	61
Schedule P – Part 2O – Reinsurance – Nonproportional Assumed Liability	61
Schedule P – Part 2P – Reinsurance – Nonproportional Assumed Financial Lines	61
Schedule P – Part 2R – Section 1 – Products Liability – Occurrence	62
Schedule P – Part 2R – Section 2 – Products Liability – Claims-Made	62
Schedule P – Part 2S – Financial Guaranty/Mortgage Guaranty	62
Schedule P – Part 2T – Warranty	62
Schedule P – Part 3A – Homeowners/Farmowners	63

# ALPHABETICAL INDEX

## ANNUAL STATEMENT BLANK (Continued)

Schedule P – Part 3B – Private Passenger Auto Liability/Medical	63
Schedule P – Part 3C – Commercial Auto/Truck Liability/Medical	63
Schedule P – Part 3D – Workers’ Compensation (Excluding Excess Workers’ Compensation)	63
Schedule P – Part 3E – Commercial Multiple Peril	63
Schedule P – Part 3F – Section 1 – Medical Professional Liability – Occurrence	64
Schedule P – Part 3F – Section 2 – Medical Professional Liability – Claims-Made	64
Schedule P – Part 3G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	64
Schedule P – Part 3H – Section 1 – Other Liability – Occurrence	64
Schedule P – Part 3H – Section 2 – Other Liability – Claims-Made	64
Schedule P – Part 3I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	65
Schedule P – Part 3J – Auto Physical Damage	65
Schedule P – Part 3K – Fidelity/Surety	65
Schedule P – Part 3L – Other (Including Credit, Accident and Health)	65
Schedule P – Part 3M – International	65
Schedule P – Part 3N – Reinsurance – Nonproportional Assumed Property	66
Schedule P – Part 3O – Reinsurance – Nonproportional Assumed Liability	66
Schedule P – Part 3P – Reinsurance – Nonproportional Assumed Financial Lines	66
Schedule P – Part 3R – Section 1 – Products Liability – Occurrence	67
Schedule P – Part 3R – Section 2 – Products Liability – Claims-Made	67
Schedule P – Part 3S – Financial Guaranty/Mortgage Guaranty	67
Schedule P – Part 3T – Warranty	67
Schedule P – Part 4A – Homeowners/Farmowners	68
Schedule P – Part 4B – Private Passenger Auto Liability/Medical	68
Schedule P – Part 4C – Commercial Auto/Truck Liability/Medical	68
Schedule P – Part 4D – Workers’ Compensation (Excluding Excess Workers’ Compensation)	68
Schedule P – Part 4E – Commercial Multiple Peril	68
Schedule P – Part 4F – Section 1 – Medical Professional Liability – Occurrence	69
Schedule P – Part 4F – Section 2 – Medical Professional Liability – Claims-Made	69
Schedule P – Part 4G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	69
Schedule P – Part 4H – Section 1 – Other Liability – Occurrence	69
Schedule P – Part 4H – Section 2 – Other Liability – Claims-Made	69
Schedule P – Part 4I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary and Theft)	70
Schedule P – Part 4J – Auto Physical Damage	70
Schedule P – Part 4K – Fidelity/Surety	70
Schedule P – Part 4L – Other (Including Credit, Accident and Health)	70
Schedule P – Part 4M – International	70
Schedule P – Part 4N – Reinsurance – Nonproportional Assumed Property	71
Schedule P – Part 4O – Reinsurance – Nonproportional Assumed Liability	71
Schedule P – Part 4P – Reinsurance – Nonproportional Assumed Financial Lines	71
Schedule P – Part 4R – Section 1 – Products Liability – Occurrence	72
Schedule P – Part 4R – Section 2 – Products Liability – Claims-Made	72

# ALPHABETICAL INDEX

## ANNUAL STATEMENT BLANK (Continued)

Schedule P – Part 4S – Financial Guaranty/Mortgage Guaranty	72
Schedule P – Part 4T – Warranty	72
Schedule P – Part 5A – Homeowners/Farmowners	73
Schedule P – Part 5B – Private Passenger Auto Liability/Medical	74
Schedule P – Part 5C – Commercial Auto/Truck Liability/Medical	75
Schedule P – Part 5D – Workers’ Compensation (Excluding Excess Workers’ Compensation)	76
Schedule P – Part 5E – Commercial Multiple Peril	77
Schedule P – Part 5F – Medical Professional Liability – Claims-Made	79
Schedule P – Part 5F – Medical Professional Liability – Occurrence	78
Schedule P – Part 5H – Other Liability – Claims-Made	81
Schedule P – Part 5H – Other Liability – Occurrence	80
Schedule P – Part 5R – Products Liability – Claims-Made	83
Schedule P – Part 5R – Products Liability – Occurrence	82
Schedule P – Part 5T – Warranty	84
Schedule P – Part 6C – Commercial Auto/Truck Liability/Medical	85
Schedule P – Part 6D – Workers’ Compensation (Excluding Excess Workers’ Compensation)	85
Schedule P – Part 6E – Commercial Multiple Peril	86
Schedule P – Part 6H – Other Liability – Claims-Made	87
Schedule P – Part 6H – Other Liability – Occurrence	86
Schedule P – Part 6M – International	87
Schedule P – Part 6N – Reinsurance – Nonproportional Assumed Property	88
Schedule P – Part 6O – Reinsurance – Nonproportional Assumed Liability	88
Schedule P – Part 6R – Products Liability – Claims-Made	89
Schedule P – Part 6R – Products Liability – Occurrence	89
Schedule P – Part 7A – Primary Loss Sensitive Contracts	90
Schedule P – Part 7B – Reinsurance Loss Sensitive Contracts	92
Schedule P Interrogatories	93
Schedule T – Exhibit of Premiums Written	95
Schedule T – Part 2 – Interstate Compact	96
Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group	97
Schedule Y – Part 1A – Detail of Insurance Holding Company System	98
Schedule Y – Part 2 – Summary of Insurer’s Transactions With Any Affiliates	99
Statement of Income	4
Summary Investment Schedule	SI01
Supplemental Exhibits and Schedules Interrogatories	100
Underwriting and Investment Exhibit Part 1	6
Underwriting and Investment Exhibit Part 1A	7
Underwriting and Investment Exhibit Part 1B	8
Underwriting and Investment Exhibit Part 2	9
Underwriting and Investment Exhibit Part 2A	10
Underwriting and Investment Exhibit Part 3	11

