AMENDED FILING EXPLANATION

August 19, 2013

Cheryl Manning
Insurance Reporting Analyst
NAIC – Financial Regulatory Services
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Dear Ms. Manning:

In response to your August 9, 2013 letter regarding Century Surety Company's March 31, 2013 quarterly statement:
NAIC Company Code: 36951, Group Code: 748, 2013 Quarter 1 Statement filing

NAIC ITEMS REQUIRING ACTION:

1. Note 1A is a required Note, per SSAP No. 1, paragraph 7. The instruction that the tables do not have to be included is if all the lines in that table are $0. If the company has Net Income or Statutory Surplus, then the table must be completed.

Company Response:

Amended return filed on August 19, 2013.

CONSISTENCY AND TEXTUAL FAILURES:

1. Rule Name: PXQSN010007 **Description**: Quarterly Notes to Financial Statements – Note 1 – Summary of Significant Accounting Policies, Column 3, Line 01A01 did not equal Quarterly Statement of Income, Column 1, Line 20
0 – 913538 =-913538

Company Response:

Amended return filed August 19, 2013.

2. Rule Name: PXQSN010008 **Description**: Quarterly Notes to Financial Statements – Note 1 – Summary of Significant Accounting Policies, Column 4, Line 01A01 did not equal Quarterly Statement of Income, Column 3, Line 20
0 – 15327945 =-15327945

Company Response:

Amended return filed August 19, 2013.

3. Rule Name: PXQSN010009 **Description**: Quarterly Notes to Financial Statements – Note 1 – Summary of Significant Accounting Policies, Column 3, Line 01A05 did not equal Quarterly Liabilities, Surplus and Other Funds Page, Column 1, Line 37
0 – 180336908 =-180336908

Company Response:

Amended return filed August 19, 2013.

4. Rule Name: PXQSN010010 **Description**: Quarterly Notes to Financial Statements – Note 1 – Summary of Significant Accounting Policies, Column 4, Line 01A05 did not equal Quarterly Liabilities, Surplus and Other Funds Page, Column 2, Line 37
0 – 163161584 =-163161584

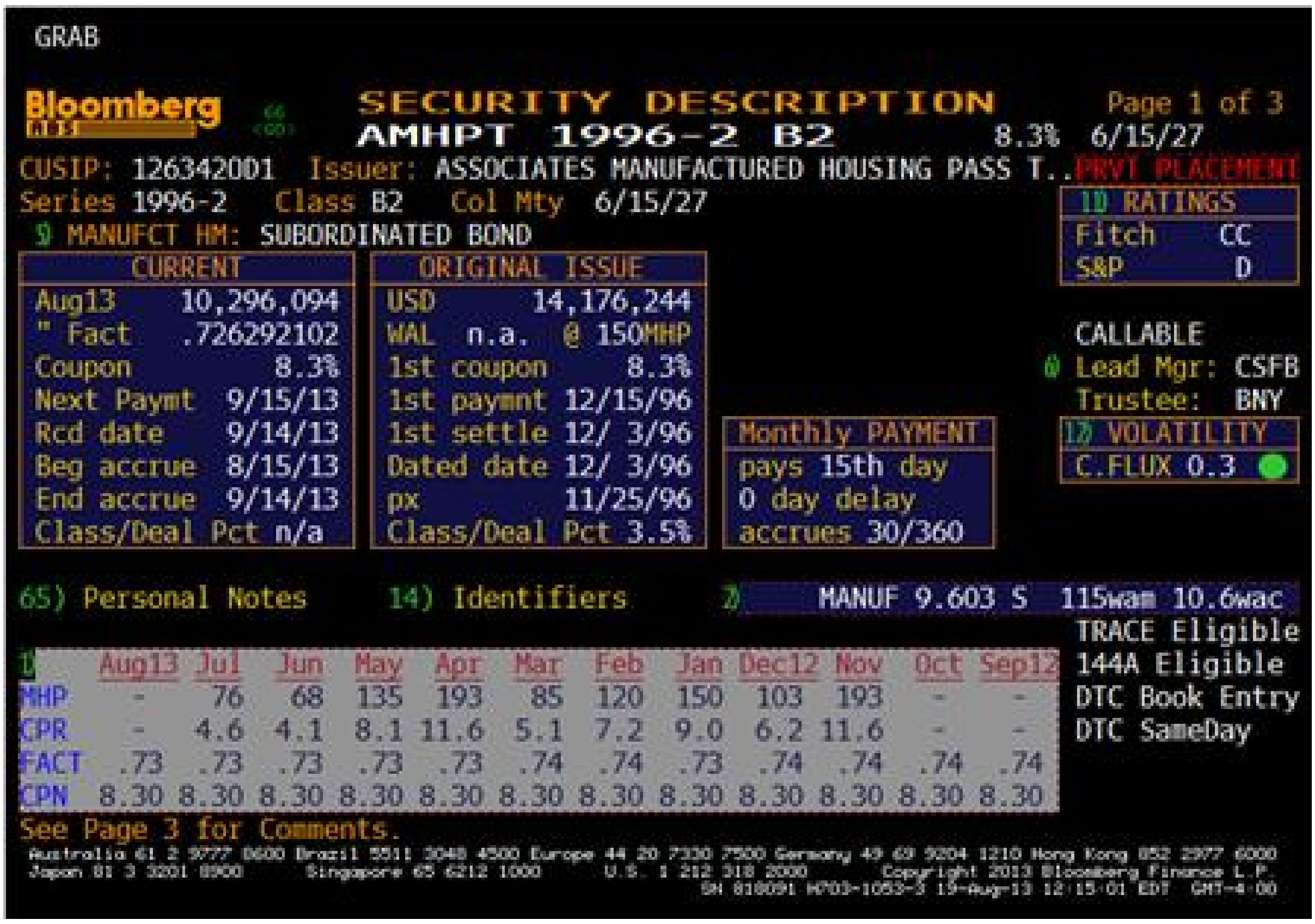
Company Response:

Amended return filed August 19, 2013.

5. Rule Name: PTQSU090000 **Description**: Invalid or Missing CUSIP Number
Table: P2013QSCDPT3 **Column:** cusip_issuer **Line** #: 3800001
Invalid Data: 126342

Company Response:

We confirmed this cusip number with Conning our investment manager. This cusip number was also reviewed against Bloomberg ABS as shown in screenshot on the next page. In both instances the cusip number was confirmed to be 126342. Note: This security was sold during 2Q13.



If you have any further questions related to these items please contact Kim Arnold, Todd Bordeaux or me.

Sincerely,
Teresa Hulack, Senior Accountant
Email: Teresa.Hulack@Meadowbrook.com
26255 American Drive
Southfield, MI 48034-6112
Phone (248)358-1100, ext. 8197

Cc: Kim Arnold, Controller – SFR, Phone (248)358-1100, ext. 8102
Todd Bordeaux - Accounting Supervisor, Phone (248)358-1100, ext. 8522

NAIC LETTER of August 9, 2013:

NAIC Financial Reporting & Analysis Data Validation Notification

Kimberlee Arnold
Century Surety Co
465 Cleveland Avenue
Westerville, OH 43082

Re: NAIC Cocode: 36951 Group Code: 748
2013 Quarter 1 Statement filing

The second (and subsequent) pages of this notice detail discrepancies in the above filing. We request that you review each category very closely and provide the appropriate response within ten working days from receipt of this letter. Please also follow the instructions on the checklist below.

Provide the following with every response.

- Company code
- Company name
- Current contact name and phone number, if contact has changed
- Date of NAIC letter
- Name of NAIC contact on the letter
- Address every failure, unless the letter states that no correction or response is needed for a specified failure

AMENDED FILING EXPLANATION

Provide the following with Quarterly Statement corrections.

- Electronic partial amended Quarterly Statement filing via the NAIC internet filing site including all applicable PDF files

Review the amendment requirements of your state of domicile before submitting any amendments and contact your state of domicile regarding amendment concerns. Contact your software vendor regarding software questions.

You may receive future correspondence if additional discrepancies require your assistance. Forward all of the above to your state of domicile and to the NAIC contact below at the following address.

Cheryl Manning, Insurance Reporting Analyst
NAIC – Financial Regulatory Services
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197
CManning@naic.org
Fax:(816) 460-7580 , Phone: *(816) 783-8410*

ITEMS REQUIRING ACTION:

Note 1A is a required Note, per SSAP No. 1, paragraph 7. The instruction that the tables do not have to be included is if all the lines in that table are $0. If the company has Net Income or Statutory Surplus, then the table must be completed. Below is an example of what should appear in the table, if there are no prescribed or permitted practices.

		State of Domicile	2012	2011
NET INCOME				
(1)	ABC Company state basis	MO	$0	$0
(2)	State Prescribed Practices: NONE		0	0
(3)	State Permitted Practices: NONE		0	0
(4)	NAIC SAP	MO	$0	$0
SURPLUS				
(5)	ABC Company state basis	MO	$0	$0
(6)	State Prescribed Practices: NONE		0	0
(7)	State Permitted Practices: NONE		0	0
(8)	NAIC SAP	MO	$0	$0

CONSISTENCY AND TEXTUAL FAILURES:

If an amendment is not provided, a valid explanation for the failure is required. The explanation that your state of domicile does not require an amendment is a valid explanation. If this is the case, please provide the name and telephone number of the state contact or a copy of the documentation confirming an amendment is not required. If an amendment is filed, the state of domicile must be notified.

1. **Rule Name:** PXQSN010007 **Description:** Quarterly Notes to Financial Statements - Note 1 - Summary of Significant Accounting Policies, Column 3, Line 01A01 did not equal Quarterly Statement of Income, Column 1, Line 20
   0 - 913538 = -913538
2. **Rule Name:** PXQSN010008 **Description:** Quarterly Notes to Financial Statements - Note 1 - Summary of Significant Accounting Policies, Column 4, Line 01A01 did not equal Quarterly Statement of Income, Column 3, Line 20
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3. **Rule Name:** PXQSN010009 **Description:** Quarterly Notes to Financial Statements - Note 1 - Summary of Significant Accounting Policies, Column 3, Line 01A05 did not equal Quarterly Liabilities, Surplus and Other Funds Page, Column 1, Line 37
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4. **Rule Name:** PXQSN010010 **Description:** Quarterly Notes to Financial Statements - Note 1 - Summary of Significant Accounting Policies, Column 4, Line 01A05 did not equal Quarterly Liabilities, Surplus and Other Funds Page, Column 2, Line 37
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5. **Rule Name:** PTQSU090000 **Description:** Invalid or Missing CUSIP Number
   Table: P2013QSCDPT3 **Column:** cusip_issuer **Line #:** 3800001
   Invalid Data: 126342

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QUARTERLY STATEMENT

As of March 31, 2013

of the Condition and Affairs of the

Century Surety Company

NAIC Group Code.....0748, 0748 (Current Period) (Prior Period) NAIC Company Code..... 36951 Employer's ID Number..... 31-0936702

Organized under the Laws of OH State of Domicile or Port of Entry OH Country of Domicile US

Incorporated/Organized..... June 22, 1978 Commenced Business..... August 11, 1978

Statutory Home Office	465 Cleveland Avenue….. Westerville ..... OH ..... US ..... 43082 *(Street and Number) (City or Town, State, Country and Zip Code)*	
Main Administrative Office	465 Cleveland Avenue….. Westerville ..... OH ..... US ..... 43082 *(Street and Number) (City or Town, State, Country and Zip Code)*	614-895-2000 *(Area Code) (Telephone Number)*
Mail Address	465 Cleveland Avenue….. Westerville ..... OH ..... US ..... 43082 *(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)*	
Primary Location of Books and Records	26255 American Drive….. Southfield ..... MI ..... US ..... 48034 *(Street and Number) (City or Town, State, Country and Zip Code)*	248-358-1100 *(Area Code) (Telephone Number)*
Internet Web Site Address	www.meadowbrook.com	
Statutory Statement Contact	Kimberlee A. Arnold *(Name)*	248-358-1100-8102 *(Area Code) (Telephone Number) (Extension)*
	karnold@meadowbrook.com *(E-Mail Address)*	248-358-1614 *(Fax Number)*

OFFICERS

Name	Title	Name	Title
1. Christopher John Timm	President	2. Michael Gerard Costello	Secretary
3. Steven Christopher Divine	Treasurer	4.	

OTHER

Michael Gerard Costello	Sr. VP & General Counsel	Robert Samuel Cubbin	Chairman
Steven Christopher Divine	Vice President	Karen Marwell Spaun	Vice President
Nathan Karl Voorhis	Vice President	Angelo Lovell Williams	Vice President
Randolph Witt Fort #	Vice President		

DIRECTORS OR TRUSTEES

Robert Samuel Cubbin-Chairman	James Michael Mahoney	Archie Stephen McIntyre	Karen Marwell Spaun
Christopher John Timm	Nathan Karl Voorhis	Angelo Lovell Williams	

State of........ Michigan
County of..... Oakland

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)	(Signature)	(Signature)
Christopher John Timm	Michael Gerard Costello	Steven Christopher Divine
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
President	Secretary	Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me
This ________ day of ________________

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

The accompanying financial statements of Century Surety Company ("Company") have been completed in accordance with the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual except to the extent that Ohio state laws and regulations differ. Effective January 1, 2001, the state of Ohio required that insurance companies domiciled in the state of Ohio prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures manual – Effective January 1, 2001* (NAIC SAP), subject to any deviations prescribed or permitted by the state of Ohio Insurance Commissioner. The Company has no such deviations as of March 31, 2013.

A reconciliation of the Company's surplus between NAIC SAP and practices prescribed and permitted by the state of Ohio is shown below.

	State of Domicile	March 31, 2013	December 31, 2012
1. Net (Loss)/Income, Ohio Basis	OH	$ 913,538	$ 15,327,945
2. State Prescribed Practices: NONE		0	0
3. State Permitted Practices: NONE		0	0
4. Net Income, NAIC SAP basis (1-2-3=4)	OH	$ 913,538	$ 15,327,945
5. Policyholders surplus, Ohio basis	OH	$ 180,336,908	$ 163,161,584
6. State Prescribed Practice: NONE		0	0
7. State Permitted Practice: NONE		0	0
8. Policyholders surplus, NAIC SAP basis (5-6-7=8)	OH	$ 180,336,908	$ 163,161,584

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

No significant change.

C. Accounting Policy

No significant change.

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

No significant change.

3. BUSINESS COMBINATIONS AND GOODWILL

A. Statutory Purchase Method
1. The Company purchased 100% interest of ProCentury Insurance Company formerly known as Fireman's Fund Insurance Company of Texas, on June 1, 2005.
2. The transaction was accounted for as a statutory purchase.
3. The cost was $5,906,049 resulting in goodwill in the amount of $506,049.
4. Goodwill is amortized over 10 years. Goodwill amortization relating to the purchase of ProCentury was $396,402 as of March 31, 2013.

B. Statutory Mergers - Not applicable.
C. Impairment Loss - Not applicable.

4. DISCONTINUED OPERATIONS

Not applicable.

5. INVESTMENTS

A. No significant change.
B. No significant change.
C. No significant change.
D. Loan-backed securities
1. Our asset manager uses a proprietary model for loss assumptions and widely accepted models for prepayment assumptions in valuing mortgage-backed and asset-backed securities; inputs come from major third party data providers. The effect of interest rates, volatility, and prepayment speeds are derived using Monte Carlo simulation. Credit loss analysis, resulting effective analytics (spreads, duration, convexity) and cash-flows are reported to clients on a monthly basis. Model assumptions are specific to asset class and collateral types and are regularly evaluated and adjusted where appropriate.
2. Securities where the Company has either the intent to sell or lacks the ability to retain the securities - Not applicable.
3. Loan-backed securities with a recognized other-than-temporary impairment ("OTTI"), currently held by the reporting entity where the present value of the discounted cash flows was/is less than the amortized cost basis of the securities.

CUSIP (6,2,1)			Book/Adj Carry Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized OTTI	Amortized cost after OTTI	Fair Value at time of OTTI	Date of Financial Statement Where Reported
00441R	AJ	6	$ 422,063	$ 355,309	$ 66,754	$ 355,309	$ 151,156	12/31/2009
126342	OD	1	$ 989,799	$ 1,208,847	$ (219,048)	$ 1,208,847	$ 940,572	9/30/2009
			XXX	XXX	$ (152,294)	XXX	XXX	XXX

4. All impaired securities for which an OTTI has not been recognized in earnings as a realized loss including securities with a recognized OTTI for non-interest related declines when a non-recognized interest related impairment remains:

a. Aggregate amount of unrealized loss	
1. Less than twelve months	$ (144,766)
2. Twelve months or longer	(1,345,032)
3. Total	$ (1,489,798)
b. Aggregate fair value of securities with unrealized loss	
1. Less than twelve months	$ 12,647,947
2. Twelve months or longer	1,169,027
3. Total	$ 13,816,974

5. There are a number of factors that are considered in determining if there is not an OTTI on an investment, including but not limited to, debt burden, credit ratings, sector, liquidity, financial flexibility, company management, expected earnings and cash flow stream, and economic prospects associated with the investment.

E. The Company has no repurchase agreements, reverse repurchase agreements and/or security lending transactions.
F. No significant change.
G. No significant change.

NOTES TO FINANCIAL STATEMENTS

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES
Not applicable.

7. INVESTMENT INCOME
No significant change.

8. DERIVATIVE INSTRUMENTS
No significant change.

9. INCOME TAXES
No significant change.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

A. No significant change.
B. On March 20, 2013, the Company received a $15,000,000 capital contribution from its parent, ProCentury Corporation.
C. The Management Services Agreement ("Agreement") currently is effective July 1, 2011 through June 30, 2014. If the Agreement is not terminated by the parties, it automatically extends for additional three (3) year periods thereafter.
D. At March 31, 2013, the Company reported $141,359 and $513 due from parent, subsidiaries and affiliates, in the current and prior years, respectively and $2,390,958 and $3,312,273 due to parent, subsidiaries and affiliates, in the current and prior years, respectively pursuant to the Intercompany Loan Agreement. Intercompany balances between parent, subsidiaries and affiliates are settled on a monthly basis.
E. Guarantees or Undertakings for Related Parties - Not applicable.
F. The Company does not directly hire employees. Rather, the Company entered into the Agreement with Meadowbrook, Inc. and affiliates, which provides the accounting, financial reporting, underwriting, compliance, reinsurance, sales, claims, loss prevention, and general management services for the Company. Fees paid to Meadowbrook, Inc. and affiliates are determined on a monthly basis, based on the actual costs associated with overall administration of all programs. On a pre-pooled basis, the Company directly incurred $6,538,767 and $6,418,812, in the current and prior years, respectively, of such expenses as of March 31, 2013.

   Effective October 1, 2009 the Company entered into a new Agency Agreement with Meadowbrook, Inc. and its affiliates or subsidiaries (the "Agent") whereby the Company pays the Agent a commission for the production of premium. As of March 31, 2013, the Company has paid the Agent $38,754 and $36,716, in the current and prior years, respectively, in commissions.

   In addition, the Company's federal income tax return is consolidated with the entities referenced in Note 9(F) of the annual statement. Pursuant to the Tax Allocation Agreement, the Company incurred $272,335 and $744,094 as of March 31, 2013 and 2012, respectively, of tax expense to be remitted to the ultimate parent, MIGI.
G. No significant change.
H. No significant change.
I. No significant change.
J. Investments in Impaired SCA Entities - Not applicable.
K. Investments in Foreign SCA Entities - Not applicable.
L. Valuation of Downstream Holding Companies - Not applicable.

11. DEBT
No significant change.

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS
Not applicable.

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

1. No significant change.
2. Dividend Rate of Preferred Stock - Not applicable.
3. Dividends on common stock are paid as declared by the Board of Directors of the Company. Without prior approval of its domiciliary commissioner, Ohio law limits dividends to shareholders to the greater of 10% of the prior year policyholders' surplus less dividends paid in the prior twelve months or the prior year net income (excluding realized capital gains) less dividends paid in the prior twelve months. These dividends are further limited by a clause in the Ohio law, which prohibits an insurer from declaring dividends unless the value of assets remaining is at least equal to the aggregate amount of debts and liabilities, including capital.
4. The Company did not make a dividend payment to ProCentury Corporation as of March 31, 2013.
5. Within the limitations of (C) above, the maximum ordinary dividend payment allowed to shareholders as of March 31, 2013, without prior regulatory approval, is $16,316,158 after considering the ordinary dividend payment per (D) above.
6. No significant change.
7. No significant change.
8. No significant change.
9. No significant change.
10. The portion of unassigned funds (surplus) represented by cumulative unrealized capital gains is $9,460,600.
11. No significant change.
12. No significant change.
13. No significant change.

14. CONTINGENCIES

A. No significant change.
B. No significant change.
C. No significant change.
D. No significant change.
E. Product Warranties - Not applicable.
F. No significant change.

15. LEASES

A. Lessee Leasing Arrangements

1. The Company leases one office facility under a noncancelable operating lease that will expire October 2013.
2. At March 31, 2013, future minimum rental payments are as follows:

Year	Amount
2013	359,310
Total	$ 359,310

3. The Company has not entered into any sale-leaseback arrangements.

NOTES TO FINANCIAL STATEMENTS

B. Lessor Leasing Arrangements
Not applicable.

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND WITH CONCENTRATIONS OF CREDIT RISK
Not applicable.

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES
A. Transfers of Receivables Reported as Sales - Not applicable.
B. Transfers and Servicing of Financial Assets - Not applicable.
C. There are no wash sales as of March 31, 2013.

18. GAIN OR LOSS FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS
Not applicable.

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS
Not applicable.

20. FAIR VALUE MEASUREMENT

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

1. Fair Value Measurements at Reporting Date

The Company has categorized its assets and liabilities that are measured at fair value into the three-level fair value hierarchy as reflected in the following table.

Level 1 - Valuations that are based on unadjusted quoted market prices in active markets for identical securities. The fair value of exchange-traded equities and mutual funds included in the Level 1 category were based on quoted prices that are readily and regularly available in an active market and are thus classified as Level 1.

Level 2 - Valuations that are based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly. The fair value of securities included in the Level 2 category were based on market values obtained from a third-party pricing service. They were evaluated using pricing models that vary by asset class and incorporate available trade, bid and other observable market information. The third-party service monitors market indicators as well as industry and economic events. The Level 2 category includes corporate bonds, government and agency bonds, asset-backed, residential mortgage-backed and commercial mortgage-backed securities and municipal bonds.

Level 3 - Valuations that are derived from techniques in which one or more of the significant inputs are unobservable and/or involve management judgment and/or are based on non-binding broker quotes.

Assets at Fair Value	Level 1	Level 2	Level 3	Total
Perpetual Preferred Stock - Industrial & Misc.	$ 6,012,955	$ 0	$ 0	$ 6,012,955
Redeemable Preferred Stock - Industrial & Misc.	839,460	0	0	839,460
Bonds - Industrial & Misc.	0	0	268,559	268,559
Bonds - MBS/CMO - Industrial & Misc.	0	0	97,421	97,421
Common Stock - Industrial & Misc.	67,368,215	0	0	67,368,215
	$ 74,220,630	**$ 0**	**$ 365,980**	**$ 74,586,610**

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels. During the current year, there were no transfers into or out of Levels 1 or 2.

2. Rollforward of Fair Value Measurements in Level 3

	Beginning Balance as of 1/1/13	Transfers into Level 3	Transfers out of Level 3	Total gains (losses) included in Net Income	Total gains (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance as of 3/31/13
Bonds - Industrial & Misc.	$ 273,348	$ 0	$ 0	$ (4,789)	$ 0	$ 0	$0	$ 0	$ 0	$ 268,559
Bonds - MBS/CMO - Industrial & Misc.	325	98,343	0	9,078	0	0	0	(10,324)	0	97,422
Ending Balance	**$ 273,673**	**$ 98,343**	**$ 0**	**$ 4,289**	**$ 0**	**$ 0**	**$0**	**$(10,324)**	**$ 0**	**$ 365,981**

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, there were no transfers out of Level 3 and three transfers into Level 3. Management believes these assets can no longer be priced using observable marketable inputs; hence they were transferred from Level 2 to Level 3.

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

The estimated fair values of the Company's investments are based on prices provided by a third party pricing service and a third party investment manager. The prices provided by these services are based on quoted market prices, when available; non-binding broker quotes, or matrix pricing. The Company has not historically adjusted security prices.

For corporate, government and municipal bonds, the third party pricing service utilizes a pricing model with standard inputs that include benchmark yields, reported trades, issuer spreads, two-sided markets, benchmark securities, market bids / offers, and other reference data observable in the marketplace. The model uses the option adjusted spread methodology and is a multi-dimensional relational model. All bonds valued under these techniques are classified as Level 2.

NOTES TO FINANCIAL STATEMENTS

For asset-backed, residential mortgage-backed and commercial mortgage-backed securities, the third party pricing service valuation methodology includes consideration of interest rate movements, new issue data, monthly remittance reports and other pertinent data that is observable in the marketplace. This information is used to determine the cash flows for each tranche and identifies the inputs to be used such as benchmark yields, prepayment assumptions and collateral performance. All asset-backed, residential mortgage-backed and commercial mortgage-backed securities valued under these methods are classified as Level 2.

For all assets where readily observable pricing methods are not available the third party investment manager will price the asset using a combination of non-binding broker / dealer quotes, benchmarking techniques, and sector specific knowledge. All assets priced by using this methodology are classified as Level 3.

5. **Derivative Fair Values -** Not applicable.

B. Other Fair Value Disclosures - Not applicable.

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

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

Type of Financial Instrument	Fair Value	Admitted Value	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Bonds	$ 405,086,853	$ 390,878,477	$ 0	$ 401,824,283	$ 3,262,569	$ 0
Preferred Stocks	9,771,783	9,611,245	9,745,082	26,701	0	0
Common Stocks	67,368,215	67,368,215	67,368,215	0	0	0
Cash Equivalents & Short-Term Investments	12,857,762	12,857,762	12,857,762	0	0	0
Total Assets	$ 495,084,613	$ 480,715,699	$ 89,971,059	$ 401,850,984	$ 3,262,569	$ 0

D. Financial Instruments for which Not Practical to Estimate Fair Values - Not applicable.

21. OTHER ITEMS

A. No significant change.
B. No significant change.
C. No significant change.
D. At March 31, 2013, the Company had admitted assets of $30,848,938 for amounts due from agents and $2,881 for amounts due from insureds. The Company routinely assesses the collectability of these receivables and, where necessary, establishes an allowance for estimated uncollectible accounts. The potential loss associated with uncollectible accounts in excess of amounts non-admitted or otherwise provided for through an allowance for estimated uncollectible accounts is not believed to be material to the Company's financial position.
E. No significant change.
F. State Transferable and Non-Transferable Tax Credits - Not applicable.
G. Subprime Mortgage Related Exposure - Not applicable.

22. EVENTS SUBSEQUENT

A. Type I - Recognized Subsequent Events:
There were no events occurring subsequent to the end of the current quarter through the date of this filing meriting disclosure.

B. Type II - Nonrecognized Subsequent Events:
There were no events occurring subsequent to the end of the current quarter through the date of this filing meriting disclosure.

23. REINSURANCE

A. Unsecured Reinsurance Recoverables
The Company's unsecured reinsurance balances in excess of 3% of policyholder surplus with any one reinsurer are estimated at March 31, 2013 as follows:

Reinsurer Name	NAIC Code	Federal ID#	Amount
Star Insurance Company	18023	38-2626205	388,886,707

This amount due from Star is related to the Intercompany Reinsurance Agreement noted in Note 26.

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

C. Reinsurance Assumed and Ceded

1. The following table summarizes ceded and assumed unearned premiums and the related commission equity at March 31, 2013.

	Assumed		Ceded		Assumed less Ceded	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
a. Affiliates	$ 109,416,000	$ 0	$ 124,906,000	$ 0	$ (15,490,000)	$ 0
b. All other	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
c. Totals	$ 109,416,000	$ 0	$ 124,906,000	$ 0	$ (15,490,000)	$ 0
d. Direct Unearned Premium Reserve:	$ 108,407,000					

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

	Direct	Assumed	Ceded	Net
a. Contingent Commission	$ 207,216	$ 0	$ 0	$ 207,216
b. Sliding Scale Commission	0	0	0	0
c. Other Profit Commission Arrangements	99,460	0	0	99,460
d. Total	$ 306,676	$ 0	$ 0	$ 306,676

3. The Company does not use protected cells as an alternative to traditional reinsurance.

D. Uncollectible Reinsurance
The Company did not have any uncollectible reinsurance written off during 2013.

NOTES TO FINANCIAL STATEMENTS

E. **Commutation of Ceded Reinsurance**
The Company did not have any commutations of ceded reinsurance as of March 31, 2013.

F. **Retroactive Reinsurance**
The Company does not have any retroactive reinsurance as of March 31, 2013.

G. **Reinsurance Accounted for as a Deposit**
The Company has no reinsurance agreements that have been accounted for as deposits as of March 31, 2013.

H. **Transfer of Property and Casualty Run-off Agreements** - Not applicable.

I. **Certified Reinsurer Downgraded or Status Subject to Revocation -** Not applicable.

24. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION

A. Accrued retrospective premiums reported as an asset on the balance sheet have been determined based upon loss experience on business subject to such experience rating adjustment. Accrued retrospectively rated premiums, including all of those relating to bulk IBNR, have determined by or allocated to individual policyholder accounts.
B. The Company records accrued retrospective premiums through written premium.
C. Net written premiums for the current year on retrospective Other Liability - claims made policies were $(112,906) or (3.5%) of total Other Liability - claims made net premiums written.
D. Medical loss ratio rebates - Not applicable.
E. Ten percent of the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss expense reserves), or collateral as permitted by SSAP No. 66, Retrospectively Rated Contracts, has been non-admitted.

a. Total accrued retro premium	$ (421,947)
b. Unsecured amount	0
c. Less: Non-admitted amount (10%)	N/A
d. Less: Non-admitted for any person for whom agents' balances or uncollected premiums are non-admitted.	N/A
e. Admitted amount (a)-(c)-(d)	$ (421,947)

25. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

Net incurred losses and loss adjustment expenses attributable to insured events of prior accident years increased $1.1 million during calendar year 2013 as a result of re-estimation of unpaid loss and loss adjustment expenses. This increase recognizes additional paid loss and loss adjustment expenses of $35.0 million, offset by a decrease in reserves on prior accident years of $34.0 million. Original estimates of ultimate losses are increased or decreased as additional information becomes known regarding individual claims.

26. INTERCOMPANY POOLING ARRANGEMENTS

A. Effective January 1, 2009, the Company and its United States affiliates (Star Insurance Company ("Star"), Savers Property and Casualty Insurance Company, Williamsburg National Insurance Company, Ameritrust Insurance Corporation and ProCentury Insurance Company) are participants in an Intercompany Reinsurance Agreement, whereby each participating affiliate cedes 100% of its business to Star. Thereafter, Star cedes to each participating affiliate, which have agreed to reinsure Star for their respective participation. The participants and their respective participations effective January 1, 2009 through current are as follows:

Name of Insurer	NAIC Code	Percentage Participation
Star Insurance Co. (Lead insurer)	18023	35.83%
Century Surety Co.	36951	29.07%
Savers Property and Casualty Ins. Co.	16551	13.04%
ProCentury Insurance Co.	21903	9.44%
Williamsburg National Ins. Co.	25780	6.72%
Ameritrust Insurance Corp.	10665	5.90%

B. All business written by each participant is subject to the Intercompany Reinsurance Agreement.

C. After pooling and before redistribution, Star has the following reinsurance ceded with nonaffiliated reinsurers:

1. For Liability Lines ($6,000,000 xs of $1,000,000 retention)
2. For Workers Compensation Lines ($99,000,000 xs $1,000,000 retention)
3. For Terrorism Lines ($139,000,000 xs $1,000,000 retention)
4. For Public Entity Liability Lines ($9,000,000 xs $1,000,000 retention)
5. For Property Per Risk Coverage ($9,000,000 xs $1,000,000 retention)
6. For Property Catastrophe Coverage ($59,000,000 xs $5,000,000 retention)
7. For Medical Professional Liability Lines ($700,000 xs $300,000 retention)
8. For Commercial Truck Liability Lines ($1,500,000 xs $500,000 retention)
9. For Other Liability Lines ($750,000 xs $250,000 retention)
10. For Agriculture Lines –Property ($9,500,000 xs $500,000 retention)
11. For Agriculture Lines- Liability ($500,000 xs $500,000 retention)
12. For Awards Lines ($10,000,000 xs $5,000,000 retention)
13. For Clash Lines ($3,000,000 xs $0 retention)
14. For Ocean Marine Lines (Variable quota share maximum retained line $1,000,000 part of $5,000,000)
15. Various quota share treaties all lines
16. Various Facultative Agreements all lines
17. Various Umbrella agreements.
18. Multiple Line Quota Share - 50% quota share agreement for a select portion of business subject to certain limitations, effective December 31, 2012 on in force, new and renewal basis; 25% quota share agreement for select direct written premium effective January 1, 2013.

D. Under the Intercompany Reinsurance Agreement, only Star has contractual rights of direct recovery from the excess of loss, catastrophe, quota share, facultative and umbrella agreements noted above.
E. There are no discrepancies between the assumed and ceded reinsurance schedules of the pool participants.
F. Under the Intercompany Reinsurance Agreement, only Star establishes a provision for reinsurance and write-off of uncollectible reinsurance relating to the above noted reinsurance agreements.
G. Amounts due to/from lead entity and pool participants as of March 31, 2013:

NOTES TO FINANCIAL STATEMENTS

Name of Insurer	Amounts Receivable	Amounts Payable	Net Receivable/(Payable)
Star Insurance Co. (Lead insurer)	$ 317,474,675	$ 310,053,311	$ 7,421,364
Century Surety Co.	$ 149,330,804	$ 147,047,775	$ 2,283,029
Savers Property and Casualty Ins. Co.	$ 55,183,151	$ 57,171,658	$ (1,988,507)
Williamsburg National Ins. Co.	$ 36,105,272	$ 35,500,883	$ 604,389
ProCentury Insurance Co.	$ 45,276,721	$ 53,723,659	$ (8,446,938)
Ameritrust Insurance Corp.	$ 24,157,363	$ 24,030,700	$ 126,663

27. STRUCTURED SETTLEMENTS
No significant change.

28. HEALTH CARE RECEIVABLES
Not applicable.

29. PARTICIPATING ACCIDENT AND HEALTH POLICIES
Not applicable.

30. PREMIUM DEFICIENCY RESERVES
As of March 31, 2013, the Company has no liability for premium deficiency reserves. The Company utilizes anticipated investment income as a factor in the premium deficiency calculation.

31. HIGH DEDUCTIBLES
The Company has no high deductibles as of March 31, 2013.

32. DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES AND UNPAID LOSS ADJUSTMENT EXPENSES
Not applicable.

33. ASBESTOS AND ENVIRONMENTAL RESERVES
No significant change.

34. SUBSCRIBER SAVINGS ACCOUNTS
Not applicable.

35. MULTIPLE PERIL CROP INSURANCE
Not applicable.

36. FINANCIAL GUARANTY INSURANCE
A1. Unrecorded installment premiums and expected earnings - Not applicable.
A2. Recorded non-installment premiums and expected earnings - Not applicable.
A3. Changes in claim liability and discount rate used - Not applicable.
A4. Risk management activities - Not applicable.
B. The Company has no insured financial obligations.