

NAIC Consistency / Texual issues

Pg's 14, 22, 23, 440, 455



ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013
OF THE CONDITION AND AFFAIRS OF THE
OHA INSURANCE SOLUTIONS, INC

NAIC Group Code	0000	(Current Period)	0000	(Prior Period)	NAIC Company Code	11841	Employer's ID Number	41-2111662
Organized under the Laws of	Ohio				State of Domicile or Port of Entry		Ohio	
Country of Domicile	United States							
Incorporated/Organized	10/17/2003				Commenced Business		01/01/2004	
Statutory Home Office	155 EAST BROAD STREET Suite 302				(Street and Number)		COLUMBUS, OH, US 43215-3619	
Main Administrative Office	155 EAST BROAD STREET Suite 302				(Street and Number)		COLUMBUS, OH, US 43215-3619 614-255-4840-140	
Mail Address	155 EAST BROAD STREET Suite 302				(Street and Number or P.O. Box)		COLUMBUS, OH, US 43215-3619	
Primary Location of Books and Records	155 EAST BROAD STREET Suite 302				(Street and Number)		COLUMBUS, OH, US 43215-3619 614-255-4840-140	
Internet Website Address	WWW.OHAINSURANCE.COM							
Statutory Statement Contact	Ralph E Burnheimer				(Name)		614-255-4840-140	
	rburnheimer@ohainsurance.com				(E-mail Address)		614-255-4839	
							(Fax Number)	

OFFICERS

Name	Title	Name	Title
Gregg L. Hanson #	Chair, Chief Executive Officer & President	Richard G. Hayes #	Vice President, Treasurer
Amy T. Irish #	Vice President, Assistant Treasurer & Secretary	Mary L. Ursul #	Senior Vice President

OTHER OFFICERS

Wayne T. Zack #	Senior Vice President	Bradley D Lonsberry #	Vice President
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DIRECTORS OR TRUSTEES

Gregg L. Hanson #	Richard G Hayes #	Mary L. Ursul #	Wayne T. Zack #
Bradley D. Lonsberry #			

State ofMA.....

County ofSuffolk..... ss

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

Gregg L. Hanson Chair, Chief Executive Officer & President	Richard G. Hayes Treasurer, Vice President	Amy T. Irish Vice President, Asst Treasurer & Secretary
Subscribed and sworn to before me this 01 day of 03, 2014	a. Is this an original filing? Yes [X] No [] b. If no, 1. State the amendment number 2. Date filed 02/28/2014 3. Number of pages attached	
Catherine M. Gorman Notary Public March 7, 2014		

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of OHA Insurance Solutions, Inc. are presented on the basis of accounting practices prescribed or permitted by the Ohio Department of Insurance.

The Ohio Insurance Department recognizes only statutory accounting practices prescribed or permitted by the state of Ohio for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Ohio Insurance Law. The National Association of Insurance Commissioners (NAIC) Accounting Practices and Procedures manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Ohio.

Description	State	2013	2012
(1) Net Income, state basis	OH	219,442	1,024,961
(2) Effect of state prescribed practices			
(3) Effect of state permitted practices			
(4) Net Income, NAIC SAP basis		219,442	1,024,961

Description	State	2013	2012
(5) Policy holders' surplus, state basis	OH	23,881,243	23,393,041
(6) Effect of state prescribed practices			
(7) Effect of state permitted practices			
(8) Policyholders' surplus, NAIC SAP basis		23,881,243	23,393,041

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

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

C. Accounting Policy

Premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods.

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

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at amortized cost using the interest method.
- (3) Common Stocks at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.
- (4) The Company has no preferred stock.
- (5) The Company has no mortgage loans.
- (6) The Company has no loaned back securities.
- (7) The Company carries no investments on a GAAP equity basis.
- (8) The Company has no ownership interest in joint ventures.
- (9) The Company does not own any derivatives.
- (10) The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, Property-Casualty Contracts Premiums.
- (11) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.
- (12) The Company has a written capitalization policy for prepaid expenses and purchases of items such as electronic data processing equipment, software, furniture, vehicles, other equipment and leasehold improvements. The predefined capitalization thresholds under this policy have not changed from those of the prior year.
- (13) Not applicable as the Company does not write major medical insurance with prescription drug coverage.

NOTES TO FINANCIAL STATEMENTS

2. Accounting Changes and Correction of Errors

None

3. Business Combinations and Goodwill

None

4. Discontinued Operations

None

5. Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

None

B. Troubled Debt Restructuring for Creditors

None

C. Reverse Mortgages

None

D. Loan-Backed and Structured Securities

None

E. Repurchase Agreements and/or Securities Lending Transactions

None

F. Real Estate

None

G. Low Income Housing Tax Credits

None

H. Restricted Assets

None

6. Joint Ventures, Partnerships and Limited Liability Companies

A. The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

B. The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7. Investment Income

A. The Company non admits investment income due and accrued if amounts are over 90 days past due.

B. The total amount non-admitted was \$ 0.00

8. Derivative Instruments

None

NOTES TO FINANCIAL STATEMENTS

9 Income Taxes

A. The amount of gross deferred tax assets (DTAs) and deferred tax liability (DTLs) comprising net DTAs is shown below as well as admitted, nonadmitted and change in nonadmitted DTAs.

(1) Components of Net Deferred Tax Asset/(Liability)

	2013			2012			Change		
	(1) Ordinary	(2) Capital	(3) (Col. 1+2) Total	(4) Ordinary	(5) Capital	(6) (Col. 4+5) Total	(7) (Col. 1-4) Ordinary	(8) (Col. 2-5) Capital	(9) (Col. 7+8) Total
(a) Gross deferred tax assets	725,267		725,267	785,692		785,692	(60,424)		(60,424)
(b) Statutory valuation allowance adjustment									
(c) Adjusted gross deferred tax assets (1a-1b)	725,267		725,267	785,692		785,692	(60,424)		(60,424)
(d) Deferred tax assets nonadmitted	144,542		144,542	421,311		421,311	(276,769)		(276,769)
(e) Subtotal net admitted deferred tax assets (net deferred tax liability) (1c-1d)	580,725		580,725	364,381		364,381	216,345		216,345
(f) Deferred tax liabilities	49,458	68,205	117,663	29,750		29,750	19,708	68,205	87,913
(g) Net admitted deferred tax assets (net deferred tax liability) (1e-1f)	513,267	(68,205)	463,062	334,631		334,631	196,637	(68,205)	128,432

(2) Admission Calculation Components

	2013			2012			Change		
	(1) Ordinary	(2) Capital	(3) (Col. 1+2) Total	(4) Ordinary	(5) Capital	(6) (Col. 4+5) Total	(7) (Col. 1-4) Ordinary	(8) (Col. 2-5) Capital	(9) (Col. 7+8) Total
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	148,382		148,382	275,750		275,750	(127,368)		(127,368)
(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:	314,680		314,680	58,881		58,881	255,799		255,799
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	463,062		463,062	334,631		334,631	128,432		128,432
2. Adjusted gross deferred tax assets allowed per limitation threshold			2,388,124	XX	XX	2,247,088	XX	XX	141,036
(c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross	117,663		117,663	29,750		29,750	87,913		87,913

NOTES TO FINANCIAL STATEMENTS

deferred tax liabilities									
(d) Deferred tax assets admitted as the result of application of SSAP 101. Total (2(a)+2(b)+2(c))	580,725		580,725	364,381		364,381	216,344		216,344

(3) Other Admissibility Criteria

(a) Ratio percentage used to determine recovery period and threshold limitation amount	2013 1,310%	2012 1,138%
(b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	23,418,181	23,058,409

(4) Impact of Tax Planning Strategies

	2013		2012		Change	
	(1) Ordinary	(2) Capital	(3) Ordinary	(4) Capital	(5) (Col. 1-3) Ordinary	(6) (Col.2-4) Capital
(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character, as a percentage.	725,267	-	785,692	-	(60,425)	-
1. Adjusted gross DTAs amount from Note 9A1(c).	0%	0%	0	0%	0%	0%
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies.	580,725	-	364,381	-	216,344	-
3. Net Admitted Adjusted Gross DTAs amount from Note 9A1(e).	0%	0%	0%	0%	0%	0%
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies.						
(b) Does the company's planning strategies include the use of reinsurance? Yes[] No [X]						

B. Deferred Tax Liabilities Not Recognized

Not applicable

C. Current and Deferred Income Taxes

(1) Current Income Tax

	(1) 2013	(2) 2012	(3) (Col 1-2) Change
(a) Federal	(131,387)	16,081	(147,468)
(b) Foreign			
(c) Subtotal	(131,387)	16,081	(147,468)
(d) Federal income tax on net capital gains	6,387	414,155	(407,768)
(e) Utilization of capital loss carry-forwards	0	(110,236)	110,236
(f) Other	0	0	0
(g) Federal and Foreign income taxes incurred	(125,000)	320,000	(445,000)

(2) Deferred Tax Assets

	(1) 2013	(2) 2012	(3) (Col 1-2) Change
(a) Ordinary:			
(1) Discounting of unpaid losses	332,480	424,519	(92,039)
(2) Unearned premium reserve	144,837	141,683	3,154
(3) Policyholder reserves			
(4) Investments			
(5) Deferred acquisition costs			
(6) Policyholder dividends accrual			
(7) Fixed assets	14,417	14,686	(269)
(8) Compensation and benefits accrual	233,5333	204,804	28,729
(9) Pension accrual			
(10) Receivables – nonadmitted			
(11) Net operating loss carry-forward			
(12) Tax credit carry-forward			
(13) Other (including items <5% of total ordinary tax assets)			
(99) Subtotal	725,267	785,692	(60,425)
(b) Statutory valuation allowance adjustment			
(c) Nonadmitted	144,542	421,311	(276,769)
(d) Admitted ordinary deferred tax assets (2a99-2b-2c)	580,725	364,381	216,344

NOTES TO FINANCIAL STATEMENTS

(e) Capital:			
(1) Investments			
(2) Net capital loss carry-forward			
(3) Real estate			
(4) Other (including items <5% of total capital tax assets)			
(99) Subtotal			
(f) Statutory valuation allowance adjustment			
(g) Nonadmitted			
(h) Admitted capital deferred tax assets (2e99-2f-2g)			
(i) Admitted deferred tax assets (2d+2h)	580,725	364,381	216,344

(3) Deferred Tax Liabilities

	2013	2012	Change
(a) Ordinary:			
(1) Investments	1,577	4,817	(3,240)
(2) Fixed assets			
(3) Deferred and uncollected premium			
(4) Policyholder reserves			
(5) Other (including items <5% of total ordinary tax assets)	47,881	24,933	22,947
(99) Subtotal	49,458	29,750	19,708
(b) Capital:			
(1) Investments	68,205	0	68,205
(2) Real estate			
(3) Other (including items <5% of total capital tax assets)			
(99) Subtotal	68,205	0	68,205
(c) Deferred tax liabilities (3a99+3b99)	117,663	29,750	87,913

(4) Net Deferred Tax Assets (2.i.-3.c.) 463,063 334,631 128,432

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

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

	2013	
	Amounts in Thousands	Effective Tax Rate (%)
Provision computed at statutory rate	33,054	35.0%
Unearned premium	3,154	3.3%
Tax exempt income deduction	(26,073)	(27.6%)
Reserve discounting	(91,830)	(97.2%)
Deferred Comp/Vacation	24,534	26.0%
Utilization of NOL Carryforward		
Proration of tax exempt investment income		
Other than temporary impairments		
Disallowed travel and entertainment		
Taxes recovered –		
Accrual adjustment – prior year		
Other	(67,840)	(71.8%)
Totals	(125,000)	(132.4%)
Federal foreign income taxes incurred	(131,387)	
Realized capital gains (losses) tax	6,387	
Change in net deferred income taxes		
Total statutory income taxes	(125,000)	

E. Operating Loss and Tax Credit Carry-forwards and Protective Tax Deposits

- (1) At December 31, 2013, the Company had no unused operating loss carry-forwards available to offset against future taxable income.
- (2) The following is income tax expense for 2013 and 2012 that is available for recoupment in the event of future net losses:

Year	Amount
2013	0
2012	198,000

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

F. Consolidated Federal Income Tax Return

NOTES TO FINANCIAL STATEMENTS

- (1)

The Company’s federal income tax return is consolidated with OHA Holdings, Inc. (parent).
- (2)

The method of allocation among companies is subject to a written agreement, approved by the Board of Directors, whereby allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return.

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 is a wholly owned subsidiary of OHA Holdings, Inc.

B. Detail of Transaction Greater than ½% of Admitted Assets

None

C. Change in Terms of Intercompany Arrangements

None

D. Amounts Due to or from Related Parties

None

E. Guarantees or Contingencies for Related Parties

None

F. Management, Service Contracts, Cost Sharing Arrangements

The Company has entered into a cost sharing and services agreement with OHA (ultimate Parent company). OHA provides certain administrative and support services to OHAIS. The allocation is based on a review of costs incurred by OHA for services provided to the Company.

G. Nature of Relationships that Could Affect Operations

All outstanding shares of the Company are owned by Parent

H. Amount deducted for Investment in Upstream Company

Not applicable

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

None

J. Write downs for impairment of Investments in Affiliates

Not applicable

K. Foreign Subsidiary Valued Using CARVM

None

L. Downstream Holding Company Valued Using Look-Through Method

None

11. Debt

None

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

A. Defined Benefit Plan

NOTES TO FINANCIAL STATEMENTS

None

B.-D. Description of Investment Policies, Fair Value of Plan Assets, Rate of Return Assumptions

None

E. Defined Contribution Plan

The Company sponsors a qualified defined contribution for its employees. All employees are eligible for the plan after reaching age 21 and completing two years of employment. Contributions of 8.0% of each employee’s compensation are made each year for the first 5 years of employment and 11.5% thereafter. The Company’s contributions for the plan were \$103,300 and \$104,400 for 2013 and 2012, respectively.

F. Multiemployer Plans

None

G. Consolidated/Holding Company Plans

None

H. Postemployment Benefits and Compensated Absences

None

I. Impact of Medicare Modernization on Postretirement Benefits

None

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

(1) Outstanding Shares

The Company has 1,000 shares authorized, issued and outstanding. All shares are Class A Common and held by OHA Holdings, Inc.

(2) Dividend Rate of Preferred Stock

The Company has no preferred stock outstanding.

(3) Dividend Restrictions

Without prior approval of the Ohio Commissioner, dividends to shareholder are limited by the laws of the state of Ohio to the greater of 10% of stockholders’ equity as of the preceding December 31, or the net investment income of the preceding calendar year limited to the balance of unassigned surplus at the end of the preceding year. Dividends are paid as determined by the Board of Directors. No dividends were paid in 2013 or 2012.

(4) Dates and Amounts of Dividends Paid

Within the limitations of (3) above, there are no restrictions placed on the portion of the Company profits that may be paid as ordinary dividends to shareholders.

(5) Amount of Ordinary Dividends That May Be Paid

There were no restrictions placed on the Company’s surplus, including for whom the surplus is being held.

(6) Restrictions on Unassigned Funds

None

(7) Mutual Surplus Advances

None

(8) Company Stock Held for Special Purposes

None

(9) Changes in Special Surplus Funds

NOTES TO FINANCIAL STATEMENTS

None

(10)Change in Unassigned Funds

The portion of unassigned funds (surplus) represented by cumulative unrealized capital gains is \$194,871 less applicable deferred taxes of \$68,205, for a net balance of \$126,666.

(11)Surplus Notes

The Company has issued no surplus notes or similar obligations.

(12)and (13) Impact and Dates of Quasi Reorganizations

Not applicable

14. Contingencies

A. Contingent Commitments

The Company has no commitments or contingent commitments to affiliates or other entities.

B. Guaranty Fund and Other Assessments

The Company has not received any notice of an assessment due to the insolvency of an insurance company.

C. Gain Contingencies

None

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

None

E. Product Warranties

Not applicable

F. All other Contingencies

Various lawsuits against the Company may arise in the course of the Company’s business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company. The Company has no asset that it considers to be impaired.

15. Leases

A. Lessee Operating Lease

- (1) The Company leases office space, computer software and equipment under various noncancelable operating lease agreements that expire through 2023. Rental expense for 2013 and 2012 was approximately \$193,258 and \$192,000 respectively.
- (2) Future minimum aggregate rental commitments are as follows:

Year Ending December 31	Operating Lease
2014	\$ 193,093
2015	\$ 83,051
2016	\$ 84,586
2017	\$ 81,774
2018	\$ 81,888
Thereafter	\$ 434,763

- (3) The Company is not involved in any material sales leaseback transactions.

B. Lessor Leases

None

16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments With Concentration of Credit Risk

NOTES TO FINANCIAL STATEMENTS

None

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

None

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

None

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

None

20. Fair Value Measurements

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

(1) Fair Value Measurements by Levels 1, 2 and 3

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 table below. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows:

Level 1 – Quoted Prices in Active markets for Identical Assets and Liabilities: This category, for items measured at fair value on a recurring basis, includes exchange-traded preferred and common stocks. It also includes derivative liabilities for written call options on common stock which are also exchange traded. The estimated fair value of the equity securities and derivatives within this category are based on quoted prices in active markets and are thus classified as Level 1.

Level 2 – Significant Other Observable Inputs: This category for items measured at fair value on a recurring basis includes bonds, preferred stocks and common stocks which are not exchange-traded. The estimated fair values of some of these items were determined by independent pricing services using observable inputs. Others were based on quotes from markets which were not considered actively traded.

Level 3 – Significant Unobservable Inputs: The Company has no assets or liabilities measured at fair value in this category.

1 Description	2 Level 1	3 Level 2	4 Level 3	5 Total
Assets at fair value				
Common Stocks				
Mutual Funds	\$ 1,194,871	-	-	\$ 1,194,871
Total assets at fair value	\$ 1,194,871	-	-	\$ 1,194,871
Total liabilities at fair value	0			0

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels 1 and 2. This policy also applies to transfers into or out of Level 3 as stated in paragraph 3 below.

(2) Roll forward of Level 3 Items

The Company has no assets or liabilities measured at fair value in the Level 3 category.

(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

The Company has no assets or liabilities measured at fair value in the Level 2 or Level 3 category.

(5) Derivative Fair Values

Not applicable

NOTES TO FINANCIAL STATEMENTS

B. Other Fair Value Disclosures

Not applicable

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

The table below reflects the fair values and admitted values of all admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method (subsidiaries, joint ventures and ventures). The fair values are also categorized into the three-level fair value hierarchy as described above in Note 20A. This was not practicable for mortgage loans as described below in Note 20D.

Type of Financial Instrument	Fair Value	Admitted Value	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Financial instruments - assets						
Bonds	37,167,230	36,807,601	2,148,564	35,018,666	-	
Cash, cash equivalents and short-term investments	294,107	294,107	294,107		-	
Total assets	37,461,337	37,101,708	2,442,671	35,018,666	-	
Total liabilities	0	0	0	0	-	

D. Financial Instruments for which Not Practicable to Estimate Fair Values

Not applicable

21. Other Items

A. Extraordinary Items

Not applicable

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

None

D. Business Interruption Insurance Recoveries

Not applicable

E. State Transferable and Non-transferable Tax Credits

Not applicable

F. Subprime Mortgage Related Risk Exposure

(1) Subprime Mortgage Exposures

The Company invests in several asset classes that could potentially be adversely affected by subprime mortgage exposure. These investments include mortgage-backed securities. The Company believes that its greatest exposure is to unrealized losses from declines in asset values versus realized losses resulting from defaults or foreclosures. Conservative lending and investment practices limit the company’s exposure to such losses.

(2) Direct Exposure – Mortgage Loans

The Company does not issue any direct mortgage loans.

(3) Direct Exposure – Other Investment Classes

The Company has several other investment classes that could have subprime mortgage exposure including:

- Mortgage-backed securities
- Debt obligations of financial institutions participating in subprime lending practices

NOTES TO FINANCIAL STATEMENTS

The Company has reviewed its mortgage-backed security portfolio and determined that all of these investments are in pools that are backed by loans made to well qualified borrowers or in tranches that have minimal default risk. All bonds held that were issued by financial institutions participating in subprime lending activities are investment grade quality. Default risk on these bonds appears minimal at this time. The impact on these investments should the subprime credit crisis worsen cannot be assessed at this time.

- (4) Underwriting Exposure
- Not applicable

22. Event Subsequent

Effective January 1, 2014, FinCor Holdings, Inc. acquired OHA Holdings, Inc., parent company of OHA Insurance Solutions, Inc. In a cash transaction, FinCor purchased all of the outstanding stock of OHA Holdings. The transaction was approved by the Ohio Department of Insurance.

23. Reinsurance

- A. Unsecured Reinsurance Recoverables

The Company does not have an unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses and unearned premium with any individual reinsurers, authorized or unauthorized, that exceeds 3% of the Company’s policyholder surplus.

- B. Reinsurance Recoverable in Dispute
- None

- C. Reinsurance Assumed and Ceded and Protected Cells

- (1) The following table summarizes ceded and assumed unearned premiums and the related commission equity at December 31, 2013.

	Assumed		Ceded		Assumed Less Ceded	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
(a) Affiliates	0	0	0	0	0	0
(b) All other	0	0	605,563	60,556	<605,563>	<60,556>
(c) Totals	0	0	605,563	60,556	<605,563>	<60,556>
(d) Direct Unearned Premium Reserve	\$ 2,051,470					

- (2) The Company does not have any return commissions as of December 31, 2013.
- (3) The Company does not use protected cells as an alternative to traditional reinsurance.

- D. Uncollectable Reinsurance
- None

- E. Commutation of Ceded Reinsurance
- None

- F. Retroactive Reinsurance
- None

- G. Reinsurance Accounted for as a Deposit
- Not applicable

- H. Run-Off Agreements
- Not applicable

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

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

NOTES TO FINANCIAL STATEMENTS

None

25. Changes in Incurred Losses and Loss Adjustment Expenses

Net Reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years has decreased by \$2,111,000 as a result of reestimation of unpaid losses and loss adjustment expenses principally on the medical malpractice line of insurance. This decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

Schedule P Lines of Business	Current Calendar Year Losses and LAE Incurred	Current Loss Year Losses and LAE Incurred Sch. P-Part 1	Total Shortage (Redundancy)	Loss and DCC Shortage (Redundancy) Sch. P-Part 2	Impact of AO on Total Shortage (Redundancy)
Med-Mal Occurrence	42,114	182,363	<140,249>	<125,053>	<15,196>
Med-Mal Claims-Made	2,407,089	3,986,729	<1,579,640>	<1,644,859>	65,219
OL- Occurrence	-14,961	-0-	<14,961>	<11,400>	<3,561>
OL-Claims- Made	-196,448	333,889	<530,337>	<330,122>	<200,215>
Totals	2,237,794	4,502,981	<2,265,187>	<2,111,434>	<153,753>

26. Intercompany Pooling Agreements

None

27. Structured Settlements

None

28. Health Care Receivables

None

29. Participating Accident and Health Policies

None

30. Premium Deficiency Reserves

The Company has determined it has a premium deficiency reserve and recorded a reserve of \$163,000. The reserve is recorded in the aggregate write-in liabilities and the expense is recorded in the aggregate write-in for underwriting deductions. The Company does consider anticipated investment income in the calculation. The most recent calculation was performed as of 12/31/2013.

31. High Deductibles

None

32. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

None

33. Asbestos/Environmental Reserves

None

34. Subscriber Savings Accounts

None

35. Multiple Peril Crop Insurance

None

NOTES TO FINANCIAL STATEMENTS

36. Financial Guaranty Insurance

None