



PROPERTY AND CASUALTY COMPANIES—ASSOCIATION EDITION

QUARTERLY STATEMENT

AS OF JUNE 30, 2014
OF THE CONDITION AND AFFAIRS OF THE

SONNENBERG MUTUAL INSURANCE COMPANY

NAIC Group Code	0207 (Current Period)	0207 (Prior Period)	NAIC Company Code	10271	Employer's ID Number	34-0541185
Organized under the Laws of	Ohio		State of Domicile or Port of Entry	Ohio		
Country of Domicile	United States					
Incorporated/Organized	01/01/1905		Commenced Business	01/01/1859		
Statutory Home Office	1685 Cleveland Road (Street and Number)		Wooster, OH, US 44691 (City or Town, State, Country and Zip Code)			
Main Administrative Office	1685 Cleveland Road (Street and Number)		Wooster, OH, US 44691-0036 (City or Town, State, Country and Zip Code)	330-262-9060 (Area Code) (Telephone Number)		
Mail Address	1685 Cleveland Road (Street and Number or P.O. Box)		Wooster, OH, US 44691-0036 (City or Town, State, Country and Zip Code)		330-262-9060-2437 (Area Code) (Telephone Number)	
Primary Location of Books and Records	1685 Cleveland Road (Street and Number)		Wooster, OH, US 44691-0036 (City or Town, State, Country and Zip Code)	330-262-9060-2437 (Area Code) (Telephone Number)		
Internet Web Site Address	www.wrg-ins.com					
Statutory Statement Contact	Brooke M. McVay, CPA (Name)		330-262-9060-2446 (Area Code) (Telephone Number) (Extension)			
	brooke_mcvay@wrg-ins.com (E-Mail Address)		330-264-7822 (Fax Number)			

OFFICERS

Name	Title	Name	Title
KEVIN W. DAY	PRESIDENT AND SECRETARY - CHIEF EXECUTIVE OFFICER	MICHAEL A. SHUTT	VICE PRESIDENT AND TREASURER -CHIEF FINANCIAL OFFICER

OTHER OFFICERS

GREGORY A. BRUNN	VICE PRESIDENT -CHIEF MARKETING & UNDERWRITING OFFICER	GARY W. GWENN	VICE PRESIDENT -CHIEF CLAIMS OFFICER
GREGORY J. OWEN	VICE PRESIDENT -CHIEF INFORMATION OFFICER		

DIRECTORS OR TRUSTEES

KEVIN W. DAY	JEFFREY P. HASTINGS	RONALD E. HOLTMAN	JOHN P. MURPHY
C. MICHAEL REARDON	EDDIE L. STEINER	FLOYD A. TROUTEN III #	KENNETH L. VAGNINI

State of Ohio

County of Wayne 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.

KEVIN W. DAY
PRESIDENT AND SECRETARY -CHIEF
EXECUTIVE OFFICERMICHAEL A. SHUTT
VICE PRESIDENT AND TREASURER -CHIEF
FINANCIAL OFFICER

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 _____

Subscribed and sworn to before me this

14th day of August, 2014

Lauresa Durham, Notary Public

July 30, 2016

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	13,244,869		13,244,869	12,732,287
2. Stocks:				
2.1 Preferred stocks	49,338		49,338	49,266
2.2 Common stocks	6,900,899	3,362	6,897,537	6,364,144
3. Mortgage loans on real estate:				
3.1 First liens	0		0	0
3.2 Other than first liens	0		0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)	0		0	0
4.2 Properties held for the production of income (less \$ encumbrances)	0		0	0
4.3 Properties held for sale (less \$ encumbrances)	0		0	0
5. Cash (\$ 23,889), cash equivalents (\$ 0) and short-term investments (\$ 1,271,858)	1,295,747		1,295,747	1,269,654
6. Contract loans (including \$ premium notes)	0		0	0
7. Derivatives	0		0	0
8. Other invested assets	0		0	435,046
9. Receivables for securities	0		0	0
10. Securities lending reinvested collateral assets	0		0	0
11. Aggregate write-ins for invested assets	0	.0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	21,490,853	3,362	21,487,491	20,850,397
13. Title plants less \$ charged off (for Title insurers only)	0		0	0
14. Investment income due and accrued	124,560		124,560	114,690
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	306,548	.148	306,400	306,236
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)	0		0	0
15.3 Accrued retrospective premiums	0		0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	3,871		3,871	3,816
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	46,930		46,930	77,781
18.2 Net deferred tax asset	0		0	0
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	323,626		323,626	548,510
24. Health care (\$) and other amounts receivable	0		0	0
25. Aggregate write-ins for other-than-invested assets	18,638	.18,638	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	22,315,026	22,148	22,292,878	21,901,430
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0		0	0
28. Total (Lines 26 and 27)	22,315,026	22,148	22,292,878	21,901,430
DETAILS OF WRITE-INS				
1101.	0		0	0
1102.	0		0	0
1103.	0		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. Prepaid Expense	18,638	.18,638	0	0
2502.			0	0
2503.			0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	.0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	18,638	.18,638	0	0

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$ 1,274,564)	2,968,806	2,927,913
2. Reinsurance payable on paid losses and loss adjustment expenses	0	0
3. Loss adjustment expenses	583,902	583,903
4. Commissions payable, contingent commissions and other similar charges	234,033	395,628
5. Other expenses (excluding taxes, licenses and fees)	276,204	389,577
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	65,161	115,432
7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses))	0	0
7.2 Net deferred tax liability	221,369	72,397
8. Borrowed money \$ and interest thereon \$	0	0
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ 0 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)	4,494,755	4,373,822
10. Advance premium	86,586	69,163
11. Dividends declared and unpaid:		
11.1 Stockholders	0	0
11.2 Policyholders	0	0
12. Ceded reinsurance premiums payable (net of ceding commissions)	(47,145)	48,100
13. Funds held by company under reinsurance treaties	0	0
14. Amounts withheld or retained by company for account of others	298,856	408,234
15. Remittances and items not allocated	0	0
16. Provision for reinsurance (including \$ certified)	0	0
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	0	0
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	0	0
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	9,182,527	9,384,169
27. Protected cell liabilities	0	0
28. Total liabilities (Lines 26 and 27)	9,182,527	9,384,169
29. Aggregate write-ins for special surplus funds	0	0
30. Common capital stock	0	0
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	0	0
35. Unassigned funds (surplus)	13,110,351	12,517,261
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)	13,110,351	12,517,261
38. Totals (Page 2, Line 28, Col. 3)	22,292,878	21,901,430
DETAILS OF WRITE-INS		
2501.		
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	0	0
2901.		
2902.		
2903.		
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.		
3202.		
3203.		
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

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written \$ 1,395,592)	1,374,285	1,195,200	2,506,768
1.2 Assumed (written \$ 4,832,380)	4,711,449	4,467,648	9,049,997
1.3 Ceded (written \$ 1,395,592)	1,374,285	1,195,200	2,506,768
1.4 Net (written \$ 4,832,380)	4,711,449	4,467,648	9,049,997
DEDUCTIONS:			
2. Losses incurred (current accident year \$):			
2.1 Direct	844,658	271,628	479,295
2.2 Assumed	2,552,482	2,204,012	4,895,690
2.3 Ceded	844,658	271,628	479,295
2.4 Net	2,552,482	2,204,012	4,895,690
3. Loss adjustment expenses incurred	460,151	405,124	918,499
4. Other underwriting expenses incurred	1,526,218	1,445,434	3,092,045
5. Aggregate write-ins for underwriting deductions	0	0	0
6. Total underwriting deductions (Lines 2 through 5)	4,538,851	4,054,570	8,906,234
7. Net income of protected cells	0	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	172,598	413,078	143,763
INVESTMENT INCOME			
9. Net investment income earned	245,383	291,637	539,235
10. Net realized capital gains (losses) less capital gains tax of \$ 14,799	28,728	90,613	117,656
11. Net investment gain (loss) (Lines 9 + 10)	274,111	382,250	656,891
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$ 4,708)	(4,708)	(3,757)	(8,945)
13. Finance and service charges not included in premiums	74,354	71,927	148,287
14. Aggregate write-ins for miscellaneous income	63	109	83
15. Total other income (Lines 12 through 14)	69,709	68,279	139,425
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	516,418	863,607	940,079
17. Dividends to policyholders	0	0	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)	516,418	863,607	940,079
19. Federal and foreign income taxes incurred	66,052	(46,680)	11,608
20. Net income (Line 18 minus Line 19)(to Line 22)	450,366	910,287	928,471
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	12,517,261	11,252,409	11,252,409
22. Net income (from Line 20)	450,366	910,287	928,471
23. Net transfers (to) from Protected Cell accounts	0	0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 105,458	204,712	171,292	423,821
25. Change in net unrealized foreign exchange capital gain (loss)	0	0	0
26. Change in net deferred income tax	(43,514)	(266,078)	(179,523)
27. Change in nonadmitted assets	(18,474)	49,884	50,166
28. Change in provision for reinsurance	0	0	26,640
29. Change in surplus notes	0	0	0
30. Surplus (contributed to) withdrawn from protected cells	0	0	0
31. Cumulative effect of changes in accounting principles	0	0	0
32. Capital changes:			
32.1 Paid in	0	0	0
32.2 Transferred from surplus (Stock Dividend)	0	0	0
32.3 Transferred to surplus	0	0	0
33. Surplus adjustments:			
33.1 Paid in	0	0	0
33.2 Transferred to capital (Stock Dividend)	0	0	0
33.3 Transferred from capital	0	0	0
34. Net remittances from or (to) Home Office	0	0	0
35. Dividends to stockholders	0	0	0
36. Change in treasury stock	0	0	0
37. Aggregate write-ins for gains and losses in surplus	0	10,138	15,277
38. Change in surplus as regards policyholders (Lines 22 through 37)	593,090	875,523	1,264,852
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	13,110,351	12,127,932	12,517,261
DETAILS OF WRITE-INS			
0501.	0	0	0
0502.	0	0	0
0503.	0	0	0
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0
1401. Other Income (Expense)	63	109	83
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)	63	109	83
3701. Change in Surplus Due to Prior Period Adjustment (See Footnote 2)	0	0	5,140
3702. Change in Surplus Due to Adoption of SSAP No. 102 less deferred tax of \$4,103	0	7,963	7,962
3703. Change in Option Liability	0	2,175	2,175
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)	0	10,138	15,277

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance.....	4,754,559	4,531,295	9,273,249
2. Net investment income.....	256,661	307,699	569,306
3. Miscellaneous income.....	69,709	68,279	139,425
4. Total (Lines 1 to 3).....	5,080,929	4,907,273	9,981,980
5. Benefit and loss related payments.....	2,511,644	2,022,514	4,506,312
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	2,311,607	1,932,886	3,675,455
8. Dividends paid to policyholders.....	0	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses).....	50,000	150,000	149,999
10. Total (Lines 5 through 9).....	4,873,251	4,105,400	8,331,766
11. Net cash from operations (Line 4 minus Line 10).....	207,678	801,873	1,650,214
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds.....	512,850	1,025,085	1,760,846
12.2 Stocks.....	124,466	2,677,960	3,718,290
12.3 Mortgage loans.....	0	0	0
12.4 Real estate.....	0	0	0
12.5 Other invested assets.....	632,363	23,425	43,380
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	0	0	0
12.7 Miscellaneous proceeds.....	2	28,560	28,560
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	1,269,681	3,755,030	5,551,076
13. Cost of investments acquired (long-term only):			
13.1 Bonds.....	1,035,315	1,271,554	2,416,157
13.2 Stocks.....	256,422	2,191,910	3,378,007
13.3 Mortgage loans.....	0	0	0
13.4 Real estate.....	0	0	0
13.5 Other invested assets.....	256,397	0	0
13.6 Miscellaneous applications.....	0	23,532	22,560
13.7 Total investments acquired (Lines 13.1 to 13.6).....	1,548,134	3,486,996	5,816,724
14. Net increase (or decrease) in contract loans and premium notes.....	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	(278,453)	268,034	(265,648)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes.....	0	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0	0
16.3 Borrowed funds.....	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....	0	0	0
16.5 Dividends to stockholders.....	0	0	0
16.6 Other cash provided (applied).....	96,868	(675,153)	(853,811)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6).....	96,868	(675,153)	(853,811)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	26,093	394,754	530,755
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	1,269,654	738,899	738,899
19.2 End of period (Line 18 plus Line 19.1).....	1,295,747	1,133,653	1,269,654

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Sonnenberg Mutual Insurance Company (SMIC) are presented on the basis of accounting principles prescribed or permitted by the Ohio Department of Insurance.

The Ohio Department of Insurance 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 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.

The financial statements of the company are presented solely on the basis of accounting principles prescribed by the Ohio Department of Insurance. No permitted principles were utilized. As such, there are no increases or decreases to net income and surplus on a statutory accounting basis.

	State of Domicile	2014	2013
<u>NET INCOME</u>			
(1) Company state basis (Page 4, Line 20, Columns 1 & 3)	Ohio	\$ 450,366	\$ 928,471
(2) State Prescribed Practices that increase/(decrease) NAIC SAP:		—	—
(3) State Permitted Practices that increase/(decrease) NAIC SAP:		—	—
(4) NAIC SAP (1-2-3=4)		<u>\$ 450,366</u>	<u>\$ 928,471</u>
<u>SURPLUS</u>			
(5) Company state basis (Page 3, Line 37, Columns 1 & 2)	Ohio	\$ 13,110,351	\$ 12,517,261
(6) State Prescribed Practices that increase/(decrease) NAIC SAP:		—	—
(7) State Permitted Practices that increase/(decrease) NAIC SAP:		—	—
(8) NAIC SAP (5-6-7=8)		<u>\$ 13,110,351</u>	<u>\$ 12,517,261</u>

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

No significant changes.

C. Accounting Policy

No significant changes.

2. Accounting Changes and Corrections of Errors

Accounting changes adopted to conform to the provisions of the NAIC Accounting Practices and Procedures Manual are reported as changes in accounting principles. The cumulative effect of the changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. 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 that date if the new accounting principles had been applied retroactively for all periods.

Effective January 1, 2013 the Company adopted the provisions of SSAP No. 102, *Accounting for Pensions, A Replacement of SSAP No. 89*. As a result, the Company recorded an adjustment to unassigned funds (surplus) net of deferred tax (\$4,103) of \$7,962.

In accordance with SSAP No. 3 *Accounting Changes and Errors*, the Company recorded a prior period adjustment to true-up the cost bases of mutual funds for prior year distributions originally reported as return of capital that the fund later reclassified as dividends. The net impact to surplus was an increase of \$5,140.

3. Business Combinations and Goodwill

A. Statutory Purchase Method

Not applicable.

B. Statutory Merger

Not applicable.

C. Impairment Losses

Not applicable.

4. Discontinued Operations

Not applicable.

NOTES TO FINANCIAL STATEMENTS

5. Investments

- A. Mortgage Loans, including Mezzanine Real Estate Loans
Not applicable.
- B. Debt Restructuring
Not applicable.
- C. Reverse Mortgages
Not applicable.
- D. Loan-Backed Securities
Not applicable.
- E. Repurchase Agreements and/or Securities Lending Transactions
Not applicable.
- F. Real Estate
Not applicable.
- G. Low-income Housing Tax Credits (LIHTC)
Not applicable.
- H. Restricted Assets
Not applicable.
- I. Working Capital Finance Investments
Not applicable

6. Joint Ventures, Partnerships and Limited Liability Companies

No significant changes.

7. Investment Income

No significant changes.

8. Derivative Instruments

No significant changes.

9. Income Taxes

- A. The components of the net deferred tax asset/(liability) at June 30, 2014 and December 31, 2013 are as follows:

1.

	06/30/2014		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
(a) Gross Deferred Tax Assets	\$ 800,392	\$ 78,097	\$ 878,489
(b) Statutory Valuation Allowance Adjustments	—	—	—
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	800,392	78,097	878,489
(d) Deferred Tax Assets Nonadmitted	—	—	—
(e) Subtotal Net Deferred Tax Asset (1c – 1d)	800,392	78,097	878,479
(f) Deferred Tax Liabilities	(64,298)	(1,035,560)	(1,099,858)
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f)	<u>\$ 736,094</u>	<u>\$ (957,463)</u>	<u>\$ (221,369)</u>

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

	12/31/2013		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 810,536	\$ 113,360	\$ 923,896
(b) Statutory Valuation Allowance Adjustments	—	—	—
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	810,536	113,360	923,896
(d) Deferred Tax Assets Nonadmitted	—	—	—
(e) Subtotal Net Deferred Tax Asset (1c – 1d)	810,536	113,360	923,896
(f) Deferred Tax Liabilities	(73,170)	(923,123)	(996,293)
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f)	<u>\$ 737,366</u>	<u>\$ (809,763)</u>	<u>\$ (72,397)</u>

	Change		
	(7)	(8)	(9)
	(Col 1—4) Ordinary	(Col 2—5) Capital	(Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ (10,144)	\$ (35,263)	\$ (45,407)
(b) Statutory Valuation Allowance Adjustments	—	—	—
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	(10,144)	(35,263)	(45,407)
(d) Deferred Tax Assets Nonadmitted	—	—	—
(e) Subtotal Net Deferred Tax Asset (1c – 1d)	(10,144)	(35,263)	(45,407)
(f) Deferred Tax Liabilities	<u>8,872</u>	<u>(112,437)</u>	<u>(103,565)</u>
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f)	<u>\$ (1,272)</u>	<u>\$ (147,700)</u>	<u>\$ (148,972)</u>

2. Admission Calculation Components SSAP No. 101

	06/30/2014		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ —	\$ —	\$ —
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 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.	434,335	—	434,335
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	434,335	—	434,335
	XXX	XXX	1,966,553
(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.	366,057	78,097	444,154
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. (2(a) + 2(b) + 2(c))	<u>\$ 800,392</u>	<u>\$ 78,097</u>	<u>\$ 878,489</u>

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

	12/31/2013		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ —	\$ —	\$ —
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	434,335	—	434,335
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	434,335	—	434,335
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	XXX	XXX	1,868,311
(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.	376,201	113,360	489,561
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. (2(a) + 2(b) + 2(c))	<u>\$ 810,536</u>	<u>\$ 113,360</u>	<u>\$ 923,896</u>
Change			
	(7)	(8)	(9)
	(Col 1—4) Ordinary	(Col 2—5) Capital	(Col 7+8) Total
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ —	\$ —	\$ —
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 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	98,242
(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.	<u>(10,144)</u>	<u>(35,263)</u>	<u>(45,407)</u>
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. (2(a) + 2(b) + 2(c))	<u>\$ (10,144)</u>	<u>\$ (35,263)</u>	<u>\$ (45,407)</u>
2014 2013			
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	15%	15%	
(b) Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b) 2 Above.	\$ 13,110,351	\$ 12,517,261	

3.

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

4. Impact of Tax—Planning Strategies

	6/30/2014		
	(1)	(2)	
	Ordinary	Capital	
(a) Determination Of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage.			
1. Adjusted Gross DTAs Amount From Note 9A1(c)	\$ 800,392	\$ 78,097	
2. Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies	0%	0%	
3. Net Admitted Adjusted Gross DTAs Amount from Note 9A1(e)	\$ 800,392	\$ 78,097	
4. Percentage of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0%	0%	
 12/31/2013			
	(3)	(4)	
	Ordinary	Capital	
(a) Determination Of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage.			
1. Adjusted Gross DTAs Amount From Note 9A1(c)	\$ 810,536	\$ 113,360	
2. Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies	0%	0%	
3. Net Admitted Adjusted Gross DTAs Amount from Note 9A1(e)	\$ 810,536	\$ 113,360	
4. Percentage of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0%	0%	
 Change			
	(5)	(6)	
	(Col 1-3)	(Col 2-4)	
	Ordinary	Capital	
(a) Determination Of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage.			
1. Adjusted Gross DTAs Amount From Note 9A1(c)	\$ (10,144)	\$ (35,263)	
2. Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies	0%	0%	
3. Net Admitted Adjusted Gross DTAs Amount from Note 9A1(c)	\$ (10,144)	\$ (35,263)	
4. Percentage of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0%	0%	
(b) Does the Company's tax—planning strategies include the use of reinsurance? Yes _____ No <u>X</u>			
B. The Company has no temporary differences for which deferred tax liabilities are not recognized.			
C. Current income taxes incurred consist of the following major components:			
	(1)	(2)	(3)
	06/30/2014	12/31/2013	(Col 1—2) Change
1. Current Income Tax			
(a) Federal	\$ 66,052	\$ 11,608	\$ 54,444
(b) Foreign	\$ —	\$ —	\$ —
(c) Subtotal	\$ 66,052	\$ 11,608	\$ 54,444
(d) Federal income tax on net capital gains	\$ 14,799	\$ 60,610	\$ (45,811)
(e) Utilization of operating loss carry—forwards	\$ —	\$ —	\$ —
(f) Other (incl. prior year over/under accrual)	\$ —	\$ —	\$ —
(g) Federal and foreign income taxes incurred	<u>\$ 80,851</u>	<u>\$ 72,218</u>	<u>\$ 8,633</u>

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

2. Deferred Tax Assets

(a) Ordinary

(1) Discounting of unpaid losses	\$ 56,177	\$ 56,177	\$ —	
(2) Unearned premium reserve	\$ 305,643	\$ 297,420	\$ 8,223	
(3) Policyholder reserves	\$ —	\$ —	\$ —	
(4) Investments	\$ —	\$ —	\$ —	
(5) Deferred acquisition costs	\$ —	\$ —	\$ —	
(6) Policyholder dividends accrual	\$ —	\$ —	\$ —	
(7) Fixed assets and prepaid expense— nonadmitted	\$ 6,337	\$ —	\$ 6,337	
(8) Compensation and benefits accrual	\$ 88,452	\$ 105,492	\$ (17,040)	
(9) Pension accrual	\$ 25,602	\$ 25,690	\$ (88)	
(10) Receivables – nonadmitted	\$ 50	\$ 106	\$ (56)	
(11) Net operating loss carry—forward	\$ 0	\$ 86,574	\$ (86,574)	
(12) Tax credit carry—forward	\$ 168,139	\$ 108,169	\$ 59,970	
(13) Other (including items <5% of total ordinary tax assets):				
(14) Salvage and subrogation anticipated	\$ 87,678	\$ 87,678	\$ —	
(15) Software capitalized	\$ 53,787	\$ 36,339	\$ 17,448	
(16) Other	\$ 8,527	\$ 6,891	\$ 1,636	
(99) Subtotal	\$ 800,392	\$ 810,536	\$ (10,144)	
(b) Statutory valuation allowance adjustment	\$ —	\$ —	\$ —	
(c) Nonadmitted	\$ —	\$ —	\$ —	
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	<u>\$ 800,392</u>	<u>\$ 810,536</u>	<u>\$ (10,144)</u>	

(1)	(2)	(3)
<u>06/30/2014</u>	<u>12/31/2013</u>	<u>(Col 1—2)</u> <u>Change</u>

(e) Capital:

(1) Investments	\$ —	\$ —	\$ —	
(2) Net capital loss carry—forward	\$ —	\$ —	\$ —	
(3) Real estate	\$ —	\$ —	\$ —	
(4) Other (including items <5% of total capital tax assets):				
(5) Unrealized capital losses for impaired securities	\$ 78,097	\$ 113,360	\$ (35,263)	
(99) Subtotal	\$ 78,097	\$ 113,360	\$ (35,263)	
(f) Statutory valuation allowance adjustment	\$ —	\$ —	\$ —	
(g) Nonadmitted	\$ —	\$ —	\$ —	
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	<u>\$ 78,097</u>	<u>\$ 113,360</u>	<u>\$ (35,263)</u>	
(i) Admitted deferred tax assets (2d + 2h)	<u>\$ 878,489</u>	<u>\$ 923,896</u>	<u>\$ (45,407)</u>	

3. Deferred Tax Liabilities:

(a) Ordinary

(1) Investments	\$ (41,372)	\$ (57,011)	\$ 15,639	
(2) Fixed assets	\$ —	\$ —	\$ —	
(3) Deferred and uncollected premium	\$ —	\$ —	\$ —	
(4) Policyholder reserves	\$ —	\$ —	\$ —	
(5) Other (including items <5% of total ordinary tax liabilities)	\$ (22,926)	\$ (16,159)	\$ (6,767)	
(99) Subtotal	\$ (64,298)	\$ (73,170)	\$ 8,872	

(b) Capital:

(1) Investments	\$ —	\$ —	\$ —	
(2) Real estate	\$ —	\$ —	\$ —	
(3) Other (including items <5% of total capital tax liabilities):				
(4) Unrealized capital gains	\$ (1,035,560)	\$ (923,123)	\$ (112,437)	
(99) Subtotal	\$ (1,035,560)	\$ (923,123)	\$ (112,437)	

(c) Deferred tax liabilities (3a99 + 3b99)

4. Net deferred tax assets/liabilities (2i – 3c)

NOTES TO FINANCIAL STATEMENTS

D. The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. Among the more significant book to tax adjustments were the following:

	<u>06/30/2014</u>	<u>Effective Tax Rate</u>
Provision computed at statutory rate	\$ 180,614	34.0%
Tax exempt interest	(25,342)	(4.8%)
Dividends received deduction	(14,648)	(2.8%)
Change in deferred tax on nonadmitted assets	(6,387)	(1.2%)
Other	(16,851)	(3.1%)
Total	<u>\$ 117,386</u>	<u>22.1%</u>
 Federal and foreign income taxes incurred	 \$ 66,053	 12.4%
Tax on capital gains (losses)	14,799	2.8%
Change in net deferred income taxes	36,534	6.9%
Total statutory income taxes	<u>\$ 117,386</u>	<u>22.1%</u>

E. Carry—forwards, recoverable taxes, and IRC §6603 deposits:

(1) As of June 30, 2014, the Company had no net operating loss carry—forwards available for tax purposes.

The Company has no net capital loss carry—forwards available for tax purposes.

As of June 30, 2014, the Company had alternative minimum tax (AMT) credit carry—forwards in the amount of \$168,139 which do not have an expiration date.

(2) As of June 30, 2014, the Company had no federal income taxes incurred available for recoupment in the event of future net losses.

(3) The Company has no deposits reported as admitted assets under IRC §6603 as of June 30, 2014.

F. The Company files an individual federal income tax return.

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

- A. Not applicable.
- B. Not applicable.
- C. Not applicable.
- D. At June 30, 2014, there was an intercompany receivable of \$323,626 due from its Subsidiaries and Affiliates. The intercompany balances due from and/or due to its Subsidiaries and Affiliates are reimbursed quarterly on an as made basis.
- E. Not applicable.
- F. No significant changes.
- G. No significant changes.
- H. Not applicable.
- I. Not applicable.
- J. Not applicable.
- K. Not applicable.
- L. No significant changes.

11. Debt

Not applicable.

NOTES TO FINANCIAL STATEMENTS

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

A. Defined Benefit Plans

The Company has a non—qualified, unfunded, directors' retirement plan and a retiree healthcare plan both of which are closed to new participants. The related liabilities and expenses are not material to the Company's financial position.

The Company also has a non—qualified voluntary deferred compensation plan for senior executive officers. The plan allows for deferral of payouts from the Annual Cash Bonus Plan and Performance Share Plan for Key Executives. As of June 30, 2014 and December 31, 2013, amounts held for these deferrals were \$.3 million and \$.4 million, respectively.

B. Investment Policies and Strategies

Not applicable.

C. Fair Value of Plan Assets

Not applicable.

D. Basis of Rates of Returns on Assets

Not applicable.

E. Defined Contribution Plans

No significant changes.

F. Multiemployer Plans

Not applicable.

G. Consolidated/Holding Company Plans

Not applicable.

H. Postemployment Benefits and Compensated Absences

Not applicable.

I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04—17)

Not applicable.

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

(1) Not applicable.

(2) Not applicable.

(3) Not applicable.

(4) Not applicable.

(5) Not applicable.

(6) Not applicable.

(7) Not applicable.

(8) Not applicable.

(9) Not applicable.

(10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses before tax is \$3.0 million.

(11) Not applicable.

(12) Not applicable.

(13) Not applicable.

NOTES TO FINANCIAL STATEMENTS

14. Contingencies

- A. Contingent Commitments
Not applicable.
- B. Assessments
No significant changes.
- C. Gain Contingencies
Not applicable.
- D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits
No significant changes.
- E. Product Warranties
Not applicable.
- F. All Other Contingencies
Not applicable.

15. Leases

No significant changes.

16. Information about Financial Instruments With Off—Balance—Sheet Risk and Financial Instruments With Concentrations of Credit Risk

Not applicable.

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

- A. Transfers of Receivables Reported as Sales
Not applicable.
- B. Transfer and Servicing of Financial Assets
Not applicable.
- C. Wash Sales
Not applicable.

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

- A. ASO Plans
Not applicable.
- B. ASC Plans
Not applicable.
- C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract
Not applicable.

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

Not applicable.

NOTES TO FINANCIAL STATEMENTS

20. Fair Value Measurements

A. The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC 820 (SFAS No. 157), *Fair Value Measurements*. 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 a 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.

(1) Fair Value Measurements at June 30, 2014:

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total
a. Assets at fair value:				
Perpetual Preferred Stock:				
Industrial and Misc	\$ 49,338	\$ —	\$ —	\$ 49,338
Total Perpetual Preferred Stocks	49,338	—	—	49,338
Common Stock:				
Mutual Funds	2,741,441			2,741,441
Industrial and Misc	4,083,583		72,513	4,156,096
Parent, Subsidiaries, and Affiliates	—	—	—	—
Total Common Stocks	6,825,024	—	72,513	6,897,537
Other Invested Assets	—	—	—	—
Total assets at fair value	<u>\$ 6,874,362</u>	<u>\$ —</u>	<u>\$ 72,513</u>	<u>\$ 6,946,875</u>
b. Liabilities at fair value:				
Not applicable.				

Fair Value Measurements at December 31, 2013:

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total
a. Assets at fair value:				
Perpetual Preferred Stock:				
Industrial and Misc	\$ 49,266	\$ —	\$ —	\$ 49,266
Total Perpetual Preferred Stocks	49,266	—	—	49,266
Common Stock:				
Mutual Funds	2,494,535			2,494,535
Industrial and Misc	3,796,995	72,614		3,869,609
Parent, Subsidiaries, and Affiliates	—	—	—	—
Total Common Stocks	6,291,530	72,614		6,364,144
Other Invested Assets	—	—	435,046	435,046
Total assets at fair value	<u>\$ 6,340,796</u>	<u>\$ 72,614</u>	<u>\$ 435,046</u>	<u>\$ 6,848,456</u>
b. Liabilities at fair value:				
Not applicable.				

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

(2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy:

	<u>Beginning Balance at 01/01/2014</u>	<u>Transfers In/(out) Level 3</u>	<u>Total Gain/(Loss) Included in Net Income</u>	<u>Total Gain/(Loss) Included in Surplus</u>	<u>(Sales)</u>	<u>Ending Balance at 06/30/2014</u>
a. Assets:						
Common Stock:						
Industrial and Misc	\$ —	\$ 72,513	\$ —	\$ —	\$ —	\$ 72,513
Other Invested Assets	<u>435,046</u>	<u>—</u>	<u>26,038</u>	<u>(85,118)</u>	<u>(375,966)</u>	<u>—</u>
Total Assets	<u><u>\$ 435,046</u></u>	<u><u>\$ 72,513</u></u>	<u><u>\$ 26,038</u></u>	<u><u>\$ (85,118)</u></u>	<u><u>\$ (375,966)</u></u>	<u><u>\$ 72,513</u></u>
b. Liabilities:						
Not applicable.						

(3) The Company's policy is to recognize transfers in and out as of the end of the reporting period.

(4) As of June 30, 2014, the reported fair value of the entity's investments categorized within Level 3 of the fair value hierarchy is as follows:

Common Stocks – The Company holds an investment in NAMIC common stock.

B. Not applicable.

C. Fair Value of All Financial Instruments:

<u>Type of Financial Instrument</u>	<u>Aggregate Fair Value</u>	<u>Admitted Assets</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Not Practicable (Carrying Value)</u>
Bonds	\$ 13,914,225	\$ 13,244,869	\$ 1,545,910	\$ 12,368,315	\$ —	\$ —
Perpetual Preferred Stock	49,338	49,338	49,338	—	—	—
Common Stock	6,897,537	6,897,537	6,825,024	—	72,513	—
Other Invested Assets	—	—	—	—	—	—

D. The Company has no assets for which it was not practicable to estimate fair value.

21. Other Items

A. Extraordinary Items

Not applicable.

B. Troubled Debt Restructuring: Debtors

Not applicable.

C. Other Disclosures and Unusual Items

Not applicable.

D. Business Interruption Insurance Recoveries

Not applicable.

E. State Transferable and Non—transferrable Tax Credits

Not applicable.

F. Subprime Mortgage Related Risk Exposure

Not applicable.

22. Events Subsequent

Type I – Recognized Subsequent Events:

Subsequent events have been considered through August 15, 2014 for the statutory statement issued on August 15, 2014 for the quarter ending June 30, 2014. No Type I events were identified that would have a material effect on the financial condition of the Company.

Type II – Nonrecognized Subsequent Events:

Subsequent events have been considered through August 15, 2014 for the statutory statement issued on August 15, 2014 for the quarter ending June 30, 2014. No Type II events were identified that would have a material effect on the financial condition of the Company.

NOTES TO FINANCIAL STATEMENTS

23. Reinsurance

- A. Unsecured Reinsurance Recoverables
Not applicable.
- B. Reinsurance Recoverable in Dispute
Not applicable.
- C. Reinsurance Assumed and Ceded
No significant changes.
- D. Uncollectible Reinsurance
No significant changes.
- E. Commutation of Ceded Reinsurance
Not applicable.
- F. Retroactive Reinsurance
Not applicable.
- G. Reinsurance Accounted for as a Deposit
Not applicable.
- H. Disclosures for the Transfer of Property and Casualty Run—off Agreements
Not applicable.
- I. Certified Reinsurer Rating Downgraded or Status Subject to Revocation
Not applicable.

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

Not applicable.

25. Changes in Incurred Losses and Loss Adjustment Expense

Reserves as of December 31, 2013 were \$3.5 million. In calendar year 2014, \$1.2 million has been paid for incurred losses and loss adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$2.2 million. Therefore, there has been a \$0.1 million favorable prior year development from December 31, 2013 to June 30, 2014. The favorable development is generally the result of ongoing analysis of recent loss development trends, and from decreases in the estimates of loss and loss adjustment expenses for the following lines of business: commercial auto liability, auto physical damage, homeowners/farmowners, commercial multi-peril, other liability and special property. These decreases were offset, in part, by increases in workers compensation, and private passenger auto liability. Original estimates are increased or decreased as additional information becomes known regarding individual claims. The estimates are not affected by prior year loss development on retrospectively rated policies, as the Company does not write this type of policy.

26. Intercompany Pooling Agreements

- A. No significant changes.
- B. No significant changes.
- C. No significant changes.
- D. No significant changes.
- E. No significant changes.
- F. No significant changes.
- G. There was \$323,626 due to the Company from the affiliated entities participating in the intercompany pool as of June 30, 2014.

27. Structured Settlements

Not applicable.

NOTES TO FINANCIAL STATEMENTS

28. Health Care Receivables

Not applicable.

29. Participating Policies

Not applicable.

30. Premium Deficiency Reserves

No significant changes.

31. High Deductibles

Not applicable.

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

No significant changes.

33. Asbestos/Environmental Reserves

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

B. Not applicable.

C. Not applicable.

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

	2010	2011	2012	2013	2014
(1) Direct –					
a. Beginning reserves:	\$ —	\$ 1	\$ 1	\$ 4	\$ 8
b. Incurred losses and loss adjustment expense:	7	2	4	9	1
c. Calendar year payments for losses and loss adjustment expenses:	6	2	1	5	1
d. Ending reserves:	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 4</u>	<u>\$ 8</u>	<u>\$ 8</u>
(2) Assumed Reinsurance –					
a. Beginning reserves:	\$ —	\$ —	\$ —	\$ —	\$ —
b. Incurred losses and loss adjustment expense:	—	—	—	—	—
c. Calendar year payments for losses and loss adjustment expenses:	—	—	—	—	—
d. Ending reserves:	<u>\$ —</u>				
(3) Net of Ceded Reinsurance –					
a. Beginning reserves:	\$ —	\$ 1	\$ 1	\$ 4	\$ 8
b. Incurred losses and loss adjustment expense:	7	2	4	5	(8)
c. Calendar year payments for losses and loss adjustment expenses:	6	2	1	1	—
d. Ending reserves:	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 4</u>	<u>\$ 8</u>	<u>\$ —</u>

NOTES TO FINANCIAL STATEMENTS

The Company's exposure to environmental losses arises from the sale of general liability insurance. The company estimates the full impact of the environmental exposure by establishing full case basis reserves on all known losses and computing incurred but not reported losses based on previous experience. The company's estimate of the environmental related losses for each of the five most recent years after intercompany pooling are displayed above.

E. State the amount of ending reserves for Bulk + IBNR included in D (Loss & LAE):

(1) Direct Basis:	\$ —
(2) Assumed Reinsurance Basis:	\$ —
(3) Net of Ceded Reinsurance Basis:	\$ —

F. State the amount of ending reserves for loss adjustment expenses included in D (Case, Bulk + IBNR):

(1) Direct Basis:	\$ —
(2) Assumed Reinsurance Basis:	\$ —
(3) Ceded Reinsurance Basis:	\$ —

34. Subscriber Savings Accounts

Not applicable.

35. Multiple Peril Crop Insurance

Not applicable.

36. Financial Guaranty Insurance

Not applicable.

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**GENERAL INTERROGATORIES****PART 1 - COMMON INTERROGATORIES
GENERAL**

1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [] No [X]

1.2 If yes, has the report been filed with the domiciliary state? Yes [] No []

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]

2.2 If yes, date of change:

3.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []

If yes, complete Schedule Y, Parts 1 and 1A.

3.2 Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [] No [X]

3.3 If the response to 3.2 is yes, provide a brief description of those changes.
.....

4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]

4.2 If yes, provide the name of 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

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [] No [] NA [X]
If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2011

6.2 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. 12/31/2011

6.3 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). 11/26/2012

6.4 By what department or departments?
Ohio.....

6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [] No [] NA [X]

6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [] NA []

7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]

7.2 If yes, give full information:
.....

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 below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY**GENERAL INTERROGATORIES**

9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No []

- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.

9.11 If the response to 9.1 is No, please explain:

.....

9.2 Has the code of ethics for senior managers been amended? Yes [] No [X]

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

.....

9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

.....

FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 328,199

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [] No [X]

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

.....

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$ 0

13. Amount of real estate and mortgages held in short-term investments: \$ 0

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [X] No []

14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21 Bonds	\$	\$
14.22 Preferred Stock	\$	\$
14.23 Common Stock	\$	\$
14.24 Short-Term Investments	\$	\$
14.25 Mortgage Loans on Real Estate	\$	\$
14.26 All Other	\$	\$
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$	\$
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above	\$	\$

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [] No [X]

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No []

If no, attach a description with this statement.

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

GENERAL INTERROGATORIES

16. For the reporting entity's security lending program, state the amount of the following as of the current statement date:

16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$.....0
 16.2 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$.....0
 16.3 Total payable for securities lending reported on the liability page \$.....0

17. 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 [X] No []

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

1 Name of Custodian(s)	2 Custodian Address
FirstMerit.....	Akron, Ohio.....
Northern Trust.....	Chicago, Illinois.....

17.2 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)

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? Yes [] No [X]

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

17.5 Identify all investment advisors, broker/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	2 Name(s)	3 Address
None.....		

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

18.2 If no, list exceptions:

.....

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes [] No [X] NA []
If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured?

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes [] No [X]
3.2 If yes, give full and complete information thereto.

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see *Annual Statement Instructions* pertaining to disclosure of discounting for definition of "tabular reserves,") discounted at a rate of interest greater than zero? _____ Yes No [X]

4.2 If yes, complete the following schedule:

5. Operating Percentages:

5.1 A&H loss percent.....	0.0	%
5.2 A&H cost containment percent	0.0	%
5.3 A&H expense percent excluding cost containment expenses.....	0.0	%

6.1 Do you act as a custodian for health savings accounts?..... Yes [] No [X]
6.2 If yes, please provide the amount of custodial funds held as of the reporting date..... \$ _____
6.3 Do you act as an administrator for health savings accounts?..... Yes [] No [X]
6.4 If yes, please provide the balance of the funds administered as of the reporting date..... \$ _____

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

SCHEDULE F - CEDED REINSURANCE

Showing All New Reinsurance Treaties - Current Year to Date

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

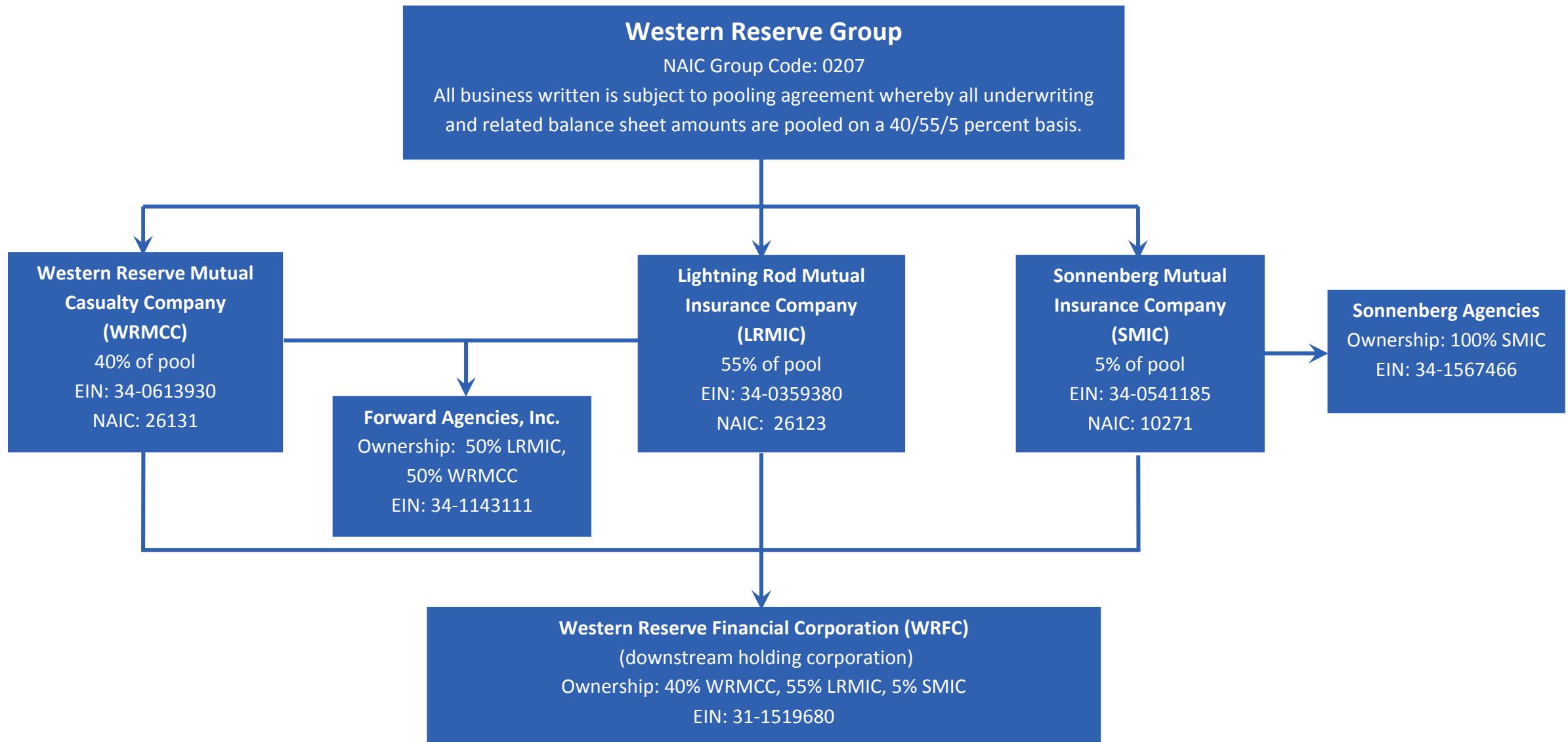
States, etc.	1 Active Status	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2 Current Year To Date	3 Prior Year To Date	4 Current Year To Date	5 Prior Year To Date	6 Current Year To Date	7 Prior Year To Date
1. Alabama	AL.	N.	0	0	0	0	0
2. Alaska	AK.	N.	0	0	0	0	0
3. Arizona	AZ.	N.	0	0	0	0	0
4. Arkansas	AR.	N.	0	0	0	0	0
5. California	CA.	N.	0	0	0	0	0
6. Colorado	CO.	N.	0	0	0	0	0
7. Connecticut	CT.	N.	0	0	0	0	0
8. Delaware	DE.	N.	0	0	0	0	0
9. Dist. Columbia	DC.	N.	0	0	0	0	0
10. Florida	FL.	N.	0	0	0	0	0
11. Georgia	GA.	N.	0	0	0	0	0
12. Hawaii	HI.	N.	0	0	0	0	0
13. Idaho	ID.	N.	0	0	0	0	0
14. Illinois	IL.	N.	0	0	0	0	0
15. Indiana	IN.	L	346,483	313,486	110,908	126,310	51,004
16. Iowa	IA.	N.	0	0	0	0	0
17. Kansas	KS.	N.	0	0	0	0	0
18. Kentucky	KY.	N.	0	0	0	0	0
19. Louisiana	LA.	N.	0	0	0	0	0
20. Maine	ME.	N.	0	0	0	0	0
21. Maryland	MD.	N.	0	0	0	0	0
22. Massachusetts	MA.	N.	0	0	0	0	0
23. Michigan	MI.	N.	0	0	0	0	0
24. Minnesota	MN.	N.	0	0	0	0	0
25. Mississippi	MS.	N.	0	0	0	0	0
26. Missouri	MO.	N.	0	0	0	0	0
27. Montana	MT.	N.	0	0	0	0	0
28. Nebraska	NE.	N.	0	0	0	0	0
29. Nevada	NV.	N.	0	0	0	0	0
30. New Hampshire	NH.	N.	0	0	0	0	0
31. New Jersey	NJ.	N.	0	0	0	0	0
32. New Mexico	NM.	N.	0	0	0	0	0
33. New York	NY.	N.	0	0	0	0	0
34. No. Carolina	NC.	N.	0	0	0	0	0
35. No. Dakota	ND.	N.	0	0	0	0	0
36. Ohio	OH.	L	1,049,109	990,269	531,090	310,201	347,381
37. Oklahoma	OK.	N.	0	0	0	0	0
38. Oregon	OR.	N.	0	0	0	0	0
39. Pennsylvania	PA.	N.	0	0	0	0	0
40. Rhode Island	RI.	N.	0	0	0	0	0
41. So. Carolina	SC.	N.	0	0	0	0	0
42. So. Dakota	SD.	N.	0	0	0	0	0
43. Tennessee	TN.	N.	0	0	0	0	0
44. Texas	TX.	N.	0	0	0	0	0
45. Utah	UT.	N.	0	0	0	0	0
46. Vermont	VT.	N.	0	0	0	0	0
47. Virginia	VA.	N.	0	0	0	0	0
48. Washington	WA.	N.	0	0	0	0	0
49. West Virginia	WV.	N.	0	0	0	0	0
50. Wisconsin	WI.	N.	0	0	0	0	0
51. Wyoming	WY.	N.	0	0	0	0	0
52. American Samoa	AS.	N.	0	0	0	0	0
53. Guam	GU.	N.	0	0	0	0	0
54. Puerto Rico	PR.	N.	0	0	0	0	0
55. U.S. Virgin Islands	VI.	N.	0	0	0	0	0
56. Northern Mariana Islands	MP.	N.	0	0	0	0	0
57. Canada	CAN.	N.	0	0	0	0	0
58. Aggregate Other Alien	OT.	XXX	0	0	0	0	0
59. Totals	(a)	2	1,395,592	1,303,755	641,998	436,511	398,385
DETAILS OF WRITE-INS		XXX					
58001.		XXX					
58002.		XXX					
58003.		XXX					
58998.	Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0
58999.	TOTALS (Lines 58001 through 58003 plus 58998) (Line 58 above)	XXX	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.

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

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 – ORGANIZATIONAL CHART



STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

SCHEDULE Y
PART 1A – DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

2

Asterisk	Explanation

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

PART 1 - LOSS EXPERIENCE

Line of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire	17,121	0	0.0	0.0
2. Allied lines	7,702	(467)	(6.1)	27.8
3. Farmowners multiple peril	184,102	217,984	118.4	0.3
4. Homeowners multiple peril	1,164,721	630,089	54.1	27.1
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			0.0	0.0
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			0.0	0.0
14. Credit accident and health			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	639		0.0	0.0
17.2 Other liability-claims made			0.0	0.0
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		(584)	0.0	0.0
19.3,19.4 Commercial auto liability			0.0	0.0
21. Auto physical damage		(2,364)	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	XXX	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0.0	0.0
TOTALS	1,374,285	844,658	61.5	22.7
DETAILS OF WRITE-INS				
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
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0.0	0.0

PART 2 - DIRECT PREMIUMS WRITTEN

Line of Business	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1. Fire	9,684	15,570	16,064
2. Allied lines	4,675	7,020	7,228
3. Farmowners multiple peril	102,455	187,026	185,412
4. Homeowners multiple peril	607,082	1,185,422	1,094,456
5. Commercial multiple peril	0		0
6. Mortgage guaranty	0		0
8. Ocean marine	0		0
9. Inland marine	0		0
10. Financial guaranty	0		0
11.1 Medical professional liability-occurrence	0		0
11.2 Medical professional liability-claims made	0		0
12. Earthquake	0		0
13. Group accident and health	0		0
14. Credit accident and health	0		0
15. Other accident and health	0		0
16. Workers' compensation	0		0
17.1 Other liability occurrence	340	554	.595
17.2 Other liability-claims made	0		0
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		0
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	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0
TOTALS	724,236	1,395,592	1,303,755
DETAILS OF WRITE-INS			
3401.			
3402.			
3403.			
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

Years in Which Losses Occurred	1 Prior Year-End Known Case Loss and LAE Reserves	2 Prior Year-End IBNR Loss and LAE Reserves	3 Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	4 2014 Loss and LAE Payments on Claims Reported as of Prior Year-End	5 2014 Loss and LAE Payments on Claims Unreported as of Prior Year-End	6 Total 2014 Loss and LAE Payments (Cols. 4 + 5)	7 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened and Open as of Prior Year End	8 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year End	9 Q.S. Date IBNR Loss and LAE Reserves	10 Total Q.S. Loss and LAE Reserves (Cols. 7 + 8 + 9)	11 Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	12 Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	13 Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12)	
1. 2011 + Prior	636	54	690	151	1	152	430	3	20	453	(55)	(30)	(85)	
2. 2012	753	70	823	205	.5	.210	.532	.10	.28	.570	(16)	(27)	(43)	
3. Subtotals 2012 + prior	1,389	.124	1,513	356	.6	.362	.962	.13	.48	1,023	(71)	(57)	(128)	
4. 2013	1,535	.464	1,999	705	.93	.798	1,050	.26	.92	1,168	.220	(253)	(33)	
5. Subtotals 2013 + prior	2,924	.588	3,512	1,061	.99	.1,160	2,012	.39	.140	2,191	.149	(310)	(161)	
6. 2014	XXX	XXX	XXX	XXX	1,812	.1,812	XXX	.934	.429	1,363	XXX	XXX	XXX	
7. Totals	2,924	588	3,512	1,061	1,911	2,972	2,012	973	569	3,554	149	(310)	(161)	
Prior Year-End Surplus As Regards Policy-holders											Col. 11, Line 7 As % of Col. 1, Line 7	Col. 12, Line 7 As % of Col. 2, Line 7	Col. 13, Line 7 As % of Col. 3, Line 7	
8. Surplus As Regards Policy-holders	12,517										1.	5.1	2.	(52.7)
											3.	(4.6)		Col. 13, Line 7 Line 8
											4.	(1.3)		

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

Response

1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?NO.....
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?NO.....
3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?NO.....
4. Will the Director and Officer Insurance Coverage Supplement be filed with the state of domicile and the NAIC with this statement?NO.....

Explanation:

- 1.
- 2.
- 3.
- 4.

Bar Code:

1. 
1 0 2 7 1 2 0 1 4 4 9 0 0 0 0 0 2
2. 
1 0 2 7 1 2 0 1 4 4 5 5 0 0 0 0 0 2
3. 
1 0 2 7 1 2 0 1 4 3 6 5 0 0 0 0 0 2
4. 
1 0 2 7 1 2 0 1 4 5 0 5 0 0 0 0 0 2

OVERFLOW PAGE FOR WRITE-INS

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

SCHEDULE A – VERIFICATION

Real Estate

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Current year change in encumbrances	0	0
4. Total gain (loss) on disposals	0	0
5. Deduct amounts received on disposals	0	0
6. Total foreign exchange change in book/adjusted carrying value	0	0
7. Deduct current year's other-than-temporary impairment recognized	0	0
8. Deduct current year's depreciation	0	0
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8)	0	0
10. Deduct total nonadmitted amounts	0	0
11. Statement value at end of current period (Line 9 minus Line 10)	0	0

NONE

SCHEDULE B – VERIFICATION

Mortgage Loans

	1 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Capitalized deferred interest and other	0	0
4. Accrual of discount	0	0
5. Unrealized valuation increase (decrease)	0	0
6. Total gain (loss) on disposals	0	0
7. Deduct amounts received on disposals	0	0
8. Deduct amortization of premium and mortgage interest points and commitment fees	0	0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest	0	0
10. Deduct current year's other-than-temporary impairment recognized	0	0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Total valuation allowance	0	0
13. Subtotal (Line 11 plus Line 12)	0	0
14. Deduct total nonadmitted amounts	0	0
15. Statement value at end of current period (Line 13 minus Line 14)	0	0

NONE

SCHEDULE BA – VERIFICATION

Other Long-Term Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	435,046	468,505
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	256,397	0
2.2 Additional investment made after acquisition	0	0
3. Capitalized deferred interest and other	0	0
4. Accrual of discount	0	0
5. Unrealized valuation increase (decrease)	(85,118)	2,287
6. Total gain (loss) on disposals	26,038	7,634
7. Deduct amounts received on disposals	632,363	43,380
8. Deduct amortization of premium and depreciation	0	0
9. Total foreign exchange change in book/adjusted carrying value	0	0
10. Deduct current year's other-than-temporary impairment recognized	0	0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	435,046
12. Deduct total nonadmitted amounts	0	0
13. Statement value at end of current period (Line 11 minus Line 12)	0	435,046

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	19,149,059	18,053,127
2. Cost of bonds and stocks acquired	1,291,737	5,794,164
3. Accrual of discount	6,602	13,007
4. Unrealized valuation increase (decrease)	395,288	636,566
5. Total gain (loss) on disposals	17,488	193,192
6. Deduct consideration for bonds and stocks disposed of	637,317	5,479,136
7. Deduct amortization of premium	27,750	36,601
8. Total foreign exchange change in book/adjusted carrying value	0	0
9. Deduct current year's other-than-temporary impairment recognized	0	25,260
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	20,195,107	19,149,059
11. Deduct total nonadmitted amounts	3,362	3,361
12. Statement value at end of current period (Line 10 minus Line 11)	20,191,745	19,145,698

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by NAIC Designation

NAIC Designation	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. NAIC 1 (a).....	13,348,561	1,539,803	1,021,350	1,162	13,348,561	13,868,177	0	12,765,025
2. NAIC 2 (a).....	441,262			(718)	441,262	440,543	0	441,974
3. NAIC 3 (a).....	208,637			(630)	208,637	208,006	0	209,255
4. NAIC 4 (a).....	0				0	0	0	0
5. NAIC 5 (a).....	0				0	0	0	0
6. NAIC 6 (a).....	0				0	0	0	0
7. Total Bonds.....	13,998,459	1,539,803	1,021,350	(186)	13,998,459	14,516,727	0	13,416,254
PREFERRED STOCK								
8. NAIC 1.....	0				0	0	0	0
9. NAIC 2.....	49,410			(72)	49,410	49,338	0	49,266
10. NAIC 3.....	0				0	0	0	0
11. NAIC 4.....	0				0	0	0	0
12. NAIC 5.....	0				0	0	0	0
13. NAIC 6.....	0				0	0	0	0
14. Total Preferred Stock.....	49,410	0	0	(72)	49,410	49,338	0	49,266
15. Total Bonds & Preferred Stock.....	14,047,869	1,539,803	1,021,350	(258)	14,047,869	14,566,065	0	13,465,520

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$; NAIC 2 \$;

NAIC 3 \$; NAIC 4 \$; NAIC 5 \$; NAIC 6 \$

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SCHEDULE DA - PART 1

Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999	1,271,858	XXX	1,271,858	43	

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	683,967	251,123
2. Cost of short-term investments acquired	2,912,755	3,823,317
3. Accrual of discount		0
4. Unrealized valuation increase (decrease).....		0
5. Total gain (loss) on disposals		0
6. Deduct consideration received on disposals	2,324,864	3,390,474
7. Deduct amortization of premium.....		0
8. Total foreign exchange change in book/adjusted carrying value.....		0
9. Deduct current year's other-than-temporary impairment recognized.....		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	1,271,858	683,967
11. Deduct total nonadmitted amounts.....		0
12. Statement value at end of current period (Line 10 minus Line 11)	1,271,858	683,967

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B - Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

Schedule E - Verification

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets ACQUIRED AND ADDITIONS MADE During the Current Quarter

SCHEDULE BA - PART 3

Showing Other Long-Term Invested Assets DISPOSED, Transferred or Repaid During the Current Quarter

1 CUSIP Identification	2 Name or Description	Location		5 Name of Purchaser or Nature of Disposal	6 Date Originally Acquired	7 Disposal Date	8 Book/ Adjusted Carrying Value Less Encumbrances Prior Year	Change in Book/Adjusted Carrying Value					15 Book/Adjusted Carrying Value Less Encumbrances on Disposal	16 Consideration	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Investment Income		
		3 City	4 State					9 Unrealized Valuation Increase (Decrease)	10 Current Year's (Amortization)/ Accretion	11 Current Year's Other Than Temporary Impairment Recognized	12 Capitalized Deferred Interest and Other	13 Total Change in B./A.C.V. (9+10-11+12)	14 Total Foreign Exchange Change in B./A.C.V.							
Joint Venture, Partnership or Limited Liability Company Interests that have the Underlying Characteristics - Common Stocks - Unaffiliated																				
71CQ89-99-6.....	PMF Fund, LP.....			Stock Exchange.....	05/12/2014	05/15/2014							0		256,397	257,821		1,424	1,424	
8EBK69-99-3.....	The Endowment Fund LP (Domestic QP)			Merrill Lynch.....	06/01/2008	05/12/2014	323,872	(67,476)					(67,476)		256,397	256,397		0	0	
1599999 - Joint Venture, Partnership or Limited Liability Company Interests that have the Underlying Characteristics - Common Stocks - Unaffiliated							323,872	(67,476)	0	0	0	(67,476)	0	512,793	514,217	0	1,424	1,424	(0)	
4499999 - Subtotals Unaffiliated							323,872	(67,476)	0	0	0	(67,476)	0	512,793	514,217	0	1,424	1,424	(0)	
4599999 - Subtotals Affiliated							0	0	0	0	0	0	0	0	0	0	0	0	0	
4699999 Totals							323,872	(67,476)	0	0	0	(67,476)	0	512,793	514,217	0	1,424	1,424	(0)	

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STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
Bonds - U.S. Political Subdivisions of States, Territories and Possessions									
718814-N8-5.....	City of Phoenix AZ GO.....		06/05/2014.....	Multi-Bank Securities, In.....		112,184	100,000		.1FE
23420P-FJ-6.....	Dakota Valley SD Schl District GO.....		06/27/2014.....	D A Davidson & Co.....		90,381	85,000		.1FE
2499999 - Bonds - U.S. Political Subdivisions of States, Territories and Possessions						202,565	185,000	0	XXX
Bonds - U.S. Special Revenue									
.052414-LQ-0.....	City of Austin TX Electric Utility.....		.05/06/2014.....	D A Davidson & Co.....		81,607	70,000	1,692	.1FE
3199999 - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions						81,607	70,000	1,692	XXX
Bonds - Industrial and Miscellaneous (Unaffiliated)									
.110122-AW-8.....	Bristol-Myers Squibb Company.....		.06/05/2014.....	Raymond James & Associate.....		100,800	100,000	.352	.1FE
.826552-AA-9.....	Sigma Aldrich Corp.....		04/24/2014.....	D A Davidson & Co.....		103,688	100,000	1,669	.1FE
3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated)						204,488	200,000	2,021	XXX
8399997 - Subtotals - Bonds - Part 3						488,661	455,000	3,713	XXX
8399999 - Subtotals - Bonds						488,661	455,000	3,713	XXX
Common Stocks - Industrial and Miscellaneous									
902973-30-4.....	U S Bancorp.....		.05/06/2014.....	Merrill Lynch.....		374,000	15,037		U
9099999 - Common Stocks - Industrial and Miscellaneous (Unaffiliated)						15,037	XXX	0	XXX
Common Stocks - Mutual Funds									
.001620-86-6.....	Alerian MLP ETF.....		.06/12/2014.....	VARIOUS.....		2,451,000	.45,026		U
.277911-49-1.....	Eaton Vance Floating Rate Fnd CL I.....		06/24/2014.....	Merrill Lynch.....		5,467,470	.50,000		U
.464287-46-5.....	iShares MSCI EAFE Index ETF.....	R	06/23/2014.....	Merrill Lynch.....		785,000	.54,919		U
.464287-65-5.....	iShares Trust Russell 2000 Index.....		06/23/2014.....	Merrill Lynch.....		344,000	.39,950		U
9299999 - Common Stocks - Mutual Funds						189,894	XXX	0	XXX
9799997 - Subtotals - Common Stocks - Part 3						204,931	XXX	0	XXX
9799999 - Subtotals - Common Stocks						204,931	XXX	0	XXX
9899999 - Subtotals- Preferred and Common Stocks						204,931	XXX	0	XXX
9999999 Totals						693,592	XXX	3,713	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues2

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1 CUSIP Identifi- cation	2 Description	3 For- eign	4 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consideration	8 Par Value	9 Actual Cost	10 Prior Year Book/Adjusted Carrying Value	Change in Book/Adjusted Carrying Value					16 Book/ Adjusted Carrying Value at Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/Stock Dividends Received During Year	21 Stated Contractual Maturity Date	22 NAIC Design- ation or Market Indicator (a)
										11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amortization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B/A.C.V. (11+12-13)	15 Total Foreign Exchange Change in B/A.C.V.							
Bonds - U.S. Governments																					
912828-CJ-7...	U.S Treasury Note		05/15/2014	MATURITY		100,000	100,000	101,625	100,080		(80)		(80)		100,000		0	0	2,375	05/15/2014	1
0599999 - Bonds - U.S. Governments						100,000	100,000	101,625	100,080	0	(80)	0	(80)	0	100,000	0	0	0	2,375	XXX	XXX
Bonds - Industrial and Miscellaneous (Unaffiliated)																					
263534-BN-8...	Du Pont E I De Nemours & Co Nt		04/30/2014	MATURITY		100,000	100,000	102,600	100,157		(157)		(157)		100,000		0	0	2,438	04/30/2014	1FE
594918-AB-0...	Microsoft Corp Nt		06/01/2014	MATURITY		100,000	100,000	98,456	99,861		(139)		(139)		100,000		0	0	1,475	06/01/2014	1FE
844730-AG-6...	Southtrust Corp / Wachovia Bank		06/15/2014	MATURITY		100,000	100,000	102,353	100,177		(177)		(177)		100,000		0	0	2,900	06/15/2014	1FE
921937-82-7...	Vanguard S/T Bond ETF		04/03/2014	CAPITAL GAIN		39							0			39	39	39	6,813	XXX	XXX
3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated)						300,039	300,000	303,409	300,195	0	(195)	0	(195)	0	300,000	0	39	39	39	6,813	XXX
8399997 - Subtotals - Bonds - Part 4						400,039	400,000	405,034	400,275	0	(275)	0	(275)	0	400,000	0	39	39	39	9,188	XXX
8399999 - Subtotals - Bonds						400,039	400,000	405,034	400,275	0	(275)	0	(275)	0	400,000	0	39	39	39	9,188	XXX
Common Stock - Mutual Funds																					
22544R-30-5...	Credit Suisse Commodity Fund Inst'l		06/24/2014	Stock Exchange		5,128,210	40,000	XXX	42,696	37,077	5,619			5,619	42,696		(2,696)	(2,696)	XXX	U	
258620-10-3...	Doubleline Total Rtn Bond Fd CL 1		06/23/2014	Merrill Lynch		2,289,000	25,156	XXX	25,500	24,675	824			824	25,500		(344)	(344)	594	XXX	
72201M-45-3...	PIMCO Unconstrained Bond Fund CL P		06/23/2014	Merrill Lynch		2,433,000	27,493	XXX	26,982	26,982		0		26,982		511	511	140	XXX	U	
78463V-10-7...	SPDR Gold Trust ETF		06/30/2014	Merrill Lynch		237,000	30,059	XXX	10,106	27,520	(17,415)			(17,415)	10,106		19,953	19,953			
9299999 - Common Stocks - Mutual Funds						122,708	XXX	105,283	116,255	(10,971)	0	0	(10,971)	0	105,283	0	17,424	17,424	733	XXX	
9799997 - Subtotals - Common Stocks - Part 4						122,708	XXX	105,283	116,255	(10,971)	0	0	(10,971)	0	105,283	0	17,424	17,424	733	XXX	
9799999 - Subtotals - Common Stocks						122,708	XXX	105,283	116,255	(10,971)	0	0	(10,971)	0	105,283	0	17,424	17,424	733	XXX	
9899999 - Subtotals - Preferred and Common Stocks						122,708	XXX	105,283	116,255	(10,971)	0	0	(10,971)	0	105,283	0	17,424	17,424	733	XXX	
9999999 Totals						522,747	XXX	510,317	516,529	(10,971)	(275)	0	(11,246)	0	505,283	0	17,464	17,464	9,921	XXX	

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

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Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

Schedule DB - Part D - Section 2

NONE

Schedule DL - Part 1

NONE

Schedule DL - Part 2

NONE

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

SCHEDULE E - PART 1 - CASH

STATEMENT AS OF JUNE 30, 2014 OF THE SONNENBERG MUTUAL INSURANCE COMPANY

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter							
1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year

NONE

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