

ANNUAL STATEMENT
For the Year Ended December 31, 2012
OF THE CONDITION AND AFFAIRS OF THE
ST. PAUL FIRE AND MARINE
INSURANCE COMPANY

NAIC Group Code 3548 3548 NAIC Company Code 24767 Employer's ID Number 41-0406690
(Current Period) (Prior Period)

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

INCORPORATED/ORGANIZED, APRIL 20, 1925 COMMENCED BUSINESS, APRIL 22, 1925

Statutory Home Office: One Tower Square, Hartford, CT, US 06183
Main Administrative Office: One Tower Square, Hartford, CT, US 06183 (860) 277-0111
Mail Address: One Tower Square, Hartford, CT, US 06183
Primary Location of Books and Records: 385 Washington Street, St. Paul, MN, US 55102 (651) 310-7911
Internet Website Address: www.travelers.com
Statutory Statement Contact: Michael J. Doody (860) 277-3966
Annual.Statement.Contact@travelers.com (860) 277-7002
(E-Mail Address) (Fax Number)

OFFICERS

Table with 4 columns: Name, Title, Name, Title. Lists 10 officers including Brian William MacLean, Jay Steven Benet, Charles Joseph Clarke, William Herbert Heyman, Alan David Schnitzer, Doreen Spadorcia, Andy Francis Besette, Robert Carl Brody, John Patrick Clifford, Jr., William Eugene Cunningham, Jr., William Patrick Hannon, Madelyn Joseph Lankton, Maria Olivo, Kenneth Franklin Spence, III, Gregory Cheshire Toczydowski, Douglas Keith Bell, Douglas Kenneth Russell, Scott William Rynda, Wendy Constance Skjervén, and Smitesh Davé.

DIRECTORS

JAY STEVEN BENET BRIAN WILLIAM MacLEAN KENNETH FRANKLIN SPENCE, III
WILLIAM HERBERT HEYMAN DOREEN SPADORCIA GREGORY CHESHIRE TOCZYDLOWSKI

STATE OF MINNESOTA }
COUNTY OF RAMSEY } ss:

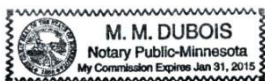
The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any 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.

Signatures of Brian W. MacLean, Wendy C. Skjervén, and Douglas K. Russell.
Brian W. MacLean, President
Wendy C. Skjervén, Secretary
Douglas K. Russell, Controller

Subscribed and sworn to before me this

22nd day of January, 2013

M. M. Dubois Notary Public
My Commission Expires January 31, 2015



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

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	10,845,612,797	0	10,845,612,797	10,805,141,236
2. Stocks (Schedule D):				
2.1 Preferred stocks.....	3,041,551	0	3,041,551	6,384,220
2.2 Common stocks.....	3,798,801,383	11,405,824	3,787,395,559	3,561,372,374
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....	43,900,000	0	43,900,000	43,900,000
3.2 Other than first liens.....	1,125,000	0	1,125,000	1,350,000
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....	80,162,348	0	80,162,348	83,602,210
4.2 Properties held for the production of income (less \$.....0 encumbrances).....	647,740,328	0	647,740,328	618,607,408
4.3 Properties held for sale (less \$.....0 encumbrances).....	0	0	0	6,115,676
5. Cash (\$.....30,747,599, Schedule E-Part 1), cash equivalents (\$.....15,689,223, Schedule E-Part 2) and short-term investments (\$.....179,043,458, Schedule DA).....	225,480,280	0	225,480,280	181,073,128
6. Contract loans (including \$.....0 premium notes).....	0	0	0	0
7. Derivatives (Schedule DB).....	0	0	0	0
8. Other invested assets (Schedule BA).....	859,629,856	24,067,067	835,562,789	852,178,296
9. Receivables for securities.....	0	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL).....	67,700,576	0	67,700,576	14,670,484
11. Aggregate write-ins for invested assets.....	(64,785)	0	(64,785)	(1,069,707)
12. Subtotals, cash and invested assets (Lines 1 to 11).....	16,573,129,334	35,472,891	16,537,656,444	16,173,325,325
13. Title plants less \$.....0 charged off (for Title insurers only).....	0	0	0	0
14. Investment income due and accrued.....	127,567,529	0	127,567,529	133,724,307
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	566,966,856	42,250,086	524,716,770	483,626,014
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....28,247,994 earned but unbilled premiums).....	998,834,676	9,166,504	989,668,171	941,647,858
15.3 Accrued retrospective premiums.....	28,749,396	433,175	28,316,222	46,153,623
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	66,542,390	0	66,542,390	78,385,210
16.2 Funds held by or deposited with reinsured companies.....	16,663,416	0	16,663,416	15,189,068
16.3 Other amounts receivable under reinsurance contracts.....	0	0	0	0
17. Amounts receivable relating to uninsured plans.....	0	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon.....	0	0	0	43,015,158
18.2 Net deferred tax asset.....	519,727,043	139,067,403	380,659,640	404,535,748
19. Guaranty funds receivable or on deposit.....	806,106	0	806,106	1,794,387
20. Electronic data processing equipment and software.....	143,327	0	143,327	340,676
21. Furniture and equipment, including health care delivery assets (\$.....0).....	15,672,730	15,672,730	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates.....	6,376,130	0	6,376,130	0
23. Receivables from parent, subsidiaries and affiliates.....	0	0	0	0
24. Health care (\$.....0) and other amounts receivable.....	0	0	0	0
25. Aggregate write-ins for other than invested assets.....	85,334,426	2,686,419	82,648,007	93,004,300
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	19,006,513,360	244,749,208	18,761,764,152	18,414,741,674
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0	0
28. TOTALS (Lines 26 and 27).....	19,006,513,360	244,749,208	18,761,764,152	18,414,741,674

**DETAILS OF WRITE-INS**

1101. Deferred gain/loss.....	(64,785)	0	(64,785)	(1,069,707)
1102.....	0	0	0	0
1103.....	0	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	(64,785)	0	(64,785)	(1,069,707)
2501. Equities and deposits in pools and associations.....	25,311,472	0	25,311,472	36,291,148
2502. Real estate operating fund.....	20,474,185	0	20,474,185	14,401,568
2503. Amounts receivable under high deductible policies.....	18,197,148	2,212,374	15,984,774	12,148,296
2598. Summary of remaining write-ins for Line 25 from overflow page.....	21,351,621	474,045	20,877,576	30,163,289
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	85,334,426	2,686,419	82,648,007	93,004,300

## ST. PAUL FIRE AND MARINE INSURANCE COMPANY

### LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8).....	7,710,930,540	7,714,594,475
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6).....	319,038,306	289,002,328
3. Loss adjustment expenses (Part 2A, Line 35, Column 9).....	1,735,754,840	1,779,413,979
4. Commissions payable, contingent commissions and other similar charges.....	146,752,975	140,550,156
5. Other expenses (excluding taxes, licenses and fees).....	144,612,180	123,035,873
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	86,212,163	92,404,767
7.1 Current federal and foreign income taxes (including \$.....(24,606,042) on realized capital gains (losses)).....	24,629,510	0
7.2 Net deferred tax liability.....	0	0
8. Borrowed money \$.....0 and interest thereon \$.....0.....	0	0
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....386,244,458 and including warranty reserves of \$.....0 and accrued accident and health experience rating refunds including \$.....0 for medical loss ratio rebate per the Public Health Service Act).....	2,231,148,979	2,190,352,385
10. Advance premium.....	0	168,750
11. Dividends declared and unpaid:		
11.1 Stockholders.....	0	0
11.2 Policyholders.....	12,880,997	11,462,308
12. Ceded reinsurance premiums payable (net of ceding commissions).....	96,017,096	105,196,080
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19).....	1,109,308	3,648,159
14. Amounts withheld or retained by company for account of others.....	61,052,051	56,866,654
15. Remittances and items not allocated.....	10,479,016	10,520,991
16. Provision for reinsurance (including \$.....0 certified) (Schedule F, Part 8).....	47,459,996	33,952,412
17. Net adjustments in assets and liabilities due to foreign exchange rates.....	0	5,847,677
18. Drafts outstanding.....	0	0
19. Payable to parent, subsidiaries and affiliates.....	24,684,287	43,145,576
20. Derivatives.....	0	0
21. Payable for securities.....	9,162,884	52,906,228
22. Payable for securities lending.....	67,700,576	14,670,484
23. Liability for amounts held under uninsured plans.....	0	0
24. Capital notes \$.....0 and interest thereon \$.....0.....	0	0
25. Aggregate write-ins for liabilities.....	31,474,768	33,398,638
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	12,761,100,471	12,701,137,921
27. Protected cell liabilities.....	0	0
28. Total liabilities (Lines 26 and 27).....	12,761,100,471	12,701,137,921
29. Aggregate write-ins for special surplus funds.....	28,567,037	156,357,030
30. Common capital stock.....	20,000,000	20,000,000
31. Preferred capital stock.....	0	0
32. Aggregate write-ins for other than special surplus funds.....	0	0
33. Surplus notes.....	0	0
34. Gross paid in and contributed surplus.....	3,238,382,533	3,238,382,533
35. Unassigned funds (surplus).....	2,713,714,111	2,298,864,191
36. Less treasury stock, at cost:		
36.1 .....0.000 shares common (value included in Line 30 \$.....0).....	0	0
36.2 .....0.000 shares preferred (value included in Line 31 \$.....0).....	0	0
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39).....	6,000,663,680	5,713,603,754
38. TOTALS (Page 2, Line 28, Col. 3).....	18,761,764,152	18,414,741,674

#### DETAILS OF WRITE-INS

2501. Other liabilities.....	43,120,000	43,235,851
2502. Investment real estate liability.....	16,781,314	17,424,621
2503. Interest deposit liability.....	600,321	600,321
2598. Summary of remaining write-ins for Line 25 from overflow page.....	(29,026,867)	(27,862,156)
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	31,474,768	33,398,638
2901. Special surplus from retroactive reinsurance.....	27,567,037	25,794,085
2902. Guaranty surplus fund.....	1,000,000	1,000,000
2903. Special surplus for deferred taxes.....	0	129,562,945
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	28,567,037	156,357,030
3201. ....	0	0
3202. ....	0	0
3203. ....	0	0
3298. Summary of remaining write-ins for Line 32 from overflow page.....	0	0
3299. Totals (Lines 3201 thru 3203 plus 3298) (Line 32 above).....	0	0

# ST. PAUL FIRE AND MARINE INSURANCE COMPANY

## STATEMENT OF INCOME

	1 Current Year	2 Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4).....	4,967,501,601	4,882,136,325
DEDUCTIONS		
2. Losses incurred (Part 2, Line 35, Column 7).....	2,796,997,642	3,113,466,942
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	563,496,824	599,549,147
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	1,593,827,747	1,563,566,009
5. Aggregate write-ins for underwriting deductions.....	0	0
6. Total underwriting deductions (Lines 2 through 5).....	4,954,322,214	5,276,582,097
7. Net income of protected cells.....	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	13,179,388	(394,445,772)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	669,435,340	790,071,702
10. Net realized capital gains (losses) less capital gains tax of \$.....24,687,208 (Exhibit of Capital Gains (Losses)).....	6,854,460	2,826,208
11. Net investment gain (loss) (Lines 9 + 10).....	676,289,799	792,897,910
<b>OTHER INCOME</b>		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....(9,799,653) amount charged off \$.....2,069,283).....	(11,868,936)	(14,523,374)
13. Finance and service charges not included in premiums.....	21,836,849	22,598,552
14. Aggregate write-ins for miscellaneous income.....	8,299,790	(2,046,682)
15. Total other income (Lines 12 through 14).....	18,267,704	6,028,497
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	707,736,891	404,480,634
17. Dividends to policyholders.....	9,976,096	8,639,061
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).....	697,760,794	395,841,574
19. Federal and foreign income taxes incurred.....	102,999,600	(5,622,487)
20. Net income (Line 18 minus Line 19) (to Line 22).....	594,761,195	401,464,061
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	5,713,603,754	5,820,868,283
22. Net income (from Line 20).....	594,761,195	401,464,061
23. Net transfers (to) from Protected Cell accounts.....	0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....9,392,919.....	269,523,204	15,054,022
25. Change in net unrealized foreign exchange capital gain (loss).....	14,436,781	(22,521,830)
26. Change in net deferred income tax.....	(37,265,778)	2,656,238
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3).....	23,834,221	(2,405,420)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....	(13,507,584)	16,274,247
29. Change in surplus notes.....	0	0
30. Surplus (contributed to) withdrawn from protected cells.....	0	0
31. Cumulative effect of changes in accounting principles.....	(6,722,113)	0
32. Capital changes:		
32.1 Paid in.....	0	0
32.2 Transferred from surplus (Stock Dividend).....	0	0
32.3 Transferred to surplus.....	0	0
33. Surplus adjustments:		
33.1 Paid in.....	0	0
33.2 Transferred to capital (Stock Dividend).....	0	0
33.3. Transferred from capital.....	0	0
34. Net remittances from or (to) Home Office.....	0	0
35. Dividends to stockholders.....	(558,000,000)	(500,000,000)
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1).....	0	0
37. Aggregate write-ins for gains and losses in surplus.....	0	(17,785,846)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37).....	287,059,927	(107,264,529)
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	6,000,663,680	5,713,603,754
<b>DETAILS OF WRITE-INS</b>		
0501. ....	0	0
0502. ....	0	0
0503. ....	0	0
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0
1401. Retroactive reinsurance gain/loss.....	3,777,498	(1,234,719)
1402. Profit and loss, miscellaneous.....	3,396,923	(1,314,280)
1403. Change in COLI cash values.....	1,213,990	714,529
1498. Summary of remaining write-ins for Line 14 from overflow page.....	(88,620)	(212,211)
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	8,299,790	(2,046,682)
3701. Change in special surplus from deferred taxes.....	0	17,457,899
3702. Prior period adjustment.....	0	(35,243,745)
3703. ....	0	0
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	0	(17,785,846)

**CASH FLOW**

	1 Current Year	2 Prior Year
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	4,928,988,713	4,950,110,087
2. Net investment income.....	761,354,869	850,370,988
3. Miscellaneous income.....	18,267,704	6,028,497
4. Total (Lines 1 through 3).....	5,708,611,286	5,806,509,572
5. Benefit and loss related payments.....	2,760,257,127	2,937,467,050
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	2,179,372,187	2,156,431,215
8. Dividends paid to policyholders.....	8,557,407	6,443,206
9. Federal and foreign income taxes paid (recovered) net of \$.....2,282,466 tax on capital gains (losses).....	60,042,140	77,909,119
10. Total (Lines 5 through 9).....	5,008,228,862	5,178,250,591
11. Net cash from operations (Line 4 minus Line 10).....	700,382,424	628,258,981
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	1,360,996,931	1,404,414,956
12.2 Stocks.....	128,996,703	44,324,835
12.3 Mortgage loans.....	525,000	1,000,000
12.4 Real estate.....	67,101,221	0
12.5 Other invested assets.....	154,948,582	144,807,169
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	482	(2,142)
12.7 Miscellaneous proceeds.....	0	19,160,516
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	1,712,568,919	1,613,705,334
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	1,446,816,891	1,410,662,561
13.2 Stocks.....	64,062,383	71,112,748
13.3 Mortgage loans.....	300,000	2,655,477
13.4 Real estate.....	86,699,419	51,038,581
13.5 Other invested assets.....	157,333,947	177,690,212
13.6 Miscellaneous applications.....	97,778,358	(52,343,728)
13.7 Total investments acquired (Lines 13.1 to 13.6).....	1,852,990,999	1,660,815,852
14. Net increase (decrease) in contract loans and premium notes.....	0	0
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(140,422,080)	(47,110,518)
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds.....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....	0	0
16.5 Dividends to stockholders.....	558,000,000	500,000,000
16.6 Other cash provided (applied).....	42,446,808	(127,275,251)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(515,553,192)	(627,275,251)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	44,407,152	(46,126,788)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	181,073,128	227,199,915
19.2 End of year (Line 18 plus Line 19.1).....	225,480,280	181,073,128

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

20.0001	Stock distributions from partnerships.....	18,305,435	0
20.0002	Exchange of bonds.....	2,236,490	0
20.0003	Exchange of stock.....	1,903,750	1,798,168
20.0004	Interest payment received in securities.....	267,856	0
20.0005	Limited liability subsidiary dissolved.....	0	23,585,471

# ST. PAUL FIRE AND MARINE INSURANCE COMPANY UNDERWRITING AND INVESTMENT EXHIBIT

## PART 1 - PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums December 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums December 31 Current Year- per Col. 5, Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire.....	148,193,102	61,498,837	66,979,098	142,712,840
2. Allied lines.....	127,901,388	57,916,659	58,511,526	127,306,520
3. Farmowners multiple peril.....	41,023,159	19,399,282	19,581,173	40,841,268
4. Homeowners multiple peril.....	799,427,111	422,584,003	423,357,633	798,653,480
5. Commercial multiple peril.....	740,975,075	336,166,282	334,636,310	742,505,048
6. Mortgage guaranty.....	0	0	0	0
8. Ocean marine.....	80,538,592	34,613,891	33,534,013	81,618,470
9. Inland marine.....	156,351,318	74,797,545	76,284,005	154,864,859
10. Financial guaranty.....	0	0	0	0
11.1 Medical professional liability - occurrence.....	(40)	(1,113)	(685)	(468)
11.2 Medical professional liability - claims-made.....	(2,659)	231	0	(2,428)
12. Earthquake.....	28,749,880	13,276,464	12,757,779	29,268,565
13. Group accident and health.....	0	0	0	0
14. Credit accident and health (group and individual).....	0	0	0	0
15. Other accident and health.....	0	0	0	0
16. Workers' compensation.....	851,789,336	279,908,342	324,486,743	807,210,936
17.1 Other liability - occurrence.....	416,640,020	178,630,346	178,753,964	416,516,403
17.2 Other liability - claims-made.....	143,675,565	82,792,377	81,367,539	145,100,403
17.3 Excess workers' compensation.....	4,931,640	1,696,034	1,361,864	5,265,810
18.1 Products liability - occurrence.....	70,776,076	31,166,255	33,600,512	68,341,819
18.2 Products liability - claims-made.....	5,479,184	2,933,515	2,728,896	5,683,803
19.1, 19.2 Private passenger auto liability.....	497,682,948	175,695,349	173,050,825	500,327,472
19.3, 19.4 Commercial auto liability.....	397,127,079	186,681,274	178,303,861	405,504,492
21. Auto physical damage.....	411,481,215	155,573,823	154,894,965	412,160,074
22. Aircraft (all perils).....	24,301	0	0	24,301
23. Fidelity.....	14,963,700	10,281,750	9,692,263	15,553,187
24. Surety.....	5,655,061	(1,150,263)	(1,268,045)	5,772,844
26. Burglary and theft.....	2,061,634	1,088,044	1,042,003	2,107,674
27. Boiler and machinery.....	45,935,787	20,097,815	20,814,745	45,218,857
28. Credit.....	7,674	3,665	3,372	7,967
29. International.....	1,163,550	48,738	277,795	934,494
30. Warranty.....	0	0	0	0
31. Reinsurance - nonproportional assumed property.....	7,204,449	3,342,664	3,701,539	6,845,575
32. Reinsurance - nonproportional assumed liability.....	5,409,988	2,721,796	2,359,837	5,771,947
33. Reinsurance - nonproportional assumed financial lines.....	489,046	385,637	309,784	564,899
34. Aggregate write-ins for other lines of business.....	774,945	569,110	523,564	820,491
35. TOTALS.....	5,006,430,125	2,152,718,354	2,191,646,877	4,967,501,601

### DETAILS OF WRITE-INS

3401. Tribal workers' compensation.....	774,945	569,110	523,564	820,491
3402. ....	0	0	0	0
3403. ....	0	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	774,945	569,110	523,564	820,491

# ST. PAUL FIRE AND MARINE INSURANCE COMPANY UNDERWRITING AND INVESTMENT EXHIBIT

## PART 1A - RECAPITULATION OF ALL PREMIUMS

	1	2	3	4	5
Line of Business	Amount Unearned (Running One Year or Less from Date of Policy) (a)	Amount Unearned (Running More Than One Year from Date of Policy) (a)	Earned But Unbilled Premium	Reserve for Rate Credits and Retrospective Adjustments Based on Experience	Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire.....	65,559,419	1,976,410	(556,731)	.0	66,979,098
2. Allied lines.....	57,306,598	1,209,069	(4,140)	.0	58,511,526
3. Farmowners multiple peril.....	20,063,408	(482,235)	.0	.0	19,581,173
4. Homeowners multiple peril.....	423,480,823	(123,190)	.0	.0	423,357,633
5. Commercial multiple peril.....	338,472,571	(536,546)	(3,299,716)	.0	334,636,310
6. Mortgage guaranty.....	.0	.0	.0	.0	.0
8. Ocean marine.....	34,223,519	450,058	(1,139,563)	.0	33,534,013
9. Inland marine.....	62,697,838	14,460,520	(874,353)	.0	76,284,005
10. Financial guaranty.....	.0	.0	.0	.0	.0
11.1 Medical professional liability - occurrence.....	(685)	.0	.0	.0	(685)
11.2 Medical professional liability - claims-made.....	.0	.0	.0	.0	.0
12. Earthquake.....	12,456,433	301,430	(85)	.0	12,757,779
13. Group accident and health.....	.0	.0	.0	.0	.0
14. Credit accident and health (group and individual).....	.0	.0	.0	.0	.0
15. Other accident and health.....	.0	.0	.0	.0	.0
16. Workers' compensation.....	351,547,321	217,177	(16,821,159)	(10,456,597)	324,486,743
17.1 Other liability - occurrence.....	181,295,216	236,867	(3,116,648)	338,529	178,753,964
17.2 Other liability - claims-made.....	69,713,056	11,599,499	54,984	.0	81,367,539
17.3 Excess workers' compensation.....	1,378,721	.0	(16,857)	.0	1,361,864
18.1 Products liability - occurrence.....	28,133,106	6,067,308	(654,704)	54,802	33,600,512
18.2 Products liability - claims-made.....	3,074,976	(362,689)	16,609	.0	2,728,896
19.1, 19.2 Private passenger auto liability.....	173,050,825	.0	.0	.0	173,050,825
19.3, 19.4 Commercial auto liability.....	178,947,288	637,307	(38,480)	(1,242,254)	178,303,861
21. Auto physical damage.....	154,765,971	77,581	(0)	51,413	154,894,965
22. Aircraft (all perils).....	.0	.0	.0	.0	.0
23. Fidelity.....	5,895,071	3,797,288	(96)	.0	9,692,263
24. Surety.....	347,851	181,146	(1,797,043)	.0	(1,268,045)
26. Burglary and theft.....	734,038	307,979	(14)	.0	1,042,003
27. Boiler and machinery.....	19,062,640	1,752,106	(1)	.0	20,814,745
28. Credit.....	3,372	.0	.0	.0	3,372
29. International.....	277,795	.0	.0	.0	277,795
30. Warranty.....	.0	.0	.0	.0	.0
31. Reinsurance - nonproportional assumed property.....	2,839,142	862,397	.0	.0	3,701,539
32. Reinsurance - nonproportional assumed liability.....	2,142,804	217,033	.0	.0	2,359,837
33. Reinsurance - nonproportional assumed financial lines.....	309,784	.0	.0	.0	309,784
34. Aggregate write-ins for other lines of business.....	523,564	.0	.0	.0	523,564
35. TOTALS.....	2,188,302,464	42,846,515	(28,247,994)	(11,254,107)	2,191,646,877
36. Accrued retrospective premiums based on experience.....					11,254,107
37. Earned but unbilled premiums.....					28,247,994
38. Balance (sum of Lines 35 through 37).....					2,231,148,979

### DETAILS OF WRITE-INS

3401. Tribal workers' compensation.....	523,564	.0	.0	.0	523,564
3402. ....	.0	.0	.0	.0	.0
3403. ....	.0	.0	.0	.0	.0
3498. Summary of remaining write-ins for Line 34 from overflow page....	.0	.0	.0	.0	.0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	523,564	.0	.0	.0	523,564

(a) State here basis of computation used in each case: Daily pro rata; pools and associations as submitted.

# ST. PAUL FIRE AND MARINE INSURANCE COMPANY UNDERWRITING AND INVESTMENT EXHIBIT

## PART 1B - PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written (Cols. 1 + 2 + 3 - 4 - 5)
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire.....	63,538,300	117,712,075	574,504	17,620,479	16,011,298	148,193,102
2. Allied lines.....	17,527,287	124,694,804	8,596	14,070,692	258,608	127,901,388
3. Farmowners multiple peril.....	0	41,023,159	0	0	0	41,023,159
4. Homeowners multiple peril.....	0	799,427,111	0	0	0	799,427,111
5. Commercial multiple peril.....	8,380,847	740,447,826	580,519	8,426,835	7,282	740,975,075
6. Mortgage guaranty.....	0	0	0	0	0	0
8. Ocean marine.....	80,911,343	64,843,109	341,965	64,717,261	840,564	80,538,592
9. Inland marine.....	37,532,594	148,550,552	(326)	27,807,697	1,923,804	156,351,318
10. Financial guaranty.....	0	0	0	0	0	0
11.1 Medical professional liability - occurrence.....	0	(40)	0	0	0	(40)
11.2 Medical professional liability - claims-made.....	0	(2,659)	0	0	0	(2,659)
12. Earthquake.....	2,127,774	26,927,376	0	11,035	294,236	28,749,880
13. Group accident and health.....	0	0	1,630	1,630	0	0
14. Credit accident and health (group and individual).....	0	0	0	0	0	0
15. Other accident and health.....	46,162	0	(116)	46,046	0	0
16. Workers' compensation.....	2,432,730	851,789,336	1,996,700	4,429,430	0	851,789,336
17.1 Other liability - occurrence.....	536,821,074	403,763,850	(57,337)	523,680,935	206,631	416,640,020
17.2 Other liability - claims-made.....	51,145,292	137,252,474	445	44,615,986	106,659	143,675,565
17.3 Excess workers' compensation.....	0	4,931,640	0	0	0	4,931,640
18.1 Products liability - occurrence.....	76,319,439	33,378,660	(81,032)	35,132,230	3,708,760	70,776,076
18.2 Products liability - claims-made.....	2,052,958	4,910,412	0	1,476,537	7,649	5,479,184
19.1, 19.2 Private passenger auto liability.....	0	497,682,948	0	0	0	497,682,948
19.3, 19.4 Commercial auto liability.....	93,921,632	371,089,875	(233)	66,494,164	1,390,031	397,127,079
21. Auto physical damage.....	30,470,132	402,425,479	(0)	21,342,730	71,666	411,481,215
22. Aircraft (all perils).....	0	24,301	99,848	99,848	0	24,301
23. Fidelity.....	21,519,692	14,433,066	31,769	21,018,091	2,736	14,963,700
24. Surety.....	1,855,976	5,980,015	593,523	2,774,452	0	5,655,061
26. Burglary and theft.....	1,016,313	1,919,716	0	872,412	1,984	2,061,634
27. Boiler and machinery.....	2,849,750	43,718,248	(2,047)	600,892	29,272	45,935,787
28. Credit.....	0	7,674	47,042	47,042	0	7,674
29. International.....	0	1,437,862	(86,708)	187,604	0	1,163,550
30. Warranty.....	0	0	0	0	0	0
31. Reinsurance - nonproportional assumed property.....	XXX	7,204,449	(7,846,805)	(7,846,805)	0	7,204,449
32. Reinsurance - nonproportional assumed liability.....	XXX	5,409,988	21,464,200	21,464,200	0	5,409,988
33. Reinsurance - nonproportional assumed financial lines.....	XXX	489,046	1,972,754	1,972,754	0	489,046
34. Aggregate write-ins for other lines of business.....	3,126,039	774,945	0	3,126,039	0	774,945
35. TOTALS.....	1,033,595,333	4,852,247,295	19,638,890	874,190,213	24,861,181	5,006,430,125

### DETAILS OF WRITE-INS

3401. Tribal workers' compensation.....	3,126,039	774,945	0	3,126,039	0	774,945
3402. ....	0	0	0	0	0	0
3403. ....	0	0	0	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page..	0	0	0	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	3,126,039	774,945	0	3,126,039	0	774,945

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

If yes: 1. The amount of such installment premiums \$.0.

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$.0.



**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2 - LOSSES PAID AND INCURRED**

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire.....	66,212,082	61,330,329	33,314,785	94,227,626	84,455,108	110,232,567	68,450,167	48.0
2. Allied lines.....	(4,376,383)	89,227,647	(2,557,535)	87,408,798	93,562,462	92,876,522	88,094,738	69.2
3. Farmowners multiple peril.....	0	20,852,700	15	20,852,686	12,277,085	12,435,137	20,694,633	50.7
4. Homeowners multiple peril.....	56,226	478,994,135	59,442	478,990,918	219,086,136	230,578,911	467,498,142	58.5
5. Commercial multiple peril.....	3,673,172	393,507,713	3,411,272	393,769,613	628,245,954	632,882,948	389,132,619	52.4
6. Mortgage guaranty.....	0	0	0	0	0	0	0	0.0
8. Ocean marine.....	93,848,725	34,478,201	88,569,242	39,757,683	69,606,746	46,994,160	62,370,269	76.4
9. Inland marine.....	13,565,092	74,409,714	11,027,494	76,947,311	64,063,672	68,906,695	72,104,289	46.6
10. Financial guaranty.....	0	0	0	0	0	0	0	0.0
11.1 Medical professional liability - occurrence.....	7,528,074	1,885,741	7,528,074	1,885,741	6,289,054	8,332,835	(158,041)	33,748.4
11.2 Medical professional liability - claims-made.....	4,289,669	6,523,007	8,663,673	2,149,003	17,523,781	23,248,157	(3,575,373)	147,229.8
12. Earthquake.....	0	740,355	0	740,355	9,987,672	5,547,350	5,180,677	17.7
13. Group accident and health.....	0	412,240	412,240	0	0	0	0	0.0
14. Credit accident and health (group and individual).....	0	0	0	0	0	0	0	0.0
15. Other accident and health.....	0	36,488	36,488	0	0	0	0	0.0
16. Workers' compensation.....	44,046,278	416,825,367	53,025,581	407,846,064	3,010,287,276	2,939,791,765	478,341,575	59.3
17.1 Other liability - occurrence.....	196,065,698	176,731,273	205,368,438	167,428,533	1,192,099,571	1,197,549,992	161,978,112	38.9
17.2 Other liability - claims-made.....	72,893,680	80,511,121	73,319,888	80,084,913	411,843,272	407,889,425	84,038,761	57.9
17.3 Excess workers' compensation.....	0	3,870,190	289,520	3,580,670	126,094,850	125,781,346	3,894,174	74.0
18.1 Products liability - occurrence.....	86,998,641	34,819,851	72,469,611	49,348,882	435,806,169	457,523,458	27,631,593	40.4
18.2 Products liability - claims-made.....	8,909,705	226,388	665,936	8,470,157	13,652,401	21,433,373	689,185	12.1
19.1, 19.2 Private passenger auto liability.....	0	322,648,861	0	322,648,861	389,083,663	383,528,901	328,203,622	65.6
19.3, 19.4 Commercial auto liability.....	86,850,059	239,268,571	71,239,644	254,878,986	563,380,255	547,757,344	270,501,898	66.7
21. Auto physical damage.....	20,190,519	265,266,835	15,697,217	269,760,138	37,853,563	39,312,549	268,301,151	65.1
22. Aircraft (all perils).....	369,873	317,059	526,714	160,218	4,266,017	4,516,640	(90,405)	(372.0)
23. Fidelity.....	4,814,951	12,102,387	4,663,007	12,254,331	30,408,153	28,447,532	14,214,952	91.4
24. Surety.....	1,561,553	3,000,990	2,427,253	2,135,291	45,016,847	51,927,771	(4,775,632)	(82.7)
26. Burglary and theft.....	5,863	(65,394)	(505)	(59,026)	3,556,742	2,997,938	499,779	23.7
27. Boiler and machinery.....	343,194	13,619,647	190,449	13,772,392	11,365,751	10,335,323	14,802,819	32.7
28. Credit.....	0	110,313	81,215	29,098	2,196,053	2,225,151	(0)	(0.0)
29. International.....	0	2,404,587	876,855	1,527,731	4,365,248	4,350,214	1,542,766	165.1
30. Warranty.....	0	0	0	0	0	0	0	0.0
31. Reinsurance - nonproportional assumed property.....	XXX	4,337,983	1,796,896	2,541,087	13,066,328	12,799,703	2,807,712	41.0
32. Reinsurance - nonproportional assumed liability.....	XXX	39,099,569	31,917,831	7,181,738	206,476,042	239,764,613	(26,106,834)	(452.3)
33. Reinsurance - nonproportional assumed financial lines.....	XXX	355,200	284,638	70,562	4,146,601	4,039,803	177,359	31.4
34. Aggregate write-ins for other lines of business.....	1,094,060	271,218	1,094,060	271,218	868,070	586,352	552,935	67.4
35. TOTALS.....	708,940,731	2,778,120,283	686,399,438	2,800,661,577	7,710,930,540	7,714,594,475	2,796,997,642	56.3

**DETAILS OF WRITE-INS**

3401. Tribal workers' compensation.....	1,094,060	271,218	1,094,060	271,218	868,070	586,352	552,935	67.4
3402. ....	0	0	0	0	0	0	0	0.0
3403. ....	0	0	0	0	0	0	0	0.0
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0	0	0	0	XXX
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	1,094,060	271,218	1,094,060	271,218	868,070	586,352	552,935	67.4

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire.....	55,011,968	41,065,459	20,898,733	75,178,695	6,112,341	26,315,389	23,151,317	84,455,108	9,070,968
2. Allied lines.....	2,127,258	66,274,081	3,780,858	64,620,482	6,295,938	31,800,545	9,154,503	93,562,462	9,819,553
3. Farmowners multiple peril.....	0	6,716,721	0	6,716,721	0	5,580,853	20,489	12,277,085	2,444,533
4. Homeowners multiple peril.....	12,742	93,366,998	13,676	93,366,064	0	126,607,996	887,924	219,086,136	32,319,614
5. Commercial multiple peril.....	5,715,101	354,656,100	10,241,457	350,129,743	15,810,614	282,893,633	20,588,037	628,245,954	231,784,189
6. Mortgage guaranty.....	0	0	0	0	0	0	0	0	0
8. Ocean marine.....	90,196,720	52,652,975	91,414,687	51,435,008	67,858,151	20,660,057	70,346,470	69,606,746	11,640,584
9. Inland marine.....	14,198,727	40,011,256	11,668,727	42,541,256	5,128,107	26,357,457	9,963,149	64,063,672	9,675,197
10. Financial guaranty.....	0	0	0	0	33	0	33	0	0
11.1 Medical professional liability - occurrence.....	10,485,079	3,247,088	10,485,080	3,247,087	6,236,886	3,015,111	6,210,030	6,289,054	1,619,017
11.2 Medical professional liability - claims-made.....	34,263,784	20,770,110	44,554,089	10,479,806	6,835,776	16,836,338	16,628,139	17,523,781	2,906,709
12. Earthquake.....	0	282,196	0	282,196	1,336,729	8,631,165	262,418	9,987,672	784,913
13. Group accident and health.....	0	827,096	827,096	0	0	696,916	696,916	(a).....0	0
14. Credit accident and health (group and individual).....	0	0	0	0	0	0	0	0	0
15. Other accident and health.....	0	1,781,468	1,781,468	0	650,152	4,560,566	5,210,718	(a).....0	0
16. Workers' compensation.....	538,848,219	1,642,077,750	612,427,924	1,568,498,045	256,054,218	1,535,605,759	349,870,746	3,010,287,276	394,628,276
17.1 Other liability - occurrence.....	293,218,330	298,460,565	341,713,239	249,965,656	1,080,270,447	995,218,227	1,133,354,761	1,192,099,571	424,609,994
17.2 Other liability - claims-made.....	104,045,972	136,314,015	104,477,045	135,882,942	191,425,683	316,025,046	231,490,398	411,843,272	169,408,329
17.3 Excess workers' compensation.....	0	50,702,231	2,249,918	48,452,313	34,042,926	77,713,674	34,114,063	126,094,850	6,427,327
18.1 Products liability - occurrence.....	193,650,053	64,962,746	114,632,590	143,980,209	206,166,015	297,553,627	211,893,683	435,806,169	213,791,268
18.2 Products liability - claims-made.....	10,046,354	1,733,884	5,169,886	6,610,351	5,576,452	4,450,433	2,984,836	13,652,401	8,279,993
19.1, 19.2 Private passenger auto liability.....	9,922	263,338,214	9,922	263,338,214	7,836	125,745,449	7,836	389,083,663	67,409,780
19.3, 19.4 Commercial auto liability.....	141,915,166	262,144,845	89,406,359	314,653,651	92,267,760	244,268,975	87,810,132	563,380,255	88,857,636
21. Auto physical damage.....	6,694,697	20,054,985	2,791,965	23,957,717	21,767,354	2,866,160	10,737,668	37,853,563	15,608,683
22. Aircraft (all perils).....	25,297,133	3,613,327	27,630,564	1,279,896	10,505,507	11,490,147	19,009,534	4,266,017	1,817,601
23. Fidelity.....	2,083,764	7,143,515	2,327,243	6,900,036	37,090,978	25,790,095	39,372,957	30,408,153	12,415,648
24. Surety.....	47,781,319	36,125,850	61,339,036	22,568,133	30,966,929	25,809,331	34,327,545	45,016,847	7,847,060
26. Burglary and theft.....	11,100	5,472	3,804	12,768	5,729,754	3,311,953	5,497,732	3,556,742	1,406,503
27. Boiler and machinery.....	2,824,998	3,631,513	1,545	6,454,966	628,885	6,709,163	2,427,264	11,365,751	2,845,860
28. Credit.....	0	4,897,659	3,908,813	988,846	0	6,065,658	4,858,451	2,196,053	(133,979)
29. International.....	0	5,665,458	4,063,405	1,602,053	1,903	8,006,186	5,244,894	4,365,248	61,889
30. Warranty.....	0	0	0	0	0	0	0	0	0
31. Reinsurance - nonproportional assumed property.....	XXX	27,811,433	17,939,737	9,871,696	XXX	14,349,825	11,155,193	13,066,328	960,364
32. Reinsurance - nonproportional assumed liability.....	XXX	319,276,548	199,152,056	120,124,492	XXX	323,406,520	237,054,970	206,476,042	7,156,259
33. Reinsurance - nonproportional assumed financial lines.....	XXX	12,863,907	10,283,094	2,580,812	XXX	8,162,519	6,596,731	4,146,601	72,234
34. Aggregate write-ins for other lines of business.....	598,850	148,455	598,850	148,455	2,902,843	719,615	2,902,843	868,070	218,839
35. TOTALS.....	1,579,037,256	3,842,623,919	1,795,792,865	3,625,868,310	2,091,670,219	4,587,224,389	2,593,832,378	7,710,930,540	1,735,754,840
<b>DETAILS OF WRITE-INS</b>									
3401. Tribal workers' compensation.....	598,850	148,455	598,850	148,455	2,902,843	719,615	2,902,843	868,070	218,839
3402. ....	0	0	0	0	0	0	0	0	0
3403. ....	0	0	0	0	0	0	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0	0	0	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	598,850	148,455	598,850	148,455	2,902,843	719,615	2,902,843	868,070	218,839

(a) Including \$.....0 for present value of life indemnity claims.

# ST. PAUL FIRE AND MARINE INSURANCE COMPANY UNDERWRITING AND INVESTMENT EXHIBIT

## PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct.....	38,505,253	0	0	38,505,253
1.2 Reinsurance assumed.....	289,317,940	0	0	289,317,940
1.3 Reinsurance ceded.....	20,702,838	0	0	20,702,838
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	307,120,355	0	0	307,120,355
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....	0	154,254,432	0	154,254,432
2.2 Reinsurance assumed, excluding contingent.....	0	703,689,098	0	703,689,098
2.3 Reinsurance ceded, excluding contingent.....	0	134,820,782	0	134,820,782
2.4 Contingent - direct.....	0	5,793,369	0	5,793,369
2.5 Contingent - reinsurance assumed.....	0	14,316,613	0	14,316,613
2.6 Contingent - reinsurance ceded.....	0	1,626,538	0	1,626,538
2.7 Policy and membership fees.....	0	0	0	0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7).....	0	741,606,192	0	741,606,192
3. Allowances to manager and agents.....	0	822,714	0	822,714
4. Advertising.....	1,659	37,132,000	76	37,133,735
5. Boards, bureaus and associations.....	1,268,455	20,092,257	10,242	21,370,954
6. Surveys and underwriting reports.....	84	16,191,139	0	16,191,223
7. Audit of assureds' records.....	0	0	0	0
8. Salary and related items:				
8.1 Salaries.....	150,905,550	352,520,705	7,358,798	510,785,053
8.2 Payroll taxes.....	10,991,391	22,371,244	305,462	33,668,097
9. Employee relations and welfare.....	28,566,418	67,036,755	902,729	96,505,902
10. Insurance.....	21,797,973	4,450,351	6,834	26,255,158
11. Directors' fees.....	0	21,630	0	21,630
12. Travel and travel items.....	9,934,879	19,020,866	143,527	29,099,272
13. Rent and rent items.....	8,405,916	25,242,516	369,750	34,018,182
14. Equipment.....	1,872,688	7,836,770	509,738	10,219,196
15. Cost or depreciation of EDP equipment and software.....	5,215,615	65,602,399	88,057	70,906,071
16. Printing and stationery.....	844,904	3,376,353	31,871	4,253,128
17. Postage, telephone and telegraph, exchange and express.....	2,836,609	20,860,656	40,665	23,737,930
18. Legal and auditing.....	7,505,885	8,666,222	417,342	16,589,449
19. Totals (Lines 3 to 18).....	250,148,026	671,244,577	10,185,091	931,577,694
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....961,834.....	0	134,527,159	0	134,527,159
20.2 Insurance department licenses and fees.....	0	12,566,950	0	12,566,950
20.3 Gross guaranty association assessments.....	0	(229,170)	0	(229,170)
20.4 All other (excluding federal and foreign income and real estate).....	0	5,304,810	0	5,304,810
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....	0	152,169,749	0	152,169,749
21. Real estate expenses.....	0	0	59,897,967	59,897,967
22. Real estate taxes.....	0	0	2,998,073	2,998,073
23. Reimbursements by uninsured plans.....	0	0	0	0
24. Aggregate write-ins for miscellaneous expenses.....	6,228,443	28,807,229	1,073,937	36,109,609
25. Total expenses incurred.....	563,496,824	1,593,827,747	74,155,068	(a) 2,231,479,639
26. Less unpaid expenses - current year.....	1,735,754,840	373,986,671	3,590,647	2,113,332,157
27. Add unpaid expenses - prior year.....	1,779,413,979	353,363,428	2,627,368	2,135,404,775
28. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0
29. Amounts receivable relating to uninsured plans, current year.....	0	0	0	0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29).....	607,155,963	1,573,204,504	73,191,789	2,253,552,256

### DETAILS OF WRITE-INS

2401. Miscellaneous expenses.....	13,188,381	70,410,355	1,073,937	84,672,673
2402. Service reimbursements.....	(1,571,281)	(15,444,195)	0	(17,015,476)
2403. Costs of computer software developed for internal use.....	(5,388,657)	(26,158,931)	0	(31,547,588)
2498. Summary of remaining write-ins for Line 24 from overflow page.....	0	0	0	0
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above).....	6,228,443	28,807,229	1,073,937	36,109,609

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....44,203,139	.....43,564,745
1.1 Bonds exempt from U.S. tax.....	(a).....233,360,064	.....231,746,537
1.2 Other bonds (unaffiliated).....	(a).....177,328,525	.....173,480,573
1.3 Bonds of affiliates.....	(a).....0	.....0
2.1 Preferred stocks (unaffiliated).....	(b).....298,015	.....266,765
2.11 Preferred stocks of affiliates.....	(b).....0	.....0
2.2 Common stocks (unaffiliated).....	.....15,415,572	.....15,441,020
2.21 Common stocks of affiliates.....	.....47,116,265	.....47,116,265
3. Mortgage loans.....	(c).....2,355,835	.....2,341,779
4. Real estate.....	(d).....129,412,882	.....129,412,882
5. Contract loans.....	.....0	.....0
6. Cash, cash equivalents and short-term investments.....	(e).....821,134	.....784,178
7. Derivative instruments.....	(f).....0	.....0
8. Other invested assets.....	.....133,556,175	.....133,558,213
9. Aggregate write-ins for investment income.....	.....(153,123)	.....(153,123)
10. Total gross investment income.....	.....783,714,484	.....777,559,835
11. Investment expenses.....		(g).....74,155,068
12. Investment taxes, licenses and fees, excluding federal income taxes.....		(g).....0
13. Interest expense.....		(h).....57,578
14. Depreciation on real estate and other invested assets.....		(i).....33,626,279
15. Aggregate write-ins for deductions from investment income.....		.....285,571
16. Total deductions (Lines 11 through 15).....		.....108,124,496
17. Net investment income (Line 10 minus Line 16).....		.....669,435,339

**DETAILS OF WRITE-INS**

0901. Securities lending income.....	.....150,048	.....150,048
0902. Property and wind plans.....	.....51,858	.....51,858
0903. Miscellaneous income.....	.....(355,029)	.....(355,029)
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....(153,123)	.....(153,123)
1501. Management fees.....		.....285,571
1502. ....		.....0
1503. ....		.....0
1598. Summary of remaining write-ins for Line 15 from overflow page.....		.....0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....		.....285,571

- (a) Includes \$.....7,045,967 accrual of discount less \$.....63,079,511 amortization of premium and less \$.....3,885,806 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....13,677,159 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....354,219 accrual of discount less \$.....69,569 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....33,626,279 depreciation on real estate and \$.....0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....	.....943,558	.....0	.....943,558	.....0	.....0
1.1 Bonds exempt from U.S. tax.....	.....1,679,457	.....0	.....1,679,457	.....5,185	.....0
1.2 Other bonds (unaffiliated).....	.....4,373,498	.....(1,355,060)	.....3,018,438	.....4,212,051	.....826,455
1.3 Bonds of affiliates.....	.....0	.....0	.....0	.....0	.....0
2.1 Preferred stocks (unaffiliated).....	.....306,000	.....0	.....306,000	.....(676,761)	.....0
2.11 Preferred stocks of affiliates.....	.....0	.....0	.....0	.....0	.....0
2.2 Common stocks (unaffiliated).....	.....5,416,300	.....(2,203,695)	.....3,212,605	.....17,343,159	.....0
2.21 Common stocks of affiliates.....	.....(794,746)	.....0	.....(794,746)	.....267,056,873	.....0
3. Mortgage loans.....	.....0	.....0	.....0	.....0	.....0
4. Real estate.....	.....33,605,463	.....0	.....33,605,463	.....0	.....0
5. Contract loans.....	.....0	.....0	.....0	.....0	.....0
6. Cash, cash equivalents and short-term investments.....	.....482	.....(338,939)	.....(338,458)	.....157,703	.....420,210
7. Derivative instruments.....	.....(7,552,294)	.....0	.....(7,552,294)	.....2,701,741	.....0
8. Other invested assets.....	.....(89,955)	.....(1,081,675)	.....(1,171,629)	.....(12,882,358)	.....958,570
9. Aggregate write-ins for capital gains (losses).....	.....0	.....(1,366,727)	.....(1,366,727)	.....998,531	.....12,231,547
10. Total capital gains (losses).....	.....37,887,764	.....(6,346,096)	.....31,541,668	.....278,916,123	.....14,436,781

**DETAILS OF WRITE-INS**

0901. Foreign exchange.....	.....0	.....(1,366,727)	.....(1,366,727)	.....(6,392)	.....12,231,547
0902. Deferred gain.....	.....0	.....0	.....0	.....1,004,922	.....0
0903. ....	.....0	.....0	.....0	.....0	.....0
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0	.....0	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....(1,366,727)	.....(1,366,727)	.....998,531	.....12,231,547

**EXHIBIT OF NONADMITTED ASSETS**

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....	0	0	0
2.2 Common stocks.....	11,405,824	12,573,530	1,167,707
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....	0	0	0
3.2 Other than first liens.....	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale.....	0	0	0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans.....	0	0	0
7. Derivatives (Schedule DB).....	0	0	0
8. Other invested assets (Schedule BA).....	24,067,067	18,162,205	(5,904,862)
9. Receivables for securities.....	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL).....	0	0	0
11. Aggregate write-ins for invested assets.....	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	35,472,891	30,735,735	(4,737,155)
13. Title plants (for Title insurers only).....	0	0	0
14. Investment income due and accrued.....	0	0	0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	42,250,086	45,053,122	2,803,036
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	9,166,504	7,311,483	(1,855,021)
15.3 Accrued retrospective premiums.....	433,175	797,079	363,904
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....	0	0	0
16.2 Funds held by or deposited with reinsured companies.....	0	0	0
16.3 Other amounts receivable under reinsurance contracts.....	0	0	0
17. Amounts receivable relating to uninsured plans.....	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon.....	0	0	0
18.2 Net deferred tax asset.....	139,067,403	161,849,992	22,782,589
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.....	15,672,730	16,241,227	568,498
22. Net adjustment in assets and liabilities due to foreign exchange rates.....	0	0	0
23. Receivables from parent, subsidiaries and affiliates.....	0	0	0
24. Health care and other amounts receivable.....	0	0	0
25. Aggregate write-ins for other than invested assets.....	2,686,419	6,594,790	3,908,371
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	244,749,208	268,583,429	23,834,221
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
28. TOTALS (Lines 26 and 27).....	244,749,208	268,583,429	23,834,221

**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
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0
2501. Amounts receivable under high deductible policies.....	2,212,374	2,595,152	382,778
2502. Other assets nonadmitted.....	474,045	2,296,665	1,822,619
2503. Real estate operating fund.....	0	1,702,974	1,702,974
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	2,686,419	6,594,790	3,908,371

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. St. Paul Fire and Marine Insurance Company (the Company) prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Connecticut. The State of Connecticut requires that insurance companies domiciled in Connecticut prepare their statutory basis financial statements in accordance with the National Association of Insurance Commissioners (NAIC) *Accounting Practices and Procedures Manual*, subject to any deviations prescribed or permitted by the Connecticut Insurance Commissioner. The Company has not applied for and does not believe that it employs any statutory accounting practices that would be considered a permitted practice in its financial statements.
- B. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and losses and expenses during the reporting period. Actual results could differ from those estimates.
- C. Certain assets designated as nonadmitted are excluded from the statutory balance sheet and changes in such amounts are charged or credited directly to unassigned surplus. The costs of acquiring both new and renewal insurance business are charged to income as incurred. Premiums are recognized as revenues pro rata over the policy period. Unearned premium reserves represent the unexpired portion of policy premiums, net of reinsurance. Reserves for losses, loss adjustment expenses (LAE) and unearned premiums ceded to reinsurers have been reported as reductions of the related reserves. Amounts recoverable from reinsurers are estimated in a manner consistent with the loss liability associated with the reinsured business. A liability is established for unsecured, unauthorized reinsurance and overdue authorized reinsurance recoverables.

The provision for federal income taxes is comprised of two components, current income taxes and deferred income taxes. Deferred federal income taxes arise from changes during the year in cumulative temporary differences between the statutory basis and tax basis of assets and liabilities. The Company adopted Statement of Statutory Accounting Principles (SSAP) No. 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10* (SSAP No. 101), effective January 1, 2012. For a discussion of this accounting change see Note 2.

Invested assets are valued according to statutory requirements and the bases of valuation adopted by the NAIC.

Short-term investments are stated at amortized cost and consist of investments with remaining maturities of one year or less at the time of acquisition, excluding those investments classified as cash equivalents.

Bonds are generally stated at amortized cost, except bonds that are defined by the NAIC as non-investment grade (NAIC Class 3-6) which are stated at the lower of amortized cost or NAIC fair value. Amortization is calculated using the constant yield method.

Common stocks of non-affiliates are stated at NAIC fair value.

Redeemable preferred stocks (NAIC Class 1 and 2) are generally stated at amortized cost, whereas NAIC Class 3-6 are stated at the lower of cost, amortized cost, or NAIC fair value. Perpetual preferred stocks (NAIC Class 1 and 2) generally are stated at NAIC fair value, while NAIC Class 3-6 are stated at the lower of cost or NAIC fair value.

Mortgage loans are stated at the amount of principal outstanding, adjusted for unamortized premium or discount, net of encumbrances and specific impairments.

Real estate is stated at depreciated cost, net of encumbrances and specific impairments.

Loan-backed and structured securities are amortized using the retrospective method, except for securities that have incurred a decline in fair value that is other than temporary are amortized using the prospective method. The effective yield used to determine amortization is calculated based on actual historical and projected future cash flows, which are obtained from a nationally recognized securities data provider.

Investments in subsidiaries and affiliated entities are based on the net worth of the entity, determined in accordance with statutory accounting valuation methods. Dividends received from subsidiaries are recorded as net investment income and undistributed net income is recorded as net unrealized capital gains (losses).

The Company's investments in partnerships, joint ventures and limited liability companies are reported using the equity method of accounting, determined in accordance with statutory accounting valuation methods. Distributions of accumulated earnings received from these investments are recorded as net investment income and undistributed net income is recorded as net unrealized capital gains (losses).

For accounting policy in regards to derivative instruments, see Note 8.

The Company utilizes anticipated investment income as a factor in the premium deficiency calculation.

Canadian dollar denominated assets, liabilities, revenues and expenses of the Company's Canadian operations are included in the financial statements at the Canadian currency amounts. The net assets of the Canadian operations are translated at the year-end exchange rate and the adjustment into U.S. dollars is reflected as a separate asset or liability in the Company's balance sheet. The change in this account is charged or credited directly to unassigned surplus.

Property-casualty reserves are established for loss and LAE and represent management's estimate of the ultimate cost of all unpaid reported and unreported claims incurred and related expenses. In establishing loss and LAE reserves, the Company also takes into account estimated recoveries, reinsurance, salvage and subrogation. The loss and LAE reserves are reviewed regularly by qualified actuaries employed by the Company. The Company continually refines its loss and LAE reserve estimates in a regular ongoing process as historical loss experience develops and additional claims are reported and settled. Because establishment of loss and LAE reserves is an inherently uncertain process involving estimates, currently established reserves may change. The Company reflects adjustments to loss and LAE reserves in the period in which the estimates are changed. Such changes in estimates could occur in a future period and may be material to the Company's net income in such period. For a discussion of loss and LAE reserves related to asbestos and environmental reserves, see Note 33.

The Company has not modified its accounting policy regarding the capitalization of fixed assets from the prior period.

### 2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

1. The Company adopted SSAP No. 101 effective January 1, 2012. SSAP No. 101 revises the guidance for current and deferred federal and foreign income taxes. The new guidance limits the admissibility of deferred tax assets (DTAs) based on an insurer's RBC and the ratio of its adjusted DTAs to adjusted capital and surplus. The guidance also rejects the GAAP guidance from Financial Interpretation No. 48: *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (ASC 740 in codification)* and instead modifies SSAP No. 5R, *Liabilities, Contingencies and Impairments of Assets – Revised*, requiring that a "more likely than not" rather than a "probable" standard to be applied in determining federal and foreign income tax loss contingencies.

**NOTES TO FINANCIAL STATEMENTS**

At adoption, the Company reported a cumulative effect adjustment that resulted in an increase in its liability for current tax liabilities of \$6,722,113, and a corresponding decrease in unassigned funds in accordance with SSAP No. 3, *Accounting Changes and Corrections of Errors*.

2. During the first quarter 2012, an error in the reporting for "Uncollected premiums and agents' balances in course of collection" and "Payable to parent, subsidiaries and affiliates" was detected. The error impacted the balance sheet only, resulting in an understated amount reported in agents' balances, offset by an overstated due from affiliates. In accordance with SSAP No. 3, *Accounting Changes and Corrections of Errors*, the Company corrected this error in the March 31, 2012 statutory financial statement.

The error correction resulted in an additional \$12,877,152 reported in agents' balances in course of collection and payable to parent, subsidiaries and affiliates and did not impact net income or surplus as regards policyholders (policyholders' surplus).

3. Effective for the year ending December 31, 2011, the Company adopted the amended guidance in SSAP No. 5R, *Liabilities, Contingencies and Impairment of Assets-Revised*, regarding the accounting and reporting for guarantees and indemnifications. The new guidance requires a liability to be recognized at fair value at the inception of a guarantee. In accordance with SSAP No. 3, *Accounting Changes and Corrections of Errors*, the Company recorded a liability of \$43 million, a tax benefit of \$15 million (reported as a change in nonadmitted assets), and a net decrease of \$28 million in unassigned funds upon adoption of the new guidance. There was no impact to net income.

**3. BUSINESS COMBINATIONS AND GOODWILL**

Not applicable.

**4. DISCONTINUED OPERATIONS**

Not applicable.

**5. INVESTMENTS****A. Mortgage Loans:**

The maximum percentage of any one loan-to-value of security at the time the loan was made, exclusive of any purchase money or insured or guaranteed mortgages was 72%.

	<u>Current Year</u>	<u>Prior Year</u>
Impaired Mortgage loans without an allowance for credit losses	\$43,900,000	\$ 43,900,000
Average recorded investment in impaired loans	\$43,900,000	\$ 44,168,958
Interest income recognized during the period the loans were impaired	\$ 2,234,669	\$ 2,384,888
Amount of interest income recognized on a cash basis during the period the loans were impaired	\$ 2,248,755	\$ 2,383,870

The Company continues to accrue income on this loan as it is deemed collectible.

**B. Debt Restructuring:**

Not applicable.

**C. Reverse Mortgages:**

Not applicable.

**D. Loan-Backed Securities:**

1. The Company applies the retrospective method of revaluing loan-backed securities. The Company's loan-backed securities are revalued quarterly using the constant effective yield method which includes an adjustment for estimated principal repayments, if any. The effective yield used to determine amortization for these securities is recalculated and adjusted periodically based upon actual historical and/or projected future cash flows. The Company changes from the retrospective to prospective method for valuing the securities when an other-than-temporary impairment has been recorded.

For collateralized mortgage obligations, asset-backed securities and pass-through certificates prepayment assumptions are adjusted periodically.

When unit prices published by the Securities Valuation Office were not available, the Company uses Interactive Data, as well as broker quotes in determining the fair value of its loan-backed securities.

2. The following table provides aggregated information on structured securities classified on the basis for the recognized other-than-temporary impairments:

	<u>Amortized cost basis before other-than- temporary impairment</u>	<u>Other-than temporary impairment recognized in loss</u>	<u>Fair value</u>
(OTTI recognized in the quarter ending March 31, 2012)			
Present value of Cash flows is less than Amortized cost	\$1,653,028	\$155,083	\$1,725,978

**NOTES TO FINANCIAL STATEMENTS**

(OTTI recognized in the quarter ending June 30, 2012)

Present value of Cash flows is less than Amortized cost	\$47,544,866	\$303,561	\$48,526,352
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(OTTI recognized in the quarter ending September 30, 2012)

Present value of Cash flows is less than Amortized cost	\$705,724	\$1,336	\$620,322
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(OTTI recognized in the quarter ending December 31, 2012)

Present value of Cash flows is less than Amortized cost	\$652,401	\$ 643	\$584,377
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The above table does not reflect the impact of amortization and/or payment of principal that have occurred on securities that have multiple other-than-temporary impairments.

## 3. Loan-backed and structured securities with other-than-temporary impairments are as follows:

Cusip	Amortized cost basis before other-than- temporary impairment	Projected Cash Flow	Other-than- temporary impairment recognized in loss	Amortized cost basis after other- than- temporary impairment	Fair Value	Impairment Quarter
12545EAD8	\$ 20,934,501	\$ 16,645,220	\$ 4,289,281	\$ 16,645,220	\$ 11,778,176	Q3 - 2009
36298BAG5	34,074,003	33,524,092	549,911	33,524,092	24,547,714	Q3 - 2009
073882AY8	20,596,812	19,810,751	786,061	19,810,751	14,163,064	Q3 - 2009
52521RAE1	22,955,452	20,929,508	2,025,944	20,929,508	13,990,141	Q3 - 2009
362290AP3	41,907,628	41,761,117	146,511	41,761,117	34,834,253	Q3 - 2009
12545EAD8	15,939,226	15,459,935	479,292	15,459,935	11,119,490	Q4 - 2009
94983LAY3	17,234,892	16,758,673	476,220	16,758,673	12,941,325	Q4 - 2009
362290AP3	37,369,663	36,456,919	912,744	36,456,919	35,560,514	Q4 - 2009
36298BAG5	33,523,661	32,899,486	624,175	32,899,486	24,229,191	Q4 - 2009
073882AY8	19,182,360	18,721,842	460,519	18,721,842	12,884,905	Q4 - 2009
94984EAD4	9,923,857	9,840,625	83,232	9,840,625	9,124,865	Q4 - 2009
94983LAY3	16,784,797	16,676,380	108,417	16,676,380	13,333,015	Q1 - 2010
393505Z47	4,802,268	4,630,644	171,624	4,630,644	4,593,892	Q1 - 2010
337925ET4	67,640	-	67,640	-	-	Q1 - 2010
94983LAY3	16,704,047	16,670,684	33,363	16,670,684	14,009,924	Q2 - 2010
073882AY8	17,494,539	17,337,138	157,402	17,337,138	13,241,364	Q2 - 2010
073882AY8	15,647,474	15,171,266	476,208	15,171,266	12,225,784	Q4 - 2010
225458FE3	6,759,455	6,755,403	4,051	6,755,403	6,386,245	Q4 - 2010
073882AY8	14,647,298	14,605,121	42,177	14,605,121	11,687,120	Q1 - 2011
94983FAA8	3,971,607	3,969,797	1,810	3,969,797	4,076,592	Q2 - 2011
94983LAY3	16,497,745	16,331,572	166,173	16,331,572	16,558,795	Q2 - 2011
073882AY8	14,121,018	13,830,135	290,884	13,830,135	10,947,631	Q2 - 2011
94980WAB2	6,688,058	6,687,142	916	6,687,142	6,933,076	Q2 - 2011
94983FAA8	3,606,552	3,592,965	13,587	3,592,965	3,626,873	Q3 - 2011
94983LAY3	16,228,102	15,028,858	1,199,244	15,028,858	16,283,664	Q3 - 2011
073882AY8	13,255,475	12,471,856	783,619	12,471,856	10,138,659	Q3 - 2011
12498NAB9	1,837,868	1,797,662	40,206	1,797,662	1,999,325	Q3 - 2011
36298BAG5	31,816,909	31,330,233	486,676	31,330,233	31,522,943	Q4 - 2011
94984EAD4	9,400,391	9,342,986	57,405	9,342,986	9,196,873	Q4 - 2011
12498NAB9	1,653,028	1,497,945	155,083	1,497,945	1,725,978	Q1 - 2012
52521RAE1	18,317,021	18,249,391	67,629	18,249,391	18,048,000	Q2 - 2012
36298BAG5	29,227,846	28,991,913	835,932	28,991,913	30,478,352	Q2 - 2012
22541SCC0	705,724	704,388	1,336	704,388	620,322	Q3 - 2012
22541SCC0	652,401	651,758	643	651,758	584,377	Q4 - 2012

## 4. The gross unrealized investment losses and related fair value for impaired securities for which an other-than-temporary impairment has not been recognized as a realized loss were as follows:

## a. The aggregate amount of unrealized losses:

1. Less than 12 Months	\$ 63,787
2. 12 Months or Longer	\$ 417,876

## b. The aggregate related fair values of securities with unrealized losses:

1. Less than 12 Months	\$36,142,067
2. 12 Months or Longer	\$19,738,250

## 5. The Company determines an other-than-temporary impairment by utilizing discounted cash flow modeling to determine the present value of the security and comparing the present value with the amortized cost of the security. If the amortized cost is greater than the present value of the expected cash flows, the difference is considered a credit loss and recognized in net realized investment gains (losses). The Company estimates the present value of the security by projecting future cash flows of the assets underlying the securitization, allocating the flows to the various tranches based on the structure of the securitization, and determining the present value of the cash flows using the effective yield of the security at the date of acquisition (or the most recent implied rate used to accrete the security if the implied rate has changed as a result of a previous impairment or changes in expected cash flows). The Company incorporates levels of delinquencies, defaults and severities as well as credit attributes of the remaining assets in the securitization, along with other economic data, to arrive at its best estimate of the parameters applied to the assets underlying the securitization.



**NOTES TO FINANCIAL STATEMENTS****E. Repurchase Agreements and/or Securities Lending Transactions:**

The Company requires collateral equal to at least 102% of the market value of the loaned security plus accrued interest. The Company accepts only cash as collateral for securities on loan and restricts the manner in which that cash is invested to U.S. Treasury securities and U.S. Treasury repurchase agreements.

Collateral Reinvestment

Aggregate Cash Collateral Reinvested

<u>Securities Lending</u> 30 Days or Less	<u>Amortized Cost</u>	<u>Fair Value</u>
	\$67,700,576	\$67,700,576

**F. Real Estate:**

- (1) On October 6, 2011, the Company acquired 3070 Long Lake Road, Roseville, MN. On April 2, 2012, the real estate was sold to Citi Cargo, resulting in a gain of \$514,061.
- (2) On February 20, 1997, the Company acquired 5 warehouses at South Pinemount, Houston, Texas. On December 12, 2012, the real estate was sold to ITT Houston IC LP, resulting in a gain of \$7,601,052.
- (3) On March 27, 1995, the Company acquired 110 University Drive, Tempe, AZ. On December 18, 2012, the real estate was sold to Arizona State University, resulting in a gain of \$11,508,161.
- (4) On December 31, 1990, the Company acquired 6060 South Willow Drive, Englewood, CO. On June 30, 2012 the real estate was sold to Griffin Capital Corporation, resulting in a gain of \$7,601,052.

**G. Investments in Low-Income Housing Tax Credits (LIHTC):**

Not applicable.

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

B. Joint ventures, partnerships, and limited liability companies are recorded on a lag basis with changes in the Company's proportional share of equity recorded as an unrealized gain (loss), subject to testing for possible impairment. As part of the impairment testing process, the Company evaluates those assets for other-than-temporary impairments using financial information that is received from the respective joint venture, partnership, or limited liability company. The Company concluded that some of the aforementioned assets, as a result of deteriorating economic conditions, had other-than-temporary impairments and recorded a realized loss of \$677,989 with an offsetting entry to change in net unrealized capital gains or (losses). There was no impact to policyholders' surplus as the change in net unrealized capital gains or (losses) was offset by the realized loss of the same amount.

**7. INVESTMENT INCOME**

- A. Policyholders' surplus excludes due and accrued investment income if amounts are over 180 days past due for mortgage loans and over 90 days past due for all other invested assets.
- B. At December 31, 2012, the Company had no accrued investment income over 90 days past due.

**8. DERIVATIVE INSTRUMENTS**

The Company uses U.S. Treasury note futures transactions to modify the effective duration of specific assets within the investment portfolio and enters into 90-day futures contracts on 5-year U.S. Treasury notes which require a daily mark-to-market and settlement with the counter-party/broker. See Schedule DB - Part B for additional information. The contract amount of futures contracts represents the extent of the Company's involvement, but not future cash requirements, as open positions are typically closed out prior to the delivery date of the contract. The Company does not hold or issue derivative instruments for trading purposes.

**9. INCOME TAXES**

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

	<u>December 31, 2012</u>		
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
1. a) Gross deferred tax assets	\$ 571,513,637	\$ 72,734,509	\$ 644,248,146
b) Statutory valuation allowance adjustment	-	-	-
c) Adjusted gross deferred tax assets	<u>571,513,637</u>	<u>72,734,509</u>	<u>644,248,146</u>
d) Deferred tax assets nonadmitted	<u>117,481,811</u>	<u>21,585,592</u>	<u>139,067,403</u>
e) Subtotal (net deferred tax assets)	454,031,826	51,148,917	505,180,743
f) Deferred tax liabilities	<u>77,985,844</u>	<u>46,535,259</u>	<u>124,521,103</u>
g) Net admitted deferred tax asset (liability)	<u>\$ 376,045,982</u>	<u>\$ 4,613,658</u>	<u>\$ 380,659,640</u>

	<u>December 31, 2011</u>		
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
a) Gross deferred tax assets	\$ 668,292,739	\$ 73,662,886	\$ 741,955,625
b) Statutory valuation allowance adjustment	-	-	-
c) Adjusted gross deferred tax assets	<u>668,292,739</u>	<u>73,662,886</u>	<u>741,955,625</u>
d) Deferred tax assets nonadmitted	<u>145,944,741</u>	<u>15,905,251</u>	<u>161,849,992</u>
e) Subtotal (net deferred tax assets)	522,347,998	57,757,635	580,105,633
f) Deferred tax liabilities	<u>126,085,889</u>	<u>49,483,996</u>	<u>175,569,885</u>
g) Net admitted deferred tax asset (liability)	<u>\$ 396,262,109</u>	<u>\$ 8,273,639</u>	<u>\$ 404,535,748</u>

## NOTES TO FINANCIAL STATEMENTS

	<u>Change</u>		
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
a) Gross deferred tax assets	\$ (96,779,102)	\$ (928,377)	\$ (97,707,479)
b) Statutory valuation allowance adjustment	-	-	-
c) Adjusted gross deferred tax assets	(96,779,102)	(928,377)	(97,707,479)
d) Deferred tax assets nonadmitted	<u>(28,462,930)</u>	<u>5,680,341</u>	<u>(22,782,589)</u>
e) Subtotal (net deferred tax assets)	(68,316,172)	(6,608,718)	(74,924,890)
f) Deferred tax liabilities	<u>(48,100,045)</u>	<u>(2,948,737)</u>	<u>(51,048,782)</u>
g) Net admitted deferred tax asset (liability)	<u>\$ (20,216,127)</u>	<u>\$ (3,659,981)</u>	<u>\$ (23,876,108)</u>

2. Admission Calculation Components SSAP No. 101:

	<u>December 31, 2012</u>		
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 73,131,755	\$ 4,613,658	\$ 77,745,413
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 paragraph 10.b.i. and 10.b.ii. below)	302,914,227	-	302,914,227
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	302,914,227	-	302,914,227
2. Adjusted gross deferred tax assets allowed per limitation threshold	xxxx	xxxx	842,979,107
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	77,985,844	46,535,259	124,521,103
d) Deferred tax assets admitted as the result of application of SSAP No. 101			
Total (2(a) + 2(b) + 2(c))	<u>454,031,826</u>	<u>51,148,917</u>	<u>505,180,743</u>
DTLs netted against deferred tax assets	<u>77,985,844</u>	<u>46,535,259</u>	<u>124,521,103</u>
Total	<u>\$ 376,045,982</u>	<u>\$ 4,613,658</u>	<u>\$ 380,659,640</u>

Admission Calculation Components SSAP No. 101:

	<u>December 31, 2011</u>		
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 180,882,378	\$ 8,273,638	\$ 189,156,016
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 paragraph 10.b.i. and 10.b.ii. below)	215,379,731	1	215,379,732
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	215,379,731	1	215,379,732
2. Adjusted gross deferred tax assets allowed per limitation threshold	xxxx	xxxx	825,179,471
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	126,085,889	49,483,996	175,569,885
d) Deferred tax assets admitted as the result of application of SSAP No. 101			
Total (2(a) + 2(b) + 2(c))	<u>522,347,998</u>	<u>57,757,635</u>	<u>580,105,633</u>
DTLs netted against deferred tax assets	<u>126,085,889</u>	<u>49,483,996</u>	<u>175,569,885</u>
Total	<u>\$ 396,262,109</u>	<u>\$ 8,273,639</u>	<u>\$ 404,535,748</u>

Admission Calculation Components SSAP No. 101:

	<u>Change</u>		
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ (107,750,623)	\$ (3,659,980)	\$ (111,410,603)
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 paragraph 10.b.i. and 10.b.ii. below)	87,534,496	(1)	87,534,495
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	87,534,496	(1)	87,534,495
2. Adjusted gross deferred tax assets allowed per limitation threshold	xxxx	xxxx	17,799,637
c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by			

**NOTES TO FINANCIAL STATEMENTS**

gross deferred tax liabilities	(48,100,045)	(2,948,737)	(51,048,782)
d) Deferred tax assets admitted as the result of application of SSAP No. 101			
Total (2(a) + 2(b) + 2(c))	<u>(68,316,172)</u>	<u>(6,608,718)</u>	<u>(74,924,890)</u>
DTLs netted against deferred tax assets	<u>(48,100,045)</u>	<u>(2,948,737)</u>	<u>(51,048,782)</u>
Total	<u>\$ (20,216,127)</u>	<u>\$ (3,659,981)</u>	<u>\$ (23,876,108)</u>

	<u>2012</u>	<u>2011</u>
3. a) Ratio Percentage Used to Determine Recovery Period and Threshold Limitation Amount.	554%	549%
b) Amount of Adjusted Capital and Surplus Used to Determine Recovery Period and Threshold Limitation in 2(b)2 Above.	5,619,860,716	5,501,196,470

	<u>December 31, 2012</u>		
4. Impact of Tax Planning Strategies:	<u>Ordinary Percent</u>	<u>Capital Percent</u>	<u>Total</u>
a) Adjusted gross DTA (% of total adjusted gross DTA)	0%	0%	0%
b) Net admitted adjusted gross DTA (% of total net admitted adjusted gross DTA)	0%	0%	0%

	<u>December 31, 2011</u>		
	<u>Ordinary Percent</u>	<u>Capital Percent</u>	<u>Total</u>
a) Adjusted gross DTA (% of total adjusted gross DTA)	0%	0%	0%
b) Net admitted adjusted gross DTA (% of total net admitted adjusted gross DTA)	0%	0%	0%

	<u>Change</u>		
	<u>Ordinary Percent</u>	<u>Capital Percent</u>	<u>Total</u>
c) Adjusted gross DTA (% of total adjusted gross DTA)	0%	0%	0%
d) Net admitted adjusted gross DTA (% of total net admitted adjusted gross DTA)	0%	0%	0%

e) Does the Company's tax-planning strategies include the use of reinsurance? Yes \_\_\_ No X

## B. DTL not recognized for the following amounts:

As of December 31, 2012, the Company had undistributed earnings in certain foreign subsidiaries of \$3,151,911. The Company does not expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future.

## C. The provisions for incurred tax on earnings are as follows:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>Change</u>
1. Federal	\$ 90,786,724	\$ (4,259,356)	\$ 95,046,080
Foreign	<u>12,212,876</u>	<u>(1,363,132)</u>	<u>13,576,008</u>
Subtotal	102,999,600	(5,622,488)	108,622,088
Federal income taxes on net capital gains	<u>24,687,208</u>	<u>18,337,441</u>	<u>6,349,767</u>
Federal and foreign income taxes incurred	<u>\$ 127,686,808</u>	<u>\$ 12,714,953</u>	<u>\$ 114,971,855</u>

## 2. The tax effects of temporary differences that give rise to significant portions of the DTA and DTL are as follows:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>Change</u>
DTA:			
<u>Ordinary:</u>			
Discounting of unpaid losses	\$ 231,611,699	\$ 245,853,056	\$ (14,241,357)
Unearned premium reserve	156,180,429	153,336,479	2,843,950
Investments	40,291,817	104,921,694	(64,629,877)
Fixed assets	31,561,692	32,990,611	(1,428,919)
Net operating loss carry-forward	12,849,986	20,557,576	(7,707,590)
Other	<u>99,018,014</u>	<u>110,633,323</u>	<u>(11,615,309)</u>
Total DTA - ordinary	571,513,637	668,292,739	(96,779,102)
Statutory valuation allowance adjustment	-	-	-
Nonadmitted DTA	<u>117,481,811</u>	<u>145,944,741</u>	<u>(28,462,930)</u>
Admitted ordinary DTA	<u>\$ 454,031,826</u>	<u>\$ 522,347,998</u>	<u>\$ (68,316,172)</u>
<u>Capital:</u>			
Investments	<u>\$ 72,734,509</u>	<u>\$ 73,662,886</u>	<u>\$ (928,377)</u>
Total DTA - capital	72,734,509	73,662,886	(928,377)
Statutory valuation allowance adjustment	-	-	-
Nonadmitted DTA	<u>21,585,592</u>	<u>15,905,251</u>	<u>5,680,341</u>
Admitted capital DTA	51,148,917	57,757,635	(6,608,718)
Total admitted DTA	<u>\$ 505,180,743</u>	<u>\$ 580,105,633</u>	<u>\$ (74,924,890)</u>

**NOTES TO FINANCIAL STATEMENTS**

## DTL:

Ordinary:

Investments	\$ 63,468,826	\$ 109,739,286	\$ (46,270,460)
Fixed assets	5,586,251	-	5,586,251
Other	<u>8,930,767</u>	<u>16,346,603</u>	<u>(7,415,836)</u>
Total ordinary DTL	<u>77,985,844</u>	<u>126,085,889</u>	<u>(48,100,045)</u>

Capital:

Investments	\$ 46,535,259	\$ 49,483,996	\$ (2,948,737)
Total capital DTL	46,535,259	49,483,996	(2,948,737)
Total DTL	<u>124,521,103</u>	<u>175,569,885</u>	<u>(51,048,782)</u>
Net admitted DTA/(DTL)	<u>\$ 380,659,640</u>	<u>\$ 404,535,748</u>	<u>\$ (23,876,108)</u>

- Deferred income taxes do not include any benefit from investment tax credits.
- Deferred income taxes include a benefit of \$12,849,986 from net operating losses.
- There are no adjustments to a DTA or DTL for enacted changes in tax laws or rates or a change in the tax status of the Company.
- There are no adjustments to gross DTA because of change in circumstances that causes a change in judgment about the realizability of the related DTA.

The change in net deferred income taxes is comprised of the following:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>Change</u>
Total DTA	\$ 644,248,146	\$ 741,955,625	\$ (97,707,479)
Total DTL	<u>124,521,103</u>	<u>175,569,885</u>	<u>(51,048,782)</u>
Net DTA/(DTL)	<u>\$ 519,727,043</u>	<u>\$ 566,385,740</u>	<u>(46,658,697)</u>
Tax effect of unrealized gains (losses)			<u>9,392,919</u>
Change in net deferred income tax			<u>\$ (37,265,778)</u>

- D. The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate before income tax. The significant items causing this difference are as follows:

## Rate Reconciliation:

	<u>December 31, 2012</u>
Pretax net income (loss)	\$ 722,448,002
Taxes at statutory rate	\$ 252,856,801
Increase (decrease) attributable to:	
Nontaxable investment income	(86,227,867)
Other	<u>(1,676,348)</u>
	<u>\$ 164,952,586</u>
Federal and foreign taxes incurred	\$ 127,686,808
Change in net deferred taxes	<u>37,265,778</u>
Total statutory income tax	<u>\$ 164,952,586</u>
Effective tax rate	22.8%

- The Company has net operating loss carryforward of \$36,714,246 that expire in 2018. The Company has an alternative minimum tax credit of \$74,742 that originated in 2011 and can be carried forward indefinitely.
  - The Company has \$125,810,990, \$0, and \$18,147,592 of federal income tax from the current and prior tax years respectively, available for recoupment in the event of future losses.
  - The reporting entity has no protective tax deposits with the Internal Revenue Service under Section 6603 of the Internal Revenue Service Code.
- The Company is included in a consolidated federal income tax return with its ultimate parent company, The Travelers Companies, Inc. (TRV). A list of the entities included with the Company in a consolidated federal income tax return filing is attached.
  - The Company is a party to a tax allocation agreement that sets forth the manner in which total consolidated federal income tax is allocated among companies included in the consolidated return. Member companies included in the TRV consolidated return are allocated taxes annually based upon their separate taxable income. Companies with a current federal income tax receivable from TRV will receive settlement to the extent that such receivables are for tax benefits that have been utilized in the consolidated federal income tax return. Member companies are reimbursed by TRV in the event the Internal Revenue Service levies upon a member's assets for unpaid taxes in excess of the amount specifically allocated to a member.

In the event that the consolidated group develops an Alternative Minimum Tax (AMT), each company with an AMT on a separate company basis will be allocated a portion of the consolidated AMT. Settlement of the AMT will be made in the same manner and timing as the regular federal income tax.

- G. The Company does not believe it is reasonably possible that the liability related to any federal or foreign tax loss contingencies may significantly increase within the next 12 months.

## 10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AFFILIATES AND OTHER RELATED PARTIES

- A-C. Schedule Y - Part 2 summarizes the net flow of funds among affiliates for various types of transactions between affiliates. Regulatory prior approval and/or prior notification has been satisfied for any transaction requiring such action.

**NOTES TO FINANCIAL STATEMENTS**

The following are general business arrangements that result in or are used for transactions with affiliates in the normal course of business:

1. The principal banking functions for the property-casualty operations of TRV and some or all of its affiliated property-casualty insurance companies are handled by The Travelers Indemnity Company (Indemnity). Settlements between the companies are made at least monthly.
  2. TRV maintains a private short-term investment pool, known as the Travelers Money Market Liquidity Pool (TRVMMLP), in which affiliated companies may participate. This pool is managed by Indemnity. Each company may convert its position in the pool into cash at any time and may also use its position in the pool to settle transactions with other affiliated participants in the pool. The position of each company in the pool is calculated and adjusted daily. Each participating insurance company carries its share of the pool as a short-term investment in Schedule DA. At December 31, 2012 and 2011, the TRVMMLP totaled \$3.4 billion and \$3.3 billion, respectively.
- D. (1) At December 31, 2012 and 2011, the Company had \$24,684,287 and \$43,145,576 payable to affiliates, respectively. Accounts between and among the Company and its affiliates are settled on a daily basis through the TRVMMLP or cash. Any items open at the end of the month are settled in the following month.
- (2) The Company participates in an intercompany reinsurance pooling agreement as described in Note 26. The following represents the unsettled balances resulting from affiliated reinsurance that are reported in the respective balance sheet accounts:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Uncollected premiums and agents' balances in course of collection	\$ 235,969,950	\$ 220,028,864
Amounts recoverable from reinsurers	63,209,622	72,819,423
Reinsurance payable on paid losses and loss adjustment expenses	318,293,302	288,704,162

These balances were settled net through the intercompany settlement process during January 2013 and January 2012, respectively.

- E. Guarantees or undertakings, including the company and any affiliates:

The Company is party to various guarantees with affiliates. See note 14F for additional detail.

- F. Material management or service contracts and cost sharing arrangements, involving the Company or any affiliate, other than cost allocation arrangements:

TYPE OF CONTRACT AND DESCRIPTION	SERVICING COMPANY	OTHER PARTY
Expense Allocation	The Travelers Indemnity Company	Travelers P&C <sup>1</sup>
Reinsurance Allocation	The Travelers Indemnity Company	Travelers P&C <sup>1</sup>

<sup>1</sup> "Travelers P&C" includes The Travelers Indemnity Company and some or all of its insurance subsidiaries and affiliates.

- G. All of the issued and outstanding common stock of the Company is owned by TRV, a publicly traded insurance holding company, the organization of which is shown in Schedule Y - Part 1.

- H. Not applicable.

- I. The Company owns 100% of United States Fidelity and Guaranty Company (USF&G), whose carrying value exceeds 10% of the admitted assets of the Company. The Company carries its investment in USF&G at USF&G's statutory equity. The statement value of USF&G assets and liabilities as of December 31, 2012 were \$4,797.2 million and \$2,169.7 million, respectively. USF&G's net income was \$216.7 million for the year ended December 31, 2012.

- J. Not applicable.

- K. Not applicable.

- L. The Company directly owns Northbrook Holdings, Inc. (Northbrook), a downstream noninsurance holding company. Northbrook directly owns Discover Property & Casualty Insurance Company (DPCIC) and St. Paul Protective Insurance Company (SPPIC), both Illinois domiciled insurers.

- (1) The carrying value of the Company's investment in Northbrook was \$287,400,895 at December 31, 2012.
- (2) The Company has not obtained an audit of Northbrook's financial statements.
- (3) The Company has limited the carrying value of its investment in Northbrook to the value contained in the statutory audited financial statements of DPCIC and SPPIC, including any adjustments required by SSAP No. 97, *Investments in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No. 88*.
- (4) Northbrook does not have any material assets other than the ownership of its insurance subsidiaries. Northbrook does not have any material direct liabilities, commitments, contingencies, guarantees or obligations that are required to be reported.

#### 11. DEBT

Not applicable.

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

- A. Defined Benefit Plans:

Not applicable.

- B. Defined Contribution Plans:

Not applicable.

- C. Multiemployer Plans:

Not applicable.

**NOTES TO FINANCIAL STATEMENTS****D. Consolidated/Holding Company Plans:****1. Employee Retirement Plans:**

The Company participates in a qualified noncontributory defined benefit pension plan sponsored by TRV that provides benefits, primarily under a cash balance formula, for substantially all employees of the Company and its property-casualty affiliates. In addition the Company participates in nonqualified defined benefit pension plans sponsored by TRV which cover certain highly-compensated employees of the Company and its property-casualty affiliates. The Company has no legal obligation for benefits under these plans. The Company is charged for its allocable share of pension expense for these plans based on its allocated and/or direct salary costs in accordance with an expense allocation agreement. The Company's allocated share of the pension expense was \$34,921,088 and \$28,486,534 for 2012 and 2011, respectively.

**2. Postretirement Benefit Plan:**

The Company participates in a postretirement health and life insurance benefit plan sponsored by TRV for employees of the Company and its property-casualty affiliates that satisfy certain age and service requirements and for certain retirees. The Company has no legal obligation for benefits under this plan. The Company is charged for its allocable share of postretirement benefit expense for this plan based on its allocated and/or direct salary costs in accordance with an expense allocation agreement. The Company's allocated share of the postretirement benefit expense was \$2,170,751 and \$2,517,679 for 2012 and 2011, respectively.

**3. Deferred Compensation Plans:**

The Company participates in a 401(k) savings plan sponsored by TRV for substantially all employees of the Company and its property-casualty affiliates. The Company has no legal obligation for benefits under this plan. The Company is charged for its allocable share of expense for this plan based on its allocated and/or direct salary costs in accordance with an expense allocation agreement. The Company's allocated share of the 401(k) savings plan expense was \$20,371,588 and \$19,723,888 for 2012 and 2011, respectively.

**E. Postemployment Benefits and Compensated Absences:**

Not applicable.

**F. Impact of Medicare Modernization Act on Postretirement Benefits:**

Not applicable.

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

The Company has 200,000 shares of common capital stock authorized, issued and outstanding with a par value of \$100 per share.

The Company paid ordinary dividends of \$258 million and extraordinary dividends of \$300 million for a total of \$558 million in 2012, to its parent company, The Travelers Companies, Inc. In 2011, the Company paid ordinary dividends of \$500 million to The Travelers Companies, Inc.

Dividends to shareholders and the proportion of the profits of the Company that may be paid to shareholders are not limited by charter. The maximum amount of dividends which can be paid by Connecticut insurance companies to shareholders without prior approval of the domiciliary Insurance Commissioner is subject to restrictions relating to statutory surplus or net income. The maximum amount of dividends to shareholders that can be made during 2013 without prior approval is \$600,066,000.

There are no restrictions on the use of the Company's unassigned funds and such funds are held for the benefit of the shareholder, except for the dividend restrictions indicated above.

The change in the balance of special surplus from retroactive reinsurance is a result of ongoing activity occurring in 2012. See Note 23F for additional detail. Due to the adoption of SSAP No. 101, special surplus related to DTA's generated from the application of SSAP No. 10R at December 31, 2011 is no longer required. See Note 2 and 9 for additional detail.

Unassigned funds have been increased by cumulative net unrealized gains of \$1,212,208,734.

**14. CONTINGENCIES****A. Contingent Commitments:**

At December 31, 2012, the Company had commitments to fund investments of \$449.7 million.

**B. Assessments:**

1. The Company has accrued liabilities of \$73.6 million for guaranty fund and other insurance-related assessments and related recoverables of \$1.5 million at December 31, 2012. The assessments are expected to be paid over a period ranging from one year to the life expectancy of certain workers' compensation claimants and the recoverables are expected to occur over the same period of time.

1. a. Assets recognized from paid and accrued premium tax offsets December 31, 2011	\$ 1,794,387
b. Decreases current year:	
Premium tax offset charged off	-
Premium tax offset applied	622,601
Premium tax offset refund	369,536
c. Increases current year:	
Premium tax offset accrued	<u>3,856</u>
d. Assets recognized from paid and accrued premium tax offsets December 31, 2012	<u>\$ 806,106</u>

**C. Gain Contingencies:**

On August 17, 2010, in a reinsurance dispute in New York state court captioned *United States Fidelity & Guaranty Company v. American Re-Insurance Company, et al.* (American Re), the trial court granted summary judgment for United States Fidelity & Guaranty Company (USF&G) and denied summary judgment for American Re and three other reinsurers. By order dated October 22,

**NOTES TO FINANCIAL STATEMENTS**

2010, the trial court corrected certain clerical errors and made certain clarifications to the August 17, 2010 order. On October 25, 2010, judgment was entered against American Re and the other three insurers, awarding USF&G \$420 million, comprising \$251 million ceded under the terms of the disputed reinsurance contract plus interest of 9% amounting to \$169 million as of that date. The judgment, including the award of interest, was appealed by the reinsurers to the New York Supreme Court, Appellate Division, First Department. On January 24, 2012, the Appellate Division affirmed the judgment. On January 30, 2012, the reinsurers filed a motion with the Appellate Division seeking permission to appeal its decision to the New York Court of Appeals, and on March 12, 2012, the Appellate Division granted the reinsurers' motion. On February 7, 2013, the Court of Appeals issued an opinion that largely affirmed the summary judgment in USF&G's favor, while modifying in part the summary judgment with respect to two discrete issues and remanding the case to the trial court for determination of those issues. USF&G believes it has a meritorious position on each of these issues and intends to pursue its claim vigorously. At December 31, 2012, the claim totaled \$470 million, comprising the \$251 million of reinsurance recoverable plus interest which had grown to \$219 million as of that date. Interest will continue to accrue at 9% until the claim is paid.

As USF&G is a participant in the Travelers Reinsurance Pool (TRV Pool), any amounts recoverable from this claim are subject to participation percentages of the TRV Pool (See Note 26). Accordingly, the Company's respective TRV Pool participation share of the \$251 million awarded by the court represents the amounts owed to and reported by the Company under the terms of the disputed reinsurance contract. The Company's respective Pool participation share of the interest that would be received as part of any judgment ultimately entered in favor of USF&G is treated for accounting purposes as a gain contingency in accordance with SSAP No. 5R, *Liabilities, Contingencies and Impairment of Assets - Revised*, and accordingly has not been recognized in the Company's statutory financial statements.

In an unrelated action, Indemnity is one of the Settlement Class plaintiffs and a class member in a class action lawsuit captioned *Safeco Insurance Company of America, et al. v. American International Group, Inc. et al.* (U.S. District Court, N.D. Ill.) in which the defendants are alleged to have engaged in the under-reporting of workers' compensation premium in connection with a workers' compensation reinsurance pool in which several member of the TRV Pool participate. On July 26, 2011, the court granted preliminary approval of a class settlement pursuant to which the defendants agreed to pay \$450 million to the class. The settlement includes a plan of allocation of the settlement proceeds among the class members. On December 21, 2011, the court entered an order granting final approval of the settlement, and on February 28, 2012, the district court issued a written opinion regarding its approval of the settlement. On March 27, 2012, three parties who objected to the settlement appealed the court's orders approving the settlement to the U.S. Court of Appeals for the Seventh Circuit. On January 11, 2013, all parties, including the three parties who had objected to the settlement, filed a Stipulation of Dismissal indicating that there were no longer any objections to the settlement. All parties are awaiting an order from the Seventh Circuit in response to the Stipulation of Dismissal. Indemnity anticipates that its allocation from the settlement fund, in the event the settlement becomes final, will be approximately \$90 million.

As Indemnity is a participant in the TRV Pool, its settlement amount is subject to participation percentages of the TRV Pool (See Note 26). Accordingly, the Company's respective TRV Pool participation share of the \$90 million to be awarded from the settlement is treated for accounting purposes as a gain contingency in accordance with SSAP No. 5R, *Liabilities, Contingencies and Impairment of Assets - Revised*, and accordingly will be recognized in the Company's financial statements during the period in which it is received.

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$1,656,656

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

0-25 Claims
X

Claim count information provided herein is disclosed on a per claim basis.

**E. Product Warranties:**

Not applicable.

**F. All Other Contingencies:**

1a. In the process of selling business entities to third parties, the Company has agreed to indemnify purchasers for losses arising out of breaches of representations and warranties with respect to the business entities being sold, covenants and obligations of the Company and/or its subsidiaries following the close, and in certain cases obligations arising from undisclosed liabilities. Such indemnification provisions generally survive for periods ranging from the applicable closing date to the expiration of the relevant statutes of limitations, no term or in some cases agreed upon limitations. Certain of these contingent obligations are subject to deductibles which have to be incurred by the obligee before the Company is obligated to make payments.

b. The Company has a contingent obligation for a guarantee related to certain insurance policy obligations of a former insurance subsidiary. The maximum amount of the Company's obligation related to the guarantee was \$480 million at December 31, 2012, all of which is indemnified by a third party.

c. Effective October 21, 2011, an affiliate of the Company, a real estate joint venture in which the Company is invested, assumed a mortgage for property held by the real estate joint venture. The Company entered into a payment guarantee for the mortgage and provided several indemnifications to the lender including indemnifications for environmental liabilities should the lender be held responsible. The maximum principal for the mortgage, which is secured by the property, was \$45 million and the other indemnifications including the environmental guarantee are not limited. The Company is joint and severally liable for these indemnities and guarantees with the third party joint venture investor. Concurrent with assuming the mortgage, the Company entered into a contribution agreement with the joint venture investor to allow the Company to recover its share of the indemnities and guarantees, if required.

d. Effective May 27, 2010, an affiliate of the Company, a real estate joint venture in which the Company is invested, assumed a mortgage for property held by the real estate joint venture. The Company entered into a payment guarantee for the mortgage and provided several indemnifications to the lender including indemnifications for environmental liabilities should the lender be held responsible. The maximum principal for the mortgage, which is secured by the property, was \$81 million and the other indemnifications including the environmental guarantee are not limited. The Company is joint and severally liable for these indemnities and guarantees with the third party joint venture investor. Concurrent with assuming the mortgage, the Company entered into a contribution agreement with the joint venture investor to allow the Company to recover its share of the indemnities and guarantees, if required.

**NOTES TO FINANCIAL STATEMENTS**

- e. In a guaranty agreement dated August 31, 2000, the Company guarantees the timely payment of all obligations of St. Paul (Bermuda) Ltd., with respect to policies of insurance issued to clients of Marsh USA Inc. up to a maximum of \$50.0 million. On July 1, 2010, St. Paul (Bermuda) Ltd., St. Paul Re (Bermuda) Ltd. and Travelers (Bermuda) Limited were amalgamated into one Bermuda company under the name Travelers (Bermuda) Limited. The guarantee was amended on June 30, 2010 to limit the Company's guarantee to only those obligations of St. Paul (Bermuda) Ltd. that existed prior to the amalgamation. The Company also waived certain rights in the amended guarantee until all creditors of St. Paul Re (Bermuda) Ltd and Travelers (Bermuda) Limited at the time of the amalgamation have been paid in full.
- f. In a guaranty agreement dated July 1, 2000, the Company guarantees the payment of USF&G's obligations under insurance and reinsurance contracts issued by USF&G on or after the date of the agreement. The company may terminate this guaranty at any time upon 90 days prior notice or other specified circumstances.
- g. Effective September 30, 1997, the Company entered into an unconditional guaranty that Travelers Constitution State Insurance Company (formerly known as St. Paul Medical Liability Insurance Company), a wholly-owned subsidiary, would maintain required capital and surplus, each in the amount of \$2.5 million, as a condition of becoming licensed in the State of Maine.
- h. Effective May 15, 1996, the Company provided a guaranty of the performance by its wholly-owned subsidiary, Seaboard Surety Company (Seaboard), a New York domiciled insurance company, of all Seaboard's financial obligations arising out of its insurance or reinsurance contracts. The guaranty may be amended at any time upon three months' prior notice. On January 2, 2009, Seaboard was merged into Travelers Casualty and Surety Company of America (America). The terms of the guarantee remain in effect.
- i. Effective December 10, 1993, the Company has guaranteed the performance by Travelers Insurance Company Limited (Travelers Limited), an affiliate incorporated in England, of all Travelers Limited's obligations arising out of its insurance or reinsurance contracts. Effective March 1, 2006, these guarantees were amended whereby the Company may terminate them at any time upon twelve months prior notice. Effective December 31, 2007, pursuant to the order of English Court, made on December 31, 2007, under Part VII of the Financial Services & Markets Act, obligations relating to certain business as of December 31, 2007, were transferred to Unionamerica Insurance Company Limited (Unionamerica), an affiliate of Travelers Limited. This resulted in those obligations no longer being covered by the guarantees. The guarantees will remain in force, however, for the obligations arising out of insurance or reinsurance contracts not transferred to Unionamerica and for business subsequently written by Travelers Limited. In December 2008, Unionamerica was sold to an unaffiliated entity.
- j. The Company guaranteed the timely payment of Discover Reinsurance Company's (Discover Re) obligations with respect to all insurance policies and reinsurance policies issued by Discover Re. On October 1, 2007, Discover Re was merged into Indemnity. The merger resulted in the automatic termination of the guarantee with respect to any future claims. However, the Company continues to guarantee to Indemnity all obligations of Discover Re incurred before the termination date.
- k. In a guarantee agreement dated February 9, 2009, the Company has guaranteed certain pension obligations of Travelers Special Services Limited, a wholly-owned subsidiary. The guarantee is not limited in amount and expires once all obligations have been met.
- l. The Company is the owner of all the beneficial interests represented by common securities of three business trusts. The trusts exist for the sole purpose of issuing capital securities and common securities and investing the proceeds thereof in deferrable interest junior subordinated debentures, which are held by TRV. The Company fully, irrevocably and unconditionally guaranteed all of the trusts obligations under the capital securities including principal of \$254 million and interest. The Company and TRV are both jointly and severally responsible for the payment obligation of the subordinated debentures.



## NOTES TO FINANCIAL STATEMENTS

Nature and circumstances of guarantee and key attributes, including date and duration of agreement	Liability recognition of guarantee. (include amt recognized at inception. If no initial recognition, document exception allowed under SSAP No. 5R)	Ultimate financial statement impact if action under the guarantee is required	Maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee. If unable to develop an estimate, this should be noted specifically	Current status of payment or performance risk of guarantee. Also provide additional discussion as warranted
a. Sale of Business	The fair value of guarantee liabilities as described are minimal and immaterial to the financial statements taken as a whole	Expense - Statement of Income - Line 14. Aggregate write-ins for miscellaneous income	\$341,266,000	The Company has assessed the performance risk as remote under these guarantees
b. Former subsidiary	Fair value initial recognition was \$19,120,000	Expense - Statement of Income - Line 14. Aggregate write-ins for miscellaneous income	\$480,000,000	The Company has assessed the performance risk as remote under this guarantee. The AM Best current claims-paying rating of the former subsidiary is "B++"
c. Real estate joint venture	The fair value of guarantees described are minimal and immaterial to the financial statements taken as a whole	Assets - Line 8 - Other Invested Assets or Line 3 - Mortgage Loans on Real Estate. Either a capital contribution or loan to joint venture	\$45,000,000	The Company has assessed the performance risk as remote under these guarantees
d. Real estate joint venture	The fair value of guarantees described are minimal and immaterial to the financial statements taken as a whole	Assets - Line 8 - Other Invested Assets or Line 3 - Mortgage Loans on Real Estate. Either a capital contribution or loan to joint venture	\$81,000,000	The Company has assessed the performance risk as remote under these guarantees
e. Travelers (Bermuda)	The fair value of guarantee liabilities as described are minimal and immaterial to the financial statements taken as a whole	Surplus - Line 35. Dividend to stockholders	\$50,000,000	The Company has assessed the performance risk as remote under this guarantee
f. USF&G's obligations	No initial recognition as guarantee is made on behalf of a wholly-owned subsidiary and is considered unlimited in amount.	Assets - Line 2.2 Common Stock		Guarantee has no stated amount or limitation to the maximum potential future payments and accordingly, the Company is unable to develop an estimate of the maximum potential payments for such arrangements The Company has assessed the performance risk as remote under this guarantee
g. Travelers Constitution State Insurance Company	No initial recognition as guarantee is made on behalf of a wholly-owned subsidiary	Assets - Line 2.2 Common Stock	\$5,000,000	The Company has assessed the performance risk as remote under this guarantee
h. Seaboard Surety Company	No initial recognition as guarantee is made on behalf of a related party and is considered unlimited in amount.	Surplus - Line 35. Dividend to stockholders		Guarantee has no stated amount or limitation to the maximum potential future payments and accordingly, the Company is unable to develop an estimate of the maximum potential payments for such arrangements The Company has assessed the performance risk as remote under this guarantee
i. Travelers Insurance Company Limited	No initial recognition as guarantee is made on behalf of a related party and is considered unlimited in amount.	Surplus - Line 35. Dividend to stockholders		Guarantee has no stated amount or limitation to the maximum potential future payments and accordingly, the Company is unable to develop an estimate of the maximum potential payments for such arrangements The Company has assessed the performance risk as remote under this guarantee

## NOTES TO FINANCIAL STATEMENTS

j. Discover Reinsurance Company	No initial recognition as guarantee is made on behalf of a related party and is considered unlimited in amount.	Surplus - Line 35. Dividend to stockholders	Guarantee has no stated amount or limitation to the maximum potential future payments and accordingly, the Company is unable to develop an estimate of the maximum potential payments for such arrangements	The Company has assessed the performance risk as remote under this guarantee
k. Certain pension obligations of Travelers Special Services Limited, a wholly-owned subsidiary	No initial recognition as guarantee is made on behalf of a wholly-owned subsidiary and is considered unlimited in amount.	Assets - Line 2.2 Common Stock	Guarantee has no stated amount or limitation to the maximum potential future payments and accordingly, the Company is unable to develop an estimate of the maximum potential payments for such arrangements	The Company has assessed the performance risk as remote under this guarantee
l. Trust obligations of three wholly-owned subsidiaries	No initial recognition as guarantee is made on behalf of a wholly-owned subsidiary	Assets - Line 2.2 Common Stock	See below – subject to the same maximum	The Company has assessed the performance risk as remote under these guarantees
Subordinated debentures by its parent to the respective trusts	Fair value initial recognition for debenture guarantees was \$24,000,000	Surplus - Line 35. Dividend to stockholders	\$254,000,000	The Company has assessed the performance risk as remote under these guarantees. TRV is current in all debenture obligations. The debentures were upgraded by AM Best on June 8, 2010 from a “bbb” to a “bbb+” and remains unchanged

Aggregate maximum potential of future payments of all guarantees (undiscounted) the guarantor could be required to make under guarantees

\$ 1,256,266,000

Current liability recognized in financial statements:

Noncontingent liabilities	43,120,000
Contingent liabilities	-

Ultimate financial statement impact if action under the guarantee is required:

Investment in SCA	5,000,000
Joint venture	-
Dividends to stockholders	304,000,000
Expense	821,266,000
Other	<u>126,000,000</u>
Total	\$ <u>1,256,266,000</u>

2. The Company has purchased annuities from life insurance companies to fund structured settlements. For a discussion of the Company's contingent liabilities for structured settlements, see Note 27.
3. In the ordinary course of business, the Company is a defendant or codefendant in various litigation matters. Although there can be no assurances, as of December 31, 2012, the Company believes, based on information currently available, that the ultimate resolution of these legal proceedings would not be likely to have a material adverse effect on its net income, financial condition or liquidity.
4. For a discussion of contingencies related to asbestos and environmental reserves, see Note 33.

### 15. LEASES

#### A. Lessee Leasing Arrangements:

1. At December 31, 2012, the Company is no longer a party to a lease agreement for office space. Total rental expense for the Company was insignificant in 2012 and was \$965,906 in 2011. Rental expenses incurred by the Company are subject to an intercompany expense allocation agreement.
2. At December 31, 2012, there are no aggregate future minimum rental payments to be made by the Company.
3. Sale-Leaseback Transactions:  
Not applicable.

#### B. Lessor's Business Activities:

The Company maintains investments in commercial real estate. The land is carried at cost and the buildings at cost less accumulated depreciation and related encumbrances. The buildings are depreciated on a straight-line basis over a period of up to 39 years. The accumulated depreciation on real estate held for the production of income was \$388,760,663 and \$374,968,521 as of December 31, 2012 and 2011, respectively. On December 31, 2012, the Company has minimum annual lease payments receivable under non-cancelable leasing arrangements as follows:

Year Ending <u>December 31</u>	<u>Operating Leases</u>
2013	\$ 71,740,336
2014	64,764,460
2015	54,637,308
2016	38,813,978
2017	25,791,673

**NOTES TO FINANCIAL STATEMENTS**

2018 and later years	<u>40,037,147</u>
Total	<u>\$ 295,784,902</u>

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

In the normal course of business, the Company has unfunded commitments to partnerships, limited liability companies, and venture capital entities. The off-balance-sheet risks of these financial instruments were \$449.7 million at December 31, 2012.

**17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES****A. Transfers of Receivables Reported as Sales:**

Not applicable.

**B. Transfer and Servicing of Financial Assets:**

The Company engages in securities lending activities from which it generates net investment income from the lending of certain of its investments to other institutions for short periods of time. Borrowers of these securities provide collateral equal to at least 102% of the market value of the loaned securities plus accrued interest. This collateral is held by a third party custodian, and the Company has the right to access the collateral only in the event that the institution borrowing the Company's securities is in default under the lending agreement. The loaned securities remain a recorded asset of the Company. The Company accepts only cash as collateral for securities on loan and restricts the manner in which that cash is invested to U.S. Treasury securities and U.S. Treasury repurchase agreements. These securities typically have a duration of 1 day. See Schedule D – Part 1 for identification and description of securities on loan.

**C. Wash Sales:**

Not applicable.

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

Not applicable.

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

The Company did not have any direct premiums written through managing general agents (as defined in Appendix A-225 of the NAIC *Accounting Practices and Procedures Manual*) or third party administrators.

**20. FAIR VALUE MEASUREMENTS**

The estimates of fair value for financial assets are based on the framework established in the fair value accounting guidance. The framework is based on the inputs used in valuation, gives the highest priority to quoted prices in active markets, and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. The three levels of the hierarchy are as follows:

- Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets that the Company has the ability to access.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.
- Level 3 - Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Company's own assumptions about the inputs that market participants would use.

**A. (1) Assets measured and reported at fair value as of December 31, 2012:**

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bonds				
Industrial and miscellaneous	\$ -	\$ 16,635,783	\$ 343,080	\$ 16,978,863
Preferred stock				
Non-redeemable preferred stock	2,041,551	-	-	2,041,551
Common stock	362,269,240	-	1,046,882	363,316,122
Total assets at fair value	<u>\$ 364,310,791</u>	<u>\$ 16,635,783</u>	<u>\$ 1,389,962</u>	<u>\$ 382,336,536</u>

There were no significant transfers between level 1 and level 2.

**(2) Assets Measured at Fair Value Using Significant Unobservable Inputs (Level 3):**

<u>Description</u>	<u>Beginning Balance at 1/1/2012</u>	<u>Transfer into Level 3</u>	<u>Transfer out of Level 3</u>	<u>Total gains &amp; (losses) included in Net Income</u>	<u>Total gains &amp; (losses) included in Surplus</u>	<u>Purchases, Issuances, and Sales</u>	<u>Settlements</u>	<u>Ending Balance at 12/31/2012</u>
Bonds	\$ 5,528,226	\$ -	\$ (5,000,000)	\$ 17,247	\$ 38,339	\$ -	\$ (240,732)	\$ 343,080
Common stocks	1,184,655	-	-	-	(137,773)	-	-	\$ 1,046,882
Total	<u>\$ 6,712,881</u>	<u>\$ -</u>	<u>\$ (5,000,000)</u>	<u>\$ 17,247</u>	<u>\$ (99,434)</u>	<u>\$ -</u>	<u>\$ (240,732)</u>	<u>\$ 1,389,962</u>

- (3) In accordance with SSAP No. 26, securities rated 3 or lower by the NAIC are carried at the lower of amortized cost or fair value. With fluctuations in the market value, the method of valuation may change from amortized cost to fair value or vice versa. These changes in the valuation method are captured in the transfers in or out of the level 3 hierarchy.

**NOTES TO FINANCIAL STATEMENTS**

- (4) Bonds were carried at fair value under the lower of cost or market requirement. These bonds were generally priced by the SVO or by a third party organization.

The Company holds common stock where the fair value estimate is determined by an internal fund manager based on recent filings, operating results, balance sheet stability, growth and other business and market sector fundamentals. Due to the significant unobservable inputs in these valuations, the Company includes the total fair value estimate for all of these investments in Level 3.

- (5) Not applicable.

B. Not applicable.

- C. The following table provides the aggregate fair value and reported aggregate admitted asset value by type of financial instrument; and the hierarchy level in which the fair values fall.

(At December 31, 2012)	Aggregate	Admitted				Not
Description	Fair Value	Assets	Level 1	Level 2	Level 3	Practicable (Carrying Value)
Short term bonds	\$ 179,043,458	\$ 179,043,458	\$ 71,468,171	\$ 107,063,480	\$ 511,807	\$ -
Cash equivalents	15,689,223	15,689,223	-	15,689,223	-	-
Long term bonds	11,614,648,362	10,845,612,797	863,425,877	10,744,652,668	6,569,817	-
Preferred stock	3,710,351	3,041,551	3,710,351	-	-	-
Common stock	363,316,122	363,316,122	362,269,240	-	1,046,882	-
Mortgage loans	-	45,025,000	-	-	-	45,025,000

(At December 31, 2011)	Aggregate	Admitted				Not
Description	Fair Value	Assets	Level 1	Level 2	Level 3	Practicable (Carrying Value)
Short term bonds	\$ 152,727,182	\$ 152,727,182	\$ 72,703,946	\$ 75,587,566	\$ 4,435,670	\$ -
Long term bonds	11,611,378,675	10,805,141,236	796,627,743	10,806,434,109	8,316,823	-
Preferred stock	6,400,220	6,384,220	6,400,220	-	-	-
Common stock	296,222,777	296,222,777	295,038,122	-	1,184,655	-
Mortgage loans	-	45,250,000	-	-	-	45,250,000

- D. Not Practicable to Estimate Fair Value

(At December 31, 2012)	Carrying	Effective Interest	Maturity
Description	Value	Rate	Date
Mortgage loans			
Oak Brook, IL	\$ 43,900,000	4.0%	2/28/15
Phoenix, AZ	1,125,000	8.0%	10/12/15

It is not practicable for the Company to estimate the fair value of these mortgage loans. The Company feels that obtaining a fair value would not be cost effective due to the nature of the loans and in order to obtain a fair value, the Company would have to re-underwrite the loans.

## 21. OTHER ITEMS

- A. Extraordinary Items:

Not applicable.

- B. Troubled Debt Restructuring:

Not applicable.

- C. Other Disclosures:

The Company elected to use rounding in reporting amounts in this statement.

2012 Schedule P:

The 2002 and prior "Total Net Losses and Expenses Unpaid" (Schedule P - Part 1, Column 24, Line 1) is separately reported to accident year as follows (in thousands):

Schedule P	Accident Years				
	2002	2001	2000	1999	1998 & Prior
Part 1A	\$ 68	\$ 74	\$ 521	\$ 12	\$ 856
Part 1B	228	169	51	45	60,546
Part 1C	3,879	3,994	2,516	1,810	12,051
Part 1D	92,911	108,898	99,262	82,482	933,491
Part 1E	10,817	11,608	8,263	7,004	73,736
Part 1F - Section 1	3,367	634	942	465	1,156
Part 1F - Section 2	2,154	2,610	4,771	3,495	5,915
Part 1G	(67)	1,380	2,687	665	10,574
Part 1H - Section 1	29,018	36,191	27,855	30,529	540,879
Part 1H - Section 2	13,153	15,002	4,017	2,814	28,430
Part 1M	1	185	473	101	38
Part 1N	516	4,666	802	1,119	1,574
Part 1O	4,784	25,124	10,014	8,749	159,554
Part 1P	265	1,556	228	638	247
Part 1R - Section 1	16,333	13,791	13,624	12,621	349,549
Part 1R - Section 2	559	2,314	2,367	301	2,507

## NOTES TO FINANCIAL STATEMENTS

The following loss and/or LAE reserves have been assumed / (ceded) under retroactive reinsurance agreements. They are reported here by line of business and accident year to facilitate loss discounting under Internal Revenue Code Section 846 (in thousands):

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Commercial Auto	\$ (83)	\$ (648)	\$ (7)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Workers' Compensation	(798)	(988)	(121)	(13,004)	-	(214)	-	-	-
Commercial Multiple Peril	-	-	-	-	-	-	-	-	-
Medical Malpractice – CM	-	-	(3,173)	-	-	-	-	-	-
Special Liability	(2)	-	-	-	-	-	-	-	-
Other Liability – Occ	(638)	-	-	-	-	-	-	-	-
Other Liability – CM	(237)	(5,783)	-	-	-	-	-	-	-
Special Property	(11)	-	-	-	-	-	-	-	-
Other	(2)	-	-	-	-	-	-	-	-
Reinsurance A	(141)	-	-	-	-	-	-	-	-
Reinsurance B	(1,302)	-	-	-	-	-	-	-	-

D. Uncollectible Premium Balances:

Not applicable.

E. Business Interruption Insurance Recoveries:

Not applicable.

F. State Transferable and Non-Transferable Tax Credits:

Not applicable.

G. Subprime Mortgage Related Risk Exposure:

The Company defines subprime mortgage-backed securities as investments which generally contain a majority of loans to borrowers that exhibit one or more of the following characteristics at the time of issuance:

- Low FICO scores,
- Above prime interest rates,
- High loan-to-value ratios,
- High debt-to-income ratios,
- Low loan documentation (e.g. limited or no verification of income and assets), or
- Other characteristics that are inconsistent with conventional underwriting standards employed by government sponsored mortgage entities.

In addition, because of their high loan-to-value ratios, the Company has categorized second-lien mortgage-backed securities as subprime, regardless of the credit characteristics of the borrower on the underlying mortgage.

The Company reviews the credit characteristics of the loans that back these mortgage-backed securities when making the determination to categorize them as subprime exposure. Since the primary purpose of the investment portfolio is to fund future claim payments, the Company employs a conservative investment philosophy. In applying this philosophy to structured securities, including subprime mortgage-backed securities, the Company favors the purchase of senior credit tranches over junior or leveraged credit tranches.

Overall exposure to subprime mortgage-backed securities is sufficiently small in that the Company would likely have other securities available for liquidity needs. The Company utilizes discounted cash flow valuation analysis in its regular, ongoing review of its existing subprime mortgage portfolio, as well as in its analysis of subprime mortgage-backed bonds for purchase. Based upon the credit performance of mortgages within each securitization, the Company projects voluntary prepayments, defaults and loss severity to estimate any expected losses.

Direct exposure through other investments:

	<u>Actual</u>	<u>Book/Adjusted</u>	<u>Fair</u>	<u>Other Than</u>
	<u>Cost</u>	<u>Carrying Value</u>	<u>Value</u>	<u>Temporary</u>
		<u>(excluding interest)</u>		<u>Impairment</u>
				<u>Losses</u>
				<u>Recognized</u>
Residential mortgage-backed securities:	\$ 28,466,716	\$ 28,008,212	\$ 32,432,825	\$ 262,929

### 22. EVENTS SUBSEQUENT

The Company had no material subsequent events through February 15, 2013.

### 23. REINSURANCE

A. Unsecured Reinsurance Recoverables:

1. Affiliated Company Recoverables:

The Company participates in the TRV Pool and/or other reinsurance programs with affiliates and takes credit for reinsurance ceded directly and indirectly to these companies. The unsecured aggregate recoverables for ceded losses, loss adjustment expenses and unearned premiums at December 31, 2012, in connection with reinsurance agreements among affiliated insurers, were as follows:

Reinsurance balances ceded to affiliates and recoverable by The Travelers Indemnity Company (06-0566050):

<u>Company</u>	<u>F.E.I.N.</u>	<u>Amount</u>
St. Paul Fire and Marine Insurance Company	41-0406690	\$ 11,526,987,202
Travelers Casualty and Surety Company	06-6033504	9,466,187,253
The Standard Fire Insurance Company	06-6033509	2,364,976,866
The Phoenix Insurance Company	06-0303275	2,321,366,742
United States Fidelity and Guaranty Company	52-0515280	2,048,767,358
Travelers Casualty Insurance Company of America	06-0876835	1,267,360,643
Farmington Casualty Company	06-1067463	687,077,211

**NOTES TO FINANCIAL STATEMENTS**

The Travelers Indemnity Company of Connecticut	06-0336212	636,622,185
The Automobile Insurance Company of Hartford, Connecticut	06-0848755	636,010,667
The Charter Oak Fire Insurance Company	06-0291290	591,090,536
Northland Insurance Company	41-6009967	566,570,357
St. Paul Surplus Lines Insurance Company	41-1230819	408,532,394
The Travelers Indemnity Company of America	58-6020487	357,521,178
St. Paul Protective Insurance Company	36-2542404	269,326,601
Northfield Insurance Company	41-0983992	241,405,499
Travelers Commercial Casualty Company	95-3634110	218,238,445
Travelers Casualty Company of Connecticut	06-1286266	218,193,421
Travelers Commercial Insurance Company	06-1286268	218,193,421
St. Paul Mercury Insurance Company	41-0881659	186,094,540
Travelers Property Casualty Company of America	36-2719165	173,033,020
Travelers Property Casualty Insurance Company	06-1286274	139,272,400
The Travelers Casualty Company	41-1435765	134,629,975
Travelers Constitution State Insurance Company	41-1435766	134,629,975
TravCo Insurance Company	35-1838077	125,345,151
Travelers Excess and Surplus Lines Company	06-1203698	125,345,151
The Travelers Home and Marine Insurance Company	35-1838079	125,345,151
Travelers Personal Insurance Company	36-3703200	125,345,151
Travelers Personal Security Insurance Company	06-1286264	125,345,151
Discover Specialty Insurance Company	52-1925132	64,993,769
Discover Property & Casualty Insurance Company	36-2999370	64,993,769
Northland Casualty Company	94-6051964	64,993,769
Fidelity and Guaranty Insurance Underwriters, Inc.	52-0616768	46,424,124
American Equity Specialty Insurance Company	86-0868106	46,424,123
St. Paul Guardian Insurance Company	41-0963301	46,424,123
Total		<u>\$ 35,773,067,321</u>

Reinsurance balances assumed by The Travelers Indemnity Company and recoverable by the following affiliated insurers:

<u>Company</u>	<u>F.E.I.N.</u>	<u>Amount</u>
Travelers Property Casualty Company of America	36-2719165	\$ 10,092,463,471
St. Paul Fire and Marine Insurance Company	41-0406690	5,615,958,379
Travelers Casualty and Surety Company	06-6033504	3,714,513,411
The Travelers Indemnity Company of America	58-6020487	2,862,085,130
United States Fidelity and Guaranty Company	52-0515280	2,615,948,244
The Standard Fire Insurance Company	06-6033509	2,601,876,688
The Charter Oak Fire Insurance Company	06-0291290	2,594,383,614
The Travelers Home and Marine Insurance Company	35-1838079	2,470,945,172
The Travelers Indemnity Company of Connecticut	06-0336212	2,466,911,972
The Phoenix Insurance Company	06-0303275	1,921,440,666
St. Paul Mercury Insurance Company	41-0881659	1,764,333,035
Travelers Casualty Insurance Company of America	06-0876835	1,447,702,985
Farmington Casualty Company	06-1067463	732,064,529
The Automobile Insurance Company of Hartford, Connecticut	06-0848755	695,673,189
Discover Property & Casualty Insurance Company	36-2999370	691,994,436
Northland Insurance Company	41-6009967	551,480,761
St. Paul Surplus Lines Insurance Company	41-1230819	406,123,177
Travelers Commercial Insurance Company	06-1286268	386,590,969
TravCo Insurance Company	35-1838077	320,099,815
Travelers Property Casualty Insurance Company	06-1286274	258,080,706
Northfield Insurance Company	41-0983992	205,410,914
St. Paul Guardian Insurance Company	41-0963301	191,024,574
Fidelity and Guaranty Insurance Underwriters, Inc.	52-0616768	169,552,606
Travelers Excess and Surplus Lines Company	06-1203698	163,327,982
Travelers Personal Security Insurance Company	06-1286264	156,103,753
St. Paul Protective Insurance Company	36-2542404	146,509,049
Travelers Commercial Casualty Company	95-3634110	109,206,782
Travelers Personal Insurance Company	36-3703200	51,569,058
Travelers Casualty Company of Connecticut	06-1286266	51,425,798
Northland Casualty Company	94-6051964	20,093,483
Discover Specialty Insurance Company	52-1925132	14,081,815
Travelers Constitution State Insurance Company	41-1435766	7,985,871
The Travelers Casualty Company	41-1435765	6,686,703
American Equity Specialty Insurance Company	86-0868106	1,592,661
Total		<u>\$ 45,505,241,398</u>

2. Unaffiliated Company Recoverables:

The unsecured aggregate recoverables for ceded losses, loss adjustment expenses and unearned premiums recoverable from any unaffiliated reinsurer at December 31, 2012, that exceeded 3% of the Company's surplus as regards policyholders, were as follows:

NONE

Additional detail on reinsurance recoverable balances by reinsurer is shown in Schedule F - Part 3.

B. Reinsurance Recoverable in Dispute:

Not applicable.

## NOTES TO FINANCIAL STATEMENTS

## C. Reinsurance Assumed and Ceded:

	<u>Assumed</u> <u>Reinsurance</u>		<u>Ceded</u> <u>Reinsurance</u>		<u>Net</u>	
	<u>Premium</u> <u>Reserve</u>	<u>Commission</u> <u>Equity</u>	<u>Premium</u> <u>Reserve</u>	<u>Commission</u> <u>Equity</u>	<u>Premium</u> <u>Reserve</u>	<u>Commission</u> <u>Equity</u>
Affiliates	\$ 2,156,244,090	\$ 330,407,658	\$ 373,303,395	\$ 57,202,383	\$ 1,782,940,695	\$ 273,205,275
All Other	<u>12,035,564</u>	<u>1,844,245</u>	<u>12,941,063</u>	<u>1,982,997</u>	<u>(905,499)</u>	<u>(138,752)</u>
Total	<u>\$ 2,168,279,654</u>	<u>\$ 332,251,903</u>	<u>\$ 386,244,458</u>	<u>\$ 59,185,380</u>	<u>\$ 1,782,035,196</u>	<u>\$ 273,066,523</u>

Direct Unearned Premium Reserve \$ 449,113,783

2. Accruals for contingent, sliding scale adjustment and other profit sharing commissions, net of reinsurance assumed and ceded, amounted to \$24,397,363 at December 31, 2012. This balance represents the Company's 24.79% pro rata share of the net amount of the TRV Pool (see Note 26):

	<u>Direct</u>	<u>Assumed</u>	<u>Ceded</u>	<u>Net</u>
a. Contingent Commission	\$ 6,639,108	\$20,498,264	\$2,740,009	\$24,397,363
b. Sliding Scale Adjustments	-	-	-	-
c. Other Profit Commission Arrangements	-	-	-	-
d. Total	<u>\$ 6,639,108</u>	<u>\$20,498,264</u>	<u>\$2,740,009</u>	<u>\$24,397,363</u>

## D. Uncollectible Reinsurance:

Not applicable.

## E. Commutation of Ceded Reinsurance:

Not applicable.

## F. Retroactive Reinsurance:

	<u>Assumed</u>	<u>Ceded</u>
a. Reserves Transferred:		
(1) Initial Reserves	\$ 2,330,260	\$124,778,936
(2) Adjustments - Prior Year(s)	(743,700)	44,170,655
(3) Adjustments - Current Year	-	4,132,809
(4) Current Total	<u>\$ 1,586,560</u>	<u>\$173,082,400</u>
b. Consideration Paid or Received:		
(1) Initial Consideration	\$ 2,591,816	\$111,076,926
(2) Adjustments - Prior Year(s)	-	8,997,139
(3) Adjustments - Current Year	-	-
(4) Current Total	<u>\$ 2,591,816</u>	<u>\$ 120,074,065</u>
c. Paid Losses Reimbursed or Recovered:		
(1) Prior Year(s)	\$ 1,022,677	\$140,904,057
(2) Current Year	2,646	3,012,148
(3) Current Total	<u>\$ 1,025,323</u>	<u>\$143,916,205</u>
d. Special Surplus From Retroactive Reinsurance:		
(1) Initial Surplus Gain or Loss	\$ 261,556	\$ 13,702,010
(2) Adjustments - Prior Year(s)	743,700	35,173,516
(3) Adjustments - Current Year	-	4,132,809
(4) Current Year Restricted Surplus	<u>1,005,256</u>	<u>26,801,052</u>
(5) Cumulative Total Transferred to Unassigned Funds	<u>\$ -</u>	<u>\$ 26,207,283</u>

- e. List the other insurers included in the above transactions:

<u>Company</u>	<u>Assumed</u>	<u>Ceded</u>
Munich Reinsurance America, Inc. (10227)	\$ 1,586,560	\$ -
Commercial Risk Re-Insurance Co. (27955)	-	3,173,120
General Reinsurance Corporation (22039)	-	74,370,000
nSpire Re Limited (AA-1784124)	-	19,766,044
Platinum Underwriters Reinsurance Inc. (10357)	-	27,251,325
Various	-	48,521,911
Total	<u>\$ 1,586,560</u>	<u>\$173,082,400</u>

- f. Paid Loss/LAE Recoverable:

## 1. Authorized Reinsurers

<u>Company</u>	<u>Total</u> <u>Paid/Loss/LAE</u> <u>Recoverable</u>	<u>Amount</u> <u>Over 90 Days</u> <u>Past Due</u>
Platinum Underwriters Reinsurance Inc. (10357)	\$ 28,072	\$ -
General Reinsurance Corporation (22039)	41,960	41,960
Various	56,158	5,404
Total	<u>\$ 126,190</u>	<u>\$ 47,364</u>

## 2. Unauthorized Reinsurers

<u>Company</u>	<u>Total</u> <u>Paid/Loss/LAE</u> <u>Recoverable</u>	<u>Amount</u> <u>Over 90 Days</u> <u>Past Due</u>	<u>Collateral</u> <u>Held</u>
nSpire Re Limited (AA-178412)	\$ -	\$ -	\$ 6,417,089
Various	88,431	59,105	-
Total	<u>\$ 88,431</u>	<u>\$ 59,105</u>	<u>\$ 6,417,089</u>

**NOTES TO FINANCIAL STATEMENTS**

## G. Reinsurance Accounted for as a Deposit:

As of December 31, 2012, the Company had one assumed reinsurance contract accounted for as a deposit with a non-zero balance. This contract has been in runoff since 2001 and has a deposit balance of \$600,321 at year-end. Due to the immaterial nature of the deposit balance, the Company accounts for it at the estimated ultimate remaining payments on an undiscounted basis.

As of December 31, 2012, the Company had four ceded reinsurance contracts accounted for as a deposit with non-zero balances. Three of these contracts have been in runoff since at least 2006 and have a combined balance of \$1,110,390 at year-end. The fourth was entered into in 2012 and had a deposit balance of \$11,690 at year-end. Due to the immaterial nature of these balances, the Company accounts for them at their estimated ultimate remaining recoverables on an undiscounted basis.

## H. Disclosures for the Transfer of Property and Casualty Run-off Agreements

Not applicable.

## I. Certified Reinsurer Downgraded or Status Subject to Revocation

Not applicable.

## 24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

A. Accrued retrospective premiums (Page 2, Line 15.3) have been determined based upon loss experience on business subject to such experience rating adjustment. Accrued retrospectively rated premiums, including all of those relating to bulk IBNR, have been determined by or allocated to individual policyholder accounts. Ten percent of the amount not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss expense reserves), or collateral as permitted by SSAP No. 66, *Retrospectively Rated Contracts*, has been nonadmitted. The amount shown in Part E below is the Company's proportionate share of the accrued retrospective premiums of the TRV Pool (see Note 26).

B. The Company records accrued retrospective premium as an adjustment to earned premium.

C. See Schedule P - Part 7A.

D. Not applicable.

E. Calculation of nonadmitted retrospective premium:

1. Total accrued retrospective premium	\$ 28,749,397
2. Unsecured amount	4,331,748
3. Less: Nonadmitted amount (10%)	433,175
4. Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	-
5. Admitted amount (1) - (3) - (4)	<u>\$ 28,316,222</u>

## 25. CHANGES IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

During the period from January 1, 2012 to December 31, 2012, the prior year-end total loss and loss adjustment expense reserves developed favorably by \$236,761,000, resulting from better than expected loss and defense and cost containment (DCC) development primarily in the workers' compensation, special property, other liability – occurrence, reinsurance – liability, homeowners, and automobile physical damage lines, and from lower estimates for adjusting and other expenses, partially offset by loss and DCC deterioration primarily in the commercial automobile liability, products liability – occurrence, and private passenger automobile liability lines.

The improvement in the workers' compensation line was concentrated in accident years 2008 and prior, and reflected better than expected frequency and severity of lifetime medical claims. The improvement in the special property line was driven by better than expected development for catastrophe claims incurred in accident year 2011, and by higher than expected salvage and subrogation recoveries in accident years 2009 through 2011. The improvement in the other liability – occurrence line was concentrated in the excess coverages for accident years 2003 through 2010 and reflected more favorable legal and judicial environments than what the Company previously expected. Also contributing to the improvement was a reallocation of IBNR to products liability – occurrence. This improvement was partially offset by unfavorable development in asbestos and environmental reserves for "Prior" accident years. The improvement in the reinsurance - liability line was driven by a reallocation of IBNR to other liability – claims made line for accident years 2008 through 2011 and by favorable resolutions of claims and disputes from accident years 2004 and prior, partially offset by an increase in projected assumed asbestos liability payments. The improvement in the homeowners line was driven by better than expected development for catastrophe claims incurred in accident year 2011 and non-catastrophe claims incurred in accident years 2010 and 2011. The improvement in the automobile physical damage line was driven by better than expected development for weather-related claims in accident year 2011. Lastly, the improvement in adjusting and other expense reserves was driven by improvement in the underlying loss and DCC reserves and by the allocation of adjusting and other expense reserves by year as disclosed in the Schedule P Interrogatories of the Company.

The deterioration in the commercial automobile liability line was driven by higher than expected bodily injury severity for accident years 2010 and 2011. The deterioration in the products liability – occurrence line was primarily caused by unfavorable development in asbestos reserves and by a reallocation of IBNR from the other liability – occurrence line. Lastly, the deterioration in the private passenger automobile liability line was driven by higher than expected bodily injury severity for accident year 2011.

The remaining changes are generally the result of ongoing analyses of recent loss data and trends. A portion of the change from prior year effects relates to retrospectively rated policies, and these policies are subject to premium adjustments.

## 26. INTERCOMPANY POOLING ARRANGEMENTS

The Company is a participant in the TRV Pool, an intercompany pooling arrangement. The lead company of the TRV Pool is Indemnity. Under the terms of the arrangement, the property-casualty underwriting risks for substantially all lines of business of the intercompany pool participants are reinsured with Indemnity. The pool of net underwriting risks remaining after reinsurance is transacted with third parties by Indemnity is then retroceded to the pool participants based on pool participation percentages. The provision for reinsurance and the write-off of uncollectible reinsurance are reported in the statutory financial statements of Indemnity and are not allocated to the other pool participants.

The names, NAIC company codes and intercompany pool percentages of the companies participating in the TRV Pool are as follows:

<u>TRV Pool Participant</u>	<u>NAIC Company Code</u>	<u>Pool Participation %</u>
St. Paul Fire and Marine Insurance Company	24767	24.79
The Travelers Indemnity Company	25658	23.29
Travelers Casualty and Surety Company	19038	20.36
The Phoenix Insurance Company	25623	5.00



**NOTES TO FINANCIAL STATEMENTS**

The Standard Fire Insurance Company	19070	4.84
United States Fidelity and Guaranty Company	25887	4.41
Travelers Casualty Insurance Company of America	19046	2.73
Farmington Casualty Company	41483	1.48
The Automobile Insurance Company of Hartford, Connecticut	19062	1.37
The Travelers Indemnity Company of Connecticut	25682	1.37
The Charter Oak Fire Insurance Company	25615	1.27
Northland Insurance Company	24015	1.22
St. Paul Surplus Lines Insurance Company	30481	0.88
The Travelers Indemnity Company of America	25666	0.77
St. Paul Protective Insurance Company	19224	0.58
Northfield Insurance Company	27987	0.52
Travelers Casualty Company of Connecticut	36170	0.47
Travelers Commercial Casualty Company	40282	0.47
Travelers Commercial Insurance Company	36137	0.47
St. Paul Mercury Insurance Company	24791	0.40
Travelers Property Casualty Company of America	25674	0.36
Travelers Property Casualty Insurance Company	36161	0.30
The Travelers Casualty Company	41769	0.29
Travelers Constitution State Insurance Company	41750	0.29
TravCo Insurance Company	28188	0.27
Travelers Excess and Surplus Lines Company	29696	0.27
The Travelers Home and Marine Insurance Company	27998	0.27
Travelers Personal Security Insurance Company	36145	0.27
Travelers Personal Insurance Company	38130	0.27
Discover Property & Casualty Insurance Company	36463	0.14
Discover Specialty Insurance Company	10213	0.14
Northland Casualty Company	24031	0.14
American Equity Specialty Insurance Company	10819	0.10
Fidelity and Guaranty Insurance Underwriters, Inc.	25879	0.10
St. Paul Guardian Insurance Company	24775	0.10

All of the above TRV Pool companies are party to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have contractual rights of direct recovery from the non-affiliated reinsurers under the terms of such reinsurance agreements.

As of December 31, 2012 the Company had \$19,113,731 payable to affiliates as a result of its intercompany reinsurance transactions which settled in January 2013.

**27. STRUCTURED SETTLEMENTS**

The Company has purchased annuities from life insurance companies, under which the claimant is the payee and the Company is the owner of the annuity contract, to fund structured settlements. These annuity contracts are now the direct responsibility of the life insurance companies from whom they have been purchased and claims settled by the purchase of such annuity contracts are treated as closed claims. In the event that the life insurance company fails to make the required annuity payments, the Company would be required to make such payments if and to the extent not paid by state guaranty associations.

The following data represents the Company's proportionate share of structured settlement annuities purchased by members of the TRV Pool (see Note 26):

A. <u>Loss Reserves Eliminated by Annuities</u>		<u>Unrecorded Loss Contingencies</u>
\$782,686,453		\$782,686,453
B. <u>Life Insurance Company and Location</u>	<u>Licensed in Company's State of Domicile</u>	<u>Statement Value of Annuities</u>
Fidelity & Guaranty Life Insurance Company, Baltimore, MD	Yes	\$231,787,100
MetLife Insurance Company of Connecticut, Bloomfield, CT	Yes	96,232,939
Genworth Life and Annuity Insurance Company, Richmond, VA	Yes	60,918,473
Symetra Life Insurance Company, Bellevue, WA	Yes	58,291,322
Genworth Life Insurance Company, Richmond, VA	Yes	48,019,072
All other companies		287,437,547

**28. HEALTH CARE RECEIVABLES**

Not applicable.

**29. PARTICIPATING POLICIES**

Not applicable.

**30. PREMIUM DEFICIENCY RESERVES**

1. Liability carried for premium deficiency reserves	\$	0
2. Date of the most recent evaluation of this liability	December 31, 2012	
3. Was anticipated investment income utilized in the calculation?		Yes

**31. HIGH DEDUCTIBLES**

At December 31, 2012, the amount of reserve credit recorded by the Company for high deductible policies on unpaid claims was \$1,693,023,620 and the amount billed and outstanding on paid claims was \$13,670,493. These amounts represent the Company's proportionate share of the TRV Pool (see Note 26).

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

A. Except for certain third party administered claims, tabular workers' compensation case reserves have been discounted in accordance with the various state laws under which the benefits are paid. The tabular case reserves, as included in Schedule P, reflect a discount rate of 3.5% or as specified by state requirements, generally using the following United States Life Tables:

**NOTES TO FINANCIAL STATEMENTS**

Non-Fatal Cases: United States Life Tables Total Population 1969-71 – MI  
 United States Life Tables Total Population 1979-81 – TX  
 United States Life Tables Total Population 1999 – FL, NJ & NY  
 United States Life Tables Total Male or Total Female 1989-91 – CA  
 United States Life Tables Total Male or Total Female 2006 – MA  
 United States Life Tables Total Male or Total Female 2000 – MN  
 United States Life Tables Total Male or Total Female 1999 – all other states

Fatal Cases: United States Life Tables Total Female 1969-71 – MI \*  
 United States Life Tables Total Female 1979-81 – TX \*  
 United States Life Tables Total Female 1989-91 – CA \*  
 United States Life Tables Total Female 2006 – MA \*  
 \* and the 1979 NCCI Remarriage Table  
 New York Mandated Mortality & Remarriage Table – NY  
 United States Life Tables Total Female 2000 – MN \*\*  
 United States Life Tables Total Female 1999 – all other states \*\*  
 \*\* and the Railroad Retirement Board Remarriage Table

Other liability reserves related to annuity obligations from structured settlements are discounted using a discount rate of 5% and reflect the 1983 Individual Annuity Mortality table adjusted for impairment and future mortality improvement.

The Company develops loss reserve estimates for workers' compensation tabular claims that are expectations of what the ultimate settlement costs for these claims will be upon final resolution in the future. These estimates are based on the Company's assessment of facts and circumstances currently known and, using Company experience, multiple actuarial estimation methods. This includes estimates of payment patterns reflecting actual mortality, morbidity and settlement history that relate both to claims currently identified as tabular as well as claims not yet identified as tabular ("IBNR" tabular). The total reserves and the corresponding discount that the Company has established for these claims reflects these multiple estimation methods, payment patterns and a discount rate of 5%. The liabilities and discount amounts shown below reflect estimates of the ultimate liability for tabular claims. Furthermore, the case vs. IBNR discount amounts shown below each reflects estimates of the ultimate resolution costs for these claims: case amounts for claims already identified as tabular; IBNR amounts for claims yet to be identified as tabular.

The December 31, 2012 liabilities of the Company included \$404,361,080 and \$30,986,113 of such discounted liabilities related to workers' compensation and other liability-occurrence reserves, respectively. The amount of discount for case and IBNR reserves at December 31, 2012 is as follows:

## Tabular Discount

	<u>Schedule P Lines of Business</u>	<u>Tabular Discount Included in</u> <u>Schedule P, Part 1*</u>	
		<u>Case</u>	<u>IBNR</u>
1.	Workers' Compensation	\$91,297,111	\$110,626,497
2.	Other Liability-Occurrence	<u>3,485,229</u>	<u>33,874,443</u>
3.	Total	<u>\$94,782,340</u>	<u>\$144,500,940</u>

\* Excludes medical loss reserves and all loss adjustment expense reserves

B. Non-tabular reserves have not been discounted.

C. No changes in the rates or other key assumptions used to discount prior accident year reserves have been made.

**33. ASBESTOS/ENVIRONMENTAL RESERVES**

The following represents the Company's allocable share of the pooled property-casualty business of the TRV Pool, based on its pro rata participation percentage of 24.79%.

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

Exposure for asbestos losses arises from liability coverage written many years ago. The exposures include bodily injury and property damage losses.

Because each policyholder presents different liability and coverage issues, the Company generally reviews the exposure presented by each policyholder at least annually. Among the factors which the Company may consider in the course of this review are: available insurance coverage, including the role of any umbrella or excess insurance the Company has issued to the policyholder; limits and deductibles; an analysis of the policyholder's potential liability; the jurisdictions involved; past and anticipated future claim activity and loss development on pending claims; past settlement values of similar claims; allocated claim adjustment expense; potential role of other insurance; the role, if any, of non-asbestos claims or potential non-asbestos claims in any resolution process; and applicable coverage defenses or determinations, if any, including the determination as to whether or not an asbestos claim is a products/completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim.

The Company continues to be involved in coverage litigation concerning a number of policyholders, some of whom have filed for bankruptcy, who in some instances have asserted that all or a portion of their asbestos-related claims are not subjected to aggregate limits on coverage. In these instances, policyholders also may assert that each individual bodily injury claim should be treated as a separate occurrence under the policy. It is difficult to predict whether these policyholders will be successful on both issues. To the extent both issues are resolved in a policyholder's favor and other Company defenses are not successful, the Company's coverage obligations under the policies at issue would be materially increased and bounded only by the applicable per-occurrence limits and the number of asbestos bodily injury claims against the policyholders. Accordingly, although the Company has seen a moderation in the overall risk associated with these lawsuits, it remains difficult to predict the ultimate cost of these claims.

The Company's quarterly asbestos reserve reviews include an analysis of exposure and claim payment patterns, as well as recent settlements, policyholder bankruptcies, judicial rulings and legislative actions. The Company also analyzes developing payment patterns among various policyholders as well as projected reinsurance billings and recoveries. In addition, the Company reviews its historical gross and net loss and expense paid experience, year-by-year, to assess any emerging trends, fluctuations, or characteristics suggested by the aggregate paid activity. Conventional actuarial methods are not utilized to establish asbestos reserves nor have the Company's evaluations resulted in any way of determining a meaningful average asbestos defense or indemnity payment.

In December 2008, the Company sold Unionamerica. In conjunction with the sale the Company commuted its assumed intercompany reinsurance agreements with Unionamerica subsidiaries. As a result of these commutations and their impact on the TRV Pool, the

## NOTES TO FINANCIAL STATEMENTS

Company's 2008 asbestos assumed calendar year paid losses increased by \$49,084,200 and the Company's 2008 asbestos assumed incurred losses decreased by \$8,428,600.

1. <u>Direct Basis - Asbestos:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
a. Beginning reserves:	\$ 934,547,000	\$ 769,163,000	\$ 721,823,000	\$ 678,591,000	\$ 633,480,000
b. Incurred losses and LAE:	15,548,000	39,664,000	51,315,000	34,706,000	31,805,000
c. Calendar year payments for losses and LAE:	<u>180,932,000</u>	<u>87,004,000</u>	<u>94,547,000</u>	<u>79,817,000</u>	<u>57,171,000</u>
d. Ending reserves:	<u>\$ 769,163,000</u>	<u>\$ 721,823,000</u>	<u>\$ 678,591,000</u>	<u>\$ 633,480,000</u>	<u>\$ 608,114,000</u>
2. <u>Assumed Reinsurance Basis - Asbestos:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
a. Beginning reserves:	\$ 118,202,000	\$ 48,163,000	\$ 45,231,000	\$ 50,005,000	\$ 55,267,000
b. Incurred losses and LAE:	(6,500,000)	6,198,000	13,633,000	13,635,000	8,102,000
c. Calendar year payments for losses and LAE:	<u>63,539,000</u>	<u>9,130,000</u>	<u>8,859,000</u>	<u>8,373,000</u>	<u>7,656,000</u>
d. Ending reserves:	<u>\$ 48,163,000</u>	<u>\$ 45,231,000</u>	<u>\$ 50,005,000</u>	<u>\$ 55,267,000</u>	<u>\$ 55,713,000</u>
3. <u>Net of Ceded Reinsurance Basis - Asbestos:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
a. Beginning reserves:	\$ 925,010,000	\$ 721,813,000	\$ 683,078,000	\$ 631,096,000	\$ 604,171,000
b. Incurred losses and LAE:	9,046,000	45,862,000	34,706,000	43,383,000	40,895,000
c. Calendar year payments for losses and LAE:	<u>212,243,000</u>	<u>84,597,000</u>	<u>86,688,000</u>	<u>70,308,000</u>	<u>58,488,000</u>
d. Ending reserves:	<u>\$ 721,813,000</u>	<u>\$ 683,078,000</u>	<u>\$ 631,096,000</u>	<u>\$ 604,171,000</u>	<u>\$ 586,578,000</u>

Where appropriate, these agreements also include indemnities and hold harmless provisions to protect the Company.

**B. Ending loss and LAE reserves for unreported claims included in Part A above:**

1. Direct Basis:	\$ 507,670,000
2. Assumed Reinsurance Basis:	\$ 25,317,000
3. Net of Ceded Reinsurance Basis:	\$ 478,403,000

**C. Ending LAE reserves for reported and unreported claims included in Part A above:**

1. Direct Basis:	\$ 163,585,000
2. Assumed Reinsurance Basis:	\$ 641,000
3. Net of Ceded Reinsurance Basis:	\$ 154,566,000

**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 ( )**

Exposure for environmental losses arises from liability coverage written many years ago. The exposures include bodily injury and property damage losses.

The resolution of environmental exposures by the Company generally occurs through settlements with policyholders as opposed to claimants. Generally, the Company strives to extinguish any obligations it may have under any policy issued to the policyholder for past, present and future environmental liabilities and extinguish any pending coverage litigation dispute with the policyholder. This form of settlement is commonly referred to as a "buy-back" of policies for future environmental liability. In addition, many of the agreements have also extinguished any insurance obligation which the Company may have for other claims, including but not limited to asbestos and other cumulative injury claims. The Company and its policyholders may also agree to settlements which extinguish any liability arising from known specified sites or claims. Where appropriate, these agreements also include indemnities and hold harmless provisions to protect the Company. The Company's general purpose in executing these agreements is to reduce the Company's potential environmental exposure and eliminate the risks presented by coverage litigation with the policyholder and related costs.

In establishing environmental reserves, the Company evaluates the exposure presented by each policyholder and the anticipated cost of resolution, if any. In the course of this analysis, the Company generally considers the probable liability, available coverage, relevant judicial interpretations and historical value of similar exposures. In addition, the Company considers the many variables presented, such as the nature of the alleged activities of the policyholder at each site; the number of sites; the total number of potentially responsible parties at each site; the nature of the alleged environmental harm and the corresponding remedy at each site; the nature of government enforcement activities at each site; the ownership and general use of each site; the overall nature of the insurance relationship between the Company and the policyholder, including the role of any umbrella or excess insurance the Company has issued to the policyholder; the involvement of other insurers; the potential for other available coverage, including the number of years of coverage; the role, if any, of non-environmental claims or potential non-environmental claims in any resolution process; and the applicable law in each jurisdiction. The evaluation of the exposure presented by a policyholder can change as information concerning that policyholder and the many variables presented is developed. Conventional actuarial techniques are not used to estimate these reserves.

In its review of environmental reserves, the Company considers: past settlement payments; changing judicial and legislative trends; its reserves for the costs of litigating environmental coverage matters; the potential for policyholders with smaller exposures to be named in new clean-up actions for both on- and off-site waste disposal activities; the potential for adverse development; the potential for additional new claims beyond previous expectations; and the potential higher costs for new settlements.

The majority of the net environmental reserve is carried in a bulk reserve which includes unresolved environmental claims, incurred but not reported environmental claims and the anticipated cost of coverage litigation disputes relating to these claims. The bulk reserve the Company carries is established and adjusted based upon the aggregate volume of in-process environmental claims and the Company's experience in resolving those claims. The balance of the net environmental reserve consists of case reserves.

As a result of the commutations described above and their impact on the TRV Pool, the Company's 2008 environmental assumed calendar year paid losses increased by \$6,941,200 and the Company's 2008 environmental assumed incurred losses decreased by \$1,239,500.

1. <u>Direct Basis - Environmental:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
a. Beginning reserves:	\$ 89,299,000	\$ 83,225,000	\$ 82,496,000	\$ 74,706,000	\$ 71,742,000
b. Incurred losses and LAE:	21,029,000	20,824,000	9,866,000	16,361,000	19,621,000
c. Calendar year payments for losses and LAE:	<u>27,103,000</u>	<u>21,553,000</u>	<u>17,656,000</u>	<u>19,325,000</u>	<u>21,069,000</u>
d. Ending reserves:	<u>\$ 83,225,000</u>	<u>\$ 82,496,000</u>	<u>\$ 74,706,000</u>	<u>\$ 71,742,000</u>	<u>\$ 70,294,000</u>

**NOTES TO FINANCIAL STATEMENTS**

2. <u>Assumed Reinsurance Basis- Environmental:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
a. Beginning reserves:	\$ 27,130,000	\$ 15,825,000	\$ 13,969,000	\$ 13,055,000	\$ 14,192,000
b. Incurred losses and LAE:	(1,119,000)	247,000	1,290,000	3,470,000	4,917,000
c. Calendar year payments for losses and LAE:	<u>10,186,000</u>	<u>2,103,000</u>	<u>2,204,000</u>	<u>2,333,000</u>	<u>2,029,000</u>
d. Ending reserves:	<u>\$ 15,825,000</u>	<u>\$ 13,969,000</u>	<u>\$ 13,055,000</u>	<u>\$ 14,192,000</u>	<u>\$ 17,080,000</u>
3. <u>Net of Ceded Reinsurance Basis- Environmental:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
a. Beginning reserves:	\$ 121,448,000	\$ 102,568,000	\$ 97,455,000	\$ 86,895,000	\$ 84,620,000
b. Incurred losses and LAE:	19,910,000	17,354,000	8,677,000	18,840,000	22,313,000
c. Calendar year payments for losses and LAE:	<u>38,790,000</u>	<u>22,467,000</u>	<u>19,237,000</u>	<u>21,115,000</u>	<u>20,801,000</u>
d. Ending reserves:	<u>\$ 102,568,000</u>	<u>\$ 97,455,000</u>	<u>\$ 86,895,000</u>	<u>\$ 84,620,000</u>	<u>\$ 86,132,000</u>

E. Ending loss and LAE reserves for unreported claims included in Part D above:

1. Direct Basis:	\$ 69,229,000
2. Assumed Reinsurance Basis:	\$ 11,398,000
3. Net of Ceded Reinsurance Basis	\$ 80,251,000

F. Ending LAE reserves for reported and unreported claims included in Part D above:

1. Direct Basis:	\$ 16,953,000
2. Assumed Reinsurance Basis:	\$ 48,000
3. Net of Ceded Reinsurance Basis	\$ 16,543,000

As a result of the processes and procedures discussed above, management believes that the reserves carried for asbestos and environmental claims at December 31, 2012 are appropriately established based upon known facts, current law and management's judgment. However, the uncertainties surrounding the final resolution of these claims continue, and it is difficult to determine the ultimate exposure for asbestos and environmental claims and related litigation. As a result, these reserves are subject to revision as new information becomes available and as claims develop. The continuing uncertainties include, without limitation, the risks and lack of predictability inherent in complex litigation, any impact from the bankruptcy protection sought by various asbestos producers and other asbestos defendants, a further increase or decrease in the cost to resolve and/or the number of asbestos and environmental claims beyond that which is anticipated, the role of any umbrella or excess policies the Company has issued, the resolution or adjudication of disputes pertaining to the amount of available coverage for asbestos and environmental claims in a manner inconsistent with the Company's previous assessment of these claims, the number and outcome of direct actions against the Company, future developments pertaining to the Company's ability to recover reinsurance for asbestos and environmental claims and the unavailability of other insurance sources potentially available to policyholders, whether through exhaustion of policy limits or through the insolvency of other participating insurers. In addition, uncertainties arise from the insolvency or bankruptcy of policyholders and other defendants. It is also not possible to predict changes in the legal, regulatory and legislative environment and their impact on the future development of asbestos and environmental claims. This environment could be affected by changes in applicable legislation and future court and regulatory decisions and interpretations, including the outcome of legal challenges to legislative and/or judicial reforms establishing medical criteria for the pursuit of asbestos claims. It is also difficult to predict the ultimate outcome of complex coverage disputes until settlement negotiations near completion and significant legal questions are resolved or, failing settlement, until the dispute is adjudicated. This is particularly the case with policyholders in bankruptcy where negotiations often involve a large number of claimants and other parties and require court approval to be effective. As part of its continuing analysis of asbestos and environmental reserves, the Company continues to study the implications of these and other developments.

Because of the uncertainties set forth above, additional liabilities may arise for amounts in excess of the current related reserves. In addition, the Company's estimate of claims and claim adjustment expenses may change. These additional liabilities or increases in estimates, or a range of either, cannot now be reasonably estimated and could result in income statement charges that could be material to the Company's operating results in future periods.

34. SUBSCRIBER SAVINGS ACCOUNTS

Not applicable.

35. MULTIPLE PERIL CROP INSURANCE

Not applicable.

36. FINANCIAL GUARANTY INSURANCE

Not applicable.

**NOTES TO FINANCIAL STATEMENTS**

Attachment to the 2012 Annual Statement – Notes to Financial Statements, Note 9 – Part F:  
Names of the companies included with TRV in the December 31, 2012, consolidated Federal income tax return filing

The Travelers Companies, Inc. (TRV) & Subsidiaries

<u>Company Name</u>	<u>FEIN</u>	<u>Company Name</u>	<u>FEIN</u>
AE DEVELOPMENT GROUP, INC.	06-0952727	THE CHARTER OAK FIRE INSURANCE COMPANY	06-0291290
AMERICAN EQUITY INSURANCE COMPANY	86-0703220	THE PHOENIX INSURANCE COMPANY	06-0303275
AMERICAN EQUITY SPECIALTY INSURANCE COMPANY	86-0868106	THE PREMIER INSURANCE COMPANY OF MASSACHUSETTS	04-3175569
BMR SPORTS PROPERTIES, INC.	52-1852190	THE STANDARD FIRE INSURANCE COMPANY	06-6033509
CAMPERDOWN CORPORATION	41-1762781	THE TRAVELERS CASUALTY COMPANY	41-1435765
CASTLE PINES FIDELITY REALTY, INC.	52-1735211	THE TRAVELERS HOME AND MARINE INSURANCE COMPANY	35-1838079
COMMERCIAL GUARANTY INSURANCE COMPANY	75-1679830	THE TRAVELERS INDEMNITY COMPANY	06-0566050
CONSTITUTION PLAZA INC	06-0566030	THE TRAVELERS INDEMNITY COMPANY OF AMERICA	58-6020487
COUNTERSIGNATURE AGENCY, INC.	06-1345091	THE TRAVELERS INDEMNITY COMPANY OF CONNECTICUT	06-0336212
DISCOVER PROPERTY & CASUALTY INSURANCE COMPANY	36-2999370	THE TRAVELERS LLOYDS INSURANCE COMPANY	76-0002592
DISCOVER SPECIALTY INSURANCE COMPANY	52-1925131	TINDY FOREIGN, INC.	20-4403403
ENGLISH TURN FIDELITY REALTY, INC.	52-1466734	TPC INVESTMENTS, INC.	06-1534005
ENGLISH TURN REALTY MANAGEMENT, INC.	52-1715225	TRAVCO INSURANCE COMPANY	35-1838077
FARMINGTON CASUALTY COMPANY	06-1067463	TRAVELERS LLOYDS OF TEXAS INSURANCE COMPANY	75-1732040
FIDELITY AND GUARANTY INSURANCE COMPANY	42-1091525	TRAVELERS (BERMUDA) LTD.	98-0190863
FIDELITY AND GUARANTY INSURANCE UNDERWRITERS, INC.	52-0616768	TRAVELERS CASUALTY AND SURETY COMPANY	06-6033504
FIRST FLORIDIAN AUTO AND HOME INSURANCE COMPANY	59-3372141	TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA	06-0907370
FIRST TRENTON INDEMNITY COMPANY	22-3129711	TRAVELERS CASUALTY COMPANY OF CONNECTICUT	06-1286266
GULF UNDERWRITERS INSURANCE COMPANY	56-1371361	TRAVELERS CASUALTY INSURANCE COMPANY OF AMERICA	06-0876835
JUPITER HOLDINGS, INC.	41-1769846	TRAVELERS COMMERCIAL CASUALTY COMPANY	95-3634110
LAUREL VILLAGE FIDELITY REALTY, INC.	52-1551225	TRAVELERS COMMERCIAL INSURANCE COMPANY	06-1286268
NORTHBROOK HOLDINGS, INC.	51-0375653	TRAVELERS CONSTITUTION STATE INSURANCE COMPANY	41-1435766
NORTHFIELD INSURANCE COMPANY	41-0983992	TRAVELERS DISTRIBUTION ALLIANCE, INC.	62-1657094
NORTHLAND CASUALTY COMPANY	94-6051964	TRAVELERS EXCESS AND SURPLUS LINES COMPANY	06-1203698
NORTHLAND INSURANCE COMPANY	41-6009967	TRAVELERS INSURANCE GROUP HOLDINGS INC.	06-1445591
NORTHLAND RISK MANAGEMENT SERVICES, INC.	41-1720288	TRAVELERS LLOYDS MANAGEMENT COMPANY	20-4312440
SELECT INSURANCE COMPANY	75-6013697	TRAVELERS MGA, INC.	75-2676034
SPC INSURANCE AGENCY, INC.	41-1888760	TRAVELERS PERSONAL INSURANCE COMPANY	36-3703200
ST. PAUL FIRE & CASUALTY INSURANCE COMPANY	41-1419276	TRAVELERS PERSONAL SECURITY INSURANCE COMPANY	06-1286264
ST. PAUL FIRE & MARINE INSURANCE COMPANY	41-0406690	TRAVELERS PROPERTY CASUALTY INSURANCE COMPANY	06-1286274
ST. PAUL GUARDIAN INSURANCE COMPANY	41-0963301	TRAVELERS PROPERTY CASUALTY COMPANY OF AMERICA	36-2719165
ST. PAUL LONDON PROPERTIES, INC.	41-1880024	TRAVELERS PROPERTY CASUALTY CORP.	06-1008174
ST. PAUL MERCURY INSURANCE COMPANY	41-0881659	TRAVELERS TEXAS MGA, INC.	27-4469564
ST. PAUL PROTECTIVE INSURANCE COMPANY	36-2542404	UNITED STATES FIDELITY & GUARANTY COMPANY	52-0515280
ST. PAUL SURPLUS LINES INSURANCE COMPANY	41-1230819	USF&G RETAIL ASSOCIATES GP, INC.	52-1704255
TCI GLOBAL SERVICES, INC.	52-1965525	YONKERS FINANCING CORPORATION	20-3033027
THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CT	06-0848755		

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES - GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No [ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] N/A [ ]
- 1.3 State regulating? Connecticut
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]
- 2.2 If yes, date of change: \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2009
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2009
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 03/24/2011
- 3.4 By what department or departments?  
Minnesota Department of Commerce

- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [ ] No [ ] N/A [X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [ ] N/A [ ]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [ ] No [X]
- 4.12 renewals? Yes [ ] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [ ] No [X]
- 4.22 renewals? Yes [ ] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Co. Code	3 State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]
- 6.2 If yes, give full information: \_\_\_\_\_

- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control .....0.000 %
- 7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

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

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
KPMG LLP, One Financial Plaza, 755 Main St., Hartford, CT 06103
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [X]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption: \_\_\_\_\_
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption: \_\_\_\_\_
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [ ] N/A [ ]
- 10.6 If the answer to 10.5 is no or n/a, please explain. \_\_\_\_\_

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Smitesh Davé, FCAS & MAAA (Vice President and Chief Corporate Actuary), The Travelers Companies, Inc., One Tower Square, Hartford, CT 06183

Annual Statement for the year 2012 of the **ST. PAUL FIRE AND MARINE INSURANCE COMPANY**  
**GENERAL INTERROGATORIES**

- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ X ] No [ ]  
 12.11 Name of real estate holding company  
 See 12.2 below.
- 
- 12.12 Number of parcels involved .....3  
 12.13 Total book/adjusted carrying value \$.....29,812,041
- 12.2 If yes, provide explanation.  
 350 Market Street: Holds a 254 room hotel in St. Paul, MN.  
 English Turn Realty Management, Inc and English Turn Fidelity, Inc.: A residential golf course development in New Orleans, LA.  
 Promenade Partners: Holds a strip mall center in Oakbrook, IL.
13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]  
 13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]  
 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [ X ] No [ ]
- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  
 b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;  
 c. Compliance with applicable governmental laws, rules and regulations;  
 d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  
 e. Accountability for adherence to the code.
- 14.11 If the response to 14.1 is no, please explain:
- 
- 14.2 Has the code of ethics for senior managers been amended? Yes [ ] No [ X ]  
 14.21 If the response to 14.2 is yes, provide information related to amendment(s).
- 
- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [ X ]  
 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).
- 

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ X ] No [ ]  
 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
026007692	Banco Santander SA	Failure to comply with contract	3,700,000
051403041	First National Bank	Failure to comply with contract	100,000
062106256	Merchants Bank	Failure to comply with contract	12,500
065301883	United Mississippi Bank	Failure to comply with contract	10,000
065503681	Hancock Bank	Failure to comply with contract	280,800
071119289	Bank of Rantoul	Failure to comply with contract	400,000
073902151	First Whitney Bank & Trust	Failure to comply with contract	80,000
081918425	First State Community Bank	Failure to comply with contract	4,000
082900319	First National Bank of Fort Smith	Failure to comply with contract	25,000
092901683	First Interstate Bank	Failure to comply with contract	40,000
101114109	First Option Bank	Failure to comply with contract	16,000
322070381	East West Bank	Failure to comply with contract	300,000
325070980	Washington Federal	Failure to comply with contract	1,500,000
	ICI Finance Plc	Failure to comply with contract	1,890,000
	KBC Bank NV	Failure to comply with contract	200,000
	Southwest Georgia Farm Credit	Failure to comply with contract	100,000

**PART 1 - COMMON INTERROGATORIES - BOARD OF DIRECTORS**

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [ X ] No [ ]  
 17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [ X ] No [ ]  
 18. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [ X ] No [ ]

**PART 1 - COMMON INTERROGATORIES - FINANCIAL**

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [ X ]
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):  
 20.11 To directors or other officers \$.....0  
 20.12 To stockholders not officers \$.....0  
 20.13 Trustees, supreme or grand (Fraternal only) \$.....0
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):  
 20.21 To directors or other officers \$.....0  
 20.22 To stockholders not officers \$.....0  
 20.23 Trustees, supreme or grand (Fraternal only) \$.....0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [ X ]
- 21.2 If yes, state the amount thereof at December 31 of the current year:  
 21.21 Rented from others \$.....0  
 21.22 Borrowed from others \$.....0  
 21.23 Leased from others \$.....0  
 21.24 Other \$.....0

**PART 1 - COMMON INTERROGATORIES - FINANCIAL**

- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment \$.....0
- 22.22 Amount paid as expenses \$.....0
- 22.23 Other amounts paid \$.....0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] No [X]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. \$.....0

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

- 24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 24.03)? Yes [X] No [ ]
- 24.02 If no, give full and complete information relating thereto.

24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet (an alternative is to reference Note 17 where this information is also provided).  
This company is a party to a security lending agreement. See Note 17.

- 24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [X] No [ ] N/A [ ]
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$.....67,700,576
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$.....0
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [X] No [ ] N/A [ ]
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [X] No [ ] N/A [ ]
- 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [X] No [ ] N/A [ ]
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$.....67,700,576
- 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$.....67,700,576
- 24.103 Total payable for securities lending reported on the liability page. \$.....67,700,576

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

- 25.2 If yes, state the amount thereof at December 31 of the current year:
- 25.21 Subject to repurchase agreements \$.....0
- 25.22 Subject to reverse repurchase agreements \$.....0
- 25.23 Subject to dollar repurchase agreements \$.....0
- 25.24 Subject to reverse dollar repurchase agreements \$.....0
- 25.25 Pledged as collateral \$.....75,502,157
- 25.26 Placed under option agreements \$.....0
- 25.27 Letter stock or securities restricted as to sale \$.....0
- 25.28 On deposit with state or other regulatory body \$.....1,646,433,978
- 25.29 Other \$.....2,097,068

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [X] No [ ]
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [X] No [ ] N/A [ ]  
If no, attach a description with this statement.

- 27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]
- 27.2 If yes, state the amount thereof at December 31 of the current year: \$.....0

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

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

1 Name of Custodian(s)	2 Custodian's Address
JPMorgan Chase	270 Park Avenue, New York, NY 10017-2070
The Bank of New York Mellon	One Wall Street, New York, NY 10286

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
UBS	1 North Wacker 31st Floor Chicago, IL 60606	Future Account Agreements
RBC Dexia	155 Wellington Street W Toronto, ON M5V 3L3	Custodial account for Canadian Branch

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

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address
N/A	CBRE Clarion Securities	201 King of Prussia Road Suite 600 Radnor, PA 19087

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



**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj. Carrying Value
29.2999. TOTAL		0

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

1 Name of Mutual Fund (from the above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	4 Date of Valuation

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	11,040,345,480	11,809,381,046 .....769,035,566
30.2 Preferred stocks.....	3,041,551	3,710,351 .....668,800
30.3 Totals.....	11,043,387,031	11,813,091,397 .....769,704,366

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

Fair values of bonds and preferred stocks are based on prices published in the NAIC Valuations of Securities. If this unit price is not available, the fair value is based upon quoted market prices or dealer quotes, or if prices are unavailable, based on valuation determined, in good faith, by The Travelers Companies, Inc

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

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

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

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

32.2 If no, list exceptions:

**PART 1 - COMMON INTERROGATORIES - OTHER**

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....12,969,452

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
INSURANCE SERVICES OFFICE, INC.	5,201,536

34.1 Amount of payments for legal expenses, if any? \$.....19,394,843

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

1 Name	2 Amount Paid
	0

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....867,138

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

1 Name	2 Amount Paid
US CHAMBER OF COMMERCE - INSTITUTE FOR LEGAL REFORM	285,085

**GENERAL INTERROGATORIES**

**PART 2 - PROPERTY AND CASUALTY INTERROGATORIES**

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

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$.....0
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$.....0
- 1.6 Individual policies:
  - Most current three years:
  - 1.61 Total premium earned \$.....0
  - 1.62 Total incurred claims \$.....0
  - 1.63 Number of covered lives .....0
  - All years prior to most current three years:
  - 1.64 Total premium earned \$.....0
  - 1.65 Total incurred claims \$.....0
  - 1.66 Number of covered lives .....0
- 1.7 Group policies:
  - Most current three years:
  - 1.71 Total premium earned \$.....0
  - 1.72 Total incurred claims \$.....0
  - 1.73 Number of covered lives .....0
  - All years prior to most current three years:
  - 1.74 Total premium earned \$.....0
  - 1.75 Total incurred claims \$.....0
  - 1.76 Number of covered lives .....0

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	\$.....0	\$.....0
2.2 Premium Denominator.....	\$.....4,967,501,601	\$.....4,882,136,325
2.3 Premium Ratio (2.1/2.2).....	.....0.0	.....0.0
2.4 Reserve Numerator.....	\$.....0	\$.....0
2.5 Reserve Denominator.....	\$.....11,996,872,665	\$.....11,973,363,167
2.6 Reserve Ratio (2.4/2.5).....	.....0.0	.....0.0

- 3.1 Does the reporting entity issue both participating and non-participating policies? Yes [X] No [ ]
- 3.2 If yes, state the amount of calendar year premiums written on:
  - 3.21 Participating policies \$.....77,914,258
  - 3.22 Non-participating policies \$.....4,928,515,866
- 4. FOR MUTUAL REPORTING ENTITIES AND RECIPROCAL EXCHANGES ONLY:
  - 4.1 Does the reporting entity issue assessable policies? Yes [ ] No [ ]
  - 4.2 Does the reporting entity issue non-assessable policies? Yes [ ] No [ ]
  - 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? .....0.0 %
  - 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$.....0
- 5. FOR RECIPROCAL EXCHANGES ONLY:
  - 5.1 Does the exchange appoint local agents? Yes [ ] No [ ]
  - 5.2 If yes, is the commission paid:
    - 5.21 Out of Attorney's-in-fact compensation Yes [ ] No [ ] N/A [ ]
    - 5.22 As a direct expense of the exchange Yes [ ] No [ ] N/A [ ]
  - 5.3 What expenses of the exchange are not paid out of the compensation of the Attorney-in-fact?

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

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss?

The Company's risk management practices include active monitoring of insured employee local-based concentrations. Although the Company currently has no significant workers' compensation treaty reinsurance, the Company reviews available treaty reinsurance coverages periodically and makes purchase decisions as it deems appropriate. Facultative reinsurance purchases are also made as deemed appropriate.

6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:

The Company uses various analyses and methods, including proprietary and third party computer modeling processes, to analyze catastrophic events and the associated risks to arrive at loss estimates. The Company uses these analyses and methods to make underwriting and reinsurance decisions designed to manage its exposure to catastrophic events. The Company's hurricane loss estimates reflect U.S. exposures and include property exposures, property residual market exposures and an adjustment for certain non-property exposures. The Company's loss estimates are based on the Company's catastrophe risk model estimates and include loss from the hurricane hazards of wind and storm surge. The Company's loss estimates for earthquakes reflect U.S. and Canadian exposures and include property exposures and workers' compensation exposures. The Company's loss estimates for terrorism reflect U.S. exposures and include property exposures. The Company also develops conventional attack loss estimates for combined property and workers' compensation exposures for comparison and adherence with aggregate enterprise guidelines. To best assess risk, the Company conducts site engineering analyses on buildings with large exposures. Property exposures are analyzed to determine locations of concentration. Spanning the U.S., this includes California, Florida, New Madrid, the Northeast, the Gulf States, and the Mid-Atlantic States.

6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?

The Company purchases both excess of loss and proportional reinsurance to protect itself from an excessive catastrophe loss.

6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [X] No [ ]

6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss:

## GENERAL INTERROGATORIES

## PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [ X ] No [ ]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. ....15
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ X ] No [ ]
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [ ] No [ X ]
- 8.2 If yes, give full information:
- 
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
- (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
- (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
- (c) Aggregate stop loss reinsurance coverage;
- (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
- (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
- (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity? Yes [ ] No [ X ]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
- (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
- (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract? Yes [ ] No [ X ]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
- (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
- (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
- (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
- (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
- (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [ X ]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
- (a) The entity does not utilize reinsurance; or Yes [ ] No [ X ]
- (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [ X ]
- (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [ ] No [ X ]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurance a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [ X ] No [ ] N/A [ ]
- 11.1 Has this reporting entity guaranteed policies issued by any other reporting entity and now in force? Yes [ X ] No [ ]
- 11.2 If yes, give full information:  
The company guarantees the policies of several of its subsidiaries. See Note 14F.
- 
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the assets schedule, Page 2, state the amount of corresponding liabilities recorded for:
- 12.11 Unpaid losses \$.....23,426,075
- 12.12 Unpaid underwriting expenses (including loss adjustment expenses) \$.....4,134,013
- 12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds: \$.....23,228,341
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [ ] No [ X ] N/A [ ]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- 12.41 From .....0.0 %
- 12.42 To .....0.0 %
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [ X ] No [ ]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- 12.61 Letters of credit \$.....1,443,982,410
- 12.62 Collateral and other funds \$.....395,061,946

**GENERAL INTERROGATORIES**

**PART 2 - PROPERTY AND CASUALTY INTERROGATORIES**

- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$.....8,614,525
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [ ] No [X]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. ....3

- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [X] No [ ]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
Per the Company's Reinsurance Allocation Agreement and Pooling Agreement.

- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [ ] No [X]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [X] No [ ]
- 14.5 If the answer to 14.4 is no, please explain:

- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No [X]
- 15.2 If yes, give full information:

- 16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]
- If yes, disclose the following information for each of the following types of warranty coverage:

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11 Home.....					
16.12 Products.....					
16.13 Automobile.....					
16.14 Other*.....					

\* Disclose type of coverage: .....

- 17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F-Part 3 that it excludes from Schedule F-Part 5? Yes [ ] No [X]
- Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F-Part 5.

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

- Provide the following information for all other amounts included in Schedule F-Part 3 and excluded from Schedule F-Part 5, not included above:
- 17.18 Gross amount of unauthorized reinsurance in Schedule F-Part 3 excluded from Schedule F-Part 5 \$.....0
- 17.19 Unfunded portion of Interrogatory 17.18 \$.....0
- 17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18 \$.....0
- 17.21 Case reserves portion of Interrogatory 17.18 \$.....0
- 17.22 Incurred but not reported portion of Interrogatory 17.18 \$.....0
- 17.23 Unearned premium portion of Interrogatory 17.18 \$.....0
- 17.24 Contingent commission portion of Interrogatory 17.18 \$.....0

- 18.1 Do you act as a custodian for health savings account? Yes [ ] No [X]
- 18.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$.....0
- 18.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]
- 18.4 If yes, please provide the balance of the funds administered as of the reporting date. \$.....0

**FIVE-YEAR HISTORICAL DATA**

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

	1 2012	2 2011	3 2010	4 2009	5 2008
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	3,069,348,162	2,945,154,855	2,850,460,455	3,100,874,728	3,393,570,157
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	975,025,177	983,737,310	1,036,082,655	1,128,638,848	1,230,254,741
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	1,782,645,978	1,923,453,432	1,855,443,516	1,796,149,388	1,773,936,700
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	49,768,570	61,168,852	65,734,670	74,111,269	72,124,146
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	28,693,632	31,367,330	23,693,977	28,948,423	15,959,536
6. Total (Line 35).....	5,905,481,519	5,944,881,778	5,831,415,273	6,128,722,656	6,485,845,279
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	2,388,099,149	2,303,682,729	2,208,722,769	2,197,326,722	2,231,670,058
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	874,738,537	880,488,485	898,868,277	908,800,025	943,013,361
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	1,707,924,026	1,700,135,506	1,635,363,639	1,559,786,443	1,526,712,139
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	22,564,931	26,895,627	28,637,594	28,125,968	26,200,266
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	13,103,483	12,166,075	4,830,084	6,065,736	(16,055,766)
12. Total (Line 35).....	5,006,430,125	4,923,368,421	4,776,422,362	4,700,104,894	4,711,540,058
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8).....	13,179,388	(394,445,772)	273,996,601	468,494,455	346,894,248
14. Net investment gain (loss) (Line 11).....	676,289,799	792,897,910	812,930,356	524,901,574	735,357,781
15. Total other income (Line 15).....	18,267,704	6,028,497	8,868,787	7,156,681	26,350,873
16. Dividends to policyholders (Line 17).....	9,976,096	8,639,061	5,944,977	4,333,516	5,441,271
17. Federal and foreign income taxes incurred (Line 19).....	102,999,600	(5,622,487)	177,360,281	274,225,479	253,778,169
18. Net income (Line 20).....	594,761,195	401,464,061	912,490,486	721,993,715	849,383,463
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	18,761,764,152	18,414,741,674	18,356,919,227	19,223,082,666	19,162,959,762
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	524,716,770	483,626,014	527,912,645	381,020,254	246,280,270
20.2 Deferred and not yet due (Line 15.2).....	989,668,171	941,647,858	907,292,930	886,072,050	962,964,354
20.3 Accrued retrospective premiums (Line 15.3).....	28,316,222	46,153,623	48,448,909	119,854,822	79,775,504
21. Total liabilities excluding protected cell business (Page 3, Line 26).....	12,761,100,471	12,701,137,921	12,536,050,944	12,631,728,562	12,796,453,285
22. Losses (Page 3, Line 1).....	7,710,930,540	7,714,594,475	7,537,768,939	7,668,426,823	7,861,178,116
23. Loss adjustment expenses (Page 3, Line 3).....	1,735,754,840	1,779,413,979	1,779,650,483	1,833,237,996	1,826,620,788
24. Unearned premiums (Page 3, Line 9).....	2,231,148,979	2,190,352,385	2,128,243,431	2,063,838,983	2,098,724,313
25. Capital paid up (Page 3, Lines 30 & 31).....	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
26. Surplus as regards policyholders (Page 3, Line 37).....	6,000,663,680	5,713,603,754	5,820,868,283	6,591,354,104	6,366,506,477
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11).....	700,382,424	628,258,981	926,892,248	725,935,114	719,407,190
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital.....	6,000,663,680	5,713,603,754	5,820,868,293	6,591,354,104	6,366,506,477
29. Authorized control level risk-based capital.....	1,014,134,142	1,011,750,646	1,020,809,134	1,053,917,794	1,047,018,163
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1).....	65.6	66.8	67.0	69.7	68.5
31. Stocks (Lines 2.1 & 2.2).....	22.9	22.1	21.8	20.0	18.4
32. Mortgage loans on real estate (Lines 3.1 & 3.2).....	0.3	0.3	0.3	0.3	0.3
33. Real estate (Lines 4.1, 4.2 & 4.3).....	4.4	4.4	4.3	4.2	4.4
34. Cash, cash equivalents and short-term investments (Line 5).....	1.4	1.1	1.4	2.0	4.9
35. Contract loans (Line 6).....	0.0	0.0	0.0	0.0	0.0
36. Derivatives (Line 7).....	0.0	0.0	0.0	XXX	XXX
37. Other invested assets (Line 8).....	5.1	5.3	5.0	3.8	3.5
38. Receivable for securities (Line 9).....	0.0	0.0	0.0	0.0	0.0
39. Securities lending reinvested collateral assets (Line 10).....	0.4	0.1	0.2	XXX	XXX
40. Aggregate write-ins for invested assets (Line 11).....	(0.0)	(0.0)	(0.0)	0.0	0.0
41. Cash, cash equivalents and invested assets (Line 12).....	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds (Sch. D, Summary, Line 12, Col. 1).....	0	0	0	0	0
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....	0	0	0	0	0
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1).....	3,435,485,261	3,277,723,135	3,295,166,329	3,260,621,668	2,985,665,423
45. Affiliated short-term investments (subtotals included in Schedule DA, Verification, Column 5, Line 10).....	0	0	0	0	0
46. Affiliated mortgage loans on real estate.....	0	0	0	0	0
47. All other affiliated.....	68,274,435	59,774,333	89,426,881	75,462,406	75,773,042
48. Total of above lines 42 to 47.....	3,503,759,696	3,337,497,468	3,384,593,210	3,336,084,074	3,061,438,465
49. Total investment in parent included in Lines 42 to 47 above.....	0	0	0	0	0
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0).....	58.4	58.4	58.1	50.6	48.1

# ST. PAUL FIRE AND MARINE INSURANCE COMPANY

## FIVE-YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2012	2011	2010	2009	2008
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24).....	269,523,204	15,054,022	22,056,399	598,485,082	68,850,703
52. Dividends to stockholders (Line 35).....	(558,000,000)	(500,000,000)	(1,846,000,000)	(1,349,250,563)	(1,100,000,000)
53. Change in surplus as regards policyholders for the year (Line 38).....	287,059,927	(107,264,529)	(770,485,821)	224,847,627	(514,600,789)
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	1,790,892,173	1,753,470,284	1,861,102,490	1,833,680,286	1,927,134,247
55. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	586,506,658	646,716,236	581,353,071	639,059,627	652,961,163
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	1,040,060,643	1,261,386,044	925,461,534	820,695,541	811,327,076
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	25,808,788	38,051,143	33,373,617	35,916,014	68,010,556
58. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	43,792,752	71,152,254	131,790,401	150,692,255	693,724,519
59. Total (Line 35).....	3,487,061,015	3,770,775,961	3,533,081,112	3,480,043,722	4,153,157,561
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	1,298,321,809	1,180,457,617	1,173,398,855	1,090,758,651	1,138,341,007
61. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	529,025,202	565,649,894	475,640,411	490,467,416	489,024,173
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	947,303,509	1,157,765,580	797,034,551	724,129,753	719,097,476
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	16,217,669	16,929,170	15,923,103	18,905,138	16,435,765
64. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	9,793,387	15,839,145	25,516,759	22,870,871	114,858,141
65. Total (Line 35).....	2,800,661,577	2,936,641,406	2,487,513,679	2,347,131,829	2,477,756,561
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1).....	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2).....	56.3	63.8	50.1	45.7	48.6
68. Loss expenses incurred (Line 3).....	11.3	12.3	11.8	12.4	12.8
69. Other underwriting expenses incurred (Line 4).....	32.1	32.0	32.3	32.1	31.2
70. Net underwriting gain (loss) (Line 8).....	0.3	(8.1)	5.8	9.9	7.4
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0).....	31.5	31.6	31.6	32.0	30.6
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	67.6	76.1	61.9	58.0	61.4
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35, divided by Page 3, Line 37, Col. 1 x 100.0).....	83.4	86.2	82.1	71.3	74.0
<b>One Year Loss Development (000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....	(182,237)	(134,238)	(249,252)	(298,014)	(360,687)
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100).....	(3.2)	(2.3)	(3.8)	(4.7)	(5.2)
<b>Two Year Loss Development (000 omitted)</b>					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....	(344,549)	(479,176)	(535,079)	(677,620)	(471,225)
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0).....	(5.9)	(7.3)	(8.4)	(9.8)	(6.7)

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

Yes [ ] No [ ]

If no, please explain:

**SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES**

**SCHEDULE P - PART 1 - SUMMARY**

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments						10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported-Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments				
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior.....	XXX	XXX	XXX	212,252	76,560	71,077	5,901	31,550	598	4,883	231,819	XXX
2. 2003.....	5,467,166	1,154,011	4,313,155	2,425,067	396,711	280,216	36,370	154,850	14,855	102,376	2,412,198	XXX
3. 2004.....	5,413,460	926,738	4,486,722	2,205,061	373,252	229,322	28,628	168,950	15,622	104,600	2,185,832	XXX
4. 2005.....	5,216,226	745,705	4,470,520	2,525,075	669,540	214,230	30,614	173,489	11,384	96,929	2,201,256	XXX
5. 2006.....	5,130,940	630,341	4,500,599	1,914,778	238,317	190,273	17,495	194,054	5,944	100,243	2,037,349	XXX
6. 2007.....	5,217,754	544,633	4,673,121	2,020,948	193,918	195,439	14,044	209,085	4,695	116,502	2,212,815	XXX
7. 2008.....	5,241,060	542,410	4,698,651	2,462,224	259,981	194,673	13,603	243,721	3,626	116,576	2,623,408	XXX
8. 2009.....	5,150,634	433,153	4,717,481	2,107,758	157,494	160,181	8,457	235,962	2,635	101,734	2,335,315	XXX
9. 2010.....	5,097,004	394,741	4,702,263	2,127,549	121,085	137,173	6,591	239,851	2,174	104,225	2,374,723	XXX
10. 2011.....	5,266,257	384,120	4,882,136	2,384,368	157,242	106,251	7,080	245,198	2,191	107,775	2,569,303	XXX
11. 2012.....	5,385,658	418,156	4,967,502	1,336,885	68,426	42,446	1,583	210,378	2,621	63,177	1,517,078	XXX
12. Totals.....	XXX	XXX	XXX	21,721,966	2,712,525	1,821,281	170,367	2,107,088	66,346	1,019,021	22,701,097	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding-Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior.....	1,758,085	549,135	1,462,322	273,953	168,683	32,174	280,094	23,156	175,726	82	7,131	2,966,409	XXX
2. 2003.....	103,684	18,483	115,529	32,622	10,745	1,010	23,556	5,354	19,013	90	7,036	214,968	XXX
3. 2004.....	100,839	28,157	90,931	21,480	7,445	984	20,419	2,847	7,900	20	3,140	174,046	XXX
4. 2005.....	94,109	27,788	140,114	38,445	9,549	1,488	23,141	4,304	6,264	63	4,214	201,089	XXX
5. 2006.....	127,251	32,025	167,920	30,912	12,409	1,799	28,341	3,731	10,313	(1)	6,390	277,768	XXX
6. 2007.....	130,634	19,865	186,885	30,911	16,891	851	39,619	4,560	8,070	(27)	9,129	325,939	XXX
7. 2008.....	203,606	22,685	220,319	30,343	24,950	1,497	60,046	6,016	17,615	(3)	19,970	465,997	XXX
8. 2009.....	276,881	46,506	286,977	40,149	32,315	1,525	75,770	7,873	17,934	13	26,149	593,810	XXX
9. 2010.....	391,312	29,223	385,102	38,120	48,733	2,001	96,821	8,211	28,870	87	37,881	873,197	XXX
10. 2011.....	571,930	56,412	604,533	45,703	53,731	2,089	137,283	8,026	44,425	200	59,667	1,299,472	XXX
11. 2012.....	902,996	205,182	1,107,460	100,391	54,588	2,259	201,457	7,830	103,026	(124)	102,497	2,053,990	XXX
12. Totals.....	4,661,328	1,035,459	4,768,092	683,030	440,041	47,677	986,546	81,909	439,156	401	283,203	9,446,685	XXX

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves after Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior..	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	2,397,319	569,090
2. 2003.	3,132,660	505,494	2,627,166	57.3	43.8	60.9	0	0	24.79	168,107	46,861
3. 2004.	2,830,868	470,990	2,359,879	52.3	50.8	52.6	0	0	24.79	142,133	31,913
4. 2005.	3,185,971	783,627	2,402,345	61.1	105.1	53.7	0	0	24.79	167,990	33,099
5. 2006.	2,645,339	330,222	2,315,117	51.6	52.4	51.4	0	0	24.79	232,235	45,534
6. 2007.	2,807,571	268,817	2,538,754	53.8	49.4	54.3	0	0	24.79	266,743	59,195
7. 2008.	3,427,154	337,749	3,089,405	65.4	62.3	65.8	0	0	24.79	370,896	95,101
8. 2009.	3,193,778	264,653	2,929,125	62.0	61.1	62.1	0	0	24.79	477,204	116,606
9. 2010.	3,455,411	207,491	3,247,920	67.8	52.6	69.1	0	0	24.79	709,072	164,125
10. 2011.	4,147,719	278,944	3,868,775	78.8	72.6	79.2	0	0	24.79	1,074,347	225,124
11. 2012.	3,959,236	388,168	3,571,068	73.5	92.8	71.9	0	0	24.79	1,704,883	349,107
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	7,710,931	1,735,755

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

**SCHEDULE P - PART 2 - SUMMARY**

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior.....	6,587,272	7,297,912	7,672,756	7,919,265	8,002,657	8,097,132	8,073,590	8,020,471	8,049,222	8,049,075	(147)	28,604
2. 2003.....	2,658,036	2,513,800	2,585,576	2,576,959	2,584,095	2,585,924	2,531,781	2,507,631	2,493,473	2,476,328	(17,144)	(31,302)
3. 2004.....	XXX	2,897,272	2,626,946	2,509,944	2,432,486	2,343,482	2,299,151	2,262,904	2,228,053	2,207,363	(20,690)	(55,541)
4. 2005.....	XXX	XXX	2,943,210	2,713,161	2,614,080	2,432,628	2,351,219	2,291,737	2,268,922	2,242,330	(26,591)	(49,407)
5. 2006.....	XXX	XXX	XXX	2,486,349	2,403,395	2,278,058	2,220,220	2,179,801	2,150,664	2,126,828	(23,836)	(52,973)
6. 2007.....	XXX	XXX	XXX	XXX	2,566,659	2,509,773	2,449,789	2,442,863	2,374,627	2,335,672	(38,955)	(107,191)
7. 2008.....	XXX	XXX	XXX	XXX	XXX	2,942,721	2,965,951	2,949,232	2,879,189	2,841,519	(37,670)	(107,713)
8. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	2,746,997	2,734,808	2,715,375	2,687,803	(27,572)	(47,005)
9. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,914,254	3,009,940	2,992,234	(17,705)	77,980
10. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,565,850	3,593,923	28,074	XXX
11. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,273,775	XXX	XXX
12. Totals.....											(182,237)	(344,549)

**SCHEDULE P - PART 3 - SUMMARY**

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
1. Prior.....	.000	1,183,801	2,215,688	2,985,061	3,557,524	4,111,888	4,422,413	4,699,053	4,919,285	5,120,152	XXX	XXX
2. 2003.....	759,038	1,309,188	1,659,380	1,867,690	2,032,115	2,127,309	2,181,637	2,222,699	2,253,724	2,272,203	XXX	XXX
3. 2004.....	XXX	747,937	1,285,539	1,544,087	1,738,347	1,853,843	1,930,863	1,983,720	2,013,317	2,032,504	XXX	XXX
4. 2005.....	XXX	XXX	805,848	1,408,702	1,639,804	1,798,424	1,902,184	1,974,841	2,010,814	2,039,151	XXX	XXX
5. 2006.....	XXX	XXX	XXX	775,026	1,220,924	1,454,499	1,621,202	1,746,055	1,805,445	1,849,239	XXX	XXX
6. 2007.....	XXX	XXX	XXX	XXX	845,516	1,348,909	1,624,500	1,813,192	1,934,123	2,008,425	XXX	XXX
7. 2008.....	XXX	XXX	XXX	XXX	XXX	1,109,683	1,706,300	2,020,395	2,233,742	2,383,313	XXX	XXX
8. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	1,036,050	1,609,463	1,902,719	2,101,988	XXX	XXX
9. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,156,108	1,799,995	2,137,046	XXX	XXX
10. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,594,868	2,326,297	XXX	XXX
11. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,309,321	XXX	XXX

**SCHEDULE P - PART 4 - SUMMARY**

Years in Which Losses Were Incurred	Bulk and IBNR Reserves on Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)									
	1	2	3	4	5	6	7	8	9	10
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Prior.....	3,255,728	2,975,347	2,693,747	2,528,557	2,372,244	2,145,435	1,982,131	1,774,366	1,614,136	1,512,178
2. 2003.....	1,316,500	659,882	468,538	331,312	272,440	252,311	187,235	150,066	131,469	105,296
3. 2004.....	XXX	1,567,579	859,511	565,078	395,870	277,160	206,713	159,126	119,939	91,792
4. 2005.....	XXX	XXX	1,351,100	855,260	645,545	392,556	280,376	189,750	161,388	126,552
5. 2006.....	XXX	XXX	XXX	1,166,255	768,867	507,854	360,933	265,208	205,228	168,660
6. 2007.....	XXX	XXX	XXX	XXX	1,109,030	691,774	486,189	371,779	268,747	198,764
7. 2008.....	XXX	XXX	XXX	XXX	XXX	1,178,583	724,185	517,487	340,698	251,169
8. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	1,106,435	652,755	462,409	323,256
9. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,071,190	678,152	444,386
10. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,182,730	698,549
11. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,213,596



# ST. PAUL FIRE AND MARINE INSURANCE COMPANY SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

## Allocated by States and Territories

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama.....AL	L	6,509,411	7,559,182	35,840	5,255,701	(2,370,263)	66,763,128	8,126	403,288
2. Alaska.....AK	L	3,000,383	3,991,797	4,103	3,826,724	3,382,082	8,923,062	402	36,327
3. Arizona.....AZ	L	7,342,613	7,483,384	282	5,893,878	2,243,824	45,616,599	7,502	657,907
4. Arkansas.....AR	L	4,701,175	5,238,403	20,917	1,742,125	1,109,850	22,662,658	4,492	53,654
5. California.....CA	L	76,791,399	85,290,313	5,243	55,820,217	15,284,350	295,338,708	110,458	3,572,861
6. Colorado.....CO	L	20,141,392	20,622,311	7,946	11,409,233	172,687	74,249,596	30,156	305,862
7. Connecticut.....CT	L	8,434,033	10,303,209	56	7,355,880	(1,568,962)	52,312,931	15,742	291,655
8. Delaware.....DE	L	1,295,539	1,536,255	64	789,813	(180,173)	8,641,300	1,382	8,807
9. District of Columbia.....DC	L	1,823,554	2,384,584	14	1,529,371	(1,937,731)	15,975,367	1,080	40,086
10. Florida.....FL	L	51,036,003	58,635,034	189,526	40,302,985	9,272,315	115,209,652	63,686	2,659,515
11. Georgia.....GA	L	7,971,163	8,909,219	13,675	4,745,411	(2,746,342)	58,156,657	11,513	317,826
12. Hawaii.....HI	L	1,594,361	2,432,883	0	1,168,717	(274,696)	9,618,687	190	559,347
13. Idaho.....ID	L	925,971	1,089,441	5,676	354,300	(260,991)	4,044,423	1,883	10,275
14. Illinois.....IL	L	34,622,205	38,753,974	4,976	39,931,314	3,731,980	200,639,613	29,102	691,043
15. Indiana.....IN	L	6,720,656	7,167,065	19	2,385,686	(5,452,109)	42,496,906	4,019	70,585
16. Iowa.....IA	L	5,790,876	6,250,616	962	9,882,341	2,856,222	39,343,699	3,316	51,508
17. Kansas.....KS	L	13,117,467	13,251,211	5,739	3,743,394	(160,766)	37,789,097	12,055	46,081
18. Kentucky.....KY	L	3,562,543	4,388,600	1,270	4,751,541	(1,450,579)	25,916,939	2,950	223,589
19. Louisiana.....LA	L	32,153,282	35,544,289	18,898	20,992,307	22,981,567	96,229,235	25,414	1,134,968
20. Maine.....ME	L	1,045,132	2,197,696	0	979,811	56,750	5,844,727	1,703	46,331
21. Maryland.....MD	L	6,466,710	9,007,581	2,007	12,147,929	2,333,733	58,123,549	6,110	310,241
22. Massachusetts.....MA	L	11,910,707	13,937,133	8,873	15,906,168	(5,592,869)	129,013,518	30,510	375,723
23. Michigan.....MI	L	15,389,888	16,139,726	146	8,736,183	(1,308,707)	86,335,884	16,224	559,631
24. Minnesota.....MN	L	9,791,187	12,239,033	32,551	7,780,942	(6,913,134)	98,004,562	7,446	329,528
25. Mississippi.....MS	L	7,476,577	7,936,777	10,363	3,102,005	(4,817,018)	30,801,909	8,074	325,018
26. Missouri.....MO	L	8,817,337	9,771,580	4,636	13,815,737	7,237,864	65,616,136	10,818	835,483
27. Montana.....MT	L	5,111,733	5,144,872	11,146	2,582,193	7,240,482	13,219,470	10,197	22,707
28. Nebraska.....NE	L	3,468,910	3,976,893	40,479	1,740,293	(500,279)	24,098,807	2,690	24,037
29. Nevada.....NV	L	5,630,940	5,781,972	772	4,786,236	1,154,826	35,105,891	7,992	2,512,821
30. New Hampshire.....NH	L	789,669	1,409,522	2,575	685,201	(1,771,342)	15,320,275	1,138	80,649
31. New Jersey.....NJ	L	18,888,894	23,748,482	2,506	17,673,499	38,584,561	141,124,453	30,768	2,139,260
32. New Mexico.....NM	L	25,058,367	25,991,727	13,934	10,204,385	12,989,599	46,599,634	28,210	102,847
33. New York.....NY	L	87,538,051	99,227,849	1,654	59,151,250	12,728,623	333,530,920	96,026	3,928,292
34. North Carolina.....NC	L	6,733,773	8,291,431	4,164	1,704,746	(3,362,226)	36,935,213	8,584	122,054
35. North Dakota.....ND	L	14,302,085	13,164,696	1,630	5,659,739	12,728,461	18,682,913	5,326	0
36. Ohio.....OH	L	16,377,286	18,905,027	1,217	33,487,791	30,745,947	65,923,287	12,803	100,494
37. Oklahoma.....OK	L	23,888,073	22,506,747	30,695	6,620,804	14,930,293	42,511,703	1,101	81,706
38. Oregon.....OR	L	3,235,528	4,585,332	0	1,988,089	(1,165,811)	13,877,279	4,672	86,550
39. Pennsylvania.....PA	L	34,376,140	36,410,535	11,042	15,939,158	(4,659,904)	120,484,111	35,776	569,782
40. Rhode Island.....RI	L	1,948,540	2,610,019	1	183,921	(2,732,128)	18,784,787	4,418	22,643
41. South Carolina.....SC	L	2,908,334	3,983,069	752	4,370,730	1,504,888	23,482,626	3,535	209,801
42. South Dakota.....SD	L	1,474,994	1,440,614	3,915	415,643	(607,025)	13,401,299	1,253	27,567
43. Tennessee.....TN	L	6,153,496	7,741,744	11,375	4,453,813	(2,238,324)	42,073,241	5,838	131,298
44. Texas.....TX	L	160,983,418	159,207,596	176	71,026,216	89,236,733	352,395,711	204,915	1,246,818
45. Utah.....UT	L	8,846,699	9,644,541	2,726	3,189,780	2,380,973	25,263,883	16,739	27,478
46. Vermont.....VT	L	538,999	973,181	3	677,392	(397,046)	7,461,890	687	23,936
47. Virginia.....VA	L	10,021,749	13,303,674	3,782	12,170,083	(1,728,180)	54,641,695	10,414	161,470
48. Washington.....WA	L	8,465,093	12,750,047	540	21,158,680	12,150,572	59,529,328	19,760	553,387
49. West Virginia.....WV	L	10,824,183	10,755,816	9,092	3,731,754	1,588,409	21,879,082	5,473	0
50. Wisconsin.....WI	L	19,246,687	19,800,322	4,359	11,700,357	(3,280,846)	61,304,524	5,895	171,658
51. Wyoming.....WY	L	18,393,873	17,954,142	6,387	9,911,357	6,880,988	20,597,385	17,578	42,317
52. American Samoa.....AS	N	0	0	0	0	0	0	0	0
53. Guam.....GU	L	2,572	2,475	0	0	(4,631)	3,816	0	0
54. Puerto Rico.....PR	L	572,961	722,675	0	1,091,846	(505,109)	3,817,414	0	0
55. US Virgin Islands.....VI	L	119,530	386,384	0	326,263	305,186	798,315	2	0
56. Northern Mariana Islands.....MP	N	0	0	0	0	0	0	0	0
57. Canada.....CAN	L	180,723,984	186,175,147	0	114,703,460	50,726,214	321,853,592	0	0
58. Aggregate Other Alien.....OT	XXX	8,539,210	12,241,028	0	3,256,340	(4,728,457)	42,336,393	0	0
59. Totals.....(a) 54		1,033,595,333	1,120,898,858	538,702	708,940,731	303,824,331	3,670,707,475	956,144	26,306,709

### DETAILS OF WRITE-INS

58001. Other Alien Combined.....XXX		3,113,673	3,708,121	0	(516,339)	(7,085,599)	22,054,700	0	0
58002. Bermuda.....XXX		1,891,819	1,876,890	0	1,868,552	2,546,217	6,494,372	0	0
58003. Singapore.....XXX		1,345,288	1,890,988	0	430,784	3,422,211	3,468,066	0	0
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX	2,188,431	4,765,029	0	1,473,344	(3,611,286)	10,319,255	0	0
58999. Totals (Lines 58001 thru 58003+ Line 58998) (Line 58 above)	XXX	8,539,210	12,241,028	0	3,256,340	(4,728,457)	42,336,393	0	0

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

(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;

(E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

Explanation of Basis of Allocation of Premiums by States, etc.

FIRE; ALLIED LINES; FARMOWNERS MULTI PERIL; HOMEOWNERS MULTI PERIL; COMMERCIAL MULTI PERIL; EARTHQUAKE; BURGLARY & THEFT; BOILER & MACHINERY-LOCATION OF PROPERTY INSURED; OCEAN MARINE-LOCATION WHERE CONTRACT OF INSURANCE IS NEGOTIATED, EXCEPT BUILDERS RISKS WHICH ARE ALLOCATED ON LOCATIONS OF RISK; INLAND MARINE-ADDRESS OF INSURED OR STATE OF PRINCIPAL EXPOSURE, BRIDGES & TUNNELS-LOCATION OF PROPERTY; FINANCIAL GUARANTY; GROUP ACCIDENT & HEALTH; OTHER ACCIDENT & HEALTH; CREDIT-LOCATION OF INSURED; MEDICAL MALPRACTICE; WORKERS COMPENSATION; OTHER LIABILITY; PRODUCTS LIABILITY-LOCATION OF RISK; AUTO LIABILITY; AUTO PHYSICAL DAMAGE-LOCATION OF PRINCIPAL GARAGE OF INSURED; AIRCRAFT (ALL PERILS)-LOCATION OF AIRPORT FROM WHICH INSURED AIRCRAFT PRINCIPALLY OPERATE; FIDELITY-FORGERY-LOCATION OF INSURED, PUBLIC & FEDERAL OFFICIAL-LOCATION OF OFFICIAL, ALL OTHER FIDELITY-LOCATION OF EMPLOYER; SURETY-CONSTRUCTION CONTRACT-LOCATION OF WORK, SUPPLY CONTRACTS-LOCATION OF CONTRACTOR, JUDICIAL-LOCATION OF COURT, LICENSE-LOCATION OF OBLIGEE; ALL OTHER-LOCATION OF PRINCIPAL.

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

The Travelers Companies, Inc.	Minnesota	41-0518860	... .. English Turn Fidelity Realty, Inc.	Maryland	52-1466734
... St. Paul Fire and Marine Insurance Company (24767) *	Connecticut	41-0406690	... .. English Turn Limited Partnership (99%)	Maryland	59-2635727
... .. St. Paul Mercury Insurance Company (24791) *	Connecticut	41-0881659	... .. Fidelity English Turn Club General Partnership (99%)	Maryland	59-2709441
... .. St. Paul Guardian Insurance Company (24775) *	Connecticut	41-0963301	... .. English Turn Limited Partnership (1%)	Maryland	59-2635727
... .. St. Paul Fire and Casualty Insurance Company (40967) *	Wisconsin	41-1419276	... .. English Turn Realty Management, Inc.	Maryland	52-1715225
... .. St. Paul Surplus Lines Insurance Company (30481) *	Delaware	41-1230819	... .. Fidelity English Turn Club General Partnership (1%)	Maryland	59-2709441
... .. The Travelers Casualty Company (41769) *	Connecticut	41-1435765	... Camperdown Corporation	Delaware	41-1762781
... .. Travelers Constitution State Insurance Company (41750) *	Connecticut	41-1435766	... SPC Insurance Agency, Inc.	Minnesota	41-1888760
... .. Northbrook Holdings, Inc.	Delaware	51-0375653	... Aprilgrange Limited	United Kingdom	
... .. Discover Property & Casualty Insurance Company (36463) *	Illinois	36-2999370	... F&G U.K. Underwriters Limited	United Kingdom	
... .. St. Paul Protective Insurance Company (19224) *	Illinois	36-2542404	... Travelers Underwriting Agency Limited	United Kingdom	
... .. Discover Specialty Insurance Company (10213) *	Illinois	52-1925132	... Travelers Syndicate Management Limited	United Kingdom	
... .. United States Fidelity and Guaranty Company (25887) *	Connecticut	52-0515280	... .. Travelers Asia Pte. Ltd.	Singapore	
... .. Fidelity and Guaranty Insurance Underwriters, Inc. (25879) *	Wisconsin	52-0616768	... St. Paul Surety Europe Limited	United Kingdom	
... .. Fidelity and Guaranty Insurance Company (35386) *	Iowa	42-1091525	... Travelers Corporate Trustee Ltd.	United Kingdom	
... .. Laurel Village Fidelity Realty, Inc.	Maryland	52-1551225	... Travelers London Limited	United Kingdom	
... .. Laurel Village Joint Venture Partnership (50%)	Minnesota	41-1616702	... .. Solicitors Professional Indemnity Limited (49%)	United Kingdom	
... .. Laurel Village I Limited Partnership (99%)	Minnesota	41-1542260	... St. Paul London Properties, Inc.	Minnesota	41-1880024
... .. Laurel Village II Limited Partnership (99%)	Minnesota	41-1542261	... TCI Global Services, Inc.	Delaware	52-1965525
... .. Laurel Village III Limited Partnership (99%)	Minnesota	41-1542263	... Travelers Management Limited	United Kingdom	
... .. Laurel Village IV Limited Partnership (99%)	Minnesota	41-1542264	... Travelers Insurance Company Limited *	United Kingdom	AA-1121375
... .. Laurel Village Tower A Limited Partnership (99%)	Minnesota	41-1542266	... .. Travelers Professional Risks Limited	United Kingdom	
... .. Laurel Village Tower B Limited Partnership (99%)	Minnesota	41-1593312	... Travelers Property Casualty Corp.	Connecticut	06-1008174
... .. Laurel Village Tower C Limited Partnership (99%)	Minnesota	41-1542267	... .. Constitution Plaza, Inc.	Connecticut	06-0566030
... .. Laurel Village Swinford Limited Partnership (99%)	Minnesota	41-1542255	... .. Travelers Insurance Group Holdings Inc.	Delaware	06-1445591
... .. USF&G Retail Associates GP, Inc.	Maryland	52-1704255	... .. The Standard Fire Insurance Company (19070) *	Connecticut	06-6033509
... .. USF&G/Fidelity Retail Associates Limited Partnership (1%)	Maryland	52-1704256	... .. Standard Fire Properties, LLC	Delaware	06-6033509
... .. USF&G/Fidelity Retail Associates Limited Partnership (83.95%)	Maryland	52-1704256	... .. Bayhill Restaurant II Associates (50%)	California	94-3097171
... .. BMR Sports Properties, Inc.	Maryland	52-1852190	... .. Standard Fire UK Investments, LLC	Delaware	06-6033509
... .. Black Mountain Ranch Limited Partnership (1%)	Maryland	52-1573778	... .. The Automobile Insurance Company of Hartford, Connecticut (19062) *	Connecticut	06-0848755
... .. Black Mountain Ranch Limited Partnership (85%)	Maryland	52-1573778	... .. Auto Hartford Investments, LLC	Delaware	06-0848755
... .. MMI Capital Trust I	Delaware	52-2073764	... .. Travelers Personal Security Insurance Company (36145) *	Connecticut	06-1286264
... .. Promenade Partners, LLC	Delaware	41-0406690	... .. Travelers Property Casualty Insurance Company (36161) *	Connecticut	06-1286274
... .. USF&G Capital I	Delaware	52-1953822	... .. Travelers Personal Insurance Company (38130) *	Connecticut	36-3703200
... .. USF&G Capital III	Delaware	52-2044075	... .. Travelers Texas MGA, Inc.	Texas	27-4469564
... .. 350 Market Street, LLC	Delaware	41-0406690	... .. Oregon Evergreen Investor I, LLC	Delaware	06-6033509
... .. UA Combined Investment Company Limited (67%)	United Kingdom		... .. Lone Rock Timber Investments I, LLC (75%)	Delaware	61-1639956
... .. Jago Dedicated Limited (88.9%)	United Kingdom		... .. Travelers (Bermuda) Limited *	Bermuda	98-0190863
... .. Jago Capital Limited	United Kingdom		... .. Travelers Lloyds Management Company	Texas	20-4312440
... .. Jago Dedicated Limited (11.1%)	United Kingdom		... .. TPC Investments Inc.	Connecticut	06-1534005
... .. MFCM Limited	United Kingdom		... .. Travelers Casualty and Surety Company (19038) *	Connecticut	06-6033504
... .. Travelers Special Services Limited	United Kingdom		... .. Farmington Casualty Company (41483) *	Connecticut	06-1067463
... .. Yonkers Financing Corp.	Delaware	20-3033027	... .. Travelers Insurance Company of Canada *	Canada	
... .. Castle Pines Fidelity Realty, Inc.	Maryland	52-1735211	... .. Coronation Insurance Company, Ltd. *	Canada	
... .. Castle Pines Fidelity Associates Limited Partnership (1%)	Maryland	52-1735213	... .. Travelers Casualty and Surety Company of America (31194) *	Connecticut	06-0907370
... .. Fidelity Castle Pines Limited Partnership (50%)	Maryland	52-1631820	... .. Travelers Brazil Holding, LLC	Delaware	06-0907370
... .. Castle Pines Fidelity Associates Limited Partnership (99%)	Maryland	52-1735213	... .. Travelers Brazil Acquisition LLC	Delaware	06-0907370

*Notes:*

\* Denotes affiliated insurer

Unless otherwise stated, subsidiaries listed above are 100% owned by respective parent

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

97.1

... .. J. Malucelli Participações em Seguros e Resseguros S.A. ("Holdco") (43.4%)	Brazil		... .. Phoenix UK Investments LLC	Delaware	06-0303275
... .. J. Malucelli Resseguradora S.A. *	Brazil		... .. The Premier Insurance Company of Massachusetts (12850) *	Massachusetts	04-3175569
... .. J. Malucelli Controle de Riscos Ltda. (0.01%)	Brazil		... .. TravCo Insurance Company (28188) *	Connecticut	35-1838077
... .. J. Malucelli Seguradora S.A. *	Brazil		... .. TINDY Foreign, Inc	Delaware	20-4403403
... .. J. Malucelli Controle de Riscos Ltda. (99.99%)	Brazil		... .. Travelers Commercial Casualty Company (40282) *	Connecticut	95-3634110
... .. J. Malucelli Seguros S.A. *	Brazil		... .. Travelers Distribution Alliance, Inc.	Delaware	62-1657094
... .. Travelers Casualty Insurance Company of America (19046) *	Connecticut	06-0876835	... .. Travelers TLD, LLC	Delaware	06-0566050
... .. Travelers Casualty Company of Connecticut (36170) *	Connecticut	06-1286266	... .. Tiercel, LLC	Delaware	06-0566050
... .. Travelers Casualty UK Investments LLC	Delaware	06-6033504	... .. Redstart, LLC	Delaware	06-0566050
... .. Travelers Commercial Insurance Company (36137) *	Connecticut	06-1286268	... .. The Travelers Home and Marine Insurance Company (27998) *	Connecticut	35-1838079
... .. Travelers Excess and Surplus Lines Company (29696) *	Connecticut	06-1203698	... .. The Travelers Lloyds Insurance Company (41262) *	Texas	76-0002592
... .. Travelers Lloyds of Texas Insurance Company (41564) *	Texas	75-1732040	... .. Travelers Marine, LLC	Delaware	06-0566050
... .. Travelers MGA, Inc.	Texas	75-2676034			
... .. The Travelers Indemnity Company (25658) *	Connecticut	06-0566050			
... .. Arch Street North LLC	Delaware	06-0566050			
... .. The Charter Oak Fire Insurance Company (25615) *	Connecticut	06-0291290			
... .. Countersignature Agency, Inc.	Florida	06-1345091			
... .. First Floridian Auto and Home Insurance Company (10647) *	Florida	59-3372141			
... .. First Trenton Indemnity Company (29930) *	Connecticut	22-3129711			
... .. Gulf Underwriters Insurance Company (42811) *	Connecticut	56-1371361			
... .. Select Insurance Company (22233) *	Texas	75-6013697			
... .. Gulf Underwriting Limited *	United Kingdom				
... .. Travelers Casualty and Surety Company of Europe, Limited *	United Kingdom				
... .. Commercial Guaranty Insurance Company (38385) *	Delaware	75-1679830			
... .. Crystal Brook, LLC	Delaware	06-0566050			
... .. Durham Holding, LLC	Delaware	06-0566050			
... .. Sutton Holdco, LLC	Delaware	06-0566050			
... .. Cadet Limited, LLC	Delaware	06-0566050			
... .. Arrowhead Company, LLC	Delaware	06-0566050			
... .. Eastern Asset, LLC	Delaware	06-0566050			
... .. Jupiter Holdings, Inc.	Minnesota	41-1769846			
... .. American Equity Insurance Company (43117) *	Arizona	86-0703220			
... .. American Equity Specialty Insurance Company (10819) *	Connecticut	86-0868106			
... .. Northland Insurance Company (24015) *	Connecticut	41-6009967			
... .. Northfield Insurance Company (27987) *	Iowa	41-0983992			
... .. Northland Casualty Company (24031) *	Connecticut	94-6051964			
... .. Northland Risk Management Services, Inc.	Minnesota	41-1720288			
... .. Travelers Indemnity U.K. Investments LLC	Connecticut	06-0566050			
... .. TPC U.K. Investments LLC	Delaware	06-0566050			
... .. The Phoenix Insurance Company (25623) *	Connecticut	06-0303275			
... .. The Travelers Indemnity Company of America (25666) *	Connecticut	58-6020487			
... .. The Travelers Indemnity Company of Connecticut (25682) *	Connecticut	06-0336212			
... .. Travelers Property Casualty Company of America (25674) *	Connecticut	36-2719165			
... .. American Marine Management Services, Inc. (47.5%)	New York	13-2743602			
... .. American Marine Claims & Adjusting Services, Inc.	New York	30-0510298			
... .. Constitution State Services, LLC	Delaware	06-1501229			

*Notes:*

\* Denotes affiliated insurer

Unless otherwise stated, subsidiaries listed above are 100% owned by respective parent

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