Maine Employers' Mutual Insurance Company

Financial Statements (Statutory Basis)
December 31, 2012 and 2011

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Independent Auditor's Report

To the Board of Directors of
Maine Employers' Mutual Insurance Company

We have audited the accompanying statutory financial statements of Maine Employers' Mutual Insurance Company (the 'Company') which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2012 and 2011 and the related statutory statements of income and changes in capital and surplus, and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the Maine Bureau of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the financial statements, the financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the Maine Bureau of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

PricewaterhouseCoopers LLP, 125 High Street, Boston, MA 02110
T: (617)530 5000, F: 617)530 5001, www.pwc.com/us

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2012 and 2011 or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Maine Bureau of Insurance described in Note 2.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Supplemental Summary Investment Schedule and Supplemental Investment Risks Interrogatories of the Company as of December 31, 2012 and for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Supplemental Summary Investment Schedule and Supplemental Investment Risks Interrogatories are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The effects on the accompanying Supplemental Summary Investment Schedule and Supplemental Investment Risks Interrogatories of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. As a consequence, the accompanying Supplemental Summary Investment Schedule and Supplemental Investment Risks Interrogatories do not present fairly, in conformity with accounting principles generally accepted in the United States of America, such information of the Company as of December 31, 2012 and for the year then ended. The accompanying Supplemental Summary Investment Schedule and Supplemental Investment Risks Interrogatories have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Supplemental Summary Investment Schedule and Supplemental Investment Risks Interrogatories are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

March 28, 2013

Maine Employers' Mutual Insurance Company
Statements of Admitted Assets, Liabilities and Capital and Surplus (Statutory Basis)
December 31, 2012 and 2011

	2012	2011
Admitted Assets		
Invested assets		
Bonds, at carrying value (NAIC fair value: $510,371,635 and $513,406,059 at December 31, 2012 and 2011, respectively)	$ 465,154,749	$ 474,467,703
Common stocks, at NAIC fair value (cost: $58,373,301 and $56,814,041 at December 31, 2012 and 2011, respectively)	87,254,755	77,131,118
Common stocks of affiliates	98,449,102	67,632,320
Other invested assets	19,824,451	17,240,258
Cash and short term investments	13,407,498	10,520,911
Total cash and invested assets	684,090,555	646,992,310
Premium balances receivable	40,596,793	38,904,460
Equities and deposits in pools and associations	5,196	4,784
Investment income due and accrued	5,180,869	5,474,101
EDP equipment (net of accumulated depreciation of $3,055,648 and $3,034,357 in 2012 and 2011, respectively)	450,551	404,545
Reinsurance recoverable on paid loss and loss adjustment expenses	590,379	1,244,633
Federal income tax recoverable	-	6,122,963
Net deferred income taxes	16,475,534	16,814,093
Due from affiliates	1,867,531	463,962
Total admitted assets	$ 749,257,408	$ 716,425,851
Liabilities		
Loss reserves	$ 287,330,381	$ 296,440,251
Loss adjustment expense reserves	34,495,446	33,453,824
Unearned premium reserves	59,887,611	59,738,660
Reinsurance premiums payable	656,393	615,309
Commissions payable	6,108,878	5,062,082
Federal income taxes payable	1,197,285	-
Advance premium	1,382,412	1,213,279
Premium taxes and assessments payable	1,635,033	1,209,562
Amounts withheld for others	2,185,335	2,578,209
Other liabilities	18,330,745	14,997,401
Total liabilities	$ 413,209,519	$ 415,308,577
Commitments and contingencies (Note 13)		
Capital and Surplus		
Capital contributions	$ 3,196,888	$ 3,207,180
Special surplus funds	-	7,728,787
Deferred gain	711,539	-
Unassigned surplus	332,139,462	290,181,307
Total capital and surplus	336,047,889	301,117,274
Total liabilities and capital and surplus	$ 749,257,408	$ 716,425,851

The accompanying notes are an integral part of these financial statements.

Maine Employers' Mutual Insurance Company
Statements of Income
(Statutory Basis)
Years Ended December 31, 2012 and 2011

	2012	2011
Underwriting income		
Premiums earned, net	$ 126,374,465	$ 122,698,571
Loss and underwriting expenses		
Losses incurred, net	63,318,718	78,723,277
Loss adjustment expenses incurred, net	13,419,240	12,298,740
Underwriting expenses	31,039,236	27,238,746
Total loss and underwriting expenses	107,777,194	118,260,763
Net underwriting income	18,597,271	4,437,808
Investment income		
Net investment income	21,073,992	21,203,217
Net realized capital gains, net of taxes	3,188,512	7,015,131
Total investment income	24,262,504	28,218,348
Other expense		
Bad debt expense	(176,915)	(334,621)
Service fee income	196,797	190,164
Other expense	(12,000)	(10,500)
Net other income (expense)	7,882	(154,957)
Income before dividends and federal income taxes	42,867,657	32,501,199
Dividends to policyholders	13,000,000	12,055,419
Income after dividends, before federal income taxes	29,867,657	20,445,780
Provision for federal income taxes	6,527,065	2,444,293
Net income	$ 23,340,592	$ 18,001,487

The accompanying notes are an integral part of these financial statements.

Maine Employers' Mutual Insurance Company
Statements of Changes in Capital and Surplus
(Statutory Basis)
Years Ended December 31, 2012 and 2011

	2012	2011
Capital and surplus at beginning of year	$ 301,117,274	$ 285,896,940
Capital contributions returned	(10,292)	(14,956)
Net income	23,340,592	18,001,487
Decrease in net deferred income taxes	(997,352)	(2,779,038)
Decrease in nonadmitted assets	2,414,296	4,640,631
Increase in deferred gain on capital contributions	711,539	-
(Decrease) increase in net unrealized appreciation of invested assets (net of deferred taxes of $3,142,987 and $ ($954,019) at December 31, 2012 and 2011, respectively)	9,471,832	(4,627,790)
Change in capital and surplus	34,930,615	15,220,334
Capital and surplus at end of year	$ 336,047,889	$ 301,117,274

The accompanying notes are an integral part of these financial statements.

Maine Employers' Mutual Insurance Company
Statements of Cash Flows
(Statutory Basis)
Years Ended December 31, 2012 and 2011

	2012	2011
Cash from operations		
Premiums collected, net	$ 124,586,760	$ 121,841,815
Investment income received, net	23,542,743	23,405,942
Other expense	7,881	(154,956)
Cash provided from operations	148,137,384	145,092,801
Benefit and loss related payments	(71,774,334)	(77,070,848)
Commissions and expenses paid	(39,753,370)	(36,573,536)
Dividends paid to policyholders	(13,000,811)	(12,055,380)
Federal income taxes paid	793,183	(6,424,766)
Cash used in operations	(123,735,332)	(132,124,530)
Net cash provided from operations	24,402,052	12,968,271
Cash from investments		
Proceeds from investments sold, matured or repaid		
Bonds	75,338,818	112,354,551
Common and preferred stocks	7,884,860	11,403,715
Total investment proceeds	83,223,678	123,758,266
Costs of investments acquired		
Bonds	(85,135,401)	(108,912,588)
Common and preferred stocks	(16,596,368)	(34,289,892)
Other invested assets	-	(5,100,000)
Total cost of investments acquired	(101,731,769)	(148,302,480)
Net cash used in investments	(18,508,091)	(24,544,214)
Cash from financing and miscellaneous sources		
Capital contributions returned	(10,292)	(14,956)
Other (uses) sources	(2,997,082)	979,955
Net cash (used) provided from financing and miscellaneous sources	(3,007,374)	964,999
Net change in cash	2,886,587	(10,610,944)
Cash		
Beginning of year	10,520,911	21,131,855
End of year	$ 13,407,498	$ 10,520,911
Noncash transaction		
Contribution of bonds	$ (19,773,603)	$ (561,375)

The accompanying notes are an integral part of these financial statements.

1. Organization

Maine Employers' Mutual Insurance Company (the "Company") was established through a legislative action by the State of Maine on November 13, 1992 and commenced business effective January 1, 1993. The Company was established to replace the State of Maine's Workers' Compensation Residual Market Pool. The Company is a mutual insurance company and is not a state agency or instrument of the State of Maine for any purpose. The Company is licensed in fourteen states and writes workers' compensation insurance and employers' liability insurance incidental to and written in connection with workers' compensation coverage for employers in eight northeastern states. The Company writes its business primarily through independent agents and brokers. Approximately 96% of premium written during 2012 was for Maine policies.

In 1996, the Company obtained approval from the Maine Bureau of Insurance (the "Insurance Department") and established a wholly-owned subsidiary, MEMIC Services, Inc. ("MEMIC Services"), which provides certain services to the Company.

In 1998, the Company obtained approval from the Insurance Department to assume business from other insurance carriers. This business could only be assumed when the Company wrote a policy for the insured in Maine. The assumed business related to this contract occurred between the 1998 and 2005 policy years.

In 1999, the Company obtained approval from the Insurance Department of the State of New Hampshire to form a subsidiary, MEMIC Indemnity Company ("MEMIC Indemnity") to write workers' compensation insurance in New Hampshire. MEMIC Indemnity commenced writing business September 1, 2000 and is licensed to write workers' compensation and or employers' liability insurance in 50 states and the District of Columbia with approximately 91% of premium written in the States of Connecticut, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania and Vermont. In 2000, the Company capitalized MEMIC Indemnity Company with a $12,000,000 investment. The Company supplemented its investment by contributing an additional $14,000,000 in 2001, $10,000,000 in 2003, $5,000,000 in 2004, $5,000,000 in 2005, $8,000,000 in 2011 and $18,000,000 during 2012. The 2012 contributed capital of $18,000,000 includes both fixed income securities and cash. The $18,000,000 capital contribution, noted as a change in common stock, includes a $9,880,027 non cash contribution of bonds and $8,119,973 in cash. As a result of the contribution of fixed income securities with a book/adjusted carrying value of $9,880,027 the Company recognized a deferred gain in surplus of $375,190 since the realized component of the difference between the fair value and book/adjusted carrying value as of the date of transfer cannot be recognized under SSAP No. 25 until the transferred securities mature or are sold by MEMIC Indemnity Company.

During 2007, the Company obtained approval from the Insurance Department to write employment practices liability insurance for State of Maine policies only. The Company wrote premium for this new line of business beginning in 2008.

On October 19, 2009, the Company formed Casco View Holdings, LLC, ("CVH"), a Maine limited liability company for the management and ownership of current and future investments in real estate. On January 4, 2010, MEMIC transferred its entire interest in the property located at 245-253 Commercial Street, Portland, Maine, which comprises certain income producing property along with a capital contribution of $500,000 and related tenant security deposits of $86,485 to CVH. As consideration for the said transfer of real estate, MEMIC received all of the membership interests of the Company. On March 1, 2011, the Company invested an additional $5,100,000 in its wholly owned subsidiary, Casco View Holdings, LLC (CVH). CVH invested 100% of the $5,100,000 in its wholly owned subsidiary, Casco View Holdings II, LLC (CVHII) for the purchase of the home office building of the Company which had previously been under a long-term lease with an unrelated party. The Company records its membership interests in CVH and CVHII in other invested assets.

The Company owns 100% of the common stock of MEMIC Casualty Company (MEMIC Casualty), a property/casualty insurance company domiciled in Vermont. The Vermont Department of Financial Regulation, acting as rehabilitator, converted the former Granite Manufacturers' Mutual Indemnity Company (GMMIC) to a stock company and on December 12, 2011 the Company purchased MEMIC Casualty Company, formerly known as GMMIC, a property/casualty insurance company licensed to write workers' compensation insurance. In conjunction with the transaction, GMMIC was renamed to MEMIC Casualty Company. The former GMMIC has not written workers' compensation policies since 1969 under its original incorporation and does not currently have any open claims under this former incorporation. The newly formed stock Company is licensed to write workers' compensation insurance in Vermont, New Hampshire and New York and began writing policies in May 2012. The Company contributed capital of $4,622,576 and a $561,375 bond towards its original investment in MEMIC Casualty Company during 2011. In December 2012, the Company contributed additional capital of $10,000,000, noted as a change in common stock, which includes a $9,893,576 non cash contribution of bonds and $106,424 in cash. As a result of the contribution of fixed income securities with a book/adjusted carrying value of $9,893,576 the Company recognized a deferred gain in surplus of $336,349 since the realized component of the difference between the fair value and book/adjusted carrying value as of the date of transfer cannot be recognized under SSAP No. 25 until the transferred securities mature or are sold by MEMIC Casualty Company.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Company are prepared in conformity with statutory accounting practices of the National Association of Insurance Commissioners ("NAIC") as prescribed or permitted by the Maine Bureau of Insurance ("statutory accounting").

The Maine Bureau of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of Maine for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the Maine Insurance Laws. The NAIC Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of Maine. Prescribed Maine Laws can and do deviate from NAIC SAP and, further, the Commissioner of Insurance has the right to permit other specific practices which deviate from prescribed practices.

Statutory accounting practices differ in certain respects from accounting principles generally accepted in the United States of America ("GAAP"). The effects of such differences on the accompanying financial statements, which could be significant, have not been determined. The most significant differences generally include the following:

a. Statutory accounting requires that policy acquisition costs such as commissions, premium taxes and other items be charged to current operations as incurred. Under GAAP, policy acquisition costs would be deferred and then amortized ratably over the periods covered by the policies;

b. The statutory provision for federal income taxes represents estimated amounts currently payable based on taxable income or loss reported in the current accounting period. Deferred income taxes are provided in accordance with SSAP 101, "Income Taxes, A Replacement of SSAP No 10R and SSAP No. 10" ("SSAP 101") and changes in deferred income taxes are recorded through surplus. The realization of any resulting deferred tax asset is limited based on certain criteria in accordance with SSAP 101. The GAAP provision would include a provision for taxes currently payable, as well as deferred taxes, both of which would be recorded in the income statement;

c. Under statutory accounting, certain assets designated as "nonadmitted assets" (principally premiums receivable over 90 days past due, deferred income taxes, prepaid assets, miscellaneous receivables and office furniture and equipment) are charged directly to surplus. GAAP would require the Company to maintain a reserve for doubtful accounts based on amounts deemed to be uncollectible. Office furniture and equipment would be capitalized and depreciated over the estimated useful lives;

d. Statutory results of MEMIC Indemnity and MEMIC Casualty are reflected on the statutory equity method. The investment in MEMIC Services is accounted for under GAAP equity adjusted to a statutory basis which resulted in a net liability on the Company's statements of admitted assets, liabilities, capital and surplus. Adjustments include nonadmitted deferred tax assets, receivables over 90 days past due and furniture and equipment. The results of operations of these subsidiaries are recorded directly in surplus. Under GAAP, the subsidiary would be consolidated and such amounts would be reported in the financial statements on a consolidated basis;

e. Under statutory accounting, investments in debt securities are generally carried at amortized cost. Under GAAP, debt securities classified as trading or available-for-sale are valued at fair value, and debt securities classified as held-to-maturity are valued at amortized cost;

f. Reinsurance balances relating to unpaid loss and loss adjustment expenses are presented as offsets to reserves; under GAAP, such amounts would be presented as reinsurance recoverable; moreover, under statutory accounting, a liability is established for recoverable balances from reinsurers which are not authorized and for overdue paid loss recoverables;

g. Under GAAP, the inclusion of a statement of comprehensive income, detailing the income effects of unrealized gains and losses, foreign exchange transactions, and pension liability adjustments is required;

h. For statutory cash flow purposes, included as cash and cash equivalents are short-term investments which mature within one year as opposed to three months;

i. A reconciliation of cash flows to the indirect method is not provided under statutory accounting.

Management Estimates

The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Invested Assets

Invested assets are valued in accordance with the statutory basis of valuation prescribed by the NAIC. Cash includes cash, cash equivalents and short-term mutual fund investments, which are short-term investments which mature within one year; the carrying value of these investments approximate fair value.

Investment grade non-loan-backed bonds with NAIC designation 1 or 2 are stated at amortized value using the interest method. Non-investment grade non-loan-backed bonds with NAIC designations of 3 through 6 are stated at the lower of amortized value or fair value. U.S. government agency loan-backed and structured securities are valued at amortized value. Other loan-backed and structured securities are valued at either amortized value or fair value, depending on many factors including: the type of underlying collateral, whether modeled by an NAIC vendor, whether rated (by either NAIC approved rating organization or NAIC Securities Valuation Office), and relationship of amortized value to par value and amortized value to fair value. The Company utilizes the prospective adjustment methodology to value mortgage-backed bonds. Credit related declines in the fair value of loan-backed or structured securities are to be reflected as a realized loss in the income statement. Refer to Note 18 for the Company's evaluation of SSAP 43R on these financial statements.

Unaffiliated common and preferred stocks are generally stated at the fair value. The fair values of bonds and common and preferred stocks are based on quoted market prices in active markets. Where declines in the value of marketable securities are deemed other-than-temporary, the loss is reported as a component of net realized capital gains (losses). The net unrealized gains and losses on these marketable securities, after deductions of applicable deferred income taxes, are credited or charged directly to policyholders' surplus.

Other invested assets consist of actively traded mutual funds, nonmarketable alternative equity investments and an investment in a wholly owned real estate subsidiary, CVH. The fair values of the mutual funds are based on quoted market prices in active markets. Nonmarketable alternative equity investments consist of venture capital funds that are also included in other invested assets and are carried at fair value based upon the Company's proportionate interest in the underlying fund's net asset value, which is deemed to approximate fair value. The current carrying value of this fund is zero. The investments are not publicly traded and, accordingly, quoted market prices are not available. The investment in CVH is measured on the equity basis under GAAP.

The investments in the affiliate MEMIC Indemnity at December 31, 2012 and 2011 are stated at the net asset value of the affiliate determined on a statutory basis excluding surplus notes issued (Note 10) and the investment in the affiliate MEMIC Casualty at December 31, 2012 is stated at the net asset value of the affiliate determined on a statutory basis. Changes in net asset value of these affiliates are charged or credited directly to unassigned policyholder surplus.

Investment income is recorded on an accrual basis. Realized capital gains and losses are reported in operating results based on the specific identification of investments sold. Unrealized capital gains and losses from the valuation of investments at fair value are credited or charged directly to unassigned surplus, net of federal income taxes, unless determined to be other than temporary and included as a component of net realized capital losses.

Realized gains or losses on the sale of investments are determined on the specific identification method and are included in the results of operations. Declines in values of securities that are other-than-temporary are written down with a corresponding charge to net realized losses. Specific impairments are determined based on a continual review of investment portfolio valuations.

Premiums and Unearned Premium Reserves
Direct and assumed premiums, net of amounts ceded to other insurance companies, are earned on a monthly pro rata basis over the in-force period. Accordingly, unearned premium reserves are established for the pro rata portion of premiums written which are applicable to the unexpired terms of the policies in force, net of reinsurance. Premium adjustments resulting from retrospective rating plans and/or audits are immediately recorded as written and earned premiums once such amounts can be reasonably estimated.

Equities and Deposits in Pools
The Company is required to participate in involuntary pools in several states where it writes workers' compensation business. The Company participates in underwriting results, including premiums, losses, expenses and other operations of involuntary pools, based on the Company's proportionate share of similar business written in the state. Underwriting results are accounted for on a gross basis whereby the Company's portion of premiums, losses, expenses and other operations of the pool are recorded separately in the financial statements rather than netted against each other.

Loss and Loss Adjustment Expense Reserves
Losses and loss adjustment expenses are recorded as incurred so as to match such costs with premiums over the contract periods. Loss reserves are established for losses and loss adjustment expenses based upon claim evaluations and include an estimated provision for both reported and unreported claims incurred and related expenses. The assumptions used in determining loss and loss adjustment expense reserves have been developed after considering the experience of the Company, industry experience and projections by independent actuaries. The ultimate loss and loss adjustment expense reserves may vary from the amounts reflected in the accompanying financial statements. The methods utilized in estimating and establishing the reserves are continually reviewed and updated and any adjustments are reflected in current operating results. Allowances for subrogation recoveries are included in the Company's estimate of loss reserves. See the summary of reserve development in Note 6.

Nonadmitted Assets
The following nonadmitted assets were excluded from the balance sheet as of December 31, 2012 and 2011:

	2012	2011
Premium balances receivable over 90 days past due	$ 1,514,717	$ 1,060,181
Deferred income taxes	4,150,796	7,952,576
Accrued retrospective premiums	5,603	1,239
Intercompany receivable	493,792	198,100
Fixed assets, net of accumulated depreciation	1,411,845	929,806
Other assets	837,763	686,910
Total nonadmitted assets	$ 8,414,516	$ 10,828,812

Depreciation expense on nonadmitted fixed assets was $462,620 and $439,329 in 2012 and 2011, respectively.

Federal Income Taxes
The Company files a consolidated tax return with MEMIC Indemnity, MEMIC Casualty, MEMIC Services and CVH. Under this tax sharing agreement, the provision for federal income taxes is recorded based upon amounts expected to be reported as if the Company filed a separate federal income tax return. Additionally, under this agreement, the Company will be reimbursed for the utilization of tax operating losses, tax credits and capital loss carryforwards to the extent the Companies would have utilized these tax attributes on a separate return basis.

The provision for federal income taxes includes amounts currently payable or recoverable and deferred income taxes, computed under the asset/liability method, which results from temporary differences between the tax basis and the book basis of assets and liabilities.

The Company files federal income tax returns and therefore the disclosures required by ASC 740, *Accounting for Uncertain Tax Positions,* pursuant to uncertain tax positions are included in these statutory financial statements. Refer to Note 5 Income Taxes.

In November 2011, the NAIC adopted SSAP No. 101, "Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10". This statement revises statutory accounting principles for current and deferred federal and foreign income taxes and current state income taxes. SSAP No. 101, which was effective on January 1, 2012, (1) restricts the ability to use the 3 years/15 percent of surplus admission rule to those entities that meet a new modified risk based capital ratio threshold;(2) changes the recognition threshold for recording tax contingency reserves from a probable liability standard to a more-likely-than-not liability standard;(3) requires the disclosure of tax planning strategies that relate to reinsurance; and,(4) requires consideration of reversal patterns of DTAs and deferred tax liabilities (DTLs) in determining the extent to which DTLs could offset DTAs on the balance sheet. During 2011, the Company recorded deferred income taxes under SSAP 10R, Income Taxes Revised, A Temporary Replacement of SSAP No. 10 (SSAP 10R). Although a change in accounting principal was done during 2012 it did not require the restatement of any 2011 balances. Refer to Note 5 - Income Taxes.

Accounting Changes
The Company adopted the provisions of SSAP 101 *Income Taxes, A Replacement of SSAP 10R and SSAP 10*, effective January 1, 2012. SSAP 101 provides new requirements for tax loss contingencies and the calculation and admissibility of deferred tax assets. The difference between the recalculated amounts as of January 1, 2012, and the amount actually reported in the prior year financial statements is treated as a change in accounting principle in accordance with SSAP 3 *Accounting Changes and Corrections of Errors.* The cumulative effect of this change in accounting principle resulted in a $0 increase in unassigned funds as of January 1, 2012.

EDP Equipment
EDP equipment is stated at cost, net of accumulated depreciation. Depreciation is computed principally using the straight-line method based on the estimated useful lives of assets, which is generally three years. Depreciation expense for the years ended December 31, 2012 and 2011 was $288,275 and $227,476, respectively. Expenditures for maintenance and repairs relating to EDP equipment and certain fixed assets which are nonadmitted are charged to expense as incurred. When property is sold or retired, the cost of the property and the related accumulated

depreciation are removed from the statement of admitted assets, liabilities and capital and surplus and any gain or loss on the transaction is reflected in current operating results.

Reclassifications
Certain prior year amounts have been reclassified to conform to current year presentation.

3. Capital Contributions

As authorized by specific provisions of Maine state law, the Company was established as a special purpose workers' compensation insurer without any initial capital or surplus. To provide capital, the Company's policyholders were required to make capital contributions based upon a percentage of their final audited premiums for policies with effective dates prior to January 1, 1996. Capital contributions were based on the estimated annual premium and are subsequently adjusted, as necessary, based upon cancellations and premium audits. In 1998, the Company received approval from the Insurance Department to return capital contributions to the extent authorized by the Board of Directors and the Insurance Department. The Company returned $10,292 and $14,956, of capital contributions in 2012 and 2011, respectively, net of related write-offs. Cumulative capital contributions remaining as of December 31, 2012 and 2011 amounted to $3,196,888 and $3,207,180, respectively.

4. Dividend Restrictions

The Company is subject to regulatory limitations with respect to statutory surplus levels and dividends. Under these regulations, annual dividends cannot exceed the greater of 10% of the insurer's surplus as of the prior year end or the net gain from operations for the twelve month period ended in the prior year. The maximum amount of dividends which can be paid by the Company to policyholders without prior approval of the Superintendent of Insurance during 2012 and 2011 was $30,111,727 and $28,589,694, respectively. Dividends to policyholders amounted to $13,000,000 and $12,055,419 in 2012 and 2011, respectively. The dividends declared during 2012 included $13,000,000 based on policy year 2009.

5. Income Taxes

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

		December 31, 2012		
		1	2	3 (Col 1+2)
		Ordinary	Capital	Total
a.	Gross deferred tax assets	$ 26,470,019	$ 4,609,314	$ 31,079,333
b.	Statutory valuation allowance adjustment	-	-	-
c.	Adjusted gross deferred taxes (1a - 1b)	26,470,019	4,609,314	31,079,333
d.	Deferred tax assets nonadmitted	3,528,177	622,619	4,150,796
e.	Subtotal net admitted deferred tax asset (1c - 1d)	22,941,842	3,986,695	26,928,537
f.	Deferred tax liabilities	325,655	10,127,348	10,453,003
g.	Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 22,616,187	$ (6,140,653)	$ 16,475,534

		December 31, 2011		
		4	5	6 (Col 4+5)
		Ordinary	Capital	Total
a.	Gross deferred tax assets	$ 26,538,673	$ 5,649,469	$ 32,188,142
b.	Statutory valuation allowance adjustment	-	-	-
c.	Adjusted gross deferred taxes (1a - 1b)	26,538,673	5,649,469	32,188,142
d.	Deferred tax assets nonadmitted	9,432,929	(1,480,352)	7,952,577
e.	Subtotal net admitted deferred tax asset (1c - 1d)	17,105,744	7,129,821	24,235,565
f.	Deferred tax liabilities	291,651	7,129,821	7,421,472
g.	Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 16,814,093	$ -	$ 16,814,093

		Change		
		7	8	9
		(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
a.	Gross deferred tax assets	$ (68,654)	$ (1,040,155)	$ (1,108,809)
b.	Statutory valuation allowance adjustment	-	-	-
c.	Adjusted gross deferred taxes (1a - 1b)	(68,654)	(1,040,155)	(1,108,809)
d.	Deferred tax assets nonadmitted	(5,904,752)	2,102,971	(3,801,781)
e.	Subtotal net admitted deferred tax asset (1c - 1d)	5,836,098	(3,143,126)	2,692,972
f.	Deferred tax liabilities	34,004	2,997,527	3,031,531
g.	Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 5,802,094	$ (6,140,653)	$ (338,559)

Admission calculation components:

	December 31, 2012		
	1	2	3 (Col 1+2)
	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 7,406,747	$ -	$ 7,406,747
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:	9,068,787	-	9,068,787
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	9,068,787	-	2,069,000
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	
c. Adjusted gross deferred taxe assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	325,655	10,127,348	10,453,003
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 16,801,189	$ 10,127,348	$ 26,928,537

	December 31, 2011		
	4	5	6 (Col 4+5)
	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 11,032,990	$ -	$ 11,032,990
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:	5,781,103	-	5,781,103
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	5,781,103	-	5,781,103
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	
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	291,651	7,129,821	7,421,472
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 17,105,744	$ 7,129,821	$ 24,235,565

	Change		
	7 (Col 1-4)	8 (Col 2-5)	9 (Col 7+8)
	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ (3,626,243)	$ -	$ (3,626,243)
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:	3,287,684	-	3,287,684
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	3,287,684		3,287,684
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	
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	34,004	2,997,527	3,031,531
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ (304,555)	$ 2,997,527	$ 2,692,972

Other admissibility criteria:

	2012	2011
a. Ratio percentage used to determine recovery period and threshold limitation amount	1449%	1306%

Impact on tax planning strategies:

	2012			2011			Change		
	1	2	3 (Col 1+2)	1	2	3 (Col 1+2)	1	2	3 (Col 1+2)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
a. Adjusted gross DTAs (% of total adjusted gross DTAs)	0.0%	14.8%	14.8%	0.0%	17.6%	17.6%	0.0%	-2.8%	-2.8%
b. Net admitted adjusted gross DTAs (% of total net admitted DTAs)	0.0%	28.0%	28.0%	0.0%	33.6%	33.6%	0.0%	-5.6%	-5.6%

c. Does the company's tax planning strategies include the use of reinsurance? Yes [ ] No [X]

Current and deferred income taxes

Current income taxes:

	2012	2011	Change
a. Federal	$ 6,532,065	$ 2,444,293	$ 4,087,772
b. Foreign	-	-	-
c. Subtotal	6,532,065	2,444,293	4,087,772
d. Federal income tax on net capital gains	-	(666,439)	666,439
e. Utilization of capital loss carry-forwards	-	-	-
f. Other	-	-	-
g. Federal and Foreign income taxes incurred	$ 6,532,065	$ 1,777,854	$ 4,754,211

Deferred Tax Assets

		2012	2011	Change
a.	Ordinary			
	Discounting of unpaid losses	$ 16,580,711	$ 17,627,076	$ (1,046,365)
	Unearned premium reserves	4,288,901	4,266,636	22,265
	Compensation and benefits accrual	4,004,676	3,337,279	667,397
	Other (including items < 5% of total ordinary tax assets)	1,595,731	1,307,682	288,049
	Subtotal	26,470,019	26,538,673	(68,654)
b.	Statutory Valuation allowance adjustment			
c.	Nonadmitted	3,528,177	9,432,929	(5,904,752)
d.	Admitted ordinary deferred tax assets	22,941,842	17,105,744	5,836,098
e.	Capital:			
	Investments	4,609,314	5,649,469	(1,040,155)
	Subtotal	4,609,314	5,649,469	(1,040,155)
f.	Statutory Valuation allowance adjustment			
g.	Nonadmitted	622,619	(1,480,352)	2,102,971
h.	Admitted capital deferred tax assets (2e99-2f-2g)	3,986,695	7,129,821	(3,143,126)
i.	Admitted deferred tax assets (2d+2h)	$ 26,928,537	$ 24,235,565	$ 2,692,972

Deferred Tax Liabilities

		2012	2011	Change
a.	Ordinary:			
	Investments	$ 232,023	$ 218,592	$ 13,431
	Fixed Assets	93,632	73,059	20,573
	Subtotal	325,655	291,651	34,004
b.	Capital:			
	Investments	10,127,348	7,129,821	2,997,527
	Subtotal	10,127,348	7,129,821	2,997,527
c.	Deferred tax liabilities (3a99+3b99)	$ 10,453,003	$ 7,421,472	$ 3,031,531
	Net Deferred Tax Assets/Liabilities (2i-3c)	$ 16,475,534	$ 16,814,093	$ (338,559)

There were no deferred tax liabilities that were not recognized.

Reconciliation of Federal Income Tax Rate to Actual Effective Rate:

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

	2012	Effective Tax Rate (%)
Provision computed at statutory rate	$ 10,455,430	35%
Change in nonadmitted assets	(845,003)	-3%
Tax exempt income deduction	(2,795,965)	-9%
Dividends received deduction, net of add-back	(435,249)	-1%
Proration of tax exempt investment income	419,395	1%
AMT Credit	(258,082)	-1%
Accrual adjustment - prior year	331,041	1%
Other	657,850	2%
Totals	7,529,417	25%
Federal and foreign income taxes incurred	6,532,065	22%
Realized capital gains (losses) tax	-	0%
Change in net deferred income taxes	997,352	3%
Total statutory income taxes	$ 7,529,417	25%

As of December 31, 2012 and 2011 the Company does not have any investment tax credits, net operating loss or capital loss carry forwards available to offset against future taxable income. The amount of federal income taxes incurred in the current year and each proceeding year available for recoupment in the event of future net losses is $6,459,106 for 2012 and $1,642,831 for 2011. There are no deposits admitted under Section 6603 of the Internal Revenue Code.

As of December 31, 2012 and 2011 the Company has no uncertain tax positions requiring disclosure in these financial statements. Had the Company identified such positions, these amounts would be evaluated and disclosed or accrued. Liabilities would be reflected on the statements of admitted assets, liabilities and capital and surplus and the related interest and penalties would be included on the statement of income as underwriting expenses.

As of December 31, 2011, the Company incurred AMT of $258,002 on a stand-alone basis and $509,533 on a consolidated basis. The Company does not expect to be in an AMT position in 2012.

The tax years that remain subject to examination by major tax jurisdictions for the Company are 2006, 2007, 2008, 2009, 2010 and 2011.

The Company is included in a consolidated federal income tax return with the following entities:

Casco View Holdings, LLC, a 100% owned noninsurance entity,
MEMIC Indemnity Company, a 100% owned Property/Casualty insurance subsidiary,
MEMIC Casualty Company, a 100% owned Property/Casualty insurance subsidiary, and
MEMIC Services, Inc., a 100% owned insurance services subsidiary.

The Company has a written agreement which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to this agreement, the Company has a right to recoup federal income taxes paid in prior years in the event of future net losses, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

6. Liabilities for Loss Reserves and Loss Adjustment Expense Reserves

Activity in the liabilities for loss reserves and loss adjustment expense reserves for the years ended December 31, 2012 and 2011 is summarized as follows:

	2012	**2011**
Net balances at January 1	$ 329,894,075	$ 327,040,088
Incurred related to		
Current year	97,804,585	96,051,017
Prior years	(21,066,627)	(5,029,000)
Total incurred	76,737,958	91,022,017
Paid related to		
Current year	24,889,115	21,845,030
Prior years	59,917,091	66,323,000
Total paid	84,806,206	88,168,030
Net balances at December 31	$ 321,825,827	$ 329,894,075

The liabilities for loss and loss adjustment expense reserves are based upon assumptions which consider the experience of the Company, industry experience, and projections by independent actuaries. However, the reserve process is inherently subjective, and the ultimate loss and loss adjustment expense reserves may vary from the amounts recorded in the financial statements.

During 2012, the Company's incurred losses related to prior years decreased by $21,066,627 as a result of favorable loss development principally in the 1998 through 2010 accident years. During 2012, the results of the independent actuarial study determined there was adequate reserve funding in outstanding losses, direct cost containment expenses and in ceded reserves for accident years 2011 and prior. This favorable decrease is the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims. There was no impact on reserves or surplus as a result of development of retrospectively rated policies.

During 2011, the Company's incurred losses related to prior years decreased by $5,029,000 as a result of favorable loss development principally in the 2002 through 2010 accident years. During 2011, the results of the independent actuarial study determined there was adequate reserve funding in outstanding losses, direct cost containment expenses and in ceded reserves for accident years 2010 and prior.

7. Reinsurance

The Company assumed risks from another insurance company through a quota share reinsurance agreement for workers' compensation which was terminated effective for 2005 policy years. Amounts added to loss reserves and loss adjustment expenses for reinsurance assumed are as follows:

	2012	2011
Loss and loss adjustment expenses incurred	$ (383,651)	$ -
Loss and loss adjustment expense reserves	1,514,532	1,912,999

In 2012 and 2011, the Company wrote policies in the States of Connecticut, Vermont, New Hampshire and Massachusetts and is required to participate in the National Workers' Compensation Reinsurance pool and the Massachusetts Reinsurance Pool (the "Pools") as it relates to those states. Participation requires that the Company share in the losses and expenses of the Pool. Pool results are accounted for on a gross basis whereby the company's portion of premium, losses, expenses and other operations of the Pool are recorded separately in the financial statements. All amounts are recorded as assumed business. Amounts added to premiums, reserves and expense for reinsurance assumed from pools are as follows:

	2012	2011
Premiums earned	$ 281,425	$ 207,766
Loss and loss adjustment expenses incurred	198,242	193,268
Unearned premiums	99,020	85,560
Loss and loss adjustment expense reserves	392,302	306,294
Underwriting expenses incurred	73,988	68,696

The Company reinsures portions of risks with other insurance companies through excess of loss reinsurance agreements. Such agreements serve to limit the Company's maximum loss on catastrophes and large losses. To the extent that any reinsurer might be unable to meet its obligations, the Company would be liable for such defaulted amounts.

Under the Company's excess of loss agreement, the Company's net retention for losses on a per occurrence basis is $5,000,000 for 2012 and 2011 with reinsurance coverage up to $50,000,000 subject to its net retention. In addition the Company maintains additional coverage up to $75,000,000 on a per occurrence basis, for 50% of the losses occurring in excess of $50,000,000.

The Company also has aggregate excess of loss coverage for policies effective 1998 to 2002 whereby the Company can recover losses exceeding 71% of direct workers' compensation premiums earned but not exceeding 86% of direct workers' compensation premiums earned.

Amounts deducted from premiums, reserves and expenses for reinsurance ceded to other companies for workers compensation and employers' liability were as follows:

	2012	2011
Premiums earned	$ 2,307,320	$ 2,173,408
Loss and loss adjustment expenses incurred	(997,051)	-
Loss and loss adjustment expense reserves	17,200,693	19,852,907
Premiums payable	291,405	298,145

The Company cedes risk to another insurance company through a 85% quota share reinsurance agreement for policy year 2011-2012 and 100% quota share reinsurance agreement for policy years 2008-2010 for its employment practices liability insurance (EPLI) line of business. During 2012, the Company wrote $2,184,866 and earned $2,092,878 which was 86.9% ceded, net of commissions to the other insurance company. As a result of the reinsurance contract, on a net basis, there were $218,161 of outstanding loss and loss adjustment reserves incurred during 2012. Premiums payable as of December 31, 2012 were $364,988.

Of the 2012 and 2011 ceded loss and loss adjustment expense reserves above for all lines of business, 100% of the balances are comprised of amounts with five reinsurance carriers.

The Company had unsecured reinsurance recoverables from reinsurers that exceeded 3% of capital and surplus at December 31, 2012 as follows:

General Reinsurance Corp.	$ 17,112,000

The Company has no reinsurance contracts that contain the following features (a) a contract term longer than two years and that 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. The Company has neither 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 to policyholders or it report calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year end surplus as regards to policyholders nor has the Company 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 accounted for that contract as reinsurance (either prospective or retroactive) under statutory account principles. Additionally, the Company has not ceded any risk under any reinsurance contract where (a) the written premiums ceded to the reinsurer represents 50% or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statements or (b) 25% or more of the written premium ceded to the reinsurer has been retroceded back to the Company in a separate reinsurance contract. Accordingly, the Company has not included the Supplemental Schedule of Reinsurance Disclosures.

The Company commuted a reinsurance contract during the year with General Reinsurance Corporation. There was no amount due to the Company on this treaty year as a result of the commutation. There was no net effect on the income statement or balance sheet of the Company as a result of this commutation.

8. Premiums Written and Earned

During the years ended December 31, 2012 and 2011, direct, assumed and ceded premiums were as follows:

	2012		2011	
	Written	**Earned**	**Written**	**Earned**
Direct	$ 130,351,594	$ 131,181,580	$ 127,669,349	$ 126,519,514
Assumed	294,885	281,425	242,409	207,766
Ceded	(4,166,699)	(4,088,540)	(3,921,417)	(4,028,709)
Net premiums	$ 126,479,780	$ 127,374,465	$ 123,990,341	$ 122,698,571

9. Statutory Deposits

Various regulatory authorities require that securities be placed on deposit. At December 31, 2012 and 2011, the Company had fixed income securities on deposit with a carrying value of $3,907,213 and $3,554,169, respectively.

10. Investments

The cost and fair value, of investments in equity securities, including investments in affiliates, were as follows:

		Gross Unrealized		
	Cost	**Gains**	**Losses**	**Fair Value**
At December 31, 2012				
Common stocks	$ 58,373,401	$ 30,409,477	$ (1,528,123)	$ 87,254,755
Common stocks of affiliates	87,407,480	11,309,603	(267,981)	98,449,102
Other invested assets	19,224,560	635,393	(35,502)	19,824,451
At December 31, 2011				
Common stocks	$ 56,814,041	$ 22,650,703	$ (2,333,626)	$ 77,131,118
Common stocks of affiliates	59,407,480	8,459,664	(234,824)	67,632,320
Other invested assets	17,189,602	268,118	(217,461)	17,240,258

The Company owns 100% of the common stock of MEMIC Services at a cost of $223,529. As a result of the guarantee between the Company and MEMIC Services the Company recorded a liability of $818,665 and $1,087,506 as of December 31, 2012 and 2011, respectively. Such amounts have been charged directly to unassigned surplus and are included in other liabilities on the balance sheet.

The Company owns 100% of the common stock of MEMIC Indemnity at a cost of $72,000,000 and $54,000,000 as of December 31, 2012 and 2011, respectively. During 2012 the Company invested an additional $18,000,000 towards its investment in MEMIC Indemnity.

During 2004 MEMIC Indemnity issued $6 million of surplus notes that were recorded as an increase to capital and surplus at December 31, 2004. The Company's common stock investment in MEMIC Indemnity recorded in the December 31, 2012 and 2011 statements of admitted assets, liabilities and capital and surplus excludes the $6 million of surplus notes issued by MEMIC Indemnity during 2004.

The Company owns 100% of the common stock of MEMIC Casualty. The Company contributed capital of $10,000,000 and a $4,622,576 bond towards its investment in MEMIC Casualty during 2012 and 2011, respectively.

Summary financial data for MEMIC Indemnity and MEMIC Casualty are as follows:

	2012	2011
Admitted assets	$ 246,226,875	$ 190,083,695
Liabilities	141,777,773	116,451,377
Capital and surplus	104,449,102	73,632,318
Statutory net income	2,111,846	(1,940,878)

The carrying value and fair values of bonds at December 31, 2012 and 2011 are as follows:

	2012			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and government agencies and authorities	$ 18,317,417	$ 2,160,513	$ (1,275)	$ 20,476,655
States, territories and possessions	77,439,942	7,825,870	-	85,265,812
Political subdivisions of states	136,991,837	13,303,620	(40,047)	150,255,410
Industrial and miscellaneous	121,861,227	12,669,143	(14,474)	134,515,896
Asset backed securities	110,544,326	9,377,643	(64,107)	119,857,862
Total bonds	$ 465,154,749	$ 45,336,789	$ (119,903)	$ 510,371,635

	2011			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and government agencies and authorities	$ 28,949,495	$ 3,098,188	$ -	$ 32,047,683
States, territories and possessions	79,466,979	8,139,317	(190,680)	87,415,616
Political subdivisions of states	121,463,792	10,256,571	(51,083)	131,669,280
Industrial and miscellaneous	116,183,242	9,075,214	(564,516)	124,693,940
Asset backed securities	128,404,195	9,175,380	(35)	137,579,540
Total bonds	$ 474,467,703	$ 39,744,670	$ (806,314)	$ 513,406,059

Bonds with a NAIC SVO rating of three or higher have been recorded at the lower of cost or fair value in accordance with statutory accounting unless they are a RMBS/CMBS security with a Securities Valuation Officer rating and independently modeled. The model determines the intrinsic price of the security and the price at which the percentage difference between the carrying price and the intrinsic price equals the midpoint between the risk based capital charges for each NAIC designation. This is the maximum price point at which a security can be carried for each NAIC designation. These prices are referred to as break points. The Company utilizes the prospective adjustment methodology to value mortgage-backed bonds. The Company currently holds two securities with a NAIC SVO rating of three of higher that remain at amortized cost as a result of favorable price points.

The carrying value and fair value of bonds by contractual maturity at December 31, 2012 are as follows:

Maturity	Carrying Value	Fair Value
One year or less	$ 12,979,259	$ 13,198,097
Over one year through five years	94,985,372	100,931,274
Over five years through ten years	172,423,367	194,618,135
Over ten years through twenty years	49,430,247	55,745,394
Over twenty years	24,792,178	26,020,873
Asset backed securities (principally ten through twenty years)	110,544,326	119,857,862
	$ 465,154,749	$ 510,371,635

Bonds subject to early or unscheduled prepayments have been included above based upon their contractual maturity dates. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Proceeds from the sales of investments in debt and equity securities and the gross realized gains and losses on those sales for the years ended December 31, 2012 and 2011, are summarized as follows:

	2012		
	Proceeds From Sales	Gross Realized Gains	Gross Realized Losses
Bonds	$ 40,546,773	$ 1,596,490	$ (20,920)
Preferred and common stock	7,431,107	1,221,723	(147,559)
	$ 47,977,880	$ 2,818,214	$ (168,479)

	2011		
	Proceeds From Sales	Gross Realized Gains	Gross Realized Losses
Bonds	$ 79,754,321	$ 3,960,762	$ (10,721)
Preferred and common stock	11,146,075	2,892,682	(329,121)
	$ 90,900,396	$ 6,853,443	$ (339,842)

At December 31, 2012 and 2011, the Company owned securities that were in an unrealized loss position that management determined was other-than-temporary and given current market conditions would not recover. The Company did not record any impairment during 2012 or 2011.

The fair value and gross unrealized loss of investment securities and the amount of time the security has been in an unrealized loss position as of December 31, 2012 is as follows:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds (NAIC 1-2)	$ 15,081,853	$ (70,079)	$ 1,039,160	$ (49,824)	$ 16,121,012	$ (119,903)
Bonds (NAIC 3-6)	-	-	-	-	-	-
Common stocks - unaffiliated	5,345,254	(449,337)	3,879,015	(1,078,787)	9,224,269	(1,528,123)
	$ 20,427,107	$ (519,416)	$ 4,918,174	$ (1,128,610)	$ 25,345,281	$ (1,648,026)

Unrealized losses on investment grade securities (NAIC 1-2) principally relate to changes in interest rates.

The major categories of net investment income are summarized as follows:

	2012	2011
Bonds	$ 20,136,752	$ 20,667,712
Common and preferred stocks	2,095,142	1,582,022
Cash and short-term investments	17,321	25,978
Other income	289,632	303,677
Total investment income	22,538,847	22,579,389
Less: Investment expenses	(1,464,855)	(1,376,172)
Net investment income	$ 21,073,992	$ 21,203,217

11. Fair Value of Financial Instruments

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

Valuation techniques used to derive fair value of investment securities are based on observable or unobservable inputs. Observable inputs reflect market data obtained from independent resources such as active markets or nationally recognized pricing services. Unobservable inputs reflect comparable securities or valuations received from various broker or dealer quotes.

Items Measured and Reported at Fair Value by Levels 1, 2 and 3

The Company has categorized its assets and liabilities that are reported on the balance sheet at fair value into three-level fair value hierarchy as reflected in the table below. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows.

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

Level 2 - Significant Other Observable Inputs: This category for items measured at fair value on a recurring basis includes bonds, which are not exchange-traded. The estimated fair values of some of these items were determined by independent pricing services using observable inputs. Others were based on quotes from markets which were not considered actively traded. The Company has no assets or liabilities measured at fair value in this category.

Level 3 - Significant Other Unobservable Inputs: The Company has no assets or liabilities measured at fair value in this category. There are no Level 3 fair value assets which were transferred in or out during 2012. Transfers to and from Level 3 would be recognized when a purchase, sale or settlement increases or decrease an asset previously valued as a Level 3 or when an investment is purchased which is carried at fair market value and does not have an observable input for valuation.

	2012			
	Level 1	Level 2	Level 3	Total
Assets on balance sheet at fair value				
Common stocks				
Industrial and miscellaneous	$ 87,254,755	$ -	$ -	$ 87,254,755
Mutual funds	8,294,790	-	-	8,294,790
Total common stocks	95,549,545	-	-	95,549,545
Other - short term investments	12,143,381	-	-	12,143,381
Total assets on balance sheet at fair value	$ 107,692,926	$ -	$ -	$107,692,926

	2011			
	Level 1	Level 2	Level 3	Total
Assets on balance sheet at fair value				
Common stocks				
Industrial and miscellaneous	$ 77,131,118	$ -	$ -	$ 77,131,118
Mutual funds	66,077,872	-	-	66,077,872
Total common stocks	143,208,990	-	-	143,208,990
Other - short term investments	7,056,705	-	-	7,056,705
Total assets on balance sheet at fair value	$ 150,265,695	$ -	$ -	$150,265,695

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels 1 and 2. Transfers to and from Level 3 would be recognized when a purchase, sale or settlement increases or decreases an asset previously valued as a Level 3 or when an investment is purchased which is carried at fair market value and does not have an observable input for valuation. There were no Level 3 fair value assets during 2012 or 2011. The Company has no derivative assets or liabilities or assets carried at fair value on a nonrecurring basis.

The table below reflects the fair values and admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method (subsidiaries, joint ventures and ventures) as of December 31, 2012. The fair values are also categorized into the three-level fair value hierarchy as described above.

	2012					
Type of Financial Instrument	Fair Value	Admitted Value	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Financial instruments - assets						
Bonds	$ 510,371,635	$ 465,154,749	$ -	$ 510,371,635	$ -	$ -
Common stocks	87,254,755	87,254,755	87,254,755	-	-	-
Cash, cash equivalents and short-term investments	13,407,498	13,407,498	13,407,498	-	-	-
Other - mutual funds	8,294,790	8,294,790	8,294,790	-	-	-
Total assets	$ 619,328,678	$ 574,111,792	$ 108,957,043	$ 510,371,635	$ -	$ -

	2011					
Type of Financial Instrument	**Fair Value**	**Admitted Value**	**Level 1**	**Level 2**	**Level 3**	**Not Practicable (Carrying Value)**
Financial instruments - assets						
Bonds	$ 513,406,059	$ 474,467,703	$ -	$ 513,406,059	$ -	$ -
Common stocks	77,131,118	77,131,118	77,131,118	-	-	-
Cash, cash equivalents and short-term investments	10,520,911	10,520,911	10,520,911	-	-	-
Other - mutual funds	6,077,872	6,077,872	6,077,872	-	-	-
Total assets	$ 607,135,960	$ 568,197,604	$ 93,729,901	$ 513,406,059	$ -	$ -

12. Employee Benefit Plans

The Company has adopted a qualified defined contribution pension, 401(k) and profit sharing plan (the Plan) covering substantially all full-time employees who meet the plans' eligibility requirements. If approved by the Board of Directors, the pension component of the defined contribution plan is determined to be 3-6% of the covered employees' annual eligible compensation. Employees become eligible to participate upon completion of three months of service and are fully vested in the plan after three years of service. The amount expensed for the pension related portion for the Plan was approximately $644,335 and $402,839 in 2012 and 2011, respectively.

The 401(k) and profit sharing portion of the Plan provides for a tax deferred profit sharing contribution by the Company and an employee elective contribution with a matching provision. In 2012 and 2011, with respect to the 401(k) component of the Plan, the Company will contribute an amount up to 100% of the employees' 401(k) contributions to a maximum of 5% of an employees' annual compensation. An employee's contribution may not exceed 60% of their annual salary or the maximum amount allowed as determined by the Internal Revenue Code. These Company contributions become fully vested after five years. The Company incurred approximately $490,664 and $432,444 of expense related to the 401(k) component of the Plan in 2012 and 2011, respectively. With respect to the profit sharing component of the Plan, each eligible participant may receive a profit sharing contribution in an amount to be determined by the Board of Directors not to exceed 6% plus an additional allocation for employees earning in excess of the taxable wage base. The Company incurred approximately $782,493 and $500,986 of expense related to the profit sharing component of the Plan in 2012 and 2011, respectively.

The Company sponsors a non-qualified, deferred compensation plan (the Compensation Plan) and trust for certain key executives providing for payments upon retirement, death or disability. The Compensation Plan permits eligible officers to defer a portion of their compensation. The Compensation Plan provides that, in the event of liquidation of the Company, all assets of the Compensation Plan will be available to meet the obligations of the Company. Included in both other invested assets and other liabilities are amounts of $8,294,790 and $6,077,872 at December 31, 2012 and 2011, respectively, related to the Compensation Plan. In accordance with NAIC SAP, the increase/ (decrease) in market value of the assets of the Plan are recorded into income or expense to the Company. The Company incurred approximately $1,069,011 and $499,335 of expense related to the Compensation Plan in 2012 and 2011, respectively.

The Company also maintains an Incentive Compensation Plan (the ICP) for certain members of senior management. Under the terms of the ICP, participants are awarded "surplus shares" at the discretion of the Executive Committee of the Board of Directors. Four classes of surplus shares have been awarded under the ICP however, as of December 31, 2012, a total of 1,990 Class B shares were all that remained unexpired under the Plan. The value of each class of surplus share is determined based on excess capital and surplus as defined in the ICP. Shares become fully vested over a 10 year period or a shorter period, under certain conditions. The Company has incurred approximately $1,033,276 and $849,684 of expense related to the ICP in 2012 and 2011, respectively.

A Long Term Incentive Plan (LTIP) was established by the Compensation Committee of the Board of Directors (the Committee) effective January 1, 2007 for certain members of management and highly compensated individuals (participants). Participants are granted a fixed dollar base award (the "Award") contingent upon the anticipated growth of imputed surplus. The final earned amount of the Award is based on the actual growth levels of imputed surplus and is calculated upon imputed surplus as compared to Target, Threshold and Maximum Growth levels for an applicable performance period, generally three years. The actual earned amount of the Award can range from Zero to 150% of the fixed dollar base Award. Participants vest in the plan over three years, or a shorter period, under certain established conditions. The Company has incurred approximately $1,457,361 and $1,289,412 of expense related to the LTIP in 2012 and 2011, respectively.

13. Commitments and Contingent Liabilities

The Company leases office space and various office equipment and vehicles under lease arrangements through 2016. Future minimum lease payments under operating leases at December 31, 2012 are as follows:

2013	$ 1,029,399
2014	973,983
2015	812,446
2016	127,717
2017	-
Total future minimum lease payments	$ 2,943,545

Total rent and lease expense to all related and unrelated parties was $949,319 and $1,062,246 for the years ended December 31, 2012 and 2011, respectively.

On March 1, 2011, the Company invested an additional $5,100,000 in its wholly owned subsidiary, CVH. CVH invested 100% of the $5,100,000 in its wholly owned subsidiary, Casco View Holdings II, LLC (CVHII) for the purchase of the home office building of the Company which had previously been under a long-term lease with an unrelated party. The Company has a guarantee on an outstanding note payable from a local bank through its wholly owned subsidiary, CVH who is the single member of CVHII. CVHII secured the note with a local bank on March 1, 2011. Included in future minimum lease payments are the future rents due through 2016 from the Company to CVHII.

The Company also has commitments/guarantees regarding all operations of MEMIC Services, Inc. The Company has recorded all related liabilities of MEMIC Services, Inc. in other liabilities on the statement of admitted assets, liabilities and capital and surplus.

From time to time the Company may purchase annuities to settle claims. Certain types of annuities provide annuitants with recourse against the Company in the event that the insurer fails to pay under the annuities as agreed. Under these arrangements, the Company remains contingently liable to the annuitant.

The Company is involved in litigation with respect to claims arising in the ordinary course of business, which is taken into account in establishing loss and loss adjustment expense reserves. The Company periodically reviews its overall loss and loss adjustment expense reserve position as well as its provision for reinsurance. The Company's management believes the resolution of such litigation is not expected to have a material adverse effect on the financial position or the operating results of the Company.

The Company is subject to guaranty funds and other assessments by states in which it has written business. Guaranty fund assessments should be accrued at the time of insolvencies. Certain assessments that are unknown to the Company are accrued at the time of assessment. In the case of premium based assessments, the expense is accrued at the time the premiums are written, or, in the case of loss based assessments, at the time the losses are incurred.

The Company has recorded an expense for guaranty fund and other assessments of $631,375 and $497,932 at December 31, 2012 and 2011, respectively. Of these amounts, the company has accrued a net liability at December 31, 2012 and 2011 of $1,119,977 and $730,501, respectively. This amount represents management's best estimate of its liability for assessments based on information received from the states in which the Company writes business and may change due to many factors, including the Company's share of the ultimate cost of current insolvencies and other factors related to the funding requirements of the various assessments. The Company does not have the ability to recover assessments through policyholder surcharges so no related asset is recorded on the balance sheet or income statement.

14. Workers' Compensation Board Assessments

The State of Maine Workers' Compensation Board (the "Board") assesses insurance companies, associations, and self-insured employers amounts based upon their written premium levels. At December 31, 2012 and 2011, the assessment was 2.54% and 2.97%, respectively, of written premium. To fund this amount, the Company is required to assess its policyholders these amounts and submit amounts collected to the Board on a quarterly basis. The balance of $962,360 and $1,520,248 represents amounts due to the Board as of December 31, 2012 and 2011, respectively.

15. Supplemental Benefits Fund Assessments

In 2002, the State of Maine created the Supplemental Benefits Fund (the Fund) for the purpose of reimbursing insurance companies and self-insurers for supplemental indemnity benefits not originally provided for in rates covering prior years' premiums. Insurance companies are assessed based upon their written premium levels. To fund these amounts, the Company is required to assess its policyholders and submit amounts collected to the Supplemental Benefits Oversight Committee on a quarterly basis. At January 1, 2012 and 2011, the assessment rate was 0.32% and 0.61%, respectively, of standard policy premium. The balance of $970,237 and $1,038,225 represents amounts due to the Fund for amounts billed but uncollected as of December 31, 2012 and 2011, respectively.

16. Related Party Transactions

The Company owns 100% of the common stock of its insurance services subsidiary, MEMIC Services. The Company paid the affiliate, MEMIC Services, $5,169,944 and $5,334,071, for loss control, managed care and other services provided to the Company for 2012 and 2011, respectively. The Company charges management fees and other services to MEMIC Services in the normal course of business and in accordance with the terms of certain cost sharing agreements. The Company charged MEMIC Services approximately $2,825,606 and $2,262,514 for management fees and other services that were provided to MEMIC Services for 2012 and 2011, respectively. Certain other direct costs are paid by the Company and charged back to MEMIC Services, Inc.

The Company owns 100% of the common stock of MEMIC Indemnity, a property/casualty insurance company that is licensed to write workers' compensation insurance. The Company charges management fees and other services to MEMIC Indemnity in the normal course of business and in accordance with the terms of certain cost sharing agreements. The Company charged MEMIC Indemnity approximately $2,273,294 and $1,886,577 for underwriting, claims and investment management fees and was charged $192,378 and $81,945 for audit and other claims services that were provided from MEMIC Indemnity for 2012 and 2011, respectively. In 2012, the Company contributed an additional investment of $18,000,000 in MEMIC Indemnity. Certain other direct costs are paid by the Company and charged back to MEMIC Indemnity.

On March 1, 2011, the Company invested an additional $5,100,000 in its wholly owned subsidiary, Casco View Holdings, LLC (CVH). CVH invested 100% of the $5,100,000 in its wholly owned subsidiary, Casco View Holdings II, LLC (CVHII) for the purchase of the home office building of the Company which had previously been under a long-term lease with an unrelated party. The Company records both the current and this additional member contribution in CVH in other invested assets. CVH paid the Company $24,000 for management services during 2012 and 2011 and the Company paid $14,400 for a parking lease during 2012. In addition, the Company leased office space from CVHII and paid $774,538 for rent and parking during 2012.

On December 12, 2011 the Company purchased MEMIC Casualty Company (MEMIC Casualty). The Company charges management fees and other services to MEMIC Casualty in the normal course of business and in accordance with the terms of certain cost sharing agreements. In 2012, there were charges from the Company for underwriting, claims and investment management fees in the amount of $17,500. Certain other direct costs are paid by the Company and charged back to MEMIC Casualty.

At December 31, 2012 and 2011, the Company reported a net receivable of $1,867,532 and $463,962, respectively, in admitted amounts due from the affiliates MEMIC Services, MEMIC Indemnity, MEMIC Casualty and CVH. The amounts are settled periodically in accordance with the terms of certain cost sharing agreements.

17. Subprime Mortgage Related Risk Exposure

The Company considers its exposure to subprime mortgage risk based on the likelihood of future cash flows, unrealized losses, potential write-downs and the likelihood that an impairment is other-than-temporary. The Company regularly reviews the ratings of all subprime mortgage risk securities. Differentiation between changes in asset values due to unrealized losses or changes in asset values due to less than anticipated future cash flows are not necessary since the subprime holdings are not material to the overall portfolio. The Company does not rely on investing in subprime mortgages in its overall investment strategy. The Company mitigates its overall exposure with a predominantly fixed income portfolio in other than subprime mortgage based securities.

The Company has the following exposure related to other investments with subprime exposure at December 31, 2012:

	Actual Cost	Book/ Adjusted Carrying Value (Excluding Interest)	Fair Value	Other Than Temporary Impairment to Date
Residential mortgage-backed securities	$ 115,982	$ 116,201	$ 119,105	$ -
Structured securities	348,998	350,053	320,459	-
	$ 464,980	$ 466,254	$ 439,564	$ -

The Company does not have any underwriting exposure to subprime mortgage risk through mortgage guaranty or financial insurance guaranty coverage.

The Company does not have any investments in collateralized debt obligations, structured securities, equity investments in subsidiary, controlled or affiliated entities with significant subprime mortgage related risk exposure, and subprime mortgage loans. Also, the Company does not provide mortgage guaranty or financial guaranty insurance coverage.

18. Loan Backed Securities

The Company has elected to use the prospective method of determining prepayment assumptions. Prepayment assumptions are derived primarily from projected cash flow information obtained from recognized external sources. Where projected cash flow information is not publicly available the information is obtained from external asset managers or by internal estimates. The Company uses IDC Corporation in determining the market value of its loan-backed securities. There have been no changes from the retrospective to the prospective adjustment methodology due to negative yield on specific securities.

The Company has no loan-backed securities that have a recognized other-than-temporary impairment (OTTI) where the Company either has the intent to sell; or do not have the ability or intent to retain the investment for a period of time to recover any unadjusted amortized cost basis.

The Company currently holds one security with a recognized OTTI where the present value of future cash flows expected to be collected is less than the amortized cost basis of the security.

CUSIP	Amortized Cost Before Other-Than-Temporary Impairment	Present Value of Projected Cash Flows	Other-Than-Temporary Impairment	Amortized Cost After Other-Than-Temporary Impairment	Fair Value at Time of Other-Than-Temporary Impairment	Date of Financial Statement Where Reported
68383NCX9	$ 2,209,427	$ 2,012,788	$ 196,639	$ 2,012,788	$ 1,571,028	12/31/2009
68383NCX9	1,737,020	1,600,690	136,330	1,600,690	1,266,695	6/30/2010
68383NCX9	1,462,072	998,214	327,527	1,134,545	1,095,810	12/31/2010
			$ 660,496			

The following table summarizes unrealized losses on loan-backed securities by the length of time that the securities have continuously been in unrealized loss positions.

Aggregate amount of unrealized loss	
Less than twelve months	$ 14,283
Twelve months or longer	49,824
Total	$ 64,107
Aggregate fair value of securities with unrealized loss	
Less than twelve months	$ 4,978,201
Twelve months or longer	1,039,160
Total	$ 6,017,361

There is no additional information necessary to describe the general categories of information that the Company considered in reaching the conclusion that the impairments are not other-than-temporary. The Company asserts that it has the intent and ability to hold these securities long enough to allow the cost basis of these securities to be recovered.

The Company has no repurchase agreements and/or securities lending transactions or low-income housing tax credits in the current year or prior year. The Company has investments in real estate through its wholly owned subsidiary CVH in the current year.

The cumulative amount of credit losses on loan-backed and structured securities still held as of December 31, 2012 is as follows:

Credit losses as of the beginning of year	$ 302,719
Credit losses for which an OTTI was not previously recognized	-
Additional credit losses on securities for which an OTTI was previously recognized	-
Reductions for securities sold during the period	-
Reductions for securities reclassified as intend-to-sell	-
Credit losses as of end of year	$ 302,719

19. Events Subsequent

Subsequent events have been considered through March 28, 2013 for these statutory financial statements which are available to be issued March 28, 2013.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in Annual Statement 3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total Amount (Col 3 + Col 4)	6 Percentage
1. Bonds:						
1.1 U.S. treasury securities	12,064,138	1.764	12,064,138		12,064,138	1.764
1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
1.21 Issued by U.S. government agencies						
1.22 Issued by U.S. government sponsored agencies						
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)						
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:						
1.41 States, territories and possessions general obligations	18,886,468	2.761	18,886,468		18,886,468	2.761
1.42 Political subdivisions of states, territories and possessions and political subdidivison general obligations	56,190,705	8.214	56,190,705		56,190,705	8.214
1.43 Revenue and assessment obligations	145,607,885	21.285	145,607,885		145,607,885	21.285
1.44 Industrial development and similar obligations						
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA	25,138,843	3.675	25,138,843		25,138,843	3.675
1.512 Issued or guaranteed by FNMA and FHLMC	45,449,940	6.644	45,449,940		45,449,940	6.644
1.513 All other						
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	14,223,859	2.079	14,223,859		14,223,859	2.079
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521						
1.523 All other	25,731,684	3.761	25,731,684		25,731,684	3.761
2. Other debt and other fixed income securities (excluding short term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	107,237,705	15.676	107,237,705		107,237,705	15.676
2.2 Unaffiliated non-U.S. securities (including Canada)	14,623,522	2.138	14,623,522		14,623,522	2.138
2.3 Affiliated securities						
3. Equity interests:						
3.1 Investments in mutual funds						
3.2 Preferred stocks:						
3.21 Affiliated						
3.22 Unaffiliated						
3.3 Publically traded equity securities (excluding preferred stocks):						
3.31 Affiliated						
3.32 Unaffiliated	87,248,216	12.754	87,248,216		87,248,216	12.754
3.4 Other equity securities:						
3.41 Affiliated	98,449,102	14.391	98,449,102		98,449,102	14.391
3.42 Unaffiliated	6,539	0.001	6,539		6,539	0.001
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated						
3.52 Unaffiliated						
4. Mortgage loans:						
4.1 Construction and land development						
4.2 Agricultural						
4.3 Single family residential properties						
4.4 Multifamily residential properties						
4.5 Commercial loans						
4.6 Mezzanine real estate loans						
5. Real estate investments:						
5.1 Property occupied by company						
5.2 Property held for production of income (including $ .... of property acquired in satisfaction of debt)						
5.3 Property held for sale (including $ .... property acquired in satisfaction of debt)						
6. Contract loans						
7. Derivatives						
8. Receivables for securities						
9. Securities Lending (Line 10, Asset page reinvested collateral)				XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments	13,407,498	1.960	13,407,498		13,407,498	1.960
11. Other invested assets	19,824,451	2.898	19,824,451		19,824,451	2.898
12. Total invested assets	684,090,555	100.000	684,090,555		684,090,555	100.000

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2012
To Be Filed by April 1

Of The Maine Employers' Mutual Insurance Company
Address (City, State, Zip Code): Portland, ME 04101
NAIC Group Code: 1332 NAIC Company Code: 11149 Employer's ID Number: 01-0476508

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 749,257,408

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	MEMIC Indemnity Company	Common Stock Subsidiary	$ 83,309,603	.... 11.119 %
2.02	MEMIC Casualty Company	Common Stock Subsidiary	$ 15,139,499	.... 2.021 %
2.03	SPDR S&P Midcap 400 EFT Trst	Common Stock	$ 11,429,522	.... 1.525 %
2.04	Energy NW WA Elec Revenue	Long Term Bonds	$ 6,329,486	.... 0.845 %
2.05	Coca-Cola Corp	Bond / Common Stock	$ 5,383,421	.... 0.719 %
2.06	Conoco Phillips	Bond / Common Stock	$ 5,262,497	.... 0.702 %
2.07	WBCMT 2006-C27 A3	Long Term Bonds	$ 4,982,956	.... 0.665 %
2.08	Citigroup, Inc.	Bond / Common Stock	$ 4,618,631	.... 0.616 %
2.09	Pennsylvania St Turnpike Com	Long Term Bonds	$ 4,429,489	.... 0.591 %
2.10	Ohio St Wtr Dev Auth	Long Term Bonds	$ 4,421,010	.... 0.590 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC-1	$ 445,323,220	.... 59.435 %	3.07	P/RP-1	$...................	...................%
3.02	NAIC-2	$ 31,974,906	.... 4.268 %	3.08	P/RP-2	$...................	...................%
3.03	NAIC-3	$...................	.... %	3.09	P/RP-3	$...................	...................%
3.04	NAIC-4	$...................	.... %	3.10	P/RP-4	$...................	...................%
3.05	NAIC-5	$...................	.... %	3.11	P/RP-5	$...................	...................%
3.06	NAIC-6	$...................	.... %	3.12	P/RP-6	$...................	...................%

4. Assets held in foreign investments:

(4.01)	Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?		Yes (X) No ( )
(4.02)	Total admitted assets held in foreign investments.	$...................	...................%
(4.03)	Foreign-currency- denominated investments.	$...................	...................%
(4.04)	Insurance liabilities denominated in that same foreign currency.	$...................	...................%

If response, to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

		1	2
5.01	Countries rated NAIC-1	$	..................%
5.02	Countries rated NAIC-2	$	..................%
5.03	Countries rated NAIC-3 or below	$	..................%

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign rating:

		1	2
	Countries rated NAIC - 1:		
6.01	Country 1:	$	..................%
6.02	Country 2:	$	..................%
	Countries rated NAIC - 2:		
6.03	Country 1:	$	..................%
6.04	Country 2:	$	..................%
	Countries rated NAIC - 3 or below:		
6.05	Country 1:	$	..................%
6.06	Country 2:	$	..................%

	1	2
7. Aggregate unhedged foreign currency exposure:	$	..................%

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign rating:

		1	2
8.01	Countries rated NAIC-1	$	..................%
8.02	Countries rated NAIC-2	$	..................%
8.03	Countries rated NAIC -3 or below	$	..................%

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign rating:

		1	2
	Countries rated NAIC - 1:		
9.01	Country 1:	$	..................%
9.02	Country 2:	$	..................%
	Countries rated NAIC - 2:		
9.03	Country 1:	$	..................%
9.04	Country 2:	$	..................%
	Countries rated NAIC - 3 or below:		
9.05	Country 1:	$	..................%
9.06	Country 2:	$	..................%

10. 10 largest non-sovereign (i.e. non-governmental) foreign issues:

1 Issuer	2 NAIC Rating	3 –	4 –
10.01	10.01	$	..................%
10.02	10.02	$	..................%
10.03	10.03	$	..................%
10.04	10.04	$	..................%
10.05	10.05	$	..................%
10.06	10.06	$	..................%
10.07	10.07	$	..................%
10.08	10.08	$	..................%
10.09	10.09	$	..................%
10.10	10.10	$	..................%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

11.02 Total admitted assets held in Canadian Investments	$	...................%
11.03 Canadian-currency-denominated investments	$	...................%
11.04 Canadian-denominated insurance liabilities	$	...................%
11.05 Unhedged Canadian currency exposure	$	...................%

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

1	2	3
12.02 Aggregate statement value of investments with contractual sales restrictions	$	...................%
Largest 3 investments with contractual sales restrictions:		
12.03	$	...................%
12.04	$	...................%
12.05	$	...................%

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? Yes ( ) No (X)

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

1 Name of Issuer	2	3
13.02 MEMIC Indemnity Company	$ 83,309,603	.... 11.119 %
13.03 MEMIC Casualty Company	$ 15,139,499	.... 2.021 %
13.04 SPDR S&P Midcap 400 ETF Trst	$ 11,429,522	.... 1.525 %
13.05 ISHARES MSCA EAFE Index Fund	$ 2,524,584	.... 0.337 %
13.06 Exxon Mobil Corp	$ 2,164,356	.... 0.289 %
13.07 Apple Inc	$ 1,883,360	.... 0.251 %
13.08 Microsoft Corp	$ 1,434,792	.... 0.191 %
13.09 Chevron Corp	$ 1,347,965	.... 0.180 %
13.10 AT&T Inc	$ 1,251,484	.... 0.167 %
13.11 Johnson & Johnson	$ 1,241,751	.... 0.166 %

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 14.01 is yes, responses are not required for the remainder of Interrogatory 14.

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	...................%
	Largest 3 investments held in nonaffiliated, privately placed equities:		
14.03	....	$	...................%
14.04	....	$	...................%
14.05	....	$	...................%

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02	Aggregate statement value of investments in general partnership interests.	$	...................%
	Largest 3 investments held in general partnership interests:		
15.03	....	$	...................%
15.04	....	$	...................%
15.05	....	$	...................%

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5 % of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 16.01 is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02	....	$	...................%
16.03	....	$	...................%
16.04	....	$	...................%
16.05	....	$	...................%
16.06	....	$	...................%
16.07	....	$	...................%
16.08	....	$	...................%
16.09	....	$	...................%
16.10	....	$	...................%
16.11	....	$	...................%

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
		1	2
16.12	Construction loans	$...................	...................%
16.13	Mortgage loans over 90 days past due	$...................	...................%
16.14	Mortgage loans in the process of foreclosure	$...................	...................%
16.15	Mortgage loans foreclosed	$...................	...................%
16.16	Restructured mortgage loans	$...................	...................%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	Loan-to-Value	Residential		Commercial		Agricultural	
		1	2	3	4	5	6
17.01	above 95%	$..................	.... %	$..................	.... %	$..................	.... %
17.02	91% to 95%	$..................	.... %	$..................	.... %	$..................	.... %
17.03	81% to 90%	$..................	.... %	$..................	.... %	$..................	.... %
17.04	71% to 80%	$..................	.... %	$..................	.... %	$..................	.... %
17.05	below 70%	$..................	.... %	$..................	.... %	$..................	.... %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments real estate:

18.01 Are assets held in real estate reported in less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 18.01 is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	Description 1	2	3
18.02	....	$..................	.... %
18.03	....	$..................	.... %
18.04	....	$..................	.... %
18.05	....	$..................	.... %
18.06	....	$..................	.... %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

1	2	3
19.02 Aggregate statement value of investments held in mezzanine real estate loans:	$..................	.... %

Largest three investments held in mezzanine real estate loans:

19.03	....	$..................	.... %
19.04	....	$..................	.... %
19.05	....	$..................	.... %

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

		At Year-end		At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
20.01	Securities lending agreements (do not include assets held as collateral for such transactions)	$..................	.... %	$..................	$..................	$..................
20.02	Repurchase agreements	$..................	.... %	$..................	$..................	$..................
20.03	Reverse repurchase agreements	$..................	.... %	$..................	$..................	$..................
20.04	Dollar repurchase agreements	$..................	.... %	$..................	$..................	$..................
20.05	Dollar reverse repurchase agreements	$..................	.... %	$..................	$..................	$..................

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
	1	2	3	4
21.01 Hedging	$..................	.... %	$..................	.... %
21.02 Income generation	$..................	.... %	$..................	.... %
21.03 Other	$..................	.... %	$..................	.... %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-end		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
22.01 Hedging	$..................	.... %	$..................	$..................	$..................
22.02 Income generation	$..................	.... %	$..................	$..................	$..................
22.03 Replications	$..................	.... %	$..................	$..................	$..................
22.04 Other	$..................	.... %	$..................	$..................	$..................

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-end		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
23.01 Hedging	$..................	.... %	$..................	$..................	$..................
23.02 Income generation	$..................	.... %	$..................	$..................	$..................
23.03 Replications	$..................	.... %	$..................	$..................	$..................
23.04 Other	$..................	.... %	$..................	$..................	$..................