MEMIC Indemnity Company

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

MEMIC Indemnity Company
Index
December 31, 2012 and 2011

Page(s)

Independent Auditor's Report

To the Board of Directors of
MEMIC Indemnity Company

We have audited the accompanying statutory financial statements of MEMIC Indemnity 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 New Hampshire Insurance Department. 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 New Hampshire Insurance Department, 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.

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 New Hampshire Insurance Department 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 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 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 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 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 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 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

MEMIC Indemnity 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 (fair value: $195,533,008 and $151,821,409 at December 31, 2012 and 2011, respectively)	$ 183,016,445	$ 142,743,679
Common stocks, at fair value (cost: $3,582,297 and $3,314,931 at December 31, 2012 and 2011, respectively)	4,873,559	4,155,352
Cash and short term investments	11,281,687	13,554,439
Total cash and invested assets	199,171,691	160,453,470
Premium balances receivable	24,184,603	18,144,984
Receivable for securities sold	350	-
Investment income due and accrued	1,819,504	1,463,003
EDP equipment (net of accumulated depreciation of $346,291 and $301,731 at December 31, 2012 and 2011, respectively)	107,174	41,014
Reinsurance recoverable on paid loss and loss adjustment expenses	159,745	249,552
Net deferred income taxes	5,181,627	4,512,751
Total admitted assets	$ 230,624,694	$ 184,864,774
Liabilities		
Loss reserves	$ 76,006,705	$ 68,884,858
Loss adjustment expense reserves	12,398,146	10,587,394
Unearned premium reserves	33,510,982	26,629,055
Advance premium	566,234	247,406
Reinsurance premiums payable	488,240	523,978
Other liabilities	1,185,004	815,572
Premium taxes and assessments payable	8,851,366	5,152,838
Amounts withheld for others	1,004,926	701,761
Dividends payable	-	14,445
Commissions payable	2,169,769	2,060,779
Due to parent	1,771,984	472,739
Federal income tax payable	3,361,735	314,286
Total liabilities	$ 141,315,091	$ 116,405,111
Commitments and contingencies (Note 13)		
Capital and surplus		
Surplus notes (Note 15)	$ 6,000,000	$ 6,000,000
Common stock, 1,000,000 shares authorized, 100,000 shares issued and outstanding.	3,000,000	3,000,000
Gross paid-in and contributed surplus	69,000,000	51,000,000
Special surplus funds	-	2,682,840
Unassigned surplus	11,309,603	5,776,823
Total capital and surplus	89,309,603	68,459,663
Total liabilities and capital and surplus	$ 230,624,694	$ 184,864,774

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

MEMIC Indemnity Company
Statements of Income
(Statutory Basis)
Years Ended December 31, 2012 and 2011

	2012	2011
Underwriting income		
Premiums earned, net	$ 64,610,936	$ 49,601,477
Loss and underwriting expenses		
Losses incurred, net	37,564,417	34,607,961
Loss adjustment expenses incurred, net	7,713,487	5,465,523
Underwriting expenses	19,575,235	15,929,160
Total loss and underwriting expenses	64,853,139	56,002,644
Net underwriting loss	(242,203)	(6,401,167)
Investment income		
Net investment income	5,699,920	4,883,578
Net realized capital gains (losses), net of taxes	84,846	(120,667)
Total investment income	5,784,766	4,762,911
Other expenses		
Bad debt expense	(73,376)	(46,920)
Finance charges	19,730	13,660
Net other expense	(53,646)	(33,260)
Income (loss) before dividends and federal income taxes	5,488,917	(1,671,516)
Dividends to policyholders	25,280	(82,669)
Income (loss) after dividends, before federal income taxes	5,463,637	(1,588,847)
Provision for federal income taxes	3,299,009	340,735
Net income (loss)	$ 2,164,628	$ (1,929,582)

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

MEMIC Indemnity Company
Statements of Changes in Capital and Surplus
(Statutory Basis)
Years Ended December 31, 2012 and 2011

	2012	2011
Capital and surplus at beginning year	$ 68,459,663	$ 63,135,014
Net income (loss)	2,164,628	(1,929,582)
Increase in net deferred income taxes	2,059,016	1,104,957
Increase in nonadmitted assets	(1,678,886)	(1,777,414)
Change in net unrealized appreciation of invested assets (net of deferred taxes of $157,794 and ($65,141) as of December 31, 2012 and 2011, respectively)	305,182	(73,312)
Capital contributions	18,000,000	8,000,000
Change in capital and surplus	20,849,940	5,324,649
Capital and surplus at end of year	$ 89,309,603	$ 68,459,663

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

MEMIC Indemnity Company
Statements of Cash Flows
(Statutory Basis)
Years Ended December 31, 2012 and 2011

	2012	2011
Cash from operations		
Premiums collected, net	$ 65,599,939	$ 52,131,127
Investment income received, net	6,342,126	5,487,140
Other expense	(53,646)	(33,259)
Cash provided from operations	71,888,419	57,585,008
Benefit and loss related payments	30,352,762	26,706,568
Commissions and expenses paid	21,297,680	17,860,251
Dividends paid to policyholders	39,726	41,361
Federal income taxes recovered (paid)	297,246	619,337
Cash used in operations	51,987,414	45,227,517
Net cash provided from operations	19,901,005	12,357,491
Cash from investing activities		
Cash provided by investments		
Proceeds from bonds sold, matured or repaid	20,492,099	25,769,074
Cost of bonds acquired	(51,741,222)	(40,064,657)
Cost of stocks acquired	(267,366)	(245,546)
Net cash used in investing activities	(31,516,489)	(14,541,129)
Cash from financing and miscellaneous sources		
Other cash		
Capital and paid in surplus	8,119,973	8,000,000
Other (uses) sources	1,222,759	(871,725)
Net cash provided from financing and miscellaneous sources	9,342,732	7,128,275
Net change in cash	(2,272,752)	4,944,637
Cash		
Beginning of year	13,554,439	8,609,802
End of year	$ 11,281,687	$ 13,554,439
Non cash contribution of bonds	$ 9,880,027	$ -

1. Organization

MEMIC Indemnity Company (the "Company"), a wholly owned subsidiary of Maine Employers' Mutual Insurance Company ("MEMIC"), was incorporated on February 24, 2000. MEMIC has contributed $72,000,000 to capitalize and fund operations of the Company since 2000. The Company is licensed to write workers' compensation and or employers' liability insurance in 50 states and the District of Columbia with approximately 90% of premium written in the States of Connecticut, New Hampshire, Massachusetts, New York and Vermont. The Company writes its business primarily through independent agents and brokers in the various states in which it is licensed.

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 New Hampshire Insurance Department ("statutory accounting").

The New Hampshire Insurance Department recognizes only statutory accounting practices prescribed or permitted by the State of New Hampshire for determining and reporting the financial condition and results of operations of an insurance company, and for determining its solvency under the New Hampshire Insurance Law. The NAIC Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of New Hampshire. There are no differences between the Company's net income, capital and surplus as recognized under NAIC SAP and the practices prescribed and permitted by the State of New Hampshire.

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 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 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 past due greater than 90 days, deferred income taxes, prepaid assets 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. 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;

e. 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;

f. 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;

g. 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; and

h. 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 investments, which are short-term investments which mature within one year; the carrying value of these investments approximates 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. 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 (losses) gains. 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. 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 16 for the Company's evaluation of SSAP 43R on these financial statements.

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) gains.

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 and 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 method 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	$ 289,735	$ 153,341
Deferred income taxes	4,955,107	3,722,762
Fixed assets, net of accumulated depreciation	290,698	149,873
Other assets	362,508	193,186
Total nonadmitted assets	$ 5,898,048	$ 4,219,162

Depreciation expense on nonadmitted fixed assets was $94,208 and $85,352 in 2012 and 2011, respectively.

Federal Income Taxes

The Company files a consolidated tax return with MEMIIC, MEMIC Casualty Company, MEMIC Services, Inc, and Casco View Holdings, LLC. 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 book basis of assets and liabilities.

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.

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.

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 change in unassigned funds as of January 1, 2012.

EDP Equipment

EDP equipment is stated at cost, net of accumulated depreciation. Depreciation is computed principally by use of 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 $43,830 and $55,274, 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 gains 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 and Surplus

Total contributions from MEMIC were $72,000,000 and $54,000,000 as of December 31, 2012 and 2011.

The Company has 1,000,000 shares of stock authorized; 100,000 shares issued and outstanding as of December 31, 2012 and 2011. The stock had a $30 par value per share as of December 31, 2012 and 2011. MEMIC contributed capital of $18,000,000 in the form of fixed income securities and cash towards its investment in the Company in December 2012. The $18,000,000 capital contribution noted as a change in policyholder surplus includes $9,880,027 non-cash contribution of bonds and $8,119,973 in cash.

4. Dividend Restrictions

The Company may declare a dividend without insurance department approval so long as such dividend is not considered extraordinary. In the case of extraordinary dividends, prior approval is required. An extraordinary dividend or distribution includes any dividend or distribution of cash or other property, whose fair market value together with that of other dividends or distributions made within the preceding 12 months, exceeds 10% of such insurer’s capital and surplus as of December 31, limited to the prior year-end’s unassigned surplus. There were no stockholder dividends declared during 2012 or 2011.

5. Income Taxes

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

		December 31, 2012		
		1	2	3
		Ordinary	Capital	(Col 1+2) Total
a.	Gross deferred tax assets	$ 9,990,710	$ 642,853	$ 10,633,563
b.	Statutory valuation allowance adjustment	-	-	-
c.	Adjusted gross deferred taxes (1a - 1b)	9,990,710	642,853	10,633,563
d.	Deferred tax assets nonadmitted	4,764,196	190,911	4,955,107
e.	Subtotal net admitted deferred tax asset (1c - 1d)	5,226,514	451,942	5,678,456
f.	Deferred tax liabilities	44,887	451,942	496,829
g.	Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 5,181,627	$ -	$ 5,181,627

		December 31, 2011		
		4	5	6
		Ordinary	Capital	(Col 4+5) Total
a.	Gross deferred tax assets	$ 7,924,553	$ 642,853	$ 8,567,406
b.	Statutory valuation allowance adjustment	-	-	-
c.	Adjusted gross deferred taxes (1a - 1b)	7,924,553	642,853	8,567,406
d.	Deferred tax assets nonadmitted	3,374,057	348,705	3,722,762
e.	Subtotal net admitted deferred tax asset (1c - 1d)	4,550,496	294,148	4,844,644
f.	Deferred tax liabilities	37,745	294,148	331,893
g.	Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 4,512,751	$ -	$ 4,512,751

		Change		
		7	8	9
		(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
a.	Gross deferred tax assets	$ 2,066,157	$ -	$ 2,066,157
b.	Statutory valuation allowance adjustment	-	-	-
c.	Adjusted gross deferred taxes (1a - 1b)	2,066,157	-	2,066,157
d.	Deferred tax assets nonadmitted	1,390,139	(157,794)	1,232,345
e.	Subtotal net admitted deferred tax asset (1c - 1d)	676,018	157,794	833,812
f.	Deferred tax liabilities	7,142	157,794	164,936
g.	Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 668,876	$ -	$ 668,876

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	$ 3,112,627	$ -	$ 3,112,627
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:	2,069,000	-	2,069,000
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	2,069,000	-	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	44,887	451,942	496,829
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 5,226,514	$ 451,942	$ 5,678,456

	December 31, 2011		
	4	**5**	**6**
			(Col 4+5)
	Ordinary	**Capital**	**Total**
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 1,350,512	$ -	$ 1,350,512
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:	3,162,238	-	3,162,238
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	3,162,238	-	2,069,000
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	37,745	294,148	331,893
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 4,550,495	$ 294,148	$ 4,844,643

	Change		
	7	**8**	**9**
	(Col 1-4)	**(Col 2-5)**	**(Col 7+8)**
	Ordinary	**Capital**	**Total**
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 1,762,115	$ -	$ 1,762,115
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below:	(1,093,238)	-	(1,093,238)
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	(1,093,238)		
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	7,142	157,794	164,936
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 676,019	$ 157,794	$ 833,813

Other admissibility criteria

	2012	2011
a. Ratio percentage used to determine recovery period and threshold limitation amount	1400%	1173%
b. Amount of adjusted capital and surplus used to determine recovery period and threshhold limitation in 2(b)2 above	$ 12,736,580	$9,585,885

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%	6.0%	6.0%	0.0%	7.5%	7.5%	0.0%	-1.5%	-1.5%
b. Net admitted adjusted gross DTAs									
(% of total net admitted DTAs)	0.0%	12.4%	12.4%	0.0%	14.2%	14.2%	0.0%	-1.8%	-1.8%

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

Current and deferred income taxes:

	2012	2011	Change
a. Federal	$ 3,299,009	$ 340,735	$ 2,958,274
b. Foreign	-	-	-
c. Subtotal	3,299,009	340,735	2,958,274
d. Federal income tax on net capital gains	45,687	(62,764)	108,451
e. Utilization of capital loss carry-forwards	-	-	-
f. Other	-	-	-
g. Federal and Foreign income taxes incurred	$ 3,344,696	$ 277,971	$ 3,066,725

Deferred Tax Assets

		2012	2011	Change
a.	Ordinary			
	Discounting of unpaid losses	$ 4,380,646	$ 4,069,570	$ 311,076
	Unearned premium reserves	2,385,405	1,881,352	504,053
	Compensation and benefits accrual	2,660,308	1,397,214	1,263,094
	Other (including items < 5% of total ordinary tax assets)	564,351	576,417	(12,066)
	Subtotal	9,990,710	7,924,553	2,066,157
b.	Statutory Valuation allowance adjustment			
c.	Nonadmitted	4,764,196	3,374,057	1,390,139
d.	Admitted ordinary deferred tax assets	5,226,514	4,550,496	676,018
e.	Capital:			
	Investments	642,853	642,853	-
	Subtotal	642,853	642,853	-
f.	Statutory Valuation allowance adjustment			
g.	Nonadmitted	190,911	348,705	(157,794)
h.	Admitted capital deferred tax assets (2e99-2f-2g)	451,942	294,148	157,794
i.	Admitted deferred tax assets (2d+2h)	$ 5,678,456	$ 4,844,644	$ 833,812

Deferred Tax Liabilities

		2012	2011	Change
a.	Ordinary:			
	Investments	$ 30,124	$ 32,217	$ (2,093)
	Fixed Assets	14,763	5,528	9,235
	Subtotal	44,887	37,745	7,142
b.	Capital:			
	Investments	451,942	294,148	157,794
	Subtotal	451,942	294,148	157,794
c.	Deferred tax liabilities (3a99+3b99)	$ 496,829	$ 331,893	$ 164,936
	Net Deferred Tax Assets/Liabilities (2i-3c)	$ 5,181,627	$ 4,512,751	$ 668,876

There were no deferred tax liabilities that were not recognized.

Reconciliation of federal income tax rate to actual effective rate:

	2012	Effective Tax Rate (%)
Provision computed at statutory rate	$ 1,928,263	35%
Change in nonadmitted assets	431,321	8%
Tax exempt income deduction	(698,695)	-13%
Dividends received deduction, net of add-back	(55,679)	-1%
Proration of tax exempt investment income	104,804	2%
AMT Credit	(237,722)	-4%
Accrual adjustment - prior year	299,641	5%
Other	(486,254)	-9%
Totals	1,285,679	23%
Federal and foreign income taxes incurred	3,299,009	60%
Realized capital gains (losses) tax	45,687	1%
Change in net deferred income taxes	(2,059,016)	-38%
Total statutory income taxes	$ 1,285,680	23%

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 $3,282,777 for 2012 and $76,643 for 2011. There are no deposits admitted under Section 6603 of the Internal Revenue Code.

As of December 31, 2012 and 2011 the Company does not have any uncertain tax positions requiring disclosure in these financial statements. Had the Company identified such positions, these amounts would need to be evaluated and disclosed or accrued. Liabilities would be reflected on the statement 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 was in an AMT position of $234,711.

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:

Maine Employers’ Mutual Insurance Company, parent company,
Casco View Holdings, LLC, a related party under common ownership,
MEMIC Casualty Company, a related party under common ownership,
MEMIC Services, Inc., a related party under common ownership.

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 reasonable 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,	$ 79,472,252	$ 70,282,595
Incurred related to		
Current year	49,934,918	40,544,632
Prior year	(4,657,014)	(471,148)
Total incurred	45,277,904	40,073,484
Paid related to		
Current year	14,343,271	10,786,323
Prior year	22,002,034	20,097,504
Total paid	36,345,305	30,883,827
Net balances at December 31,	$ 88,404,851	$ 79,472,252

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 $4,657,014 as a result of favorable loss development principally in the 2002 through 2011 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.

During 2011, the Company's incurred losses related to prior years decreased by $471,148 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 100% quota share reinsurance agreement which was terminated effective for 2005 policy years. Amounts added to loss reserves and loss adjustment expenses for reinsurance assumed from the other company are as follows:

	2012	2011
Loss and loss adjustment expenses incurred	$ (18,635)	$ -
Loss and loss adjustment expense reserves	209,458	379,933

As a condition of writing policies in several states, the Company 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 premiums, 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 expenses for reinsurance assumed from pools are as follows:

	2012	2011
Premiums earned	$ 3,384,553	$ 1,909,084
Loss and loss adjustment expenses incurred	2,553,531	2,207,388
Unearned premiums	1,082,863	888,918
Loss and loss adjustment expense reserves	8,393,196	7,419,423
Premiums receivable	540,282	412,464
Underwriting expenses incurred	996,175	702,091

The Company reinsures portions of risks with another insurance company 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 the 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 $1,000,000 for 2012 and 2011, $2,000,000 for 2010 and 2009, $3,000,000 for 2008, $2,000,000 for 2007, $1,000,000 for 2006 and $500,000 for 2005, 2004 and 2003 with reinsurance coverage up to $50,000,000 subject to its net retention. For losses incurred prior to 2003, the net retention for losses is $100,000 with 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.

Amounts deducted from premiums, reserves and expenses for reinsurance ceded were as follows:

	2012	2011
Premiums earned	$ 3,005,731	$ 2,569,341
Loss and loss adjustment expenses incurred	-	-
Loss and loss adjustment expense reserves	2,809,775	3,004,619
Premiums (receivable) payable	488,240	523,978

The 2012 and 2011 ceded loss and loss adjustment expense reserves above are comprised of amounts with one reinsurance carrier although the Company has contracts with other carriers.

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

General Reinsurance Corp.	$ 2,969,000

The Company's reinsurance program was implemented in accordance with the New Hampshire Insurance Department's Consent Agreement dated March 8, 2000.

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 two reinsurance contracts during the year with General Reinsurance Corporation. There was no amount due to the Company on either treaty year as a result of these commutations. There was no net effect on the income statement or balance sheet of the Company as a result of these commutations.

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	$ 70,920,097	$ 64,232,114	$ 54,947,949	$ 50,261,734
Assumed	3,578,497	3,384,553	2,130,458	1,909,084
Ceded	(3,005,731)	(3,005,731)	(2,569,341)	(2,569,341)
Net premiums	$ 71,492,863	$ 64,610,936	$ 54,509,066	$ 49,601,477

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 $8,958,747 and $8,994,640, respectively.

10. Investments

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	$ 13,541,708	$ 2,080,580	$ -	$ 15,622,289
States, territories and possessions	33,275,955	1,860,551	(19,829)	35,116,677
Political subdivisions of states	34,907,837	2,561,865	(28)	37,469,673
Industrial and miscellaneous	63,324,377	4,101,621	(26,561)	67,399,437
Asset backed securities	37,966,568	1,964,883	(6,518)	39,924,932
Total bonds	$ 183,016,445	$ 12,569,499	$ (52,937)	$ 195,533,008

	2011			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and government agencies and authorities	$ 15,156,283	$ 2,419,004	$ -	$ 17,575,287
States, territories and possessions	23,915,093	1,473,016	(9,862)	25,378,247
Political subdivisions of states	31,369,120	1,807,507	(4,858)	33,171,769
Industrial and miscellaneous	42,441,319	2,105,926	(136,793)	44,410,452
Asset backed securities	29,861,864	1,565,126	(141,336)	31,285,654
Total bonds	$ 142,743,679	$ 9,370,579	$ (292,849)	$ 151,821,409

The cost and fair value of equity securities were as follows:

2012	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stocks	$ 3,582,297	$ 1,293,037	$ (1,775)	$ 4,873,559

2011	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stocks	$ 3,314,930	$ 856,174	$ (15,752)	$ 4,155,352

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 one security with a NAIC SVO rating of three of higher that remains at amortized cost as a result of a favorable price point.

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

Maturity	Carrying Value	Fair Value
One year or less	$ 10,375,409	$ 10,549,177
Over one year through five years	40,029,121	42,343,590
Over five years through ten years	66,275,989	72,107,857
Over ten years through twenty years	26,641,366	28,588,250
Over twenty years	1,727,993	2,019,202
	145,049,877	155,608,075
Asset backed securities (principally ten through twenty years)	37,966,568	39,924,932
	$ 183,016,445	$ 195,533,008

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 sales of investments on debt 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	$ 4,812,285	$ 147,974	$ (4,537)
Stocks	-	-	-
	$ 4,812,285	$ 147,974	$ (4,537)

	2011		
	Proceeds From Sales	Gross Realized Gains	Gross Realized Losses
Bonds	$ 8,555,297	$ 146,075	$ (139,054)
Stocks	-	-	-
	$ 8,555,297	$ 146,075	$ (139,054)

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 other-than-tempory-impairments on these securities 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)	$ 6,455,285	$ (47,435)	$ 529,693	$ (5,502)	$ 6,984,978	$ (52,937)
Bonds (NAIC 3–6)	-	-	-	-	-	-
Common stocks	132,314	(400)	81,347	(1,375)	213,661	(1,775)
Preferred stocks	-	-	-	-	-	-
	$ 6,587,599	$ (47,835)	$ 611,040	$ (6,877)	$ 7,198,639	$ (54,711)

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

The major categories of net investment income for the years ended December 31, 2012 and 2011 are summarized as follows:

	2012	2011
Bonds	$ 6,084,876	$ 5,167,368
Preferred stock and common	267,366	261,584
Cash and short-term investments	11,896	18,469
Other investment income	35	3,325
Total investment income	6,364,173	5,450,746
Less: Investment expenses	(664,253)	(567,168)
Net investment income	$ 5,699,920	$ 4,883,578

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 currently has no assets or liabilities measured at fair value in this category.

Level 3 - Significant Other Unobservable Inputs: 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. The Company currently 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.

2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets on balance sheet at fair value				
Common stocks				
Mutual Funds	$ 4,873,559	$ -	$ -	$ 4,873,559
Total common stocks	4,873,559	-	-	4,873,559
Other - short term investments	6,873,871	-	-	6,873,871
Total assets on balance sheet at fair value	$11,747,430	$ -	$ -	$11,747,430

2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets on balance sheet at fair value				
Common stocks				
Mutual Funds	$ 4,155,352	$ -	$ -	$ 4,155,352
Total common stocks	4,155,352	-	-	4,155,352
Other - short term investments	6,874,821	-	-	6,874,821
Total assets on balance sheet at fair value	$11,030,173	$ -	$ -	$11,030,173

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.

Type of Financial Instrument	2012					
	Fair Value	**Admitted Value**	**Level 1**	**Level 2**	**Level 3**	**Not Practicable (Carrying Value)**
Bonds	$ 195,533,008	$ 183,016,445	$ -	$ 195,533,008	$ -	$ -
Common stocks	4,873,559	4,873,559	4,873,559	-	-	-
Cash, cash equivalents & short-term investments	11,281,687	11,281,687	11,281,687	-	-	-
Total assets	$ 211,688,254	$ 199,171,691	$ 16,155,246	$ 195,533,008	$ -	$ -

Type of Financial Instrument	2011					
	Fair Value	**Admitted Value**	**Level 1**	**Level 2**	**Level 3**	**Not Practicable (Carrying Value)**
Bonds	$ 151,821,409	$ 142,743,679	$ -	$ 151,821,409	$ -	$ -
Common stocks	4,155,352	4,155,352	4,155,352	-	-	-
Cash, cash equivalents & short-term investments	13,554,439	13,554,439	13,554,439	-	-	-
Total assets	$ 169,531,200	$ 160,453,470	$ 17,709,791	$ 151,821,409	$ -	$ -

12. Employee Benefit Plans

The Company's parent MEMIC 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 of MEMIC, 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 if the Plan was approximately $108,670 and $99,716 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. The Company's contributions become fully vested after five years. The Company incurred approximately $57,945 and $62,184 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 $113,110 and $98,604 of expense related to the profit sharing component of the Plan in 2012 and 2011, respectively.

The Company's parent 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. The Company had no key employees participating in the Compensation Plan as of December 31, 2012 or 2011.

The Company's parent 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 of MEMIC. 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 had no key employees participating in the ICP as of December 31, 2012 or 2011.

The Company has no obligations to current or former employees for benefits after their employment but before their retirement other than for compensation related to earned vacation pay. The liability for earned but untaken vacation pay has been accrued.

13. Commitment and Contingent Liabilities

The Company leases office space and various office equipment lease arrangements through 2017. Future minimum lease payments under operating leases at December 31, 2012 are as follows:

2013	$	358,356
2014		309,906
2015		308,786
2016		223,330
2017		185,008
Thereafter		23,316
Total future minimum lease payments	$	1,408,701

Total rent and lease expense was $418,197 and $365,196 for the years ended December 31, 2012 and 2011, respectively.

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 served as a member of the Board of Governors of the National Workers' Compensation Reinsurance Pool (Pool). In March 2008 a legal dispute arose between the National Council on Compensation Insurance (NCCI), serving as attorney-in-fact for the Pool, and American International Group, Inc., et. al. (AIG). The dispute involved alleged underreporting of workers' compensation premium by AIG to avoid participation in residual markets AIG, in turn, filed its own action against all other insurance companies, including the Company, one of many Third-Party Defendants, alleging similar or identical conduct. The original complaint filed by AIG was dismissed, however an amended complaint filed October 16, 2009 by AIG asserts breach of fiduciary duty against the same Third-Party Defendants. On February 14, 2011 AIG filed its Agreed

Motion for Voluntary Dismissal, which requests the court to dismiss with prejudice its claims against of the Third-Party Defendants, including the Company. The order of dismissal was entered on March 10, 2011 resulting in the dismissal with prejudice of the claims asserted against each of the Third-Party Defendants, including 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 $6,182,468 and $4,304,997 at December 31, 2012 and 2011, respectively. Of these amounts, the company has accrued a net liability at December 31, 2012 and 2011 of $8,406,942 and $4,735,996, 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. The Company does not have the ability to recover assessments through policyholder surcharges so no related asset has been recorded.

14. Related Party Transactions

All outstanding shares of MEMIC Indemnity Company are owned by MEMIC. MEMIC charges the Company management and other fees in the normal course of business and in accordance with the terms of certain cost sharing agreements. In 2012, the Company was charged approximately $2,273,294 for administrative and management services, underwriting, claims and investment management fees, and received $192,378 for those services that were provided to MEMIC by the Company for premium audit services. Certain other direct costs are paid by MEMIC and charged back to the Company as well.

In 2000, the Company was capitalized by MEMIC with a $12,000,000 investment. MEMIC 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. MEMIC contributed capital of $18,000,000 in the form of fixed income securities and cash towards its investment in the Company in December 2012. The $18,000,000 capital contribution noted as a change in policyholder surplus includes $9,880,027 non-cash contribution of bonds and $8,119,973 in cash.

The Company is related through its parent company to an insurance services subsidiary, MEMIC Services, Inc. During 2012, the Company paid the affiliate, MEMIC Services, Inc. $2,083,145 for loss control, managed care and other services provided to the Company.

15. Surplus Notes

Date Issued	Interest Rate	Par Value (Face Amount of Notes)	Carrying Value of Note	Principal and/or Interest Paid Current Year	Total Principal and/or Interest Paid	Unapproved Principal and/or Interest	Date of Maturity
April 30, 2004	LIBOR + 4%	$ 6,000,000	$ 6,000,000	$ 272,302	$ 3,377,025	$ 33,762	April 29, 2034

The surplus note of $6,000,000 in the table above was issued pursuant to Rule 144A under the Securities Act of 1933, underwritten by Dekania Capital Management II, and administered by JP Morgan/Chase as trustee.

Interest accrues at a floating rate of 3 month LIBOR plus 4%. Interest payments are due quarterly in arrears on February 15, May 15, August 15 and November 15. Each payment of interest on and principal of the surplus note may be made only with the prior approval of the Commissioner of Insurance of the State of New Hampshire and only to the extent the Company has sufficient surplus earnings to make such payment.

The Company may, at its option, redeem the note in whole at any time or in part from time to time at a redemption price of 100%. As of December 31, 2012 the note has not been redeemed.

The surplus note is subordinated to all senior obligations, including all existing and future debt and guarantees, and any expense or policy claims. The note will rank equally with any future surplus note or similar obligation of the Company.

16. 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 predominately fixed income portfolio in other than subprime mortgage based securities.

The Company has the following exposure related to other investments with subprime exposure:

	Actual Cost	Book/Adjusted Carrying Value	Fair Value	Other Temporary Impairment to Date
Residential mortgage backed securities	$ 246,113	$ 216,292	$ 210,040	$ (110,022)
Commercial mortgage backed securities	-	-	-	-
	$ 246,113	$ 216,292	$ 210,040	$ (110,022)

As of December 31, 2012 there were three subprime mortgage related securities with ratings between BBB and AAA. There were no other than temporary impairment write-downs of during 2012 on these subprime mortgage related securities.

The Company does not have any underwriting exposure to subprime mortgage risk through Mortgage Guaranty or Financial Insurance Guaranty coverage.

17. 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. 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 following table summarizes other–than-temporary impairments (OTTI) for loan-backed and structured securities held at the end of the year recorded based on the fact that the present value

of projected cash flows expected to be collected was less than the amortized cost of the securities. There was no other-than-temporary impairment recorded on the one security the company held during the current year. The current fair value of this security as of December, 31, 2012 is $210,040.

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
41161UAE2	$ 502,385	$ 392,364	$ 110,022	$ 392,363	$ 308,492	December 31, 2009
			$ 110,022			

The fair value and gross unrealized losses of nonagency RMBS investment securities and the amount of time the securities have been in an unrealized loss position as of December 31, 2012 are as follows:

Aggregate amount of unrealized loss	
Less than twelve months	$ 266
Twelve months or longer	-
Total	$ 266
Aggregate fair value of securities with unrealized loss	
Less than twelve months	$ 281,836
Twelve months or longer	-
Total	$ 281,836

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

	Period From January 1, 2012 to December 31, 2012
Credit losses at beginning of the period	$ 101,060
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 at December 31, 2012	$ 101,060

The Company has no repurchase agreements and/or Securities Lending Transactions, no investments in real estate or low-income housing tax credits in the current year or prior year.

18. Subsequent Events

Subsequent events have been considered through March 28, 2013 for these statutory financial statements which are available to be issued March 28, 2013. There were no events occurring subsequent to the end of the year that merited recognition or disclosure in these financial statements.

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	11,610,868	5.830	11,610,868		11,610,868	5.830
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	399,532	0.201	399,532		399,532	0.201
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	10,658,117	5.351	10,658,117		10,658,117	5.351
1.42 Political subdivisions of states, territories and possessions and political subdidivison general obligations	8,229,397	4.132	8,229,397		8,229,397	4.132
1.43 Revenue and assessment obligations	50,827,586	25.519	50,827,586		50,827,586	25.519
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	692,120	0.347	692,120		692,120	0.347
1.512 Issued or guaranteed by FNMA and FHLMC	26,323,744	13.217	26,323,744		26,323,744	13.217
1.513 All other						
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	2,689,667	1.350	2,689,667		2,689,667	1.350
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	8,261,037	4.148	8,261,037		8,261,037	4.148
2. Other debt and other fixed income securities (excluding short term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	57,572,173	28.906	57,572,173		57,572,173	28.906
2.2 Unaffiliated non-U.S. securities (including Canada)	5,752,204	2.888	5,752,204		5,752,204	2.888
2.3 Affiliated securities						
3. Equity interests:						
3.1 Investments in mutual funds	4,873,559	2.447	4,873,559		4,873,559	2.447
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						
3.4 Other equity securities:						
3.41 Affiliated						
3.42 Unaffiliated						
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	350		350		350	
9. Securities Lending (Line 10, Asset page reinvested collateral)				XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments	11,281,687	5.664	11,281,687		11,281,687	5.664
11. Other invested assets						
12. Total invested assets	199,172,041	100.000	199,172,041		199,172,041	100.000

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

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

Of The MEMIC Indemnity Company
Address (City, State, Zip Code): Manchester, NH 03104
NAIC Group Code: 1332 NAIC Company Code: 11030 Employer's ID Number: 02-0515329

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. $ 230,624,693

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	Goldman Sachs High Yield Ins	Common Stock	$ 2,957,722	.... 1.282 %
2.02	Plains All American Pipeline	Long Term Bonds	$ 2,361,629	.... 1.024 %
2.03	Metlife Inc	Long Term Bonds	$ 2,092,917	.... 0.907 %
2.04	Lower Colorado River TX Auth	Long Term Bonds	$ 2,074,544	.... 0.900 %
2.05	JPMCC 2012-CBX A4	Long Term Bonds	$ 2,038,068	.... 0.884 %
2.06	Chicago Il Transit Auth Capita	Long Term Bonds	$ 2,010,631	.... 0.872 %
2.07	Goldman Sachs L/C Value FD-I	Common Stock	$ 1,915,837	.... 0.831 %
2.08	Berkshire Hathaway Inc	Long Term Bonds	$ 1,803,309	.... 0.782 %
2.09	JP Morgan Chase & Co	Long Term Bonds	$ 1,466,726	.... 0.636 %
2.10	Lincoln MI Consol Sch Dist	Long Term Bonds	$ 1,449,382	.... 0.628 %

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	$ 165,207,783	.... 71.635 %	3.07	P/RP-1	$...................	...................%
3.02	NAIC-2	$ 24,682,544	.... 10.702 %	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 (X) No ( )

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	$	...................%
13.03	$	...................%
13.04	$	...................%
13.05	$	...................%
13.06	$	...................%
13.07	$	...................%
13.08	$	...................%
13.09	$	...................%
13.10	$	...................%
13.11	$	...................%

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	$..................	.... %	$..................	$..................	$..................