MEMIC Casualty Company

Financial Statements (Statutory Basis)

December 31, 2015 and 2014

MEMIC Casualty Company
Index
(Statutory Basis)
December 31, 2015 and 2014

JOHNSON LAMBERT LLP

To the Board of Directors of
MEMIC Casualty Company

We have audited the accompanying statutory basis statements of MEMIC Casualty Company ("the Company"), which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2015, and the related statutory statements of income and changes in capital and surplus, and cash flows for the year then ended and the related notes to the financial statements.

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 these statutory basis financial statements based on our audit. We conducted our audit 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, the auditor considers internal control relevant to the entity'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 entity's internal control over financial reporting. 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 Company prepared these financial statements using 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 accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

2015 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, 2015, or the results of its operations or its cash flows for the year then ended.

2015 Opinion on Regulatory Basis of Accounting

In our opinion, the statutory basis 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, 2015, and the results of its operations and its cash flows for the year then ended, on the basis of accounting described in Note 2.

Other Matter – 2014 Financial Statements

The statutory basis financial statements of the Company as of and for the year ended December 31, 2014 were audited by another auditor, who on March 20, 2015, expressed an adverse opinion on those statements on U.S. Generally Accepted Accounting Principles and an unmodified opinion on those statements in accordance with statutory accounting practices of the National Association of Insurance Commissioners as prescribed or permitted by the Vermont Department of Financial Regulation.

Other Matter – Report on Supplementary Information

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, 2015 and for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements, but are supplementary information required by the New Hampshire Insurance Department. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has 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, such schedules are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Johnson Lambert LLP

Atlanta, Georgia

March 25, 2016

MEMIC Casualty Company
Statements of Admitted Assets, Liabilities and Capital and Surplus
(Statutory Basis)
December 31, 2015 and 2014

	2015	2014
Admitted Assets		
Invested assets		
Bonds, at carrying value (fair value: $28,080,547 and $19,201,474 at December 31, 2015 and 2014, respectively)	$ 28,247,291	$ 19,019,592
Cash and short-term investments	6,991,401	6,894,588
Total cash and invested assets	35,238,692	25,914,180
Premium balances receivable	5,152,968	4,377,621
Due from parent	123,301	129,235
Investment income due and accrued	168,474	124,615
Total admitted assets	$ 40,683,435	$ 30,545,651
Liabilities		
Loss reserves	$ 10,595,409	$ 4,032,556
Loss adjustment expense reserves	1,496,213	491,600
Unearned premium reserves	6,836,740	5,459,974
Advance premium	13,075	140,298
Reinsurance premiums payable	441,545	71,958
Other liabilities	845,477	79,880
Premium taxes and assessments payable	420,111	284,772
Amounts withheld for others	397,760	480,507
Commissions payable	402,607	242,859
Net deferred tax liability	-	2,882
Federal income tax payable	423,305	240,110
Total liabilities	$ 21,872,242	$ 11,527,396
Commitments and contingencies (Note 12)		
Capital and Surplus		
Common stock, 1,000,000 shares authorized, 100,000 shares issued and outstanding, par value $30	$ 3,000,000	$ 3,000,000
Gross paid-in and contributed surplus	16,183,951	16,183,951
Unassigned surplus	(372,758)	(165,696)
Total capital and surplus	18,811,193	19,018,255
Total liabilities and capital and surplus	$ 40,683,435	$ 30,545,651

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

MEMIC Casualty Company
Statements of Income
(Statutory Basis)
Years Ended December 31, 2015 and 2014

	2015	2014
Underwriting income		
Premiums earned, net	$ 12,724,164	$ 5,553,567
Loss and underwriting expenses		
Losses incurred, net	8,189,339	3,755,477
Loss adjustment expenses incurred, net	1,674,608	616,709
Underwriting expenses		
Commissions	971,314	572,104
Premium taxes	293,304	190,407
Guarantee fund, rating bureau and other assessments	165,352	73,381
Supervision, acquisition and collection expenses	1,228,542	351,847
Loss control	328,472	-
General expenses	86,353	46,535
Total underwriting expenses	3,073,337	1,234,274
Total loss and underwriting expenses	12,937,284	5,606,460
Net underwriting loss	(213,120)	(52,893)
Investment income		
Net investment income	499,346	422,716
Net realized capital gains less capital gains tax of $1,536 and $3,686, respectively	2,981	6,846
Total investment income	502,327	429,562
Other expenses		
Bad debt recovery (expense)	2	(50)
Finance charges	3,710	1,605
Net other expense	3,712	1,555
Gain before federal income taxes	292,919	378,224
Provision for federal income taxes	421,769	236,424
Net (loss) income	$ (128,850)	$ 141,800

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

MEMIC Casualty Company
Statements of Changes in Capital and Surplus
(Statutory Basis)
Years Ended December 31, 2015 and 2014

	2015	2014
Capital and surplus at beginning year	$ 19,018,255	$ 18,877,006
Net (loss) income	(128,850)	141,800
Increase in net deferred income taxes	2,882	409,604
Increase in nonadmitted assets	(81,094)	(410,155)
Change in capital and surplus	(207,062)	141,249
Capital and surplus at end of year	$ 18,811,193	$ 19,018,255

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

MEMIC Casualty Company
Statements of Cash Flows
(Statutory Basis)
Years Ended December 31, 2015 and 2014

	2015	2014
Cash from operations		
Premiums collected, net	$ 13,556,333	$ 6,408,758
Investment income received, net	588,677	544,311
Other expense	3,712	1,555
Cash provided from operations	14,148,722	6,954,624
Benefit and loss related payments	1,626,486	840,156
Commissions and expenses paid	2,682,647	1,357,907
Federal income taxes paid	240,110	78,713
Cash used in operations	4,549,243	2,276,776
Net cash provided from operations	9,599,479	4,677,848
Cash from investing activities		
Cash provided by (used in) investments		
Proceeds from bonds sold, matured or repaid	2,623,984	1,833,392
Cost of bonds acquired	(11,980,356)	(4,049,951)
Net cash used in investing activities	(9,356,372)	(2,216,559)
Cash from financing and miscellaneous sources		
Other cash		
Other (uses) sources	(146,294)	536,923
Net cash (used in) provided from financing and miscellaneous sources	(146,294)	536,923
Net increase in cash	96,813	2,998,212
Cash and short-term investments		
Beginning of year	6,894,588	3,896,376
End of year	$ 6,991,401	$ 6,894,588

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

1. Organization

All outstanding shares of MEMIC Casualty Company ("the Company") are owned by Maine Employers' Mutual Insurance Company ("MEMIC"), a property/casualty insurance company domiciled in the State of Maine. The Vermont Department of Financial Regulation, acting as rehabilitator, converted the former Granite Manufacturers' Mutual Indemnity Company ("GMMIC"), a property/casualty insurance carrier domiciled in the State of Vermont to write workers' compensation, to a stock company and on December 12, 2011 MEMIC purchased the Company. In conjunction with the transaction, GMMIC was renamed to MEMIC Casualty Company. There are no outstanding liabilities associated with this former incorporation. At the date of conversion, the Company acquired the residual assets and liabilities of GMMIC. In 2011, MEMIC contributed capital of $4,622,576 and a $561,375 bond towards its original investment in the Company and in 2012 contributed capital of $10,000,000. MEMIC contributed additional capital of $4,000,000 in the form of fixed income securities and cash towards its investment in the Company in 2013. The $4,000,000 capital contribution, noted as a change in policyholder surplus, includes a $3,849,683 non-cash contribution of bonds and $150,317 in cash during 2013. To date, MEMIC has contributed $19,183,951 to the Company. As of January 1, 2015, the Company changed its state of domicile from Vermont to New Hampshire. There was no financial impact as a result of this change.

The Company is licensed to write workers' compensation insurance in Florida, Maryland, New Hampshire, New York, North Carolina, Pennsylvania, South Carolina, Vermont and Virginia and commenced writing policies in May 2012.

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 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 or permitted by the State of New Hampshire. During 2014, there are no differences between the Company's net income, capital and surplus as recognized under NAIC SAP and the practices prescribed or permitted by the State of Vermont.

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 (“DTAs”). 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 statements of income;

c. Under statutory accounting, certain assets designated as “nonadmitted assets” (principally deferred income taxes, premiums receivable over 90 days past due and prepaid assets) are charged directly to unassigned surplus. GAAP would require the Company to maintain a reserve for doubtful accounts based on amounts deemed to be uncollectible;

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 statements 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 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 and cash equivalents, 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.

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. 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. Ceded premiums are written and earned concurrently. Accordingly, unearned premium reserves are established for the pro rata portion of direct and assumed 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. When the anticipated losses, loss adjustment expenses, commissions, and other acquisition and maintenance costs exceed the recorded unearned premium reserve, and any future installment premiums on existing policies, a premium deficiency reserve should be recognized by recording an additional liability for the deficiency, with a corresponding charge to operations. The Company does anticipate investment income when evaluating the need for any premium deficiency reserve.

Equities and Deposits in Pools
The Company is required to participate in the involuntary pool in the State of Vermont where it writes workers' compensation business. The Company participates in underwriting results, including premiums, losses, expenses and other operations of this involuntary pool, based on the Company's proportionate share of similar business written in the state. The National Council on Compensation Insurance ("NCCI") services the involuntary pool in the State of Vermont. The loss reserves that are reported to NCCI by the servicing carriers are gross of loss discounting. By application of incurred loss development and tail development factors, any discount included in the case reserves reported by servicing carriers is factored out (or unwound). NCCI also provides each participating company with an estimate of its share of discounted liabilities. The discounting assumptions include a 3.5% discount rate on incurred but not reported loss and loss adjustment expense reserves and the mortality table used is the 2007 U.S. Life Table. 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. Premiums receivable on involuntary pool business are recorded in premium balances receivable on the statements of admitted assets, liabilities and capital and surplus.

Loss and Loss Adjustment Expense Reserves
Loss 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 reserves in Note 6.

Nonadmitted Assets

The following nonadmitted assets were excluded from the statements of admitted assets, liabilities and capital and surplus as of December 31, 2015 and 2014:

	2015	2014
Premium balances receivable over 90 days past due	$ 11,614	$ -
Fixed assets, net of accumulated depreciation	69,480	-
Total nonadmitted assets	$ 81,094	$ -

Depreciation expense on nonadmitted fixed assets was $4,963 and $0 in 2015 and 2014, respectively.

Federal Income Taxes

The Company is a party to a tax-sharing agreement with MEMIC and three affiliates, MEMIC Indemnity Company ("MEMIC Indemnity"), MEMIC Services, Inc. ("MEMIC Services") and Casco View Holdings, LLC ("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 Company 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. SSAP No. 101, "Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10" outlines the 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) outlines 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.

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.

Reclassifications

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

3. Capital and Surplus

MEMIC contributed capital of $4,622,576 and a $561,375 bond towards its investment in the Company on December 12, 2011. MEMIC contributed additional capital of $4,000,000 in the form of fixed income securities and cash towards its investment in the Company in 2013. The $4,000,000 capital contribution, noted as a change in policyholder surplus, includes a $3,849,683 non-cash contribution of bonds and $150,317 cash in 2013. To date, MEMIC has contributed $19,183,951 to the Company.

There are no advances to surplus not repaid or other surplus restrictions other than the capital contribution portion of surplus discussed above, dividend restrictions discussed in Note 4 or statutory deposits in Note 9.

4. Dividend Restrictions

For 2015, the Company may declare a dividend without the New Hampshire 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. The maximum amount of dividends which can be paid by the Company to stockholders without prior approval of the Superintendent of Insurance during 2015 was $1,901,825. There were no stockholder dividends declared or paid during 2015.

For 2014 only, 8 V.S.A. § 3685 of the Vermont Statute states the following limitation on dividends: 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 the lesser of (A) 10 percent of such insurer's surplus as regards policyholders as of the 31st day of December next preceding; or (B) The net gains from operations of such insurer, if such insurer is a life insurer, or the net income, if such insurer is not a life insurer, not including realized capital gains, for the 12-month period ending the 31st day of December next preceding, but shall not include pro rata distributions of any class of the insurer's own securities. In determining whether a dividend or distribution is extraordinary, an insurer other than a life insurer may carry forward net income from the previous two calendar years that has not already been paid out as dividends. This carry-forward shall be computed by taking the net income from the second and third preceding calendar years, not including realized capital gains, less dividends paid in the second and immediate preceding calendar years. The maximum amount of dividends which could have been paid by the Company to shareholders without prior approval of the Superintendent of Insurance during 2014 was $0 and therefore there were no dividends declared or paid in 2014 under the Vermont Statute.

5. Income Taxes

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

	December 31, 2015		
	1	2	3 (Col 1+2)
	Ordinary	Capital	Total
a. Gross deferred tax assets	$ 900,829	$ -	$ 900,829
b. Statutory valuation allowance adjustment	883,044		883,044
c. Adjusted gross deferred taxes (1a - 1b)	17,785	-	17,785
d. Deferred tax assets nonadmitted	-	-	-
e. Subtotal net admitted deferred tax asset (1c - 1d)	17,785	-	17,785
f. Deferred tax liabilities	17,785	-	17,785
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ -	$ -	$ -

	December 31, 2014		
	4	5	6 (Col 4+5)
	Ordinary	Capital	Total
a. Gross deferred tax assets	$ 578,100	$ -	$ 578,100
b. Statutory valuation allowance adjustment	578,100	-	578,100
c. Adjusted gross deferred taxes (1a - 1b)	-	-	-
d. Deferred tax assets nonadmitted	-	-	-
e. Subtotal net admitted deferred tax asset (1c - 1d)	-	-	-
f. Deferred tax liabilities	2,882	-	2,882
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ (2,882)	$ -	$ (2,882)

	Change		
	7 (Col 1-4)	8 (Col 2-5)	9 (Col 7+8)
	Ordinary	Capital	Total
a. Gross deferred tax assets	$ 322,729	$ -	$ 322,729
b. Statutory valuation allowance adjustment	304,944	-	304,944
c. Adjusted gross deferred taxes (1a - 1b)	17,785	-	17,785
d. Deferred tax assets nonadmitted	-	-	-
e. Subtotal net admitted deferred tax asset (1c - 1d)	17,785	-	17,785
f. Deferred tax liabilities	14,903	-	14,903
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 2,882	$ -	$ 2,882

Admission calculation components:

	December 31, 2015			December 31, 2014			Change		
	1	2	3	4	5	6	7	8	9
	Ordinary	Capital	(Col 1+2) Total	Ordinary	Capital	(Col 4+5) Total	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of of 2(b)1 and 2(b)2 below:	-	-	-	-	-	-	-	-	-
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	-	-	-	-	-	-	-	-	-
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
c. Adjusted gross deferred tax assets (excluding deferred tax assets from 2(a) and 2(b) above) offset by gross amount of deferred tax liabilities	17,785	-	17,785	-	-	-	17,785	-	17,785
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 17,785	$ -	$ 17,785	$ -	$ -	$ -	$ 17,785	$ -	$ 17,785

Other admissibility criteria:	2015	2014
a. Ratio percentage used to determine recovery period and threshold limitation amount	1800%	6456%
b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	$ 18,811,193	$ 19,018,255

Impact on Tax Planning Strategies:

		2015		2014		Change	
		1	2	3	4	5	6
		Ordinary	Capital	Ordinary	Capital	(Col. 1-3) Ordinary	(Col. 2-4) Capital
a.	Determination of adjusted gross deferred tax assets and net deferred tax assets, by tax character, as a percentage						
1	Adjusted gross DTAs from Note 5A1(c).	17,785	-	-	-	17,785	-
2	Percentage of adjusted gross DTAs by tax character attributable to impact of tax planning.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3	Net Admitted Adjusted Gross DTAs amount from Note 9A1(e).	17,785	-	-	-	17,785	-
4	Percentage of net admitted adjusted from DTAs by tax because of the impact of strategies.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

Current and deferred income taxes:

Current income tax:

	2015	2014	Change
a. Federal	$ 418,945	$ 243,158	$ 175,787
b. Provision to return	2,824	(6,734)	9,558
c. Foreign	-	-	-
d. Subtotal	421,769	236,424	185,345
e. Federal income tax on net capital gains	1,536	3,686	(2,150)
f. Utilization of capital loss carry-forwards	-	-	-
g. Other	-	-	-
h. Federal and Foreign income taxes incurred	$ 423,305	$ 240,110	$ 183,195

Deferred Tax Assets

		2015	2014	Change
a.	Ordinary			
	Discounting of unpaid losses	$ 335,230	$ 136,311	$ 198,919
	Unearned premium reserves	456,247	390,535	65,712
	Other (including items < 5% of total ordinary tax assets)	109,352	51,254	58,098
	Subtotal	900,829	578,100	322,729
b.	Statutory Valuation allowance adjustment	883,044	578,100	304,944
c.	Nonadmitted	-	-	-
d.	Admitted ordinary deferred tax assets (2a99-2b-2c)	17,785	-	17,785
e.	Capital:			
	Investments	-	-	-
	Subtotal	-	-	-
f.	Statutory Valuation allowance adjustment	-	-	-
g.	Nonadmitted	-	-	-
h.	Admitted capital deferred tax assets (2e99-2f-2g)	-	-	-
i.	Admitted deferred tax assets (2d+2h)	$ 17,785	$ -	$ 17,785

Deferred Tax Liabilities

		2015	2014	Change
a.	Ordinary:			
	Investments	$ 4,286	$ 2,882	$ 1,404
	Fixed Assets	13,499	-	13,499
	Subtotal	17,785	2,882	14,903
b.	Capital:			
	Investments	-	-	-
	Subtotal	-	-	-
c.	Deferred tax liabilities (3a99+3b99)	$ 17,785	$ 2,882	$ 14,903
Net Deferred Tax Assets/Liabilities (2i-3c)		$ -	$ (2,882)	$ 2,882

Change in net deferred income taxes

	2015	2014	Change
a. Adjusted gross deferred tax assets	$ 17,785	$ -	$ 17,785
b. Total deferred tax liabilities	(17,785)	(2,882)	(14,903)
c. Net deferred tax assets (liabilities)	$ -	$ (2,882)	$ 2,882
d. Tax effect of change in unrealized gains (losses)			$ -
e. Total change in net deferred income tax			2,882
			$ 2,882

Reconciliation of federal income tax rate to actual effective rate. Among the more significant book to tax adjustments were the following:

		2015	Effective Tax Rate (%)
Provision computed at statutory rate	$	100,115	34%
PY true up (to deferred)		55	0%
PY true up (to current)		2,825	1%
Rate differential		16,433	5%
Change in nonadmitted assets		(3,949)	-1%
Current year statutory valuation allowance adjustment		307,826	105%
Totals	$	423,305	144%
Federal and foreign income taxes incurred		421,769	143%
Realized capital gains (losses) tax		1,536	1%
Total statutory income taxes	$	423,305	144%

As of December 31, 2015 and 2014, the Company does not have any investment tax credits, net operating loss or capital loss carryforwards 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 $403,746 and $230,160 for 2015 and 2014, respectively. There are no deposits admitted under Section 6603 of the Internal Revenue Code.

As of December 31, 2015 and 2014, 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 statements of admitted assets, liabilities, and capital and surplus and the related interest and penalties would be included on the statements of income as underwriting expenses. 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.

As of December 31, 2015, the Company incurred AMT of $0 on a stand-alone and consolidated basis.

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 Indemnity 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.

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, 2015 and 2014 is summarized as follows:

	2015	2014
Net balances at January 1,	$ 4,524,156	$ 1,241,364
Incurred related to		
Current year	10,866,545	4,450,790
Prior year	(1,002,598)	(78,604)
Total incurred	9,863,947	4,372,186
Paid related to		
Current year	1,569,384	832,612
Prior year	727,097	256,782
Total paid	2,296,481	1,089,394
Net balances at December 31,	$ 12,091,622	$ 4,524,156

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. At the end of 2015, the amount of reserve credit recorded for high deductibles on unpaid losses was zero. The amounts billed and recoverable for collateralized high deductible policies at year end was $56,081 which is included as a net recovery to paid losses in the applicable accident years and included in premium balances receivable on the statement of admitted assets, liabilities and capital and surplus. There were no reserve credits or amounts accrued at the end of 2014.

During 2015, the Company’s incurred losses related to prior years decreased by $1,002,598 as a result of favorable loss development principally in the 2013 and 2014 accident years. 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 2014, the Company’s incurred losses related to prior years decreased by $78,604 as a result of favorable loss development principally in the 2013 accident year. 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.

7. Reinsurance

As a condition of writing policies in Vermont, the Company is required to participate in the National Workers' Compensation Reinsurance Pool (the "Pool") as it relates to that state. 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. The difference between discounted and undiscounted incurred but not reported loss and loss adjustment expense liabilities are $7,985 and $3,926 for 2015 and 2014, respectively. All amounts are recorded as assumed business. Amounts added to premiums, reserves and expenses for reinsurance assumed from pools are as follows:

	2015	2014
Premiums earned	$ 389,832	$ 233,325
Loss and loss adjustment expenses incurred	228,229	176,422
Unearned premiums	102,772	60,835
Loss and loss adjustment expense reserves	267,474	152,727
Premiums receivable	76,860	50,254
Underwriting expenses incurred	87,706	56,464

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 $500,000 and $750,000 for 2015 and 2014, respectively. In addition, for 2015 and 2014, the Company maintains additional coverage up to $100,000,000 on a per occurrence basis.

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

	2015	2014
Premiums earned	$ 826,787	$ 271,958
Loss and loss adjustment expenses incurred	237,120	25,615
Loss and loss adjustment expense reserves	275,294	38,174

The 2015 and 2014 ceded loss and loss adjustment expense incurred but not reported reserves above are comprised of amounts with one reinsurance carrier although the Company has contracts with other carriers.

The Company had no unsecured reinsurance recoverables from a reinsurer that exceeded 3% of capital and surplus at December 31, 2015.

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 Company 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 accounting 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.

8. Premiums written and earned

During the years ended December 31, 2015 and 2014, direct, assumed and ceded premiums were as follows:

	2015		2014	
	Written	**Earned**	**Written**	**Earned**
Direct	$ 14,495,948	$ 13,161,119	$ 9,448,119	$ 5,592,200
Assumed	431,769	389,832	278,311	233,325
Ceded	(826,787)	(826,787)	(271,958)	(271,958)
Net premiums	$ 14,100,930	$ 12,724,164	$ 9,454,472	$ 5,553,567

9. Statutory Deposits

Various regulatory authorities require that securities be placed on deposit. At December 31, 2015 and 2014, the Company had fixed income securities on deposit with a carrying value of $1,576,132 and $1,147,875, respectively, included in bonds on the statements of admitted assets, liabilities and capital and surplus. The amounts on deposit with the states, all of which are admitted, represent 3.87% of total admitted assets at the end of 2015.

10. Investments

The carrying value and fair values of bonds at December 31, 2015 and 2014 are as follows:

	2015			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government & government agencies & authorities	$ 5,203,940	$ 124,429	$ (19,388)	$ 5,308,981
Political subdivisions of states	277,667	38,704	-	316,371
Industrial & miscellaneous	12,873,713	67,635	(319,490)	12,621,858
Asset backed securities	9,891,971	37,549	(96,183)	9,833,337
Total bonds	$ 28,247,291	$ 268,317	$ (435,061)	$ 28,080,547

	2014			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government & government agencies & authorities	$ 2,954,917	$ 139,317	$ -	$ 3,094,234
Political subdivisions of states	275,901	51,342	-	327,243
Industrial & miscellaneous	9,624,942	80,757	(95,185)	9,610,514
Asset backed securities	6,163,832	71,851	(66,200)	6,169,483
Total bonds	$ 19,019,592	$ 343,267	$ (161,385)	$ 19,201,474

The carrying value and fair value of bonds at December 31, 2015 by contractual maturity are as follows:

Maturity	Carrying Value	Fair Value
One year or less	$ 1,604,381	$ 1,602,930
Over one year through five years	6,383,598	6,368,080
Over five years through ten years	8,668,894	8,429,491
Over ten years through twenty years	1,573,447	1,728,640
Over twenty years	125,000	118,069
Asset backed securities (principally ten through twenty years)	9,891,971	9,833,337
	$ 28,247,291	$ 28,080,547

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.

At December 31, 2015 and 2014, the Company did not own any securities that were in an unrealized loss position that management determined were other-than-temporary and given current market conditions would not recover. The Company did not record any other-than-temporary impairments on any securities during 2015 or 2014.

The fair value and gross unrealized loss of investment securities and the amount of time the securities has been in an unrealized loss position as of December 31, 2015 and 2014 are as follows:

	2015					
	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)						
U.S. Government & government agencies & authorities	$ 2,913,402	$ (19,388)	$ -	$ -	$ 2,913,402	$ (19,388)
Industrial & miscellaneous	6,629,157	(215,377)	664,975	(104,113)	7,294,132	(319,490)
Asset backed securities	6,237,561	(46,957)	1,617,797	(49,226)	7,855,358	(96,183)
Bonds (NAIC 3–6)	-	-	-	-	-	-
	$ 15,780,120	$ (281,722)	$ 2,282,772	$ (153,339)	$ 18,062,892	$ (435,061)

	2014					
	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)						
Industrial & miscellaneous	$ 1,564,677	$ (6,105)	$ 3,235,711	$ (89,080)	$ 4,800,388	$ (95,185)
Asset backed securities	12,240	(8)	2,509,437	(66,192)	2,521,677	(66,200)
Bonds (NAIC 3–6)	-	-	-	-	-	-
	$ 1,576,917	$ (6,113)	$ 5,745,148	$ (155,272)	$ 7,322,065	$ (161,385)

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

Proceeds from sales of investments on debt securities and the gross realized gains and losses on those sales for the years ended December 31, 2015 and 2014 are summarized as follows:

	2015		
	Proceeds From Sales	Gross Realized Gains	Gross Realized Losses
Bonds	$ 384,107	$ 4,517	$ -
	$ 384,107	$ 4,517	$ -

	2014		
	Proceeds From Sales	Gross Realized Gains	Gross Realized Losses
Bonds	$ 705,943	$ 10,533	$ -
	$ 705,943	$ 10,533	$ -

The major categories of net investment income for the years ended December 31, 2015 and 2014 are summarized as follows:

	2015	2014
Bonds	$ 538,171	$ 450,638
Cash and short-term investments	6,294	3,822
Other income	3	19
Total investment income	544,468	454,479
Less: Investment expenses	(45,122)	(31,763)
Net investment income	$ 499,346	$ 422,716

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 statements of admitted assets, liabilities and capital and surplus at fair value into a 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 is 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.

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.

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets on statements of admitted assets, liabilities and capital and surplus at fair value				
Other - short-term investments	$ 104,380	$ -	$ -	$ 104,380
Total Assets	$ 104,380	$ -	$ -	$ 104,380

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets on statements of admitted assets, liabilities and capital and surplus at fair value				
Other - short-term investments	$ 871,649	$ -	$ -	$ 871,649
Total Assets	$ 871,649	$ -	$ -	$ 871,649

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, 2 or 3. Transfers to and from Level 2 or 3 would be recognized when a purchase, sale or settlement increases or decreases an asset previously valued as a Level 1 or 2 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 2 or 3 fair value assets during 2015 or 2014. 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, 2015 and 2014. The fair values are also categorized into the three-level fair value hierarchy as described above.

2015						
Type of Financial Instrument	**Aggregate Fair Value**	**Admitted Value**	**Level 1**	**Level 2**	**Level 3**	**Not Practicable (Carrying Value)**
Bonds						
U.S. Government & government agencies & authorities	$ 5,308,981	$ 5,203,940	$ -	$ 5,308,981	$ -	$ -
Political subdivisions of states	316,371	277,667	-	316,371	-	-
Industrial & miscellaneous	12,621,858	12,873,713	-	12,621,858	-	-
Asset backed securities	9,833,337	9,891,971	-	9,833,337	-	-
Cash, cash equivalents & short-term investments	6,991,401	6,991,401	6,991,401	-	-	-
Total assets	$ 35,071,948	$ 35,238,692	$ 6,991,401	$ 28,080,547	$ -	$ -

2014						
Type of Financial Instrument	**Aggregate Fair Value**	**Admitted Value**	**Level 1**	**Level 2**	**Level 3**	**Not Practicable (Carrying Value)**
Bonds						
U.S. Government & government agencies & authorities	$ 3,094,234	$ 2,954,917	$ -	$ 3,094,234	$ -	$ -
Political subdivisions of states	327,243	275,901	-	327,243	-	-
Industrial & miscellaneous	9,610,514	9,624,942	-	9,610,514	-	-
Asset backed securities	6,169,483	6,163,832	-	6,169,483	-	-
Cash, cash equivalents & short-term investments	6,894,588	6,894,588	6,894,588	-	-	-
Total assets	$ 26,096,062	$ 25,914,180	$ 6,894,588	$ 19,201,474	$ -	$ -

12. Commitment and Contingent Liabilities

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 in New Hampshire, New York, Pennsylvania and Vermont where 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 the Vermont, Pennsylvania and New Hampshire Guaranty Funds as well as other New Hampshire, New York and Pennsylvania assessments of $201,811 and $105,121 at December 31, 2015 and 2014, respectively. Of these amounts, the Company has accrued a net liability at December 31, 2015 and 2014 of $310,010 and $146,440, respectively, which is included in premium taxes and other assessments on the statements of admitted assets, liabilities and capital and surplus. This amount represents management's best estimate of its liability for guaranty fund and other rating and various state insurance related assessments based on information received from the state 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 or market share. The Company does not have the ability to recover these noted assessments through policyholder surcharges so no related asset is recorded on the statements of admitted assets, liabilities and capital and surplus or statements of income.

The Company's parent, MEMIC, has adopted a qualified defined contribution discretionary, 401(k) and profit sharing plan covering substantially all full-time employees who meet the plans' eligibility requirements. MEMIC has also adopted a non-qualified, deferred compensation plan for certain key executives and an Incentive Compensation Plan for certain members of senior management. The Company does not currently have any of its own employees. The salaries and employee benefit expenses that reside in the Company are a result of intercompany contracts for claims, underwriting, loss control, administration and management and not direct costs therefore, the Company did not incur any direct expense for any employee benefit plans during 2015 or 2014.

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

14. Related Party Transactions

MEMIC charges management fees and other services to the Company in the normal course of business and in accordance with the terms of certain cost sharing agreements. In 2015 and 2014, there was $981,885 and $179,731, respectively, charged from MEMIC to the Company for administrative and management services, underwriting, claims, managed care and investment management fees. Certain other direct costs are paid by MEMIC and charged back to the Company as well.

MEMIC Indemnity charges underwriting, claims and premium audit services to the Company in the normal course of business in accordance with certain cost sharing agreements. In 2015 and 2014, there was $730,815 and $147,318, respectively, charged from MEMIC Indemnity to the Company.

MEMIC Services charges agency service fees to the Company in the normal course of business in accordance with certain cost sharing agreements. The charge for these services during 2015 and 2014 was $22,860 and $16,756, respectively.

15. 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 fair value and gross unrealized losses of non-agency residential mortgage-backed securities investment securities and the amount of time the securities have been in an unrealized loss position as of December 31, 2015 are as follows:

Aggregate amount of unrealized loss		
Less than twelve months	$	46,957
Twelve months or longer		49,226
Total	$	96,183
Aggregate fair value of securities with unrealized loss		
Less than twelve months	$	6,237,560
Twelve months or longer		1,617,797
Total	$	7,855,357

The Company has neither repurchase agreements and/or Securities Lending Transactions nor investments in real estate or low-income housing tax credits in the current year or prior year.

16. Subsequent Events

Subsequent events have been considered through March 25, 2016 for these statutory financial statements which are available to be issued on March 25, 2016.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage
1. Bonds:						
1.1 U.S. treasury securities	3,701,221	10.5	3,701,221		3,701,221	10.5
1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
1.21 Issued by U.S. government agencies		0.0			0	0.0
1.22 Issued by U.S. government sponsored agencies		0.0			0	0.0
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)		0.0			0	0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:						
1.41 States, territories and possessions general obligations		0.0			0	0.0
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations		0.0			0	0.0
1.43 Revenue and assessment obligations	1,780,385	5.1	1,780,385		1,780,385	5.1
1.44 Industrial development and similar obligations		0.0			0	0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA		0.0			0	0.0
1.512 Issued or guaranteed by FNMA and FHLMC	7,051,667	20.0	7,051,667		7,051,667	20.0
1.513 All other		0.0			0	0.0
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	504,129	1.4	504,129		504,129	1.4
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-based securities issued or guaranteed by agencies shown in Line 1.521		0.0			0	0.0
1.523 All other	2,336,175	6.6	2,336,175		2,336,175	6.6
2. Other debt and other fixed income securities (excluding short-term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	11,780,533	33.4	11,780,533		11,780,533	33.4
2.2 Unaffiliated non-U.S. securities (including Canada)	1,093,181	3.1	1,093,181		1,093,181	3.1
2.3 Affiliated securities		0.0			0	0.0
3. Equity interests:						
3.1 Investments in mutual funds		0.0			0	0.0
3.2 Preferred stocks:						
3.21 Affiliated		0.0			0	0.0
3.22 Unaffiliated		0.0			0	0.0
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated		0.0			0	0.0
3.32 Unaffiliated		0.0			0	0.0
3.4 Other equity securities:						
3.41 Affiliated		0.0			0	0.0
3.42 Unaffiliated		0.0			0	0.0
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated		0.0			0	0.0
3.52 Unaffiliated		0.0			0	0.0
4. Mortgage loans:						
4.1 Construction and land development		0.0			0	0.0
4.2 Agricultural		0.0			0	0.0
4.3 Single family residential properties		0.0			0	0.0
4.4 Multifamily residential properties		0.0			0	0.0
4.5 Commercial loans		0.0			0	0.0
4.6 Mezzanine real estate loans		0.0			0	0.0
5. Real estate investments:						
5.1 Property occupied by company		0.0			0	0.0
5.2 Property held for production of income (including $..........0 of property acquired in satisfaction of debt)		0.0			0	0.0
5.3 Property held for sale (including $.........0 property acquired in satisfaction of debt)		0.0			0	0.0
6. Contract loans		0.0			0	0.0
7. Derivatives		0.0			0	0.0
8. Receivables for securities		0.0			0	0.0
9. Securities lending (Line 10, Asset Page reinvested collateral)		0.0		XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments	6,991,401	19.8	6,991,401		6,991,401	19.8
11. Other invested assets		0.0			0	0.0
12. Total invested assets	35,238,692	100.0	35,238,692	0	35,238,692	100.0

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SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended December 31, 2015

(To be filed by April 1)

Of MEMIC Casualty Company

Address (City, State, Zip Code): Manchester NH 03104

NAIC Group Code.....1332 NAIC Company Code.....14164 Employer's ID Number.....03-6009096

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. $........40,683,435

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	COMET	Long Term Bonds	$...........999,795	..............2.457 %
2.02	PROGRESSIVE CORP	Long Term Bonds	$...........523,060	..............1.286 %
2.03	ACE INA HOLDINGS	Long Term Bonds	$...........503,092	..............1.237 %
2.04	CHAIT 2012-A4 A4	Long Term Bonds	$...........502,458	..............1.235 %
2.05	NEWELL RUBBERMAID INC	Long Term Bonds	$...........500,376	..............1.230 %
2.06	MICROSOFT CORP	Long Term Bonds	$...........499,872	..............1.229 %
2.07	SHERWIN WILLIAMS CO	Long Term Bonds	$...........499,716	..............1.228 %
2.08	VISA INC	Long Term Bonds	$...........499,510	..............1.228 %
2.09	KIMCO REALTY CORP	Long Term Bonds	$...........498,399	..............1.225 %
2.10	JPMORGAN CHASE & CO	Long Term Bonds	$...........380,046	..............0.934 %

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

	Bonds	1	2
3.01	NAIC-1	$......25,076,148	............61.637 %
3.02	NAIC-2	$........3,275,523	..............8.051 %
3.03	NAIC-3	$.........................	..............0.000 %
3.04	NAIC-4	$.........................	..............0.000 %
3.05	NAIC-5	$.........................	..............0.000 %
3.06	NAIC-6	$.........................	..............0.000 %
	Preferred Stocks	3	4
3.07	P/RP-1	$.........................	..............0.000 %
3.08	P/RP-2	$.........................	..............0.000 %
3.09	P/RP-3	$.........................	..............0.000 %
3.10	P/RP-4	$.........................	..............0.000 %
3.11	P/RP-5	$.........................	..............0.000 %
3.12	P/RP-6	$.........................	..............0.000 %

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 [ ]

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

4.02	Total admitted assets held in foreign investments	$.........................	..............0.000 %
4.03	Foreign-currency-denominated investments	$.........................	..............0.000 %
4.04	Insurance liabilities denominated in that same foreign currency	$.........................	..............0.000 %

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

		1	2
5.01	Countries designated NAIC-1	$.........................	..............0.000 %
5.02	Countries designated NAIC-2	$.........................	..............0.000 %
5.03	Countries designated NAIC-3 or below	$.........................	..............0.000 %

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

		1	2
	Countries designated NAIC-1:		
6.01	Country 1:	$.........................	..............0.000 %
6.02	Country 2:	$.........................	..............0.000 %
	Countries designated NAIC-2:		
6.03	Country 1:	$.........................	..............0.000 %
6.04	Country 2:	$.........................	..............0.000 %
	Countries designated NAIC-3 or below:		
6.05	Country 1:	$.........................	..............0.000 %
6.06	Country 2:	$.........................	..............0.000 %

		1	2
7.	Aggregate unhedged foreign currency exposure	$.........................	..............0.000 %

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

	1	2
8.01 Countries designated NAIC-1	$	0.000 %
8.02 Countries designated NAIC-2	$	0.000 %
8.03 Countries designated NAIC-3 or below	$	0.000 %

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

	1	2
Countries designated NAIC-1:		
9.01 Country 1:	$	0.000 %
9.02 Country 2:	$	0.000 %
Countries designated NAIC-2:		
9.03 Country 1:	$	0.000 %
9.04 Country 2:	$	0.000 %
Countries designated NAIC-3 or below:		
9.05 Country 1:	$	0.000 %
9.06 Country 2:	$	0.000 %

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

	1 Issuer	2 NAIC Designation	3	4
10.01			$	0.000 %
10.02			$	0.000 %
10.03			$	0.000 %
10.04			$	0.000 %
10.05			$	0.000 %
10.06			$	0.000 %
10.07			$	0.000 %
10.08			$	0.000 %
10.09			$	0.000 %
10.10			$	0.000 %

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	$	0.000 %
11.03 Canadian currency-denominated investments	$	0.000 %
11.04 Canadian-denominated insurance liabilities	$	0.000 %
11.05 Unhedged Canadian currency exposure	$	0.000 %

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	$	0.000 %
Largest three investments with contractual sales restrictions:		
12.03	$	0.000 %
12.04	$	0.000 %
12.05	$	0.000 %

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

13.01 Are assets held in equity interest 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	$	0.000 %
13.03	$	0.000 %
13.04	$	0.000 %
13.05	$	0.000 %
13.06	$	0.000 %
13.07	$	0.000 %
13.08	$	0.000 %
13.09	$	0.000 %
13.10	$	0.000 %
13.11	$	0.000 %

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 above 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	$	0.000 %
Largest three investments held in nonaffiliated, privately placed equities:		
14.03	$	0.000 %
14.04	$	0.000 %
14.05	$	0.000 %

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 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$	0.000 %
	Largest three investments in general partnership interests:		
15.03		$	0.000 %
15.04		$	0.000 %
15.05		$	0.000 %

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 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		$	0.000 %
16.03		$	0.000 %
16.04		$	0.000 %
16.05		$	0.000 %
16.06		$	0.000 %
16.07		$	0.000 %
16.08		$	0.000 %
16.09		$	0.000 %
16.10		$	0.000 %
16.11		$	0.000 %

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

		Loans	
16.12	Construction loans	$	0.000 %
16.13	Mortgage loans over 90 days past due	$	0.000 %
16.14	Mortgage loans in the process of foreclosure	$	0.000 %
16.15	Mortgage loans foreclosed	$	0.000 %
16.16	Restructured mortgage loans	$	0.000 %

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%	$	0.000 %	$	0.000 %	$	0.000 %
17.02	91% to 95%	$	0.000 %	$	0.000 %	$	0.000 %
17.03	81% to 90%	$	0.000 %	$	0.000 %	$	0.000 %
17.04	71% to 80%	$	0.000 %	$	0.000 %	$	0.000 %
17.05	below 70%	$	0.000 %	$	0.000 %	$	0.000 %

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

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

If response to 18.01 above 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	2	3
18.02		$	0.000 %
18.03		$	0.000 %
18.04		$	0.000 %
18.05		$	0.000 %
18.06		$	0.000 %

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 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	$	0.000 %
	Largest three investments held in mezzanine real estate loans:		
19.03		$	0.000 %
19.04		$	0.000 %
19.05		$	0.000 %

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)	$	0.000 %	$	$	$
20.02	Repurchase agreements	$	0.000 %	$	$	$
20.03	Reverse repurchase agreements	$	0.000 %	$	$	$
20.04	Dollar repurchase agreements	$	0.000 %	$	$	$
20.05	Dollar reverse repurchase agreements	$	0.000 %	$	$	$

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	$	0.000 %	$	0.000 %
21.02 Income generation	$	0.000 %	$	0.000 %
21.03 Other	$	0.000 %	$	0.000 %

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	$	0.000 %	$	$	$
22.02 Income generation	$	0.000 %	$	$	$
22.03 Replications	$	0.000 %	$	$	$
22.04 Other	$	0.000 %	$	$	$

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	$	0.000 %	$	$	$
23.02 Income generation	$	0.000 %	$	$	$
23.03 Replications	$	0.000 %	$	$	$
23.04 Other	$	0.000 %	$	$	$