002257 - ACE American Insurance Company

Report Revision Date: 07/15/2013

Rating and Commentary [1]	*Financial* [2]	*General Information* [3]
Best's Credit Rating: 06/14/2013	**Time Period:** 2nd Quarter - 2013	**Corporate Structure:** N/A
Rating Rationale: 06/14/2013	**Last Updated:** 07/12/2013	**States Licensed:** 03/25/2009
Report Commentary: 07/15/2013	**Status:** Quality Cross Checked	**Officers and Directors:** 07/15/2013

Best's Credit Rating Methodology   Disclaimer   Best's Rating Guide

Additional Online Resources	
Related News	Archived AMB Credit Reports
Rating Activity and Announcements	Corporate Changes & Retirements
Company Overview	AMB Country Risk Reports - United States

[1]The Rating and Commentary date outlines the most recent updates to the Company's Rating, Rationale, and Report Commentary for key rating and business changes. Report commentary may include significant changes to Business Review, Financial Performance/Earnings, Capitalization, Investment/Liquidity, or Reinsurance sections of the report.

[2]The Financial date reflects the current status of the financial tables found within the body of the Report, including whether the data was loaded as received or had been run through our quality control cross-check process.

[3]The General Information date covers key areas that may have changed such as corporate structure, states licensed or officers and directors.

Ultimate Parent: ACE Limited

ACE American Insurance Company

436 Walnut Street, Philadelphia, Pennsylvania, United States 19106

Tel.: 215-640-1000 **Web:** www.aceusa.com **Fax:** N/A

AMB #: 002257 **Ultimate Parent:** 058303 **NAIC #:** 22667 **FEIN#:** 95-2371728

Best's Credit Ratings

Best's Financial Strength Rating: A+ **Outlook:** Positive

Best's Issuer Credit Rating: aa **Outlook:** Positive

Rating Effective Date: 06/14/2013

Financial Size Category: XV

Report Revision Date: 07/15/2013

Rating Rationale

Rating Rationale: The ratings of the members of ACE Limited's US property/casualty pool have been extended to the ACE American Insurance Company as it is the lead member of the ACE American Pool.

The following text is derived from A.M. Best's Credit Report on ACE American Pool (AMB# 018344).

The ratings apply to the eight members of ACE American's pool, led by ACE American Insurance Company, and eight additional affiliates. The ratings reflect the group's solid capitalization, historically favorable operating and underwriting results, product diversification and market position. In addition, the ratings reflect the benefits derived from being a core operation of ACE Group (which includes very strong capital levels held at ACE Bermuda Insurance Limited and ACE Tempest Reinsurance Limited) and having access to ACE Group's substantial financial resources. These strengths are somewhat offset by the ongoing competitive market conditions, higher than industry average ceded reinsurance recoverable leverage, sizable dividend payments, emerging asbestos and environmental claims, as well as exposure to natural and man-made catastrophes. In addition, the group remains exposed to below investment grade bonds, which at year-end 2012 accounted for about 25% of its policyholders' surplus. Nevertheless, the outlooks reflect A.M. Best's view that the group will continue to produce underwriting and operating results that outperform the market, driven by its strong competitive position and ability to absorb reduced top-line growth and losses from catastrophes, while preserving a stable risk-adjusted capital position.

The group's strengths are derived from management's successful operating strategies and the group's strategic role as the U.S. arm of Zurich-domiciled ACE Limited, the worldwide insurance group's holding company. Management's strategies include consistent focus on underwriting profitability through careful risk selection and pricing, appropriate policy limits within the business model framework, and the use of reinsurance to manage net retained exposures at a level appropriate for the group's risk appetite. A basic operational strategy is to institutionalize ACE USA at the senior-most level of the distribution network and with customers and achieve multi-line penetration of national and corporate risk accounts on a regional level. The group's experienced management team provides a disciplined underwriting approach and strong risk management capabilities through a comprehensive enterprise risk management program. The group's strong enterprise risk management program is demonstrated by the group's ability to generate favorable income levels under challenging underwriting and investment conditions.

The group also benefits from the favorable financial flexibility of ACE Limited and access to its substantial capital. ACE Limited's financial leverage and coverage measures remained strong through year-end 2012. Other explicit support from ACE is evident by substantial capital contributions in prior years and the internal reinsurance support provided by other strongly capitalized ACE affiliates.

Like other leading carriers within the U.S. property/casualty industry, certain members of the group (primarily Westchester Fire Insurance Company) are exposed to the potential development of asbestos and environmental (A&E) liabilities. However, the group conducts annual ground-up loss reserve reviews for its A&E reserves. In addition, the pool members provide an $800

Rating Rationale (Continued ...)

million excess of loss agreement to Century Indemnity, which currently houses the majority of ACE Limited's A&E reserves. The group carries approximately $950 million of reinsurance recoverables, mainly held at ACE Property and Casualty Insurance Company, from Century Indemnity and could be adversely impacted should Century Indemnity be unable to meet its obligations. In addition, the group's crop premium, which accounted for 27% of its direct premium in 2012, exposes the group's results to weather-related losses and commodity price swings. During 2012, the group's underwriting performance was negatively impacted by severe droughts in the Midwest impacting its crop business as well as increased storm losses.

While A.M. Best believes the members of the group are well positioned at the current ratings, factors that may lead to positive rating actions include continued strong underwriting and operating performance that outperforms peers over time. However, factors that could lead to negative rating actions include operating performance falling short of A.M. Best's expectations or an erosion of surplus that causes a decline in risk-adjusted capital to a level no longer supporting current ratings.

Five Year Rating History

	BEST'S	
Date	FSR	ICR
06/14/2013	A+	aa
06/12/2012	A+	aa
06/21/2011	A+	aa
05/03/2010	A+	aa-
03/20/2009	A+	aa-

View 25 Year Rating History

Key Financial Indicators

	Statutory Data ($000)					
	Premiums Written					
Period Ending	Direct	Net	Pre-tax Operating Income	Net Income	Total Admitted Assets	Policyholder's Surplus
2012	3,832,113	1,658,027	37,388	58,889	11,040,643	2,425,815
2011	3,522,837	1,572,332	637,918	616,320	10,093,299	2,000,242
2010	3,637,234	1,285,305	407,398	285,958	10,033,275	1,971,502
2009	3,710,545	1,115,568	323,497	254,632	8,702,697	2,010,797
2008	3,653,711	1,029,165	443,636	204,612	8,051,109	1,789,640
06/2013	1,921,660	668,194	134,440	86,404	11,440,080	2,544,939
06/2012	1,913,804	700,019	79,229	59,863	10,523,865	2,296,517

Key Financial Indicators (Continued ...)

	Profitability			Leverage			Liquidity	
Period Ending	Combined Ratio	Investment Yield (%)	Pre-Tax ROR (%)	Non-Affiliated Investment Leverage	NPW to PHS	Net Leverage	Overall Liquidity (%)	Operating Cash-flow (%)
2012	108.3	2.8	2.3	58.1	0.7	4.1	128.2	94.0
2011	99.0	9.6	40.9	47.4	0.8	4.7	124.8	106.8
2010	90.4	3.7	34.0	39.9	0.7	4.6	124.5	123.3
2009	90.5	3.9	29.3	25.7	0.6	3.7	130.1	127.4
2008	84.8	3.9	38.6	13.1	0.6	3.7	128.6	134.4
5-Yr Avg	95.8	4.8	28.0	...	...	...	...	...
06/2013	97.3	2.7	20.2	150.4	0.6	4.0	128.7	-99.9
06/2012	100.1	3.1	12.3	57.7	0.7	4.1	128.0	336.3

(*) Within several financial tables of this report, this company is compared against the Commercial Casualty Composite.
(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

Business Profile

The following text is derived from A.M. Best's Credit Report on ACE American Pool (AMB# 018344).

As wholly owned indirect subsidiaries of ACE Limited, the members of the ACE American Pool rating unit ("the group") are part of one of the largest global insurance organizations in the world, ranking among the twenty largest commercial lines insurance organizations in the United States. The group offers a broad range of commercial specialty products and risk management services to all size businesses, groups and individuals with unique and specialized insurance needs. Principal commercial insurance products include general liability, workers' compensation, commercial package, commercial automobile, property, inland marine and aviation. The collective business written by the members of the group comprise the business classified into different reporting business units of "ACE USA", "ACE Westchester", "ACE Commercial Risk Services", "ACE Agriculture" and "ACE Private Risk Services", which blurs the distinctions between the legal entities and business segments.

The ACE USA business segment comprises ACE Limited's domestic retail operating division, providing a broad array of traditional and specialty property and casualty, accident and health and risk management products and services to a diverse group of North American commercial and non-commercial enterprises and consumers. ACE USA's ongoing operations are organized into nine distinct business units: (1) ACE Risk Management offers a wide range of customized casualty products to respond to the needs of mid-size to large companies, including national accounts, irrespective of industry. These programs are designed to help insureds address the costs of financing and managing risk for workers' compensation and general and auto liability coverages. (2) ACE Foreign Casualty provides insurance solutions for U.S.-based companies and organizations that travel or have operations outside the U.S. Products range from a simple package policy to complex programs with local admitted policies and sophisticated risk transfer options. (3) ACE North America Property & Specialty Lines provides comprehensive risk management programs, services and specialty products for a diverse market of U.S.-based companies. Key products include property (primary, quota share and excess all-risks), commercial marine, inland marine and aerospace. (4) ACE Casualty Risk offers specialty casualty products to a broad range of customers, ranging from small local businesses to large multinational clients. Key coverages offered include umbrella and excess liability, environmental risk for commercial and industrial risks, and casualty programs for commercial construction related products. (5) ACE Professional Risk provides management liability and professional liability products to middle market and Fortune 1000 clients. (6) ACE Surety offers a wide variety of surety products to small contractors and Fortune and Industrial 2500 companies. (7) ACE Canada, ACE USA's Canadian operations, offers a broad range of property and casualty products as well as life and accident and health coverage. ACE Canada specializes in providing customized products to commercial and industrial clients as well as to groups and associations, operating nationally or internationally. (8) ACE Accident & Health works with employers, travel agencies, and affinity groups to offer a variety of accident and other supplemental insurance programs. Key products include employee benefit plans, occupational accident, student accident, and worldwide travel accident and global medical programs. (9) ACE Medical Risk offers a wide range of liability products for the healthcare industry through licensed excess and surplus lines brokers. Products include primary coverages for professional liability and general liability for selected types of medical facilities, excess/umbrella liability for medical facilities, primary and excess coverages for products liability for biotechnology and specialty pharmaceutical companies, and liability insurance for human clinical trials. (10) ESIS is ACE USA's in-house third-party claims administrator and performs claims management and risk control services for domestic and international organizations that self-insure property and casualty exposures. These services include comprehensive medical managed care, integrated disability services, and pre-loss control and risk management services.

The ACE Westchester business segment specializes in the North American wholesale distribution of excess and surplus property, inland marine, casualty, professional lines, and environmental liability products. The ACE Commercial Risk Services unit serves the needs of small and mid-sized businesses in North America with local, national or global exposures by delivering an array of specialty products solutions for targeted industries that lend themselves to technology-assisted underwriting. Products are offered through wholesale, retail, program agent and alternative distribution channels. The ACE Agriculture unit provides coverage for agriculture business, writing a variety of commercial coverages including comprehensive multiple peril crop, crop/hail and farm P&C insurance protection to customers throughout the U.S. and Canada through Rain and Hail Insurance Service, Inc. The ACE Private Risk Services business segment provides specialty personal lines coverages, including homeowners, automobile, valuables, umbrella liability, and recreational marine insurance for affluent individuals and families in North America. ACE Private Risk Services' products are distributed through independent regional agents and brokers.

Scope of Operations

Scope of Operations (Continued ...)

Total Premium Composition & Growth Analysis

Period Ending	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written	
	($000)	(%Chg)	($000)	(%Chg)	($000)	(%Chg)	($000)	(%Chg)
2012	3,832,113	8.8	5,725,524	3.0	7,899,610	5.2	1,658,027	5.5
2011	3,522,837	-3.1	5,559,630	10.8	7,510,134	1.9	1,572,332	22.3
2010	3,637,234	-2.0	5,015,584	14.6	7,367,514	5.7	1,285,305	15.2
2009	3,710,545	1.6	4,378,102	0.2	6,973,079	-0.3	1,115,568	8.4
2008	3,653,711	-12.9	4,369,161	17.5	6,993,706	5.5	1,029,165	-19.7
5-Yr CAGR	...	-1.8	...	9.0	...	3.6	...	5.3
06/2013	1,921,660	0.4	2,316,300	0.2	3,569,766	1.3	668,194	-4.5
06/2012	1,913,804	14.8	2,311,634	2.9	3,525,419	8.8	700,019	4.2

Territory

The company is licensed in the District of Columbia, Puerto Rico, U.S. Virgin Islands and all states. They are also licensed and operate in the Bahamas, Bahrain, Bermuda, Korea, Japan and Taiwan.

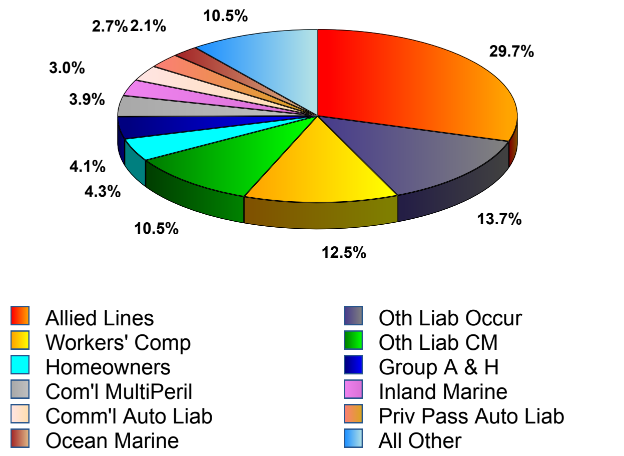
Business Trends

2012 By-Line Business ($000)

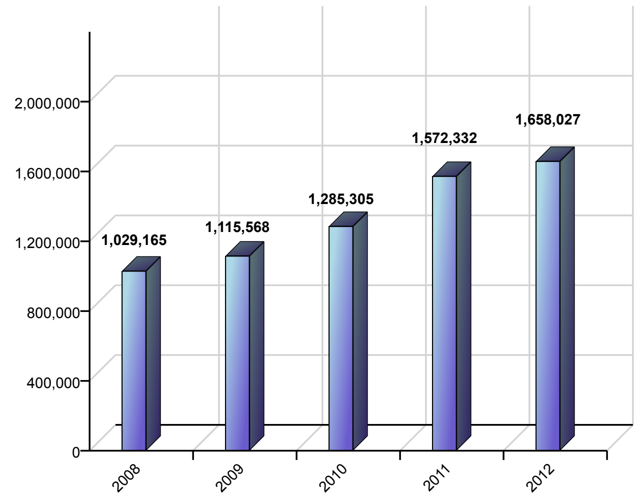
Product Line	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written		Business Retention %
	($000)	(%)	($000)	(%)	($000)	(%)	($000)	(%)	
Allied Lines	26,911	0.7	2,655,708	46.4	2,189,365	27.7	493,254	29.7	99.7
Oth Liab Occur	961,119	25.1	681,239	11.9	1,415,261	17.9	227,097	13.7	20.2
Workers' Comp	615,999	16.1	433,067	7.6	841,092	10.6	207,975	12.5	33.2
Oth Liab CM	468,790	12.2	246,914	4.3	542,394	6.9	173,311	10.5	35.9
Homeowners	62	0.0	292,462	5.1	221,848	2.8	70,677	4.3	100.0
Group A & H	515,783	13.5	133,417	2.3	580,446	7.3	68,755	4.1	11.0
Com'l MultiPeril	378,043	9.9	230,704	4.0	543,786	6.9	64,961	3.9	13.6
Inland Marine	102,803	2.7	131,589	2.3	184,378	2.3	50,014	3.0	45.5
Comm'l Auto Liab	198,057	5.2	68,272	1.2	218,376	2.8	47,953	2.9	23.7
Priv Pass Auto Liab	11	0.0	171,269	3.0	126,941	1.6	44,339	2.7	100.0
Ocean Marine	94,982	2.5	126,628	2.2	186,093	2.4	35,518	2.1	35.9
All Other	469,552	12.3	554,254	9.7	849,631	10.8	174,175	10.5	28.7
Total	3,832,113	100.0	5,725,524	100.0	7,899,610	100.0	1,658,027	100.0	35.8

Business Trends (Continued ...)

2012 Top Product Lines of Business (Net Premiums Written)



5 Years of Net Premiums Written ($000)



By-Line Reserve ($000)

Product Line	2012	2011	2010	2009	2008
Allied Lines	67,582	99,836	26,123	46,594	58,145
Oth Liab Occur	697,421	708,770	657,724	610,701	677,503
Workers' Comp	621,350	604,590	600,971	549,432	472,135
Oth Liab CM	443,489	404,577	361,200	292,022	252,974
Homeowners	27,344	19,238	13,945	8,533	8,918
Group A & H	21,872	18,664	20,459	14,307	10,543
Com'l MultiPeril	109,617	85,033	82,959	102,121	145,325
Inland Marine	48,836	20,516	19,626	17,407	38,880
Comm'l Auto Liab	106,934	106,085	98,388	101,346	90,431
Priv Pass Auto Liab	28,811	24,689	18,043	13,053	11,669
Ocean Marine	49,730	55,987	62,708	75,065	86,900
All Other	567,221	433,177	397,952	438,692	347,131
Total	2,790,205	2,581,162	2,360,099	2,269,272	2,200,554

Market Share / Market Presence

Market Share / Market Presence (Continued ...)

Geographical Breakdown By Direct Premium Writings ($000)

	2012	2011	2010	2009	2008
California	497,585	432,078	486,428	490,511	433,613
Aggregate Alien	418,883	391,172	392,839	325,998	420,854
Texas	300,537	287,045	309,580	376,856	362,370
Florida	266,803	232,335	226,443	232,058	230,417
New York	250,596	216,226	255,867	254,316	260,886
Maryland	170,660	113,680	143,980	41,473	38,718
New Jersey	122,996	111,759	126,248	158,899	150,413
Illinois	115,433	103,382	112,029	120,634	123,240
Pennsylvania	109,051	176,162	167,766	170,309	155,293
Massachusetts	101,589	104,703	86,434	87,995	81,770
All Other	1,477,979	1,354,295	1,329,620	1,451,495	1,396,136
Total	3,832,113	3,522,837	3,637,234	3,710,545	3,653,711

Risk Management

The following text is derived from A.M. Best's Credit Report on ACE American Pool (AMB# 018344).

The company's enterprise risk management (ERM) program is integrated into the global ERM program established by its ultimate parent, ACE Limited. The global ERM framework is the responsibility of the ACE ERM Board (ERMB) which is comprised of the ACE senior management team and is implemented both at the divisional and aggregate level with appropriate risk mitigation programs. The ERMB is ACE management's highest ERM governing body, reporting to and assisting the ACE Limited CEO on setting and monitoring ACE's risk management framework and constituent ERM policies. The ERM program is guided by the measurement, management and mitigation of insurance risk, financial risk, strategic risk and operational risk. The ERMB is chaired by the ACE Chief Risk Officer and Chief Actuary and meets monthly with input from two groups: the Enterprise Risk Unit (ERU) and various Product Boards. The ERU is independent of operating units and provides insight on significant risks that might significantly impact ACE's key objectives and produces internal risk aggregations from the business units and the investment committee. The Products Boards focus on assessing underwriting risks within each major product line to ensure consistency in underwriting and pricing standards, to identify emerging issues and to provide guidelines for relevant measurement of product related risks. In addition, peer review, internal audits and third party assurance are performed.

The company's risk management primarily focuses on insurance risk including catastrophe, pricing, credit, business diversification, cycle management and reserving risks. Insurance risks are managed by establishing and maintaining limits for underwriting authority and approvals, employing analytics and controls which mitigate collection risk and underwriting losses.

Risk management also focuses on operational risk, implementing the best use of technology to benefit data and risk analysis as well as information security. In addition the group maintains disaster recovery plans for IT systems and ongoing operations. Other non-insurance financial risk is handled in part by maintaining a conservative investment strategy.

The group's main focus for 2013 continues to be navigating the challenging external environment, including soft market, difficult economy, Euro zone risks, unstable financial markets and enhanced regulatory requirements. The group maintains comprehensive internal governance to ensure a proper level of oversight and capability.

Catastrophe Exposure & Management: The group is exposed to natural catastrophe losses including hurricane and earthquake and susceptible to terrorism losses. The group uses post event studies to compare modeled losses to actual, and identify any changes needed for underwriting or modeling.

Investment Risk Management: The group employs a conservative investment approach which is approved by the board. The group's investment guidelines include no complex structured investments, minimum ratings for mortgage and asset backed securities, no portfolio leverage or derivatives, diversification by issuer, and cash investments in highly rated short maturities. These guidelines are monitored on a daily basis.

Operating Performance

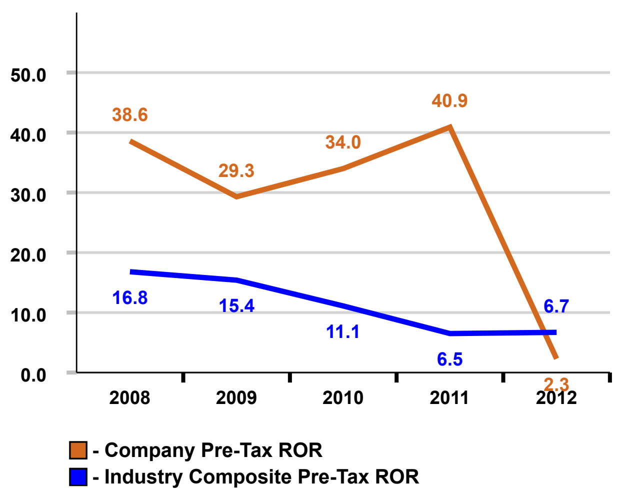
The following text is derived from A.M. Best's Credit Report on ACE American Pool (AMB# 018344).

Operating Results: Although somewhat variable, operating performance has been positive, as evidenced by pre-tax and total returns on surplus and revenue that outperform those of the peer group composite on both a five-year and ten-year average. Year-to-year volatility in operating profits is primarily attributable to varying levels of catastrophe losses, reserve release variability and effects of internal reinsurance as well as the impact of investment losses in 2008. While realized capital gains/losses normally have only a modest impact on earnings, the group did realize $423 million of losses in 2008, primarily due to other-than-temporary impairments taken on equity and fixed-income securities driven by an increase in market interest rates resulting from volatility and widening credit spreads, issuer defaults, and declines in global equity markets. Despite these losses the group has recorded net income in each of the last five years.

Profitability Analysis

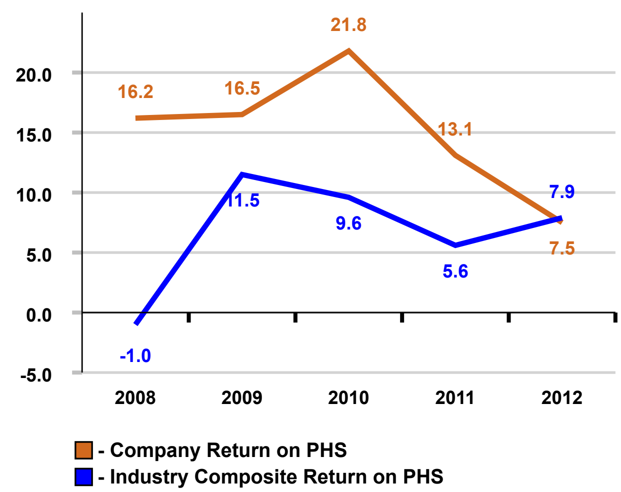
	Company							Industry Composite		
Period Ending	Pre-tax Operating Income	After-tax Operating Income	Net Income	Total Return	Pre-Tax ROR	Return on PHS	Operating Ratio	Pre-Tax ROR	Return on PHS	Operating Ratio
2012	37,388	47,459	58,889	166,572	2.3	7.5	95.8	6.7	7.9	92.4
2011	637,918	569,028	616,320	260,392	40.9	13.1	57.7	6.5	5.6	93.1
2010	407,398	289,655	285,958	433,889	34.0	21.8	68.5	11.1	9.6	88.2
2009	323,497	206,528	254,632	313,519	29.3	16.5	68.8	15.4	11.5	84.6
2008	443,636	315,409	204,612	305,949	38.6	16.2	65.3	16.8	-1.0	83.6
5-Yr Avg/Tot	1,849,837	1,428,079	1,420,412	1,480,322	28.0	14.8	72.0	11.3	6.8	88.4
06/2013	134,440	86,007	86,404	114,270	20.2	7.3	82.0	XX	XX	XX
06/2012	79,229	51,765	59,863	103,548	12.3	12.5	84.6	XX	XX	XX

Pre-Tax ROR Comparison with Industry Composite



* Industry Composite - Commercial Casualty Composite

Return on PHS Comparison with Industry Composite



* Industry Composite - Commercial Casualty Composite

Underwriting Results

Underwriting Results: Underwriting performance, as measured by the five-year and ten-year average combined ratios, outperforms that of the commercial casualty group composite, reflecting the benefit of strict underwriting discipline, tight oversight of the claim process and a strong focus on minimizing administrative expenses. Underwriting results have fluctuated, however, based on variable levels of loss reserve development and catastrophe losses, which reflect the group's well-managed but above average risk profile. The effects of competitive market conditions and the challenging macroeconomic climate are also reflected in recent years' underwriting results.

During 2012 the group's crop's insurance results were impacted by the severe drought in the Midwest which caused the loss ratio on this line to increase about 15 points to a 93. In addition, other storm related events such as Hurricane Irene and Super-storm Sandy caused additional losses. The group's calendar year combined ratio included about two points of adverse development due predominantly by its aggregate excess of loss reinsurance agreement with Century Indemnity, an affiliate. The group's expense ratio has fluctuated over the past few years due to growth of its crop business, variability in crop performance as well as an increase in commission expense relating to the increase in personal lines business.

During 2011, the group's combined ratio was impacted by a deterioration in accident year performance as well as the recognition of less favorable development, down about $200 million. Accident year results were impacted by higher property losses, soft pricing on all lines and less favorable crop results as a result of flooding in 2011. Expenses benefited from the increase in crop premium which has a lower associated expense ratio.

Favorable loss reserve development has benefited the loss and LAE ratio in the years prior to 2012, including by 2.8 points in 2011, 7.7 points in 2010 and 4.9 points in 2009. The group is subject to future fluctuations of underwriting income from changes in cessions from the $800 million aggregate excess of loss reinsurance agreement with Century Indemnity, under which capacity remains at year-end 2012 of $406 million.

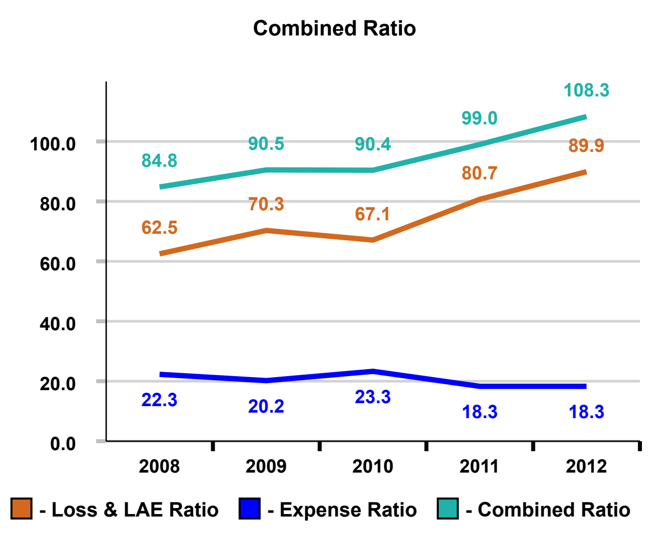
Underwriting Experience

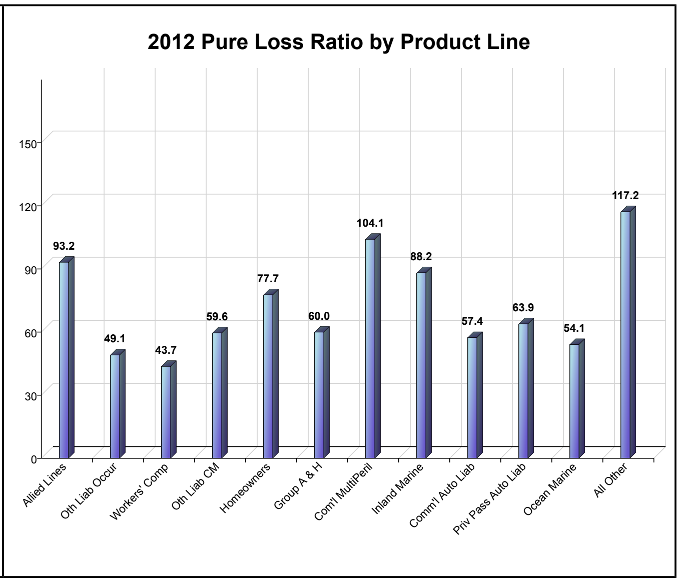
		Loss Ratios			Expense Ratios				
Year	Net Undrw Income ($000)	Pure Loss	LAE	Loss & LAE	Net Comm	Other Exp.	Total Exp.	Div. Pol.	Comb. Ratio
2012	-143,224	76.2	13.7	89.9	4.5	13.9	18.3	...	108.3
2011	12,620	67.5	13.2	80.7	3.6	14.7	18.3	...	99.0
2010	95,198	52.1	15.1	67.1	5.1	18.2	23.3	...	90.4
2009	102,013	52.3	17.9	70.3	1.9	18.3	20.2	...	90.5
2008	201,730	48.8	13.7	62.5	4.2	18.1	22.3	...	84.8
5-Yr Avg	268,336	61.0	14.5	75.6	3.9	16.3	20.2	...	95.8
06/2013	17,387	58.7	15.5	74.1	XX	XX	23.2	...	97.3
06/2012	-12,935	61.7	15.1	76.8	XX	XX	23.3	...	100.1

Underwriting Results (Continued ...)

Loss Ratio By Line

Product Line	2012	2011	2010	2009	2008	5-Yr. Avg.
Allied Lines	93.2	78.4	35.1	77.2	54.6	76.9
Oth Liab Occur	49.1	76.4	84.7	62.3	69.2	67.8
Workers' Comp	43.7	31.8	50.7	34.9	34.6	39.0
Oth Liab CM	59.6	66.7	52.0	52.5	74.8	59.8
Homeowners	77.7	84.4	66.7	45.1	52.5	70.0
Group A & H	60.0	60.3	65.6	64.1	55.5	61.1
Com'l MultiPeril	104.1	113.8	55.6	23.7	165.9	91.3
Inland Marine	88.2	52.9	32.6	9.4	62.3	50.9
Comm'l Auto Liab	57.4	59.9	69.1	70.7	41.3	59.2
Priv Pass Auto Liab	63.9	67.3	69.6	56.2	61.8	64.4
Ocean Marine	54.1	52.6	72.8	52.7	48.5	55.1
All Other	117.2	64.3	12.4	50.1	-38.5	45.2
Total	76.2	67.8	52.1	51.9	48.8	61.0





Underwriting Results (Continued ...)

Direct Loss Ratios By State

	2012	2011	2010	2009	2008	5-Yr. Avg.
California	19.6	39.3	32.5	47.3	46.2	36.9
Aggregate Alien	42.1	40.7	54.5	10.8	41.6	38.7
Texas	49.3	37.1	50.1	59.4	117.0	64.9
Florida	-0.8	21.5	26.5	42.7	36.9	24.9
New York	133.9	66.1	46.3	57.9	57.5	71.7
Maryland	39.3	78.7	50.8	21.9	44.0	49.3
New Jersey	161.0	75.7	53.9	50.7	42.7	73.8
Illinois	37.8	57.3	64.6	82.3	22.7	52.3
Pennsylvania	62.3	44.4	50.1	103.5	71.3	67.0
Massachusetts	76.9	85.9	47.6	64.6	43.8	64.8
All Other	44.0	52.0	50.7	56.0	49.6	50.3
Total	48.9	49.0	47.2	53.2	54.3	50.6

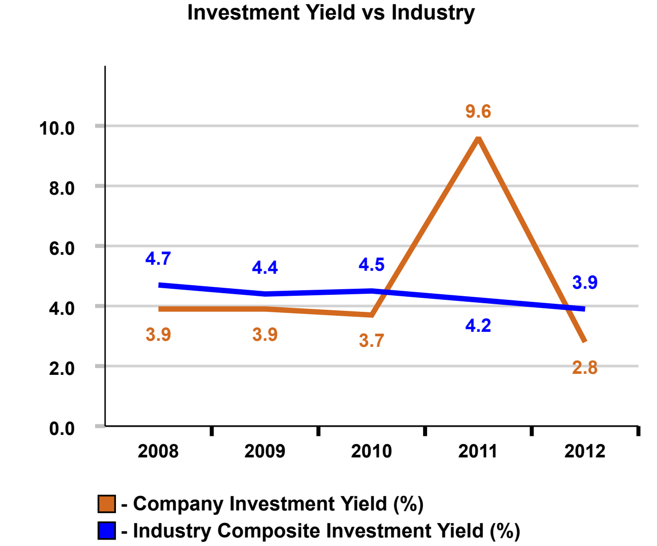
Investment Results

Investment Results: Despite challenging investment conditions over the most recent five-year period, the group generated solid investment income from its portfolio of predominantly fixed-income securities. Investment income had been notably increasing through 2008 as a result of the group's significant cash flow and higher overall invested asset base. However, net investment income did decline in 2009 as a result of the group's decision to exit virtually all of its equity positions, resulting in a reduction in dividends received. Although the group's investment yield has fluctuated over the years in response to variability in the interest rate environment, its average investment yield has remained in-line with the peer group composite. The group's investment portfolio is dominated by fixed-income securities allocated among corporate, tax-exempt, asset-backed and U.S. government issues.

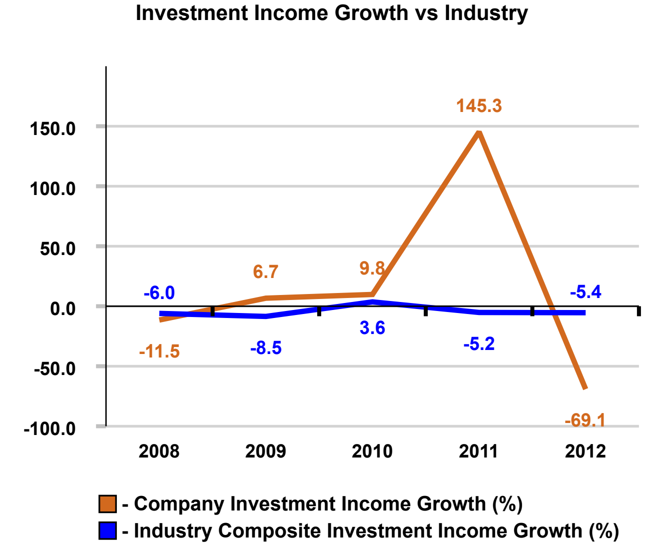
Investment Gains ($000)

	Company							Industry Composite	
Year	Net Investment Income ($000)	Realized Capital Gains ($000)	Unrealized Capital Gains ($000)	Investment Income Growth (%)	Investment Yield (%)	Return on Invested Assets (%)	Total Return (%)	Investment Income Growth (%)	Investment Yield (%)
2012	198,832	11,430	107,683	-69.1	2.8	3.0	4.5	-5.4	3.9
2011	644,299	47,292	-355,928	145.3	9.6	10.3	4.9	-5.2	4.2
2010	262,656	-3,697	147,931	9.8	3.7	3.7	5.9	3.6	4.5
2009	239,131	48,105	58,886	6.7	3.9	4.7	5.7	-8.5	4.4
2008	224,114	-110,797	101,337	-11.5	3.9	2.0	3.8	-6.0	4.7
5-Yr Avg/Tot	1,569,033	-7,667	59,909	-3.4	4.8	4.8	5.0	-4.4	4.4
06/2013	102,480	396	27,866	2.4	2.7	2.7	4.0	XX	XX
06/2012	100,120	8,098	43,685	-81.1	3.1	3.7	4.6	XX	XX

Investment Results (Continued ...)



* Industry Composite - Commercial Casualty Composite



* Industry Composite - Commercial Casualty Composite

Balance Sheet Strength

Capitalization

The following text is derived from A.M. Best's Credit Report on ACE American Pool (AMB# 018344).

Capitalization: Risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), is strong and well-supportive of the current ratings. The capital position reflects the group's ability to generate an underwriting profit and overall prudent investment and reserving posture, partially offset by its elevated underwriting leverage, much of which stems from affiliated reinsurance and its role as a crop insurer. In addition, the group benefits from being a core operation of ACE Group (which includes substantial capital held at ACE Bermuda Insurance Limited and ACE Tempest Reinsurance Limited) and having access to ACE Group's substantial financial resources.

Favorable operating income has provided a basis for organic generation of surplus during the five-year period. Variability in underwriting income, stockholder dividends, return of capital payments and realized and unrealized capital gains and losses caused surplus generation to fluctuate from year-to-year. Overall, the compounded growth rate of surplus over the past five years has been flat at -.5% as $2.1 billion in stockholder dividends and almost $300 million of return of capital payments offset the total returns over the same period.

Capital Generation Analysis ($000)

	Source of Surplus Growth							
Year	Pre-tax Operating Income	Realized Capital Gains	Income Taxes	Unrealized Capital Gains	Net Contributed Capital	Other Changes	Change in PHS	% Change in PHS
2012	37,388	11,430	-10,071	107,683	11,707	247,294	425,574	21.3
2011	637,918	47,292	68,890	-355,928	-174,141	-57,512	28,740	1.5
2010	407,398	-3,697	117,743	147,931	-124,679	-348,505	-39,295	-2.0
2009	323,497	48,105	116,969	58,886	-97,978	5,616	221,158	12.4
2008	443,636	-110,797	128,227	101,337	-358,282	-134,267	-186,600	-9.4
5-Yr Total	1,849,837	-7,667	421,758	59,909	-743,373	-287,373	449,575	4.2
06/2013	134,440	396	48,432	27,866	...	4,854	119,124	4.9
06/2012	79,229	8,098	27,464	43,685	...	192,728	296,276	14.8

Quality of Surplus ($000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus	Year End Policyholders Surplus	Conditional Reserves	Adjusted Policyholders Surplus
2012	...	...	1,098,898	1,326,917	2,425,815	2,839	2,428,654
2011	...	...	1,132,323	867,919	2,000,242	2,475	2,002,717
2010	...	...	1,126,252	845,250	1,971,502	1,362	1,972,864
2009	...	...	1,125,154	885,644	2,010,797	2,733	2,013,530
2008	...	...	1,073,989	715,651	1,789,640	1,394	1,791,034
06/2013	...	...	1,098,898	1,446,041	2,544,939	2,839	2,547,778
06/2012	...	...	1,087,191	1,209,326	2,296,517	2,475	2,298,992

Underwriting Leverage

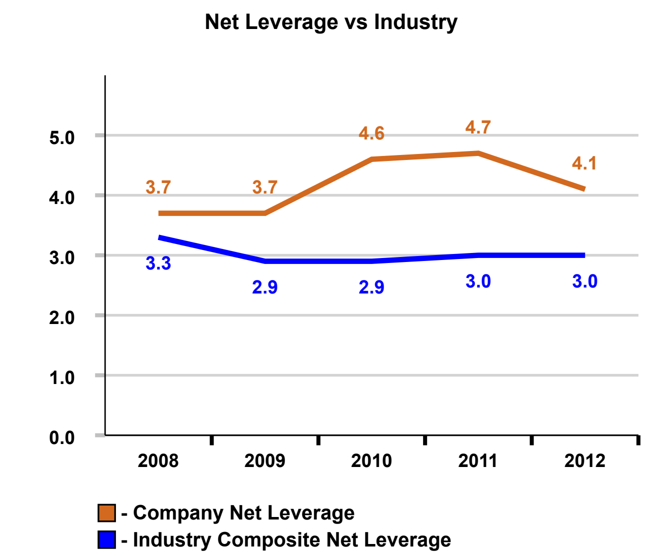
Underwriting Leverage: Underwriting leverage, on both a net and gross basis, is elevated in comparison to the peer group composite. While net premium leverage is in-line with that of the commercial casualty industry composite, net liability leverage is higher than the composite, reflecting its asbestos and environmental exposure, its excess of loss contract with its affiliate in run-off, Century Indemnity, its book of longer tail workers compensation and to a certain extent its adequate loss reserve position compared to its peers.

Further the group's ceded reinsurance leverage is very high due in large part to the large amount of recoverables due from both affiliated and unaffiliated parties. The higher than average recoverables is mostly due to the higher risk nature of the group's overall business and liabilities, its cessions to its Bermuda affiliate, its substantial multi-peril crop insurance (reinsured by the Federal Crop Insurance Company) and risk management program businesses. The risks associated with this higher than average leverage is offset by various forms of security against the recoverables as well as the capital strength of the other entities within the ACE organization.

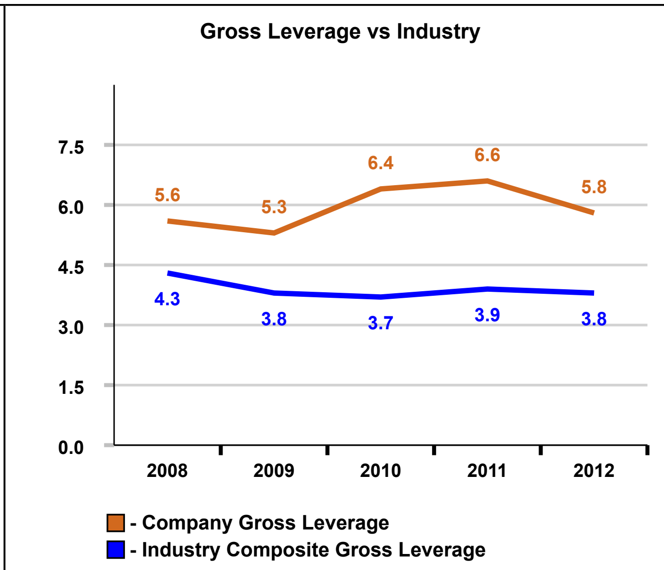
Leverage Analysis

	Company				Industry Composite			
Year	NPW to PHS	Reserves to PHS	Net Leverage	Gross Leverage	NPW to PHS	Reserves to PHS	Net Leverage	Gross Leverage
2012	0.7	1.2	4.1	5.8	0.8	1.5	3.0	3.8
2011	0.8	1.3	4.7	6.6	0.8	1.5	3.0	3.9
2010	0.7	1.2	4.6	6.4	0.7	1.5	2.9	3.7
2009	0.6	1.1	3.7	5.3	0.7	1.5	2.9	3.8
2008	0.6	1.2	3.7	5.6	0.9	1.6	3.3	4.3
06/2013	0.6	1.1	4.0	XX	XX	XX	XX	XX
06/2012	0.7	1.1	4.1	XX	XX	XX	XX	XX

Current BCAR: 193.5



* Industry Composite - Commercial Casualty Composite



* Industry Composite - Commercial Casualty Composite

Underwriting Leverage (Continued ...)

Ceded Reinsurance Analysis ($000)

	Company				Industry Composite		
Year	Ceded Reinsurance Total	Business Retention (%)	Reinsurance Recoverables to PHS (%)	Ceded Reinsurance to PHS (%)	Business Retention (%)	Reinsurance Recoverables to PHS (%)	Ceded Reinsurance to PHS (%)
2012	4,026,203	35.8	110.3	166.0	82.6	59.1	84.5
2011	3,853,426	37.1	135.3	192.6	81.6	59.4	84.5
2010	3,424,742	29.4	122.9	173.7	81.2	57.6	80.4
2009	3,370,907	23.7	120.8	167.6	82.6	61.2	84.8
2008	3,397,284	22.5	129.8	189.8	84.6	70.6	97.6

2012 Reinsurance Recoverables ($000)

	Paid & Unpaid Losses	Incurred But Not Reported (IBNR) Losses	Unearned Premiums	Other Recoverables *	Total Reinsurance Recoverables
US Affiliates	4,278,150	6,945,512	1,826,012	6,154	13,055,828
Foreign Affiliates	871,656	1,340,990	359,598	-162,226	2,410,018
US Insurers	3,829	...	...	...	3,829
Pools/Associations	171,488	73,302	9,125	...	253,915
Other Non-Us	3,096	4,116	620	...	7,832
Total(ex Us Affils)	1,050,069	1,418,408	369,343	-162,226	2,675,594
Grand Total	5,328,219	8,363,920	2,195,355	-156,072	15,731,422

* Includes Commissions less Funds Withheld

Loss Reserves

Loss Reserves: In 2012 the group recorded $219 million adverse loss reserve development on its reinsurance reserves, mainly attributable to adverse development under the excess of loss contract ACE American Insurance Company has with its affiliate, Century Indemnity. Favorable development was recognized on the majority of the other lines of business for a net unfavorable liability position of $21 million. The group reported favorable prior year loss reserve development of $130 million and $335 million in 2011 and 2010, respectively, coming mainly from workers compensation in 2011 and property, casualty reinsurance and commercial multi-peril lines of business in 2010. The favorable development in these lines was offset by adverse development in the other liability (occurrence). Favorable development was recorded in 2012 for most recent accident years, with $268 million of adverse development in accident years 2002 and prior.

Loss Reserves (Continued ...)

Loss and ALAE Reserve Development: Calendar Year ($000)

Calendar Year	Original Loss Reserves	Developed Reserves Thru 2012	Development to Original (%)	Development to PHS (%)	Development to NPE (%)	Unpaid Reserves @ 12/2012	Unpaid Reserves to Development (%)
2012	2,854,412	2,854,412	...	...	179.1	2,854,412	100.0
2011	2,647,564	2,659,167	0.4	0.6	170.7	2,146,355	80.7
2010	2,429,861	2,414,799	-0.6	-0.8	199.7	1,696,355	70.2
2009	2,307,563	2,181,974	-5.4	-6.2	197.1	1,296,345	59.4
2008	2,268,649	2,124,861	-6.3	-8.0	183.7	999,589	47.0
2007	2,260,860	1,904,167	-15.8	-18.0	152.1	761,579	40.0

Loss and ALAE Reserve Development: Accident Year ($000)

Accident Year	Original Loss Reserves	Developed Reserves Thru 2012	Development to Original (%)	Unpaid Reserves @ 12/2012	Accident Year Loss Ratio	Accident Year Comb. Ratio
2012	708,057	708,057	...	708,057	87.5	105.9
2011	677,228	659,264	-2.7	450,000	79.2	97.5
2010	623,013	631,052	1.3	400,010	73.9	97.1
2009	576,166	537,231	-6.8	296,756	68.8	89.0
2008	623,707	642,547	3.0	238,010	80.5	102.8
2007	767,380	598,331	-22.0	203,013	71.1	92.5

Asbestos And Environmental Reserves Analysis

	Company						Industry Composite		
Year	Net A&E Reserves ($000)	Reserve Retention (%)	Net Incurred But Not Reported (IBNR) Mix (%)	Survival Ratio (3 Yr)	Comb. Ratio Impact (1 Yr)	Comb. Ratio Impact (3 Yr)	Survival Ratio (3 Yr)	Comb. Ratio Impact (1 Yr)	Comb. Ratio Impact (3 Yr)
2012	21,923	8.4	74.0	3.3	0.3	0.5	9.1	0.6	0.6
2011	22,219	8.2	76.3	3.7	0.3	-0.2	9.1	0.5	0.6
2010	25,024	8.7	78.9	1.8	1.2	1.8	7.2	0.7	0.5
2009	18,669	9.3	42.3	...	-2.4	...	...	0.6	...
2008	48,303	16.5	67.0	...	6.4	...	...	0.3	...

Liquidity

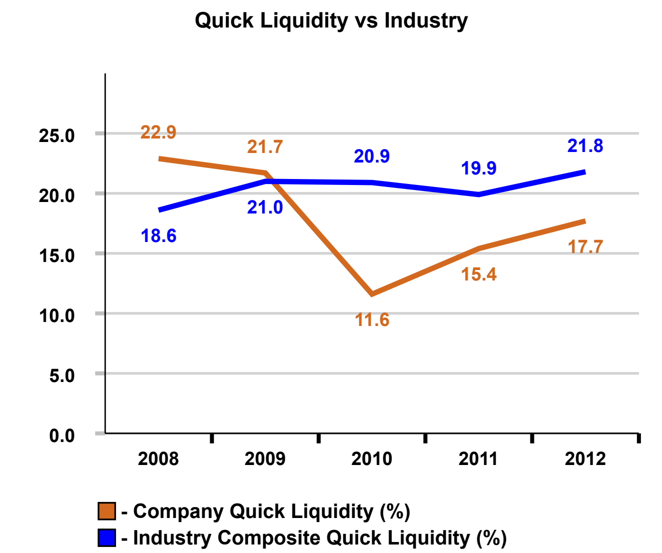
The following text is derived from A.M. Best's Credit Report on ACE American Pool (AMB# 018344).

Liquidity: The group maintains balance sheet liquidity, with non-affiliated invested assets in-line with net liabilities. While the quick liquidity ratio compares favorably to the peer group composite, the current ratio does not due to the group's lower concentration of equities in its investment portfolio. Liquidity is enhanced by consistently positive operating cash flows over the last five years.

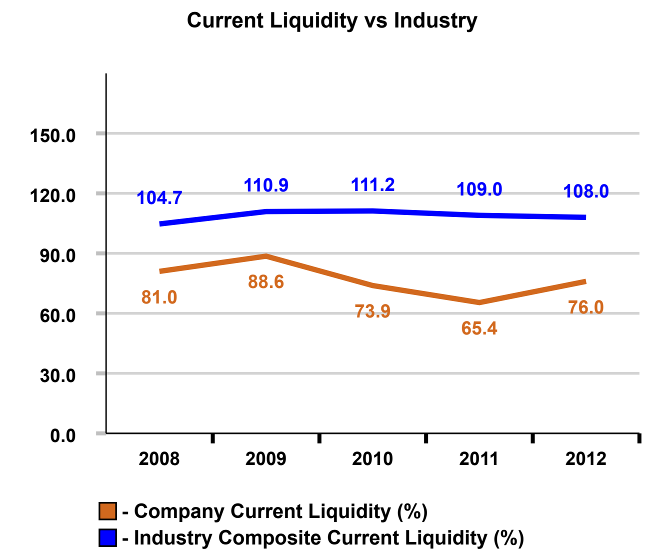
Liquidity (Continued ...)

Liquidity Analysis

	Company				Industry Composite			
Year	Quick Liquidity (%)	Current Liquidity (%)	Overall Liquidity (%)	Gross Agents Balances to PHS(%)	Quick Liquidity (%)	Current Liquidity (%)	Overall Liquidity (%)	Gross Agents Balances to PHS (%)
2012	17.7	76.0	128.2	12.0	21.8	108.0	144.9	10.9
2011	15.4	65.4	124.8	11.2	19.9	109.0	144.5	10.3
2010	11.6	73.9	124.5	9.8	20.9	111.2	146.2	9.0
2009	21.7	88.6	130.1	9.0	21.0	110.9	146.0	9.1
2008	22.9	81.0	128.6	9.6	18.6	104.7	140.8	11.9
06/2013	XX	98.1	128.7	12.3	XX	XX	XX	XX
06/2012	XX	65.8	128.0	9.6	XX	XX	XX	XX



* Industry Composite - Commercial Casualty Composite



* Industry Composite - Commercial Casualty Composite

Liquidity (Continued ...)

Cash Flow Analysis ($000)

	Company					Industry Composite	
Year	Underwriting Cash Flow	Operating Cash Flow	Net Cash Flow	Underwriting Cash Flow (%)	Operating Cash Flow (%)	Underwriting Cash Flow (%)	Operating Cash Flow (%)
2012	-292,539	-115,235	274,785	84.3	94.0	98.2	110.7
2011	-370,397	143,155	501,158	80.8	106.8	96.5	107.6
2010	150,519	298,445	-598,603	113.0	123.3	96.6	108.6
2009	210,929	298,034	-242,596	122.4	127.4	98.4	109.5
2008	177,825	366,454	470,255	117.9	134.4	101.2	112.6
5-Yr Total	-123,663	990,853	404,998	...	...	...	...
06/2013	1,085,252	1,208,453	10,403	-99.9	-99.9	XX	XX
06/2012	499,562	585,086	-156,226	320.1	336.3	XX	XX

Investments

Investment Leverage Analysis (% of PHS)

	Company						Industry Composite	
Year	Class 3-6 Bonds	Real Estate / Mortgages	Other Invested Assets	Common Stock	Non - Affiliated Investment Leverage	Affiliated Investments	Class 3-6 Bonds	Common Stock
2012	46.5	...	9.1	2.5	58.1	82.2	7.1	10.3
2011	39.2	...	5.6	2.6	47.4	99.5	7.4	9.5
2010	33.7	...	3.6	2.6	39.9	122.7	7.2	9.0
2009	20.4	...	5.4	...	25.7	73.9	6.0	8.2
2008	5.3	...	3.2	4.6	13.1	85.4	5.4	9.1

Investments - Bond Portfolio

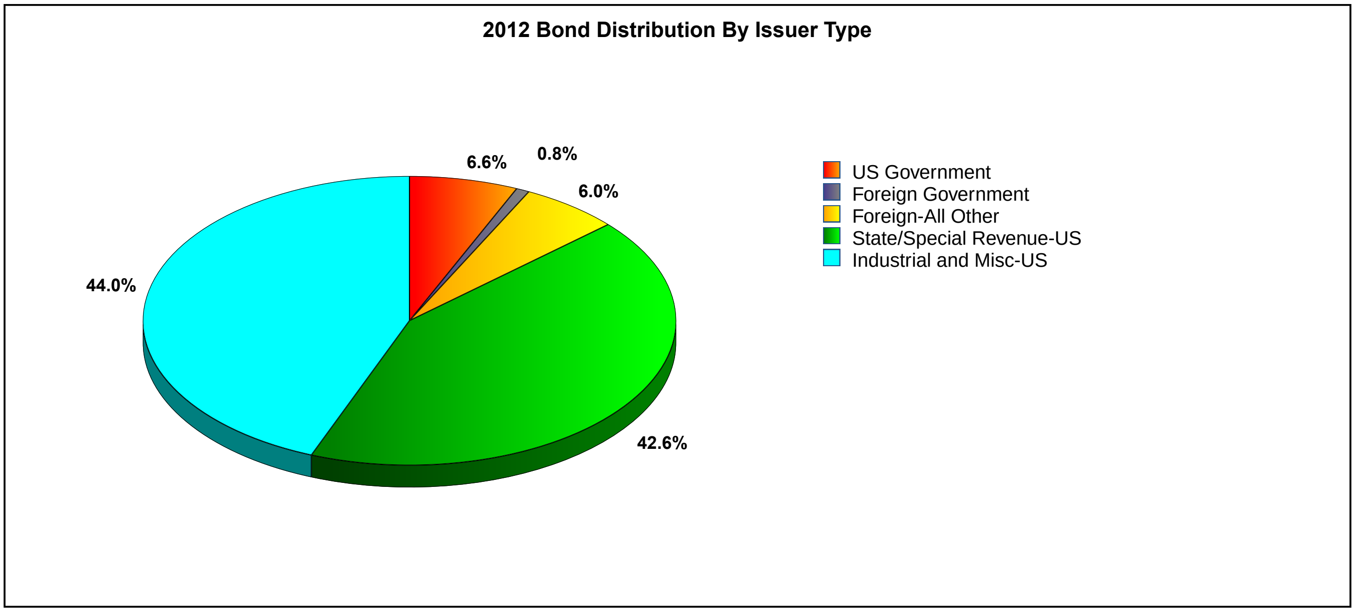
2012 Distribution By Maturity

	Years					
	0-1	1-5	5-10	10-20	20+	Years Average Maturity
Government	2.4	4.4	0.9	...	...	2.7
Government Agencies & Muni.	8.2	14.4	11.5	5.0	2.5	6.5
Industrial & Misc.	5.6	21.2	22.0	1.3	0.5	5.0
Hybrid Securities	...	...	...	...	0.2	21.0
Total	16.2	40.1	34.3	6.3	3.1	5.6

Investments - Bond Portfolio (Continued ...)

Bond Distribution By Issuer Type

	2012	2011	2010	2009	2008
Bonds (000)	5,403,505	4,571,464	5,755,090	4,892,607	3,599,405
US Government	6.6	12.1	11.5	14.3	9.0
Foreign Government	0.8	1.5	1.3	1.2	0.9
Foreign-All Other	6.0	6.8	7.5	7.3	4.2
State/Special Revenue-US	42.6	35.6	35.6	31.3	32.8
Industrial and Misc-US	44.0	44.0	44.1	45.9	53.0



Bond Percent Private vs Public

	2012	2011	2010	2009	2008
Private Issues	15.7	10.8	8.3	6.3	3.8
Public Issues	84.3	89.2	91.7	93.7	96.2

Bond Quality Percent

	2012	2011	2010	2009	2008
Class 1	69.6	71.8	77.4	80.6	86.2
Class 2	10.1	11.8	11.5	11.4	11.3
Class 3	10.3	9.2	6.0	4.6	1.3
Class 4	9.7	7.1	4.7	3.1	1.1
Class 5	0.3	0.1	0.4	0.3	0.1
Class 6	...	...	...	...	0.1

Investments - Equity Portfolio

	2012	2011	2010	2009	2008
Total Stocks(000)	1,895,329	1,744,660	1,971,584	1,015,320	1,137,969
Unaffiliated Common	3.2	3.0	2.6	...	7.2
Affiliated Common	96.6	96.2	96.3	97.9	79.7
Unaffiliated Preferred	0.3	0.8	1.1	2.1	13.1

Investments - Mortgage Loans And Real Estate

	2012	2011	2010	2009	2008
Mortgage Loans and Real Estate (000)	58,617	60,084	61,581	60,221	60,602
Property Occupied by Company	100.0	100.0	100.0	100.0	100.0

Investments - Other Invested Assets

	2012	2011	2010	2009	2008
Other Invested Assets(000)	746,676	524,567	173,497	780,201	1,100,937
Cash	38.9	-13.9	-99.9	0.1	28.3
Short-Term	16.9	40.9	125.4	30.6	15.5
Schedule BA Assets	37.0	63.0	273.3	56.8	52.3
All Other	7.2	9.9	33.7	12.6	4.0

History

This company was incorporated on November 1, 1945 under the laws of California. It began business January 1, 1946. From organization until early 1961 operations were conducted under the title Allied Compensation Insurance Company. In early 1961, the word "Compensation" was deleted from the corporate title and underwriting powers were broadened to encompass all casualty, fire and allied lines. The name was changed on December 14, 1977 to INA Underwriters Insurance Company. The name was changed to CIGNA Insurance Company on December 31, 1983. Administrative offices were moved during 1982 to Philadelphia, Pennsylvania from New York, New York. The company redomesticated from Woodland Hills, California to Philadelphia on December 20, 1996. The current title was adopted on November 1, 1999.

Capital paid-up is $5,000,000. Authorized capital is comprised of 100,000 shares of $50 par value each, all of which are issued and outstanding.

Management

All of the outstanding capital stock is owned by INA Holdings Corporation. The latter is owned by INA Financial Corporation, an intermediate holding company of INA Corporation, Philadelphia, Pa. Since July 2, 1999, INA Corporation has been directly or indirectly owned by ACE Limited. ACE Limited, and its direct and indirect subsidiaries, is a global insurance and reinsurance organization, serving the needs of commercial and individual customers in more than 170 countries and jurisdictions.

Officers And Directors

Officers

Chairman of the Board and President John J. Lupica
EVP and Chief Underwriting Officer Henry O. Schramm, II
EVP, Treasurer and CFO Joseph F. Fisher
EVP and General Counsel Kevin M. Rampe
EVP Ross R. Bertossi
EVP Michael J. Coleman
EVP Robert H. Courtemanche
EVP James M. English
EVP Bruce J. Kessler
EVP David J. Lupica
EVP Christopher A. Maleno
EVP Matthew G. Merna
EVP Douglas Poetzsch
EVP Jose Vasquez
EVP Edward D. Zaccaria
SVP and Chief Actuary Paul G. O'Connell
SVP Charles T. Brooks
SVP Gregory T. Pennell
SVP Kevin L. Shearan
SVP John P. Taylor
Vice President and Secretary Carmine A. Giganti

Directors

Robert H. Courtemanche
James M. English
Joseph F. Fisher
William P. Garrigan
Bruce L. Kessler
John J. Lupica (Chairman)
David J. Lupica
Christopher A. Maleno
Matthew G. Merna
Paul G. O'Connell
Douglas Poetzsch
Kevin M. Rampe
Henry O. Schramm, II
Edward D. Zaccaria

Regulatory

An examination of the financial condition is being made as of December 31, 2009, by the insurance department of Pennsylvania. The 2012 annual independent audit of the company was conducted by PricewaterhouseCoopers, LLP. The

Regulatory (Continued ...)

annual statement of actuarial opinion is provided by Paul G. O'Connell, FCAS, MAAA, Executive Vice President and Chief Actuary, ACE INA Holdings Inc.

Reinsurance

The following text is derived from A.M. Best's Credit Report on ACE American Pool (AMB# 018344).

Reinsurance agreements are generally maintained on all lines of business to manage net retained loss on individual policies and accumulations of net policy losses. On casualty lines, treaty and facultative reinsurance are generally purchased to maintain maximum net limits of $25.125 million per policy. Property excess of loss per risk reinsurance generally reduces property limits to a maximum $15 million net per risk. In addition, ACE writes statutory limits for workers' compensation policies.

Several natural catastrophe reinsurance protections are in place, including $600 million in excess of $500 million in traditional all-risk coverage for North America. Above $1.1 billion there is an additional $100 million of coverage that excludes earthquake and $75 million of global limit that covers North America and the rest of the world. Other traditional catastrophe programs have the potential to reduce the effective retention below $500 million. The current workers' compensation catastrophe reinsurance program includes coverage of $500 million excess of $200 million.

Effective January 1, 2013, the members of the pool modified their quota share reinsurance agreement with a Swiss affiliate, ACE Reinsurance (Switzerland) Limited, to reinsure 15% of current accident year results, up from 10% previously.

Effective January 1, 2008, the members of the pool entered into a 20% quota share reinsurance agreement with a Bermuda affiliate, ACE Tempest Reinsurance Limited, to reinsure 20% of current accident year results.

Balance Sheet ($000)

Admitted Assets	12/31/2012	12/31/2011	2012 %	2011 %
Bonds	5,403,505	4,571,464	48.9	45.3
Preferred Stock	4,827	13,768	...	0.1
Common Stock	60,244	51,736	0.5	0.5
Cash & Short-Term Invest	416,771	141,986	3.8	1.4
Real estate, investment	...	...	...	...
Derivatives	...	...	...	...
Other Non-Affil Inv Asset	223,616	132,099	2.0	1.3
Investments in Affiliates	1,936,546	1,929,638	17.5	19.1
Real Estate, Offices	58,617	60,084	0.5	0.6
Total Invested Assets	8,104,126	6,900,776	73.4	68.4
Premium Balances	557,925	491,250	5.1	4.9
Accrued Interest	49,380	45,952	0.4	0.5
Life department	...	...	...	...
All Other Assets	2,329,212	2,655,321	21.1	26.3
Total Assets	11,040,643	10,093,299	100.0	100.0

Liabilities & Surplus	12/31/2012	12/31/2011	2012 %	2011 %
Loss & LAE Reserves	2,790,205	2,581,162	25.3	25.6
Unearned Premiums	520,845	464,998	4.7	4.6
Conditional Reserve Funds	2,839	2,475	...	...
Derivatives	...	...	...	...
Life department	...	...	...	...
All Other Liabilities	5,300,939	5,044,422	48.0	50.0
Total Liabilities	8,614,828	8,093,057	78.0	80.2
Surplus notes	...	...	...	...
Capital & Assigned Surplus	1,098,898	1,132,323	10.0	11.2
Unassigned Surplus	1,326,917	867,919	12.0	8.6
Total Policyholders' Surplus	2,425,815	2,000,242	22.0	19.8
Total Liabilities & Surplus	11,040,643	10,093,299	100.0	100.0

Interim Balance Sheet ($000)

Admitted Assets	03/31/2013	06/30/2013
Bonds	5,858,287	5,765,581
Preferred Stock	4,873	4,829
Common Stock	1,968,682	2,063,550
Cash & Short-Term Invest	664,094	427,174
Other Investments	403,006	465,826
Total Invested Assets	8,898,942	8,726,960
Premium Balances	499,913	560,226
Accrued Interest	53,683	52,120
Reinsurance Funds	676,850	512,708
All Other Assets	1,264,810	1,588,066
Total Assets	11,394,199	11,440,080

Liabilities & Surplus	03/31/2013	06/30/2013
Loss & LAE Reserves	2,772,360	2,838,383
Unearned Premiums	490,827	523,121
Conditional Reserve Funds	2,839	2,839
Derivatives	...	...
All Other Liabilities	5,651,171	5,530,799
Total Liabilities	8,917,197	8,895,141
Capital & Assigned Surp	1,098,898	1,098,898
Unassigned Surplus	1,378,104	1,446,041
Total Policyholders' Surplus	2,477,002	2,544,939
Total Liabilities & Surplus	11,394,199	11,440,080

Summary Of 2012 Operations ($000)

Statement of Income	12/31/2012	Funds Provided from Operations	12/31/2012
Premiums earned	1,594,348	Premiums collected	1,576,054
Losses incurred	1,215,495	Benefit & loss-related pmts	1,407,415
LAE incurred	217,917		
Undwr expenses incurred	304,160	LAE & undwr expenses paid	461,179
Other expenses incurred	...	Other income / expense	...
Dividends to policyholders	...	Dividends to policyholders	...
Net underwriting income	-143,224	Underwriting cash flow	-292,539
		Net transfer	...
Net investment income	198,832	Investment income	224,499
Other income/expense	-18,220	Other income/expense	-9,406
Pre-tax operating income	37,388	Pre-tax cash operations	-77,446
Realized capital gains	11,430		
Income taxes incurred	-10,071	Income taxes pd (recov)	37,789
Net income	58,889	Net oper cash flow	-115,235

Interim Income Statement ($000)

	Period Ended 06/30/2013	Period Ended 06/30/2012	Increase / Decrease
Premiums earned	666,953	645,995	20,958
Losses incurred	391,256	398,809	-7,553
LAE incurred	103,272	97,318	5,954
Undwr expenses incurred	155,038	162,803	-7,765
Other expenses incurred	...	...	...
Dividends to policyholders	...	...	...
Net underwriting income	17,387	-12,935	30,322
Net investment income	102,480	100,120	2,360
Other income/expense	14,572	-7,956	22,529
Pre-tax operating income	134,440	79,229	55,211
Realized capital gains	396	8,098	-7,702
Income taxes incurred	48,432	27,464	20,968
Net income	86,404	59,863	26,541

Interim Cash Flow ($000)

	Period Ended 06/30/2013	Period Ended 06/30/2012	Increase / Decrease
Premiums collected	751,356	726,522	24,835
Benefit & loss-related pmts	-539,778	11,555	-551,334
LAE & undwr expenses paid	205,882	215,404	-9,522
Dividends to policyholders	...	...	...
Underwriting cash flow	1,085,252	499,562	585,690
Net transfer	...	...	...
Investment income	120,190	109,560	10,630
Other income/expense	18,742	-3,341	22,083
Pre-tax cash operations	1,224,184	605,781	618,403
Income taxes pd (recov)	15,732	20,695	-4,963
Net oper cash flow	1,208,453	585,086	623,367

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