



002179 - Fireman's Fund Insurance Company

Report Revision Date: 07/16/2013

| Rating and Commentary ¹ | Financial ² | General Information ³ |
|--|---|---|
| Best's Credit Rating: 07/10/2013 Rating Rationale: 07/10/2013 Report Commentary: 07/10/2013 | Time Period: 2nd Quarter - 2013 Last Updated: 07/11/2013 Status: Quality Cross Checked | Corporate Structure: N/A States Licensed: 06/12/2010 Officers and Directors: 07/16/2013 |
|  Best's Credit Rating Methodology | Disclaimer |  Best's Rating Guide |

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[Corporate Changes & Retirements](#)

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¹The 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.

²The 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.

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

Ultimate Parent: [Allianz SE](#)

Fireman's Fund Insurance Company

777 San Marin Drive, Novato, California, United States 94998

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AMB #: 002179

Ultimate Parent: [085449](#)

NAIC #: 21873

FEIN#: 94-1610280

Best's Credit Ratings

Best's Financial Strength Rating: A

Outlook: Stable

Best's Issuer Credit Rating: a

Outlook: Stable

Rating Effective Date: 07/10/2013

Financial Size Category: XV

Report Revision Date: 07/16/2013

Rating Rationale

The following text is derived from A.M. Best's Credit Report on Fireman's Fund Insurance Companies (AMB# 000034).

Rating Rationale: The ratings apply to Fireman's Fund Insurance Company and its reinsured affiliates. The ratings reflect the consolidated group's supportive level of risk-adjusted capitalization and generally favorable operating performance over the current five-year period. The ratings also consider the group's strategic importance to the global insurance operations of its German-based ultimate parent, Allianz SE, along with the explicit and implicit support that remains vital to the current ratings. These positive rating factors are partially offset by continued adverse loss reserve development associated with recent accident years and historical A&E reserves, coupled with increased weather-related losses in the last few years, which together have significantly strained underwriting performance since 2010. The outlooks reflect A.M. Best's expectations that the group will be able to return to operating profitability, despite variable underwriting performance, given the initiatives that were put in place and its detailed enterprise risk management platform. Additionally, the group benefits from substantial support via capital and reinsurance from Allianz SE, which includes a Keep Well agreement. The Keep Well agreement protects against adverse loss reserve development for accident years 2003 and prior and is essential to the group's current and prospective capitalization, as measured by Best's Capital Adequacy Ratio (BCAR).

A.M. Best believes the ratings are positioned adequately and does not anticipate positive rating action in the near to intermediate term. Negative rating action could result if operating performance falls markedly short of A.M. Best's expectations, if there is considerable deterioration in risk-adjusted capitalization as measured by BCAR (i.e., no longer supports the ratings assigned) or if A.M. Best determines that the group's strategic importance to Allianz SE no longer warrants the same level of rating enhancement.

Five Year Rating History

| Date | BEST'S | |
|------------|--------|------|
| | FSR | ICR |
| 07/10/2013 | A | a |
| 03/01/2013 | A | a |
| 06/06/2012 | A | a+ |
| 12/19/2011 | A u | a+ u |
| 12/23/2010 | A | a+ |
| 01/12/2010 | A | a |
| 12/18/2008 | A | a |

[View 25 Year Rating History](#)

Key Financial Indicators

| Period Ending | Statutory Data (\$000) | | | | | |
|---------------|------------------------|-----------|--------------------------|------------|-----------------------|------------------------|
| | Premiums Written | | Pre-tax Operating Income | Net Income | Total Admitted Assets | Policyholder's Surplus |
| | Direct | Net | | | | |
| 2012 | 1,814,358 | 3,638,156 | -838,436 | -814,832 | 11,835,783 | 2,522,133 |
| 2011 | 1,948,315 | 2,685,507 | -243,728 | -42,601 | 9,923,669 | 2,985,854 |
| 2010 | 1,754,705 | 2,589,607 | 188,873 | 262,885 | 9,385,999 | 2,729,747 |
| 2009 | 2,375,444 | 3,055,566 | 897,478 | 771,942 | 10,001,611 | 3,047,659 |
| 2008 | 2,562,081 | 3,592,208 | 198,947 | 117,027 | 10,673,995 | 2,861,630 |
| 06/2013 | 370,298 | 1,189,202 | 115,584 | 129,158 | 10,245,824 | 2,770,130 |
| 06/2012 | 691,105 | 1,754,621 | -132,480 | -136,408 | 12,308,203 | 3,124,845 |

| Period Ending | Profitability | | | Leverage | | | Liquidity | |
|---------------|----------------|----------------------|-----------------|------------------------------------|------------|--------------|-----------------------|-------------------------|
| | Combined Ratio | Investment Yield (%) | Pre-Tax ROR (%) | Non-Affiliated Investment Leverage | NPW to PHS | Net Leverage | Overall Liquidity (%) | Operating Cash-flow (%) |
| 2012 | 129.1 | 3.6 | -24.5 | 9.1 | 1.4 | 5.1 | 127.4 | 167.8 |
| 2011 | 117.4 | 4.0 | -8.8 | 10.2 | 0.9 | 3.2 | 143.5 | 93.5 |
| 2010 | 111.2 | 6.8 | 6.9 | 13.1 | 0.9 | 3.4 | 141.6 | 107.0 |
| 2009 | 100.5 | 12.6 | 27.4 | 13.9 | 1.0 | 3.3 | 144.6 | 118.6 |
| 2008 | 102.6 | 4.2 | 5.4 | 22.0 | 1.3 | 4.0 | 137.3 | 107.3 |
| 5-Yr Avg | 111.9 | 6.2 | 1.3 | ... | ... | ... | ... | ... |
| 06/2013 | 102.0 | 3.3 | 9.6 | 59.4 | 1.1 | 3.8 | 137.4 | 87.6 |
| 06/2012 | 107.7 | 3.4 | -9.5 | 10.1 | 1.1 | 4.0 | 134.4 | -99.9 |

Key Financial Indicators (Continued ...)

- (*) 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 Fireman's Fund Insurance Companies (AMB# 000034).

Fireman's Fund Insurance Companies (Fireman's Fund) conducts underwriting operations through three core business units, Commercial, Personal and Specialty. Businesses that were deemed not profitable or non-strategic were isolated into a discontinued operations unit. While operations are conducted nationally, consolidation has taken place to maximize synergies amongst the business units. The group operates throughout the United States and Puerto Rico utilizing approximately 2,388 agent and broker locations.

The underlying strategic goal of all business units is to improve operating performance through customer focus, selective underwriting and pricing discipline, enhanced distribution channels, and disciplined expense management. Fireman's Fund has an established franchise and excellent brand recognition in commercial, affluent personal and specialty lines. It also holds a leading West Coast presence, with a little more than 18% of the group's direct business generated in California.

The Commercial unit continues to generate a large portion of the group's total business, representing approximately 35% of total gross premium volume. Targeted commercial insureds include small to medium-sized businesses in defined industry niches with clients who place a high priority on value as opposed to price. Selected industries include manufacturing, business services, consumer services, hospitality, real estate, entertainment, and farm and ranch.

Personal lines business produces approximately 20% of gross premium volume. Targeted markets include affluent and high net worth customers, principally on the West Coast, offering homeowners and automobile coverages to clients having high value homes and automobiles, as well as inland marine and umbrella coverages. Management has implemented strict underwriting guidelines to limit catastrophe exposures and leveraged its available capacity by seeking growth opportunities in markets that are not prone to severe weather-related or geological conditions.

The Specialty unit (including Crop and Agribusiness) produced approximately 45% of total gross premium volume historically. Crop offers products tailored to the specific needs of the agricultural sector, including multi-peril crop (MPCI) insurance, crop hail, and livestock coverage. Fireman's Fund and the unaffiliated Rural Community Insurance Services, Inc. (RCIS), a leading multi-peril crop MGA, are in a partnership whereby RCIS administers the MPCI business with 20% (effective 2013, previously 50%) of the writings ceded back to Fireman's Fund.

Fireman's Fund is comprised of eleven companies. As of January 1, 2012, Fireman's Fund Insurance Company assumes and retains 100% of the direct business of American Insurance Company, National Surety Corp., American Auto Insurance Co., Associated Indemnity, Fireman's Fund Insurance Co. of Ohio, Interstate Fire & Casualty Insurance Co., and Chicago Insurance Co. In addition, Fireman's Fund reinsures three reinsured subsidiaries: Fireman's Fund County Mutual Ins. Co., Fireman's Fund Indemnity Corp., and Fireman's Fund Insurance Co. of Hawaii.

Affiliations: American Hull Insurance Syndicate, American Nuclear Insurers, Associated Aviation Underwriters, and Cargo Reinsurance Association.

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 | 1,814,358 | -6.9 | 2,736,936 | -4.9 | 913,137 | -57.3 | 3,638,156 | 35.5 |
| 2011 | 1,948,315 | 11.0 | 2,876,449 | 7.5 | 2,139,257 | 16.2 | 2,685,507 | 3.7 |
| 2010 | 1,754,705 | -26.1 | 2,675,987 | -16.3 | 1,841,086 | -26.8 | 2,589,607 | -15.2 |
| 2009 | 2,375,444 | -7.3 | 3,196,595 | -21.8 | 2,516,473 | -17.7 | 3,055,566 | -14.9 |
| 2008 | 2,562,081 | 10.2 | 4,088,011 | 12.2 | 3,057,884 | 23.3 | 3,592,208 | 3.0 |
| 5-Yr CAGR | ... | -4.8 | ... | -5.6 | ... | -18.1 | ... | 0.9 |
| 06/2013 | 370,298 | -46.4 | 900,621 | -20.6 | 81,716 | 16.2 | 1,189,202 | -32.2 |
| 06/2012 | 691,105 | 4.7 | 1,133,864 | 2.6 | 70,348 | -89.4 | 1,754,621 | 59.7 |

Territory

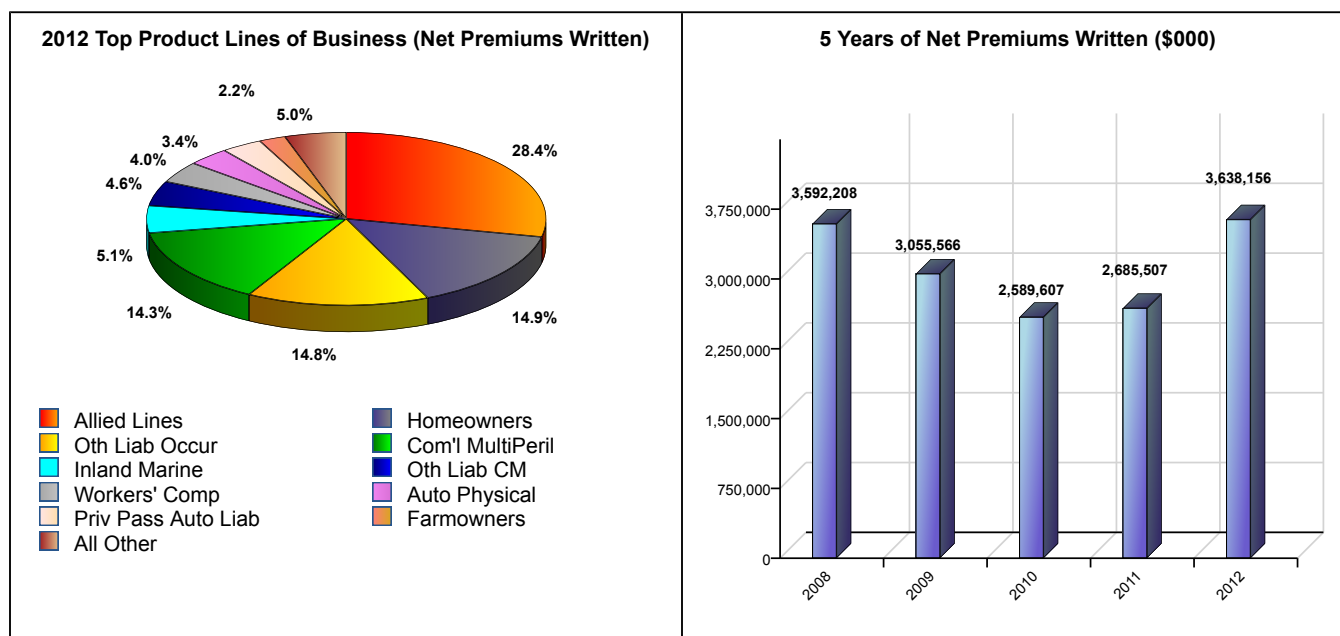
The company is licensed in the District of Columbia, Guam, Puerto Rico, U.S. Virgin Islands and all states.

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 | 1,054,878 | 58.1 | 1,012,559 | 37.0 | 1,035,119 | 113.4 | 1,032,318 | 28.4 | 49.8 |
| Homeowners | 221,990 | 12.2 | 314,565 | 11.5 | -7,034 | -0.8 | 543,590 | 14.9 | 98.1 |
| Oth Liab Occur | 141,221 | 7.8 | 370,168 | 13.5 | -25,789 | -2.8 | 537,178 | 14.8 | 97.5 |
| Com'l MultiPeril | 101,424 | 5.6 | 412,114 | 15.1 | -5,908 | -0.6 | 519,446 | 14.3 | 94.8 |
| Inland Marine | 90,890 | 5.0 | 84,152 | 3.1 | -9,607 | -1.1 | 184,649 | 5.1 | 97.4 |
| Oth Liab CM | 8,603 | 0.5 | 140,396 | 5.1 | -19,211 | -2.1 | 168,210 | 4.6 | 100.0 |
| Workers' Comp | 16,936 | 0.9 | 114,772 | 4.2 | -14,859 | -1.6 | 146,568 | 4.0 | 100.0 |
| Auto Physical | 44,251 | 2.4 | 62,875 | 2.3 | -17,606 | -1.9 | 124,732 | 3.4 | 100.0 |
| Priv Pass Auto Liab | 39,960 | 2.2 | 72,440 | 2.6 | -9,190 | -1.0 | 121,589 | 3.3 | 100.0 |
| Farmowners | 19,399 | 1.1 | 52,400 | 1.9 | -6,553 | -0.7 | 78,351 | 2.2 | 99.8 |
| All Other | 74,806 | 4.1 | 100,495 | 3.7 | -6,224 | -0.7 | 181,526 | 5.0 | 97.2 |
| Total | 1,814,358 | 100.0 | 2,736,936 | 100.0 | 913,137 | 100.0 | 3,638,156 | 100.0 | 76.7 |

Business Trends (Continued ...)



By-Line Reserve (\$000)

| Product Line | 2012 | 2011 | 2010 | 2009 | 2008 |
|---------------------|------------------|------------------|------------------|------------------|------------------|
| Allied Lines | 1,026,781 | 694,851 | 417,381 | 484,844 | 590,950 |
| Homeowners | 338,057 | 165,620 | 166,079 | 134,168 | 185,208 |
| Oth Liab Occur | 1,731,218 | 1,261,013 | 1,246,960 | 1,139,696 | 1,056,075 |
| Com'l MultiPeril | 937,671 | 762,726 | 788,517 | 781,672 | 901,736 |
| Inland Marine | 105,440 | 24,738 | 35,622 | 58,186 | 59,050 |
| Oth Liab CM | 481,867 | 250,239 | 273,458 | 316,505 | 296,655 |
| Workers' Comp | 1,403,757 | 1,024,205 | 931,859 | 952,781 | 1,022,016 |
| Auto Physical | 9,888 | 25,334 | 19,642 | 15,364 | 21,709 |
| Priv Pass Auto Liab | 152,637 | 90,065 | 117,874 | 118,347 | 146,989 |
| Farmowners | 7,561 | 7,443 | 9,431 | 5,174 | 3,351 |
| All Other | 777,269 | 571,377 | 589,163 | 562,996 | 490,528 |
| Total | 6,972,147 | 4,877,612 | 4,595,987 | 4,569,733 | 4,774,268 |

Market Share / Market Presence

Market Share / Market Presence (Continued ...)

Geographical Breakdown By Direct Premium Writings (\$000)

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|----------------|-----------|-----------|-----------|-----------|-----------|
| California | 312,988 | 335,458 | 386,942 | 482,596 | 497,224 |
| Minnesota | 302,781 | 304,031 | 201,951 | 249,848 | 343,144 |
| New York | 129,657 | 133,916 | 136,829 | 212,641 | 191,607 |
| North Carolina | 105,325 | 124,228 | 98,259 | 111,744 | 124,097 |
| Texas | 76,096 | 85,038 | 66,889 | 118,217 | 114,812 |
| North Dakota | 75,055 | 81,734 | 61,699 | 66,900 | 90,504 |
| Michigan | 70,654 | 79,184 | 61,406 | 78,308 | 81,177 |
| Nebraska | 58,897 | 58,165 | 36,019 | 25,819 | 27,257 |
| Florida | 58,227 | 67,885 | 70,436 | 108,040 | 145,889 |
| Colorado | 56,436 | 58,757 | 44,540 | 72,275 | 67,410 |
| All Other | 568,242 | 619,918 | 589,735 | 849,055 | 878,958 |
| Total | 1,814,358 | 1,948,315 | 1,754,705 | 2,375,444 | 2,562,081 |

Risk Management

The following text is derived from A.M. Best's Credit Report on Fireman's Fund Insurance Companies (AMB# 000034).

Fireman's Fund ERM program is derived from that of its parent company, Allianz SE. The group has monthly meetings with Allianz' CRO to review several key ERM elements, which include analysis, assessment, modeling and reporting.

Risk Reporting - provides an overview and status of key risk elements, including a summary of observations/actions, risk profile/appetite, capital assessment and limits assessment. Risk Profile - the group monitors internal capital model trends, asset risk, actuarial risk, total required capital and total NAV. Top Risk Assessment - the group establishes a sound risk culture and awareness throughout the company and identification and prioritization of risk mitigation activities and assessment of effectiveness. Credit Exposure Report - details credit exposure arising from underwriting operations with an emphasis on largest exposures and greatest credit risks (watch list). New Product Assessment - rigorous risk assessment is an important component of the new product development process and approval - sign-off by COO and CRO, exceptions to be reported to Allianz SE. CAT Risks - the group assesses and monitors capital management, pricing and capacity.

Operating Performance

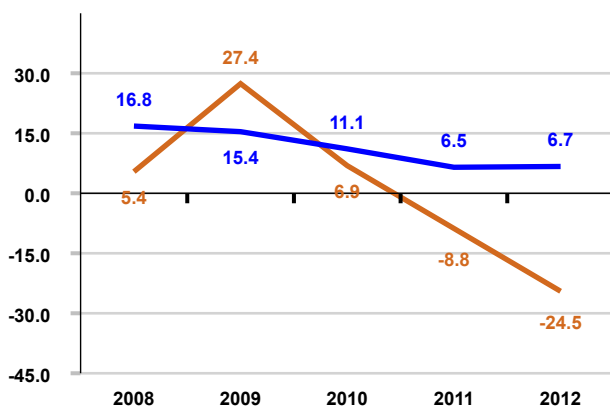
The following text is derived from A.M. Best's Credit Report on Fireman's Fund Insurance Companies (AMB# 000034).

Operating Results: Fireman's Fund's operating results have deteriorated as evidenced by five-year average returns on both revenue and surplus (ROR & ROE) that turned negative in recent years and trailed the commercial casualty composite averages. The earnings reflect volatile underwriting performance offset by steady investment income. In most recent years, the group's operating results were negatively impacted by significant deterioration in underwriting performance. A.M. Best expects operating results to prospectively improve given management's improvement initiatives and commitment to underwriting discipline.

Profitability Analysis

| Period Ending | Company | | | | | | | Industry Composite | | |
|---------------|--------------------------|----------------------------|------------|--------------|-------------|---------------|-----------------|--------------------|---------------|-----------------|
| | 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 | -838,436 | -832,767 | -814,832 | -787,020 | -24.5 | -28.6 | 121.2 | 6.7 | 7.9 | 92.4 |
| 2011 | -243,728 | -172,769 | -42,601 | 166,128 | -8.8 | 5.8 | 108.0 | 6.5 | 5.6 | 93.1 |
| 2010 | 188,873 | 267,147 | 262,885 | 113,594 | 6.9 | 3.9 | 94.8 | 11.1 | 9.6 | 88.2 |
| 2009 | 897,478 | 837,554 | 771,942 | 391,341 | 27.4 | 13.2 | 74.4 | 15.4 | 11.5 | 84.6 |
| 2008 | 198,947 | 152,847 | 117,027 | 131,836 | 5.4 | 4.6 | 94.2 | 16.8 | -1.0 | 83.6 |
| 5-Yr Avg/Tot | 203,134 | 252,012 | 294,420 | 15,879 | 1.3 | 0.1 | 98.3 | 11.3 | 6.8 | 88.4 |
| 06/2013 | 115,584 | 132,038 | 129,158 | 146,978 | 9.6 | -17.6 | 90.2 | XX | XX | XX |
| 06/2012 | -132,480 | -142,648 | -136,408 | -121,826 | -9.5 | -1.9 | 98.1 | XX | XX | XX |

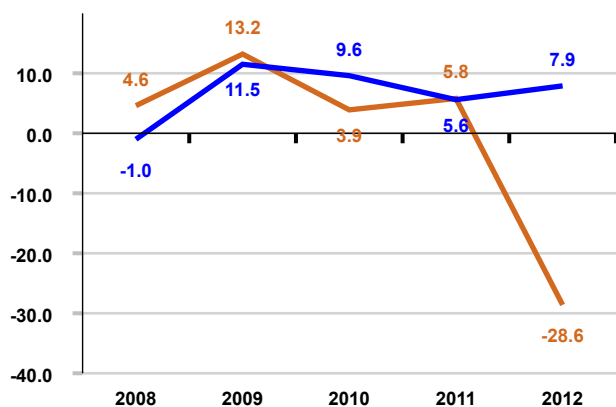
Pre-Tax ROR Comparison with Industry Composite



■ - Company Pre-Tax ROR
■ - Industry Composite Pre-Tax ROR

* Industry Composite - Commercial Casualty Composite

Return on PHS Comparison with Industry Composite



■ - Company Return on PHS
■ - Industry Composite Return on PHS

* Industry Composite - Commercial Casualty Composite

Underwriting Results

Underwriting Results: Prior to 2010, the group's underwriting results were solid and in line with the commercial casualty industry composite. However, in the most recent years the group's underwriting results were negatively impacted by increased catastrophe losses, significant adverse development on its A&E, workers' compensation and professional liability reserves as well as MPCI-related losses (in 2012). Additionally, the group's underwriting expense ratio fluctuated considerably due to investments in technology and premium erosion. The favorable results in earlier years were primarily due to management's initiatives to target profitable business segments, reduce or eliminate underperforming segments, improve underwriting discipline, reduce underwriting expenses and limit catastrophe exposures.

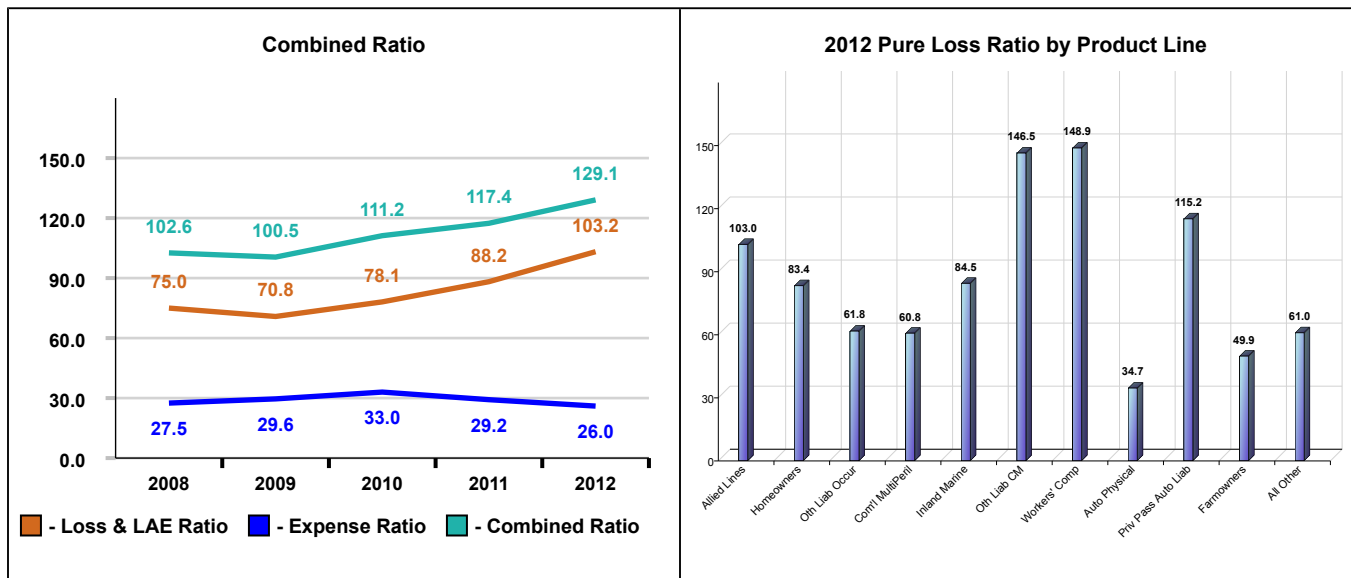
Underwriting Experience

| Year | Net Undrw Income (\$000) | Loss Ratios | | | Expense Ratios | | | Div. Pol. | Comb. Ratio |
|----------|-----------------------------|--------------|------|---------------|----------------|---------------|---------------|-----------|----------------|
| | | Pure Loss | LAE | Loss & LAE | Net Comm | Other Exp. | Total Exp. | | |
| 2012 | -1,050,826 | 85.9 | 17.3 | 103.2 | 12.6 | 13.4 | 26.0 | -0.1 | 129.1 |
| 2011 | -458,256 | 74.3 | 13.9 | 88.2 | 13.1 | 16.1 | 29.2 | ... | 117.4 |
| 2010 | -258,355 | 64.6 | 13.5 | 78.1 | 16.2 | 16.8 | 33.0 | 0.1 | 111.2 |
| 2009 | 46,405 | 59.3 | 11.5 | 70.8 | 14.8 | 14.9 | 29.6 | 0.1 | 100.5 |
| 2008 | -72,667 | 65.3 | 9.6 | 75.0 | 14.0 | 13.4 | 27.5 | 0.1 | 102.6 |
| 5-Yr Avg | -1,793,699 | 70.0 | 13.1 | 83.0 | 14.0 | 14.7 | 28.8 | ... | 111.9 |
| 06/2013 | -17,486 | 51.1 | 14.8 | 65.8 | XX | XX | 36.1 | 0.1 | 102.0 |
| 06/2012 | -206,684 | 59.6 | 21.0 | 80.6 | XX | XX | 27.3 | -0.2 | 107.7 |

Loss Ratio By Line

| Product Line | 2012 | 2011 | 2010 | 2009 | 2008 | 5-Yr. Avg. |
|---------------------|-------|-------|------|------|-------|------------|
| Allied Lines | 103.0 | 87.2 | 65.8 | 82.6 | 73.0 | 84.7 |
| Homeowners | 83.4 | 61.8 | 63.2 | 41.7 | 54.1 | 61.1 |
| Oth Liab Occur | 61.8 | 55.1 | 62.6 | 54.3 | 63.2 | 59.5 |
| Com'l MultiPeril | 60.8 | 77.8 | 74.9 | 56.9 | 78.6 | 69.7 |
| Inland Marine | 84.5 | 41.1 | 28.7 | 61.7 | 55.6 | 56.5 |
| Oth Liab CM | 146.5 | 30.8 | 26.0 | 49.3 | 3.7 | 53.9 |
| Workers' Comp | 148.9 | 233.6 | 76.2 | 61.8 | 107.2 | 129.6 |
| Auto Physical | 34.7 | 70.7 | 60.3 | 51.6 | 51.1 | 52.6 |
| Priv Pass Auto Liab | 115.2 | 25.3 | 73.0 | 47.6 | 98.7 | 73.8 |
| Farmowners | 49.9 | 57.5 | 75.2 | 50.2 | 50.9 | 55.6 |
| All Other | 61.0 | 57.1 | 81.5 | 57.9 | 55.8 | 61.6 |
| Total | 85.9 | 74.3 | 64.6 | 59.3 | 65.3 | 70.0 |

Underwriting Results (Continued ...)



Direct Loss Ratios By State

| | 2012 | 2011 | 2010 | 2009 | 2008 | 5-Yr. Avg. |
|----------------|-------|------|-------|------|-------|------------|
| California | 50.2 | 35.8 | 46.9 | 50.0 | 24.6 | 40.8 |
| Minnesota | 42.5 | 36.9 | 11.4 | 27.3 | -2.8 | 23.1 |
| New York | 117.0 | 64.6 | 129.4 | 86.2 | 119.1 | 103.9 |
| North Carolina | 65.5 | 44.5 | 19.6 | 31.1 | 6.6 | 33.3 |
| Texas | 70.4 | 30.7 | 77.1 | 50.2 | 109.3 | 69.3 |
| North Dakota | 43.1 | 57.1 | 5.5 | 25.0 | -3.3 | 25.6 |
| Michigan | 42.9 | 32.9 | 13.2 | -5.7 | 54.0 | 27.8 |
| Nebraska | 36.0 | 36.5 | 18.7 | 24.8 | -2.4 | 26.6 |
| Florida | 30.3 | 25.6 | 40.0 | 38.1 | 15.6 | 28.5 |
| Colorado | 41.5 | 41.4 | 12.3 | 53.3 | 13.8 | 33.3 |
| All Other | 58.2 | 41.9 | 59.3 | 35.7 | 47.8 | 47.8 |
| Total | 56.0 | 40.8 | 50.4 | 41.4 | 37.6 | 44.5 |

Investment Results

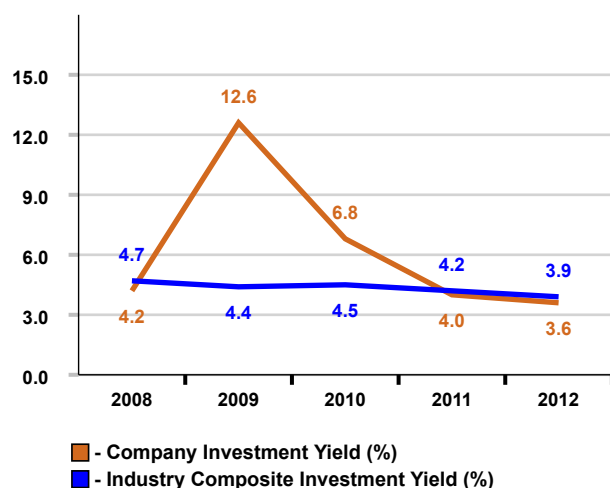
Investment Results: Net investment income has declined in each of the past five years. A modest decline in invested assets, partially as a result of a \$583 million shareholder dividend paid in 2010 and also reflecting increased outflows for claims payments in 2011 and 2012, and a decline in yield on the group's substantial fixed income portfolio have contributed to this decline. In addition, following the financial crisis of 2008, the group's equity portfolio, dividends on which had been a modest contributor to net income, was substantially scaled back. While the group's allocation to assets such as limited partnerships and hedge funds has expanded both absolutely and relatively, the income derived from those assets has also declined. As the group's bond portfolio comprises over 97% of the group's invested assets as of December, 2012 (with long-term bonds comprising 94% of invested assets), low interest rates will continue to place downward pressure on the group's investment results as proceeds from maturities and redemptions are invested in lower-yielding options.

Investment Results (Continued ...)

Investment Gains (\$000)

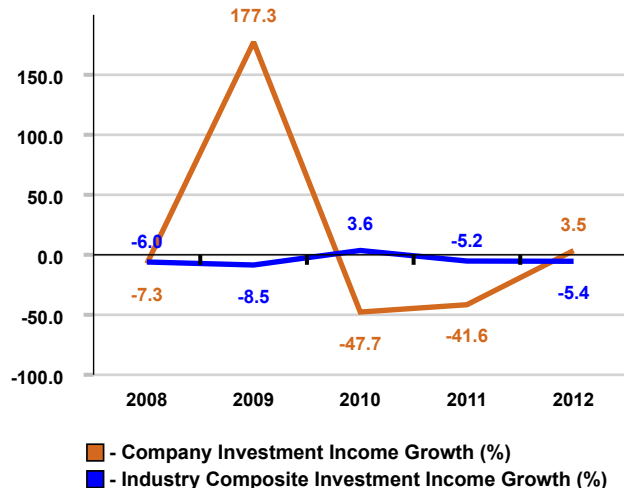
| Year | Company | | | | | | | Industry Composite | |
|--------------|-------------------------------|--------------------------------|----------------------------------|------------------------------|----------------------|-------------------------------|------------------|------------------------------|----------------------|
| | 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 | 270,489 | 17,934 | 27,812 | 3.5 | 3.6 | 3.8 | 4.2 | -5.4 | 3.9 |
| 2011 | 261,314 | 130,169 | 208,728 | -41.6 | 4.0 | 6.0 | 9.4 | -5.2 | 4.2 |
| 2010 | 447,827 | -4,262 | -149,290 | -47.7 | 6.8 | 6.7 | 4.4 | 3.6 | 4.5 |
| 2009 | 855,584 | -65,612 | -380,601 | 177.3 | 12.6 | 11.6 | 5.9 | -8.5 | 4.4 |
| 2008 | 308,486 | -35,820 | 14,809 | -7.3 | 4.2 | 3.7 | 3.9 | -6.0 | 4.7 |
| 5-Yr Avg/Tot | 2,143,701 | 42,409 | -278,542 | -2.8 | 6.2 | 6.3 | 5.5 | -4.4 | 4.4 |
| 06/2013 | 142,126 | -2,880 | 17,820 | 5.4 | 3.3 | 3.4 | 3.8 | XX | XX |
| 06/2012 | 134,818 | 6,240 | 14,582 | -4.2 | 3.4 | 4.1 | 6.6 | XX | XX |

Investment Yield vs Industry



* Industry Composite - Commercial Casualty Composite

Investment Income Growth vs Industry



* Industry Composite - Commercial Casualty Composite

Balance Sheet Strength

Capitalization

The following text is derived from A.M. Best's Credit Report on Fireman's Fund Insurance Companies (AMB# 000034).

Capitalization: The group's surplus has declined over the past five years, as a result of variable operating earnings and payment of a \$583 million stockholder dividend in 2010. Fireman's Fund maintains an adequate level of capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), reflective of the prudent investment portfolio and the economic value embedded in the loss and unearned premium reserves. A.M. Best's assessment of Fireman's Fund risk-adjusted capitalization also considers the financial support and commitment provided by its ultimate parent. Allianz's commitment is vital to the group's current ratings, as the explicit support provided to Fireman's Fund via reinsurance support and a Keep Well agreement, which covers adverse development related to accident years 2003 and prior, substantively impact the group's net premium risk and surplus levels. Considering this explicit support provided by Allianz SE, A.M. Best believes Fireman's Fund is adequately capitalized for its current ratings.

Capital Generation Analysis (\$000)

| Year | Source of Surplus Growth | | | | | | | |
|------------|--------------------------|------------------------|--------------|--------------------------|-------------------------|---------------|---------------|-----------------|
| | Pre-tax Operating Income | Realized Capital Gains | Income Taxes | Unrealized Capital Gains | Net Contributed Capital | Other Changes | Change in PHS | % Change in PHS |
| 2012 | -838,436 | 17,934 | -5,670 | 27,812 | 241,790 | 81,510 | -463,720 | -15.5 |
| 2011 | -243,728 | 130,169 | -70,958 | 208,728 | -35,026 | 125,005 | 256,107 | 9.4 |
| 2010 | 188,873 | -4,262 | -78,274 | -149,290 | -583,099 | 151,592 | -317,913 | -10.4 |
| 2009 | 897,478 | -65,612 | 59,924 | -380,601 | -336,965 | 131,654 | 186,030 | 6.5 |
| 2008 | 198,947 | -35,820 | 46,100 | 14,809 | -109,293 | -55,123 | -32,579 | -1.1 |
| 5-Yr Total | 203,134 | 42,409 | -48,878 | -278,542 | -822,593 | 434,638 | -372,076 | -2.7 |
| 06/2013 | 115,584 | -2,880 | -16,454 | 17,820 | 55,775 | 45,244 | 247,996 | 9.8 |
| 06/2012 | -132,480 | 6,240 | 10,168 | 14,582 | 191,269 | 69,548 | 138,992 | 4.7 |

Quality of Surplus (\$000)

| Year | Surplus Notes | Other Debt | Contributed Capital | Unassigned Surplus | Year End Policyholders Surplus | Conditional Reserves | Adjusted Policyholders Surplus |
|---------|---------------|------------|---------------------|--------------------|--------------------------------|----------------------|--------------------------------|
| 2012 | ... | ... | 1,722,028 | 800,105 | 2,522,133 | 21,426 | 2,543,559 |
| 2011 | ... | ... | 1,561,055 | 1,424,799 | 2,985,854 | 22,616 | 3,008,469 |
| 2010 | ... | ... | 1,417,737 | 1,312,009 | 2,729,747 | 28,906 | 2,758,653 |
| 2009 | ... | ... | 1,420,151 | 1,627,508 | 3,047,659 | 35,315 | 3,082,974 |
| 2008 | ... | ... | 1,672,404 | 1,189,226 | 2,861,630 | 39,516 | 2,901,145 |
| 06/2013 | ... | ... | 1,777,803 | 992,327 | 2,770,130 | 21,426 | 2,791,555 |
| 06/2012 | ... | ... | 1,672,028 | 1,452,818 | 3,124,845 | 22,616 | 3,147,461 |

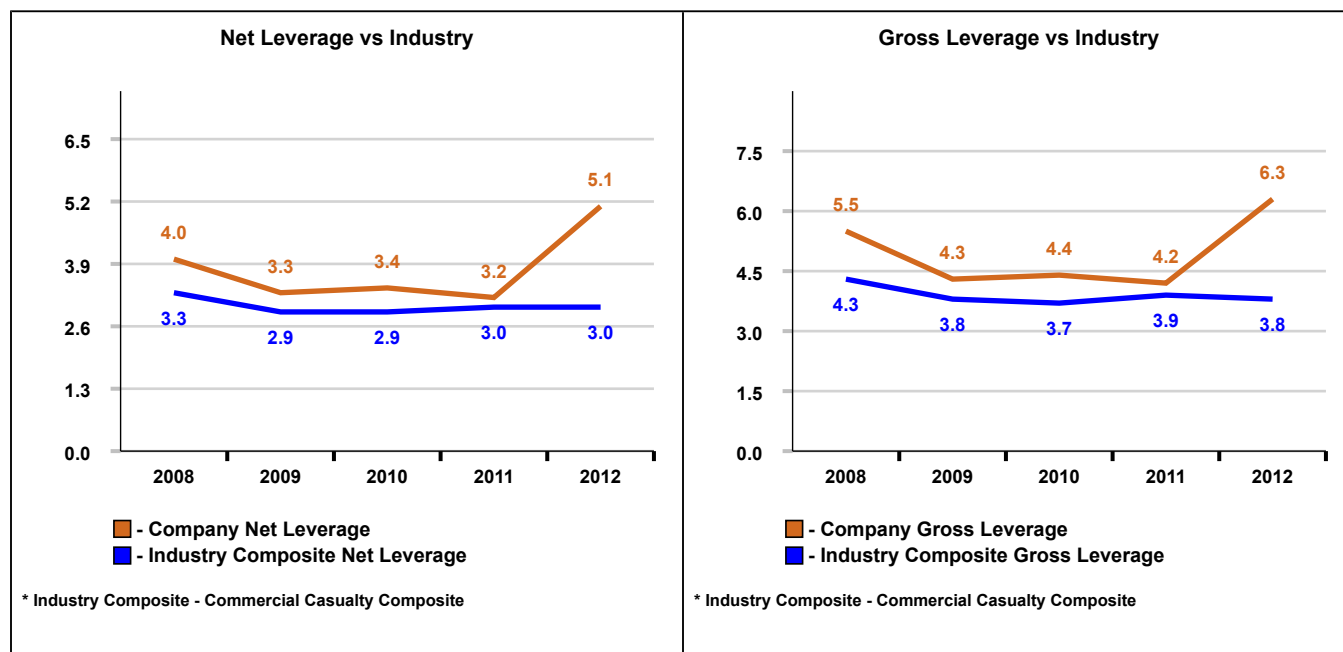
Underwriting Leverage

Underwriting Leverage: The group's underwriting leverage measures are elevated in comparison to its commercial casualty peers. The increase in leverage measures in the most recent year was reflective of the decline in the group's policyholder surplus. The group's overall credit risk exposure to reinsurance recoverables is partially mitigated by the fact that a majority of the recoverables are due from its highly rated parent.

Leverage Analysis

| Year | Company | | | | Industry Composite | | | |
|---------|------------|-----------------|--------------|----------------|--------------------|-----------------|--------------|----------------|
| | NPW to PHS | Reserves to PHS | Net Leverage | Gross Leverage | NPW to PHS | Reserves to PHS | Net Leverage | Gross Leverage |
| 2012 | 1.4 | 2.8 | 5.1 | 6.3 | 0.8 | 1.5 | 3.0 | 3.8 |
| 2011 | 0.9 | 1.6 | 3.2 | 4.2 | 0.8 | 1.5 | 3.0 | 3.9 |
| 2010 | 0.9 | 1.7 | 3.4 | 4.4 | 0.7 | 1.5 | 2.9 | 3.7 |
| 2009 | 1.0 | 1.5 | 3.3 | 4.3 | 0.7 | 1.5 | 2.9 | 3.8 |
| 2008 | 1.3 | 1.7 | 4.0 | 5.5 | 0.9 | 1.6 | 3.3 | 4.3 |
| 06/2013 | 1.1 | 2.1 | 3.8 | XX | XX | XX | XX | XX |
| 06/2012 | 1.1 | 2.1 | 4.0 | XX | XX | XX | XX | XX |

Current BCAR: 157



Underwriting Leverage (Continued ...)

Ceded Reinsurance Analysis (\$000)

| Year | Company | | | | Industry Composite | | |
|------|-------------------------|------------------------|-------------------------------------|------------------------------|------------------------|-------------------------------------|------------------------------|
| | Ceded Reinsurance Total | Business Retention (%) | Reinsurance Recoverables to PHS (%) | Ceded Reinsurance to PHS (%) | Business Retention (%) | Reinsurance Recoverables to PHS (%) | Ceded Reinsurance to PHS (%) |
| 2012 | 2,909,991 | 76.7 | 67.1 | 115.4 | 82.6 | 59.1 | 84.5 |
| 2011 | 3,074,479 | 69.5 | 60.2 | 103.0 | 81.6 | 59.4 | 84.5 |
| 2010 | 2,778,084 | 75.0 | 66.6 | 101.8 | 81.2 | 57.6 | 80.4 |
| 2009 | 3,019,999 | 76.8 | 64.2 | 99.1 | 82.6 | 61.2 | 84.8 |
| 2008 | 4,368,004 | 67.2 | 87.8 | 152.6 | 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 | 15,680 | 33,709 | 118 | ... | 49,507 |
| Foreign Affiliates | 58,725 | 602,282 | 10,702 | -14,636 | 657,072 |
| US Insurers | 175,187 | 595,507 | 19,003 | -2 | 789,695 |
| Pools/Associations | 93,482 | 29,017 | 23 | -249 | 122,273 |
| Other Non-Us | 67,939 | 54,376 | 817 | -343 | 122,788 |
| Total(ex Us Affils) | 395,333 | 1,281,182 | 30,545 | -15,230 | 1,691,828 |
| Grand Total | 411,013 | 1,314,888 | 30,662 | -15,230 | 1,741,333 |

* Includes Commissions less Funds Withheld

Loss Reserves

Loss Reserves: The group's loss reserve development has been largely unfavorable with deficiencies recorded in nine straight calendar years. Much of the development has been related to older accident years (2002 and prior), including A&E strengthening in 2010, 2011 and 2012. Additionally, the group has been strengthening its workers' compensation and professional (lawyer) liability reserves in recent years.

According to A.M. Best's estimates, Fireman's Fund ranks among the top 15 insurers in the nation with an approximate 3.8% historical market share and is potentially exposed to emerging asbestos and environmental claims. In 2002, the group entered into a reinsurance arrangement for its A&E reserves with its parent, whereby it ceded \$1.3 billion of its carried reserves and received a \$0.9 billion A&E reserve development cover, which the group exhausted in 2008. The group continues to maintain a dedicated environmental claims unit, which monitors its exposures through proactive dispute resolutions and commutation strategies.

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 | 7,041,545 | 7,041,545 | ... | ... | 205.7 | 7,041,545 | 100.0 |
| 2011 | 4,935,001 | 5,473,437 | 10.9 | 18.0 | 197.7 | 4,836,389 | 88.4 |
| 2010 | 4,665,993 | 5,382,164 | 15.3 | 26.2 | 197.0 | 4,131,248 | 76.8 |
| 2009 | 4,623,991 | 5,474,112 | 18.4 | 27.9 | 167.3 | 3,592,670 | 65.6 |
| 2008 | 4,833,727 | 5,780,091 | 19.6 | 33.1 | 157.5 | 3,193,674 | 55.3 |
| 2007 | 4,417,483 | 5,428,926 | 22.9 | 34.9 | 155.7 | 2,913,719 | 53.7 |

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 | 2,205,156 | 2,205,156 | ... | 2,205,156 | 87.9 | 113.8 |
| 2011 | 1,433,096 | 1,503,429 | 4.9 | 705,141 | 80.5 | 109.7 |
| 2010 | 1,256,218 | 1,331,682 | 6.0 | 538,578 | 72.5 | 105.6 |
| 2009 | 1,390,553 | 1,428,744 | 2.7 | 398,996 | 67.1 | 96.8 |
| 2008 | 1,735,891 | 1,788,138 | 3.0 | 279,955 | 72.5 | 100.1 |
| 2007 | 1,328,138 | 1,381,834 | 4.0 | 189,101 | 61.0 | 91.7 |

Asbestos And Environmental Reserves Analysis

| Year | Company | | | | | | Industry Composite | | |
|------|--------------------------|-----------------------|--|-----------------------|---------------------------|---------------------------|-----------------------|---------------------------|---------------------------|
| | 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 | 778,338 | 89.0 | 97.3 | -16.0 | 3.5 | 4.7 | 9.1 | 0.6 | 0.6 |
| 2011 | 508,037 | 59.9 | 97.3 | 120.6 | 2.9 | 4.1 | 9.1 | 0.5 | 0.6 |
| 2010 | 434,424 | 54.0 | 96.7 | 118.3 | 8.0 | 3.2 | 7.2 | 0.7 | 0.5 |
| 2009 | 214,682 | 33.0 | 97.3 | ... | 2.0 | ... | ... | 0.6 | ... |
| 2008 | 157,940 | 25.1 | 97.8 | ... | 0.8 | ... | ... | 0.3 | ... |

Liquidity

The following text is derived from A.M. Best's Credit Report on Fireman's Fund Insurance Companies (AMB# 000034).

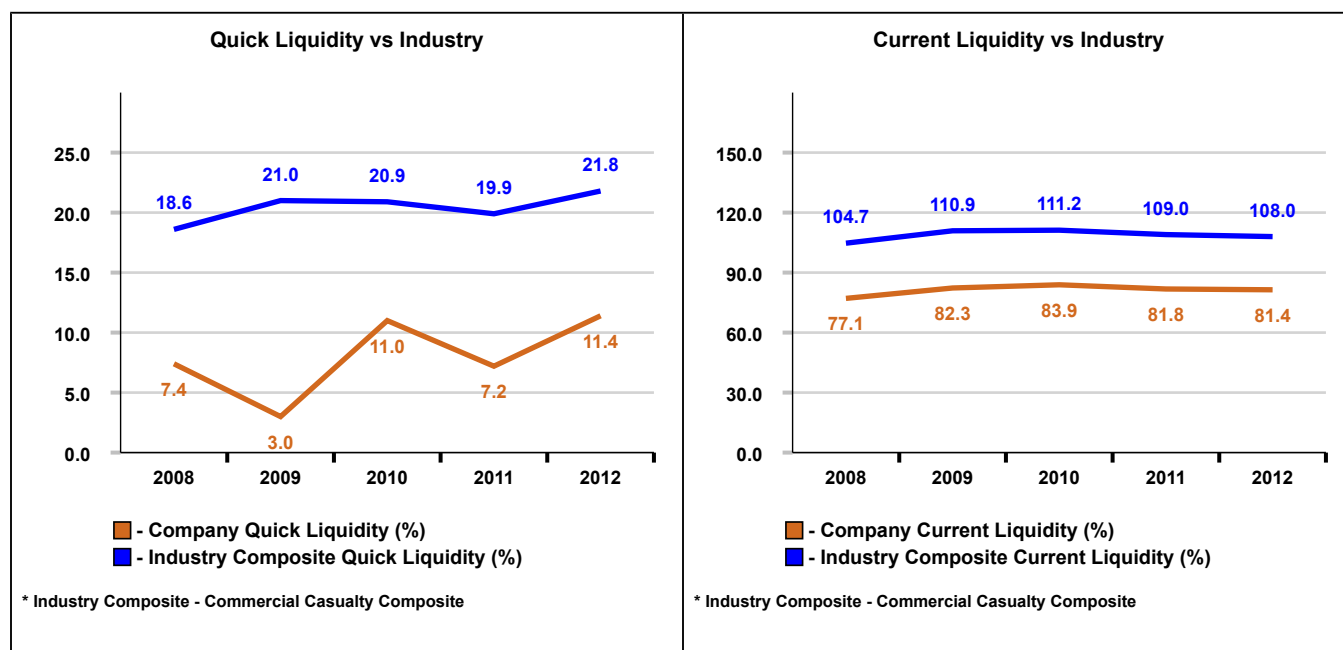
Liquidity: The group's balance sheet liquidity measures have trailed the commercial casualty industry composite over the past five years, largely due to a higher growth rate of liabilities as compared to invested assets. Operating cash flows were positive in three of the last five years and helped to support the group's ability to meet current obligations. The group matches asset and liability durations utilizing rigorous cash management techniques. The group maintains a prudent investment

Liquidity (Continued ...)

philosophy with an emphasis on capital preservation and risk-adjusted yield. Negative cash flows in 2011 and 2012 reflect lower premiums collected (compared to the earlier years of the period) and increased loss payments, partially offset by lower commission payments. Reduced investment income has also had an adverse impact on operating cash flows through the five year period. Favorable net cash flow in 2012 reflects the \$242 million capital contribution made by Allianz during the year.

Liquidity Analysis

| Year | Company | | | | Industry Composite | | | |
|---------|---------------------|-----------------------|-----------------------|---------------------------------|---------------------|-----------------------|-----------------------|----------------------------------|
| | Quick Liquidity (%) | Current Liquidity (%) | Overall Liquidity (%) | Gross Agents Balances to PHS(%) | Quick Liquidity (%) | Current Liquidity (%) | Overall Liquidity (%) | Gross Agents Balances to PHS (%) |
| 2012 | 11.4 | 81.4 | 127.4 | 73.4 | 21.8 | 108.0 | 144.9 | 10.9 |
| 2011 | 7.2 | 81.8 | 143.5 | 58.2 | 19.9 | 109.0 | 144.5 | 10.3 |
| 2010 | 11.0 | 83.9 | 141.6 | 45.1 | 20.9 | 111.2 | 146.2 | 9.0 |
| 2009 | 3.0 | 82.3 | 144.6 | 46.4 | 21.0 | 110.9 | 146.0 | 9.1 |
| 2008 | 7.4 | 77.1 | 137.3 | 70.0 | 18.6 | 104.7 | 140.8 | 11.9 |
| 06/2013 | XX | 111.0 | 137.4 | 19.6 | XX | XX | XX | XX |
| 06/2012 | XX | 79.5 | 134.4 | 77.4 | XX | XX | XX | XX |



Liquidity (Continued ...)

Cash Flow Analysis (\$000)

| Year | Company | | | | | Industry Composite | |
|------------|------------------------|---------------------|---------------|----------------------------|-------------------------|----------------------------|-------------------------|
| | Underwriting Cash Flow | Operating Cash Flow | Net Cash Flow | Underwriting Cash Flow (%) | Operating Cash Flow (%) | Underwriting Cash Flow (%) | Operating Cash Flow (%) |
| 2012 | 1,215,298 | 1,584,946 | 222,862 | 153.3 | 167.8 | 98.2 | 110.7 |
| 2011 | -524,276 | -199,534 | -141,663 | 82.6 | 93.5 | 96.5 | 107.6 |
| 2010 | -236,949 | 211,736 | 253,140 | 92.2 | 107.0 | 96.6 | 108.6 |
| 2009 | -199,532 | 649,787 | 363 | 94.2 | 118.6 | 98.4 | 109.5 |
| 2008 | 29,654 | 251,724 | -13,629 | 100.9 | 107.3 | 101.2 | 112.6 |
| 5-Yr Total | 284,196 | 2,498,659 | 321,073 | ... | ... | ... | ... |
| 06/2013 | -467,171 | -305,545 | -247,425 | 81.0 | 87.6 | XX | XX |
| 06/2012 | 1,455,779 | 1,528,728 | 85,026 | -99.9 | -99.9 | XX | XX |

Investments

Investment Leverage Analysis (% of PHS)

| Year | Company | | | | | | Industry Composite | |
|------|-----------------|-------------------------|-----------------------|--------------|--------------------------------------|------------------------|--------------------|--------------|
| | 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 | 1.6 | 4.3 | 2.7 | 0.5 | 9.1 | 41.2 | 7.1 | 10.3 |
| 2011 | 5.2 | 2.7 | 1.9 | 0.4 | 10.2 | 34.9 | 7.4 | 9.5 |
| 2010 | 6.0 | 4.9 | 1.8 | 0.4 | 13.1 | 37.1 | 7.2 | 9.0 |
| 2009 | 5.6 | 4.5 | 3.4 | 0.4 | 13.9 | 42.0 | 6.0 | 8.2 |
| 2008 | 2.0 | 4.1 | 7.8 | 8.0 | 22.0 | 45.9 | 5.4 | 9.1 |

Investments - Bond Portfolio

2012 Distribution By Maturity

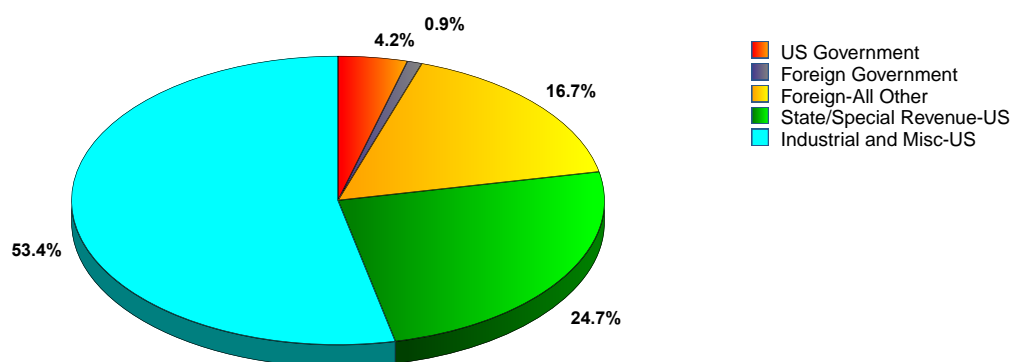
| | Years | | | | | Years Average Maturity |
|-----------------------------|-------|------|------|-------|-----|------------------------|
| | 0-1 | 1-5 | 5-10 | 10-20 | 20+ | |
| Government | 0.1 | 1.2 | 3.3 | 0.4 | ... | 6.9 |
| Government Agencies & Muni. | 3.6 | 9.6 | 8.4 | 1.6 | 0.8 | 5.7 |
| Industrial & Misc. | 10.4 | 35.9 | 20.9 | 1.1 | 2.6 | 5.0 |
| Hybrid Securities | ... | 0.2 | ... | 0.1 | ... | 7.0 |
| Total | 14.0 | 46.9 | 32.6 | 3.1 | 3.3 | 5.2 |

Investments - Bond Portfolio (Continued ...)

Bond Distribution By Issuer Type

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|--------------------------|-----------|-----------|-----------|-----------|-----------|
| Bonds (000) | 7,228,393 | 5,532,547 | 5,303,234 | 5,596,641 | 5,507,352 |
| US Government | 4.2 | 5.0 | 4.2 | 6.2 | 7.6 |
| Foreign Government | 0.9 | 1.2 | 0.4 | 0.1 | ... |
| Foreign-All Other | 16.7 | 17.0 | 6.7 | 6.8 | 5.9 |
| State/Special Revenue-US | 24.7 | 29.5 | 37.5 | 43.8 | 42.6 |
| Industrial and Misc-US | 53.4 | 47.2 | 51.3 | 43.1 | 44.0 |

2012 Bond Distribution By Issuer Type



Bond Percent Private vs Public

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|----------------|------|------|------|------|------|
| Private Issues | 12.8 | 13.2 | 5.7 | 6.0 | 5.3 |
| Public Issues | 87.2 | 86.8 | 94.3 | 94.0 | 94.7 |

Bond Quality Percent

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---------|------|------|------|------|------|
| Class 1 | 78.0 | 79.4 | 83.1 | 85.6 | 86.1 |
| Class 2 | 21.5 | 17.8 | 13.9 | 11.4 | 12.9 |
| Class 3 | 0.3 | 2.4 | 2.5 | 2.6 | 0.9 |
| Class 4 | ... | 0.2 | 0.4 | 0.3 | 0.1 |
| Class 5 | 0.1 | ... | ... | 0.1 | ... |
| Class 6 | 0.1 | 0.2 | 0.1 | ... | ... |

Investments - Equity Portfolio

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|------------------------|-----------|-----------|-----------|-----------|-----------|
| Total Stocks(000) | 1,052,812 | 1,055,260 | 1,023,854 | 1,292,094 | 1,590,099 |
| Unaffiliated Common | 1.2 | 1.1 | 1.0 | 0.9 | 14.5 |
| Affiliated Common | 98.8 | 98.9 | 99.0 | 99.1 | 82.6 |
| Unaffiliated Preferred | ... | ... | ... | ... | 2.9 |

Investments - Mortgage Loans And Real Estate

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|--------------------------------------|---------|--------|---------|---------|---------|
| Mortgage Loans and Real Estate (000) | 107,876 | 80,393 | 135,030 | 136,945 | 118,656 |
| Mortgage Loans | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Investments - Other Invested Assets

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|----------------------------|---------|--------|---------|---------|--------|
| Other Invested Assets(000) | 255,363 | 28,838 | 155,857 | -41,357 | 77,947 |
| Cash | -20.7 | -99.9 | -32.0 | 353.4 | -99.9 |
| Short-Term | 93.9 | 37.4 | 100.7 | ... | 0.2 |
| Schedule BA Assets | 26.3 | 192.4 | 31.0 | -99.9 | 286.7 |
| All Other | 0.5 | 27.7 | 0.4 | -3.0 | 1.2 |

History

This company began business in 1864 as the Home Mutual Insurance Company. The name was changed to Home Fire and Marine Insurance Company of California in December 1900 and was changed again on January 4, 1966, to the present form. Operations were suspended in 1906 and resumed early in 1918 with financial aid extended by interests identified with the previous management. The Western National Insurance Company was merged into this company on December 31, 1949.

The status of this company changed on January 4, 1966, when the former Fireman's Fund Insurance Company altered its corporate status to that of a holding company operating as Fireman's Fund Corporation. With this development the Home Fire and Marine Insurance Company of California adopted and preserved the title Fireman's Fund Insurance Company.

Under a reinsurance and reorganization agreement on January 1, 1964, the Home Fire and Marine Insurance Company of California reinsured and assumed all risks and liabilities under all policies and contracts outstanding and in force in the name of the Fireman's Fund. On January 2, 1991, Allianz of America, Inc. ("AZOA") a subsidiary of Allianz SE, Munich, Germany, purchased from The Fund American Companies, Inc. all of the capital stock of Fireman's Fund Insurance Company ("FFIC") and thereby control of all its subsidiary companies. Allianz SE, a European company, operates on a worldwide basis through branch offices, subsidiaries and affiliated companies. As of December 31, 2012, all outstanding shares of FFIC were directly owned by AZOA, a subsidiary of Allianz Europe B.V., a private limited liability company registered in the Netherlands, which in turn is a subsidiary of Allianz SE, a European company.

Paid up capital of \$4,200,000 consists of 280,000 shares of common stock at a par value of \$15 per share. The company has 1,000,000 authorized shares.

Management

Administration of the Fireman's Fund Companies' affairs will be under the direction of Andrew Torrance, upon appointment as President and Chief Executive Officer. Gary C. Bhojwani assumed the role of Chairman of the Board in 2012.

Officers And Directors

Officers

Chairman of the Board Gary C. Bhojwani

SVP and COO Antonio Derossi

SVP and Chief Information Officer Alexander Bockelmann

SVP and Chief Underwriting Officer David M. Zona

SVP and Chief Risk Officer Douglas E. Franklin

SVP and Chief Marketing Officer Juliene J. Conway

SVP, Secretary and General Counsel Sally B. Narey

SVP, Treasurer and CFO Kevin E. Walker

SVP and Chief Actuary Christian Kortebein

SVP Bruce F. Friedberg

SVP John F. Huddleston, Jr.

SVP Amy L. Keyser

SVP Stanton L. Olson

SVP Bruce D. Peterson

SVP Lee M. Roth

SVP Eric J. Shanks

SVP Kathleen O. Zortman

Vice President and Controller Jeffery F. Johnson

Directors

Gary C. Bhojwani

Dale E. Lauer

Michael P. Sullivan

Kevin E. Walker

Marna C. Whittington

Regulatory

An examination of the financial condition was made as of December 31, 2010, by the insurance department of California. The 2012 annual independent audit of the company was conducted by KPMG, LLP. The annual statement of actuarial opinion is provided by Christian Kortebein, Senior Vice President and Chief Actuary.

Reinsurance

The following text is derived from A.M. Best's Credit Report on Fireman's Fund Insurance Companies (AMB# 000034).

The group currently maintains reinsurance catastrophe protection for all losses arising from a single occurrence as follows: 93.6% of \$900 million excess \$300 million and 100% of \$700 million excess of \$1.2 billion. Property and casualty per risk reinsurance coverage is also available for \$185 million excess of \$15 million and \$35 million excess of \$15 million, respectively. The catastrophe, property per risk, and casualty per risk covers provide protection for certified terrorist events.

Balance Sheet (\$000)

| Admitted Assets | 12/31/2012 | 12/31/2011 | 2012 % | 2011 % |
|--|-------------------|-------------------|---------------|---------------|
| Bonds | 7,228,393 | 5,532,547 | 61.1 | 55.8 |
| Preferred Stock | ... | ... | ... | ... |
| Common Stock | 12,884 | 11,953 | 0.1 | 0.1 |
| Cash & Short-Term Invest | 187,099 | -34,651 | 1.6 | -0.3 |
| Real estate, investment | ... | ... | ... | ... |
| Derivatives | ... | ... | ... | ... |
| Other Non-Affil Inv Asset | 176,139 | 143,881 | 1.5 | 1.4 |
| Investments in Affiliates | 1,039,928 | 1,043,307 | 8.8 | 10.5 |
| Real Estate, Offices | ... | ... | ... | ... |
| Total Invested Assets | 8,644,444 | 6,697,037 | 73.0 | 67.5 |
| Premium Balances | 1,955,466 | 1,891,499 | 16.5 | 19.1 |
| Accrued Interest | 70,427 | 50,353 | 0.6 | 0.5 |
| Life department | ... | ... | ... | ... |
| All Other Assets | 1,165,445 | 1,284,780 | 9.8 | 12.9 |
| Total Assets | 11,835,783 | 9,923,669 | 100.0 | 100.0 |
| Liabilities & Surplus | 12/31/2012 | 12/31/2011 | 2012 % | 2011 % |
| Loss & LAE Reserves | 6,972,147 | 4,877,596 | 58.9 | 49.2 |
| Unearned Premiums | 1,169,516 | 954,197 | 9.9 | 9.6 |
| Conditional Reserve Funds | 21,426 | 22,616 | 0.2 | 0.2 |
| Derivatives | ... | ... | ... | ... |
| Life department | ... | ... | ... | ... |
| All Other Liabilities | 1,150,561 | 1,083,407 | 9.7 | 10.9 |
| Total Liabilities | 9,313,650 | 6,937,816 | 78.7 | 69.9 |
| Surplus notes | ... | ... | ... | ... |
| Capital & Assigned Surplus | 1,722,028 | 1,561,055 | 14.5 | 15.7 |
| Unassigned Surplus | 800,105 | 1,424,799 | 6.8 | 14.4 |
| Total Policyholders' Surplus | 2,522,133 | 2,985,854 | 21.3 | 30.1 |
| Total Liabilities & Surplus | 11,835,783 | 9,923,669 | 100.0 | 100.0 |

Interim Balance Sheet (\$000)

| Admitted Assets | 03/31/2013 | 06/30/2013 |
|------------------------------|-------------------|-------------------|
| Bonds | 7,203,978 | 7,039,804 |
| Preferred Stock | ... | ... |
| Common Stock | 1,058,024 | 1,059,272 |
| Cash & Short-Term Invest | -53,452 | -61,326 |
| Other Investments | 312,389 | 396,979 |
| Total Invested Assets | 8,520,940 | 8,434,728 |
| Premium Balances | 531,353 | 613,822 |
| Accrued Interest | 73,226 | 68,484 |
| Reinsurance Funds | 92,432 | 75,754 |
| All Other Assets | 1,056,725 | 1,053,036 |
| Total Assets | 10,274,676 | 10,245,824 |

| Liabilities & Surplus | 03/31/2013 | 06/30/2013 |
|--|-------------------|-------------------|
| Loss & LAE Reserves | 5,947,387 | 5,819,011 |
| Unearned Premiums | 1,118,878 | 1,151,135 |
| Conditional Reserve Funds | 21,426 | 21,426 |
| All Other Liabilities | 500,602 | 484,122 |
| Total Liabilities | 7,588,293 | 7,475,694 |
| Capital & Assigned Surp | 1,777,803 | 1,777,803 |
| Unassigned Surplus | 908,580 | 992,327 |
| Total Policyholders' Surplus | 2,686,383 | 2,770,130 |
| Total Liabilities & Surplus | 10,274,676 | 10,245,824 |

Summary Of 2012 Operations (\$000)

| Statement of Income | 12/31/2012 | Funds Provided from Operations | 12/31/2012 |
|----------------------------|------------|--------------------------------|------------|
| Premiums earned | 3,422,837 | Premiums collected | 3,496,443 |
| Losses incurred | 2,940,208 | Benefit & loss-related pmts | 1,046,527 |
| LAE incurred | 590,709 | | |
| Undwr expenses incurred | 944,532 | LAE & undwr expenses paid | 1,234,075 |
| Other expenses incurred | ... | Other income / expense | ... |
| Dividends to policyholders | -1,786 | Dividends to policyholders | 542 |
| Net underwriting income | -1,050,826 | Underwriting cash flow | 1,215,298 |
| | | Net transfer | ... |
| Net investment income | 270,489 | Investment income | 289,168 |
| Other income/expense | -58,100 | Other income/expense | -58,100 |
| Pre-tax operating income | -838,436 | Pre-tax cash operations | 1,446,366 |
| Realized capital gains | 17,934 | | |
| Income taxes incurred | -5,670 | Income taxes pd (recov) | -138,580 |
| Net income | -814,832 | Net oper cash flow | 1,584,946 |

Interim Income Statement (\$000)

| | Period Ended 06/30/2013 | Period Ended 06/30/2012 | Increase / Decrease |
|----------------------------|----------------------------|----------------------------|------------------------|
| Premiums earned | 1,207,583 | 1,392,595 | -185,011 |
| Losses incurred | 616,504 | 829,715 | -213,210 |
| LAE incurred | 178,625 | 292,146 | -113,521 |
| Undwr expenses incurred | 429,055 | 479,726 | -50,671 |
| Other expenses incurred | ... | ... | ... |
| Dividends to policyholders | 885 | -2,308 | 3,193 |
| Net underwriting income | -17,486 | -206,684 | 189,198 |
| Net investment income | 142,126 | 134,818 | 7,308 |
| Other income/expense | -9,056 | -60,615 | 51,558 |
| Pre-tax operating income | 115,584 | -132,480 | 248,064 |
| Realized capital gains | -2,880 | 6,240 | -9,121 |
| Income taxes incurred | -16,454 | 10,168 | -26,621 |
| Net income | 129,158 | -136,408 | 265,565 |

Interim Cash Flow (\$000)

| | Period Ended 06/30/2013 | Period Ended 06/30/2012 | Increase / Decrease |
|-----------------------------|----------------------------|----------------------------|------------------------|
| Premiums collected | 1,996,718 | 1,228,981 | 767,737 |
| Benefit & loss-related pmts | 1,815,689 | -697,083 | 2,512,772 |
| LAE & undwr expenses paid | 647,340 | 470,442 | 176,899 |
| Dividends to policyholders | 860 | -157 | 1,017 |
| Underwriting cash flow | -467,171 | 1,455,779 | -1,922,951 |
| Net transfer | ... | ... | ... |
| Investment income | 169,637 | 134,143 | 35,493 |
| Other income/expense | -9,056 | -60,615 | 51,558 |
| Pre-tax cash operations | -306,591 | 1,529,308 | -1,835,899 |
| Income taxes pd (recov) | -1,046 | 580 | -1,626 |
| Net oper cash flow | -305,545 | 1,528,728 | -1,834,273 |

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

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Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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