



002563 - Zurich American Insurance Company

Report Revision Date: 05/20/2013

Rating and Commentary ¹	Financial ²	General Information ³
Best's Credit Rating: 11/27/2012 Rating Rationale: 11/27/2012 Report Commentary: 05/20/2013	Time Period: 2nd Quarter - 2013 Last Updated: 07/11/2013 Status: Quality Cross Checked	Corporate Structure: N/A States Licensed: 01/22/2009 Officers and Directors: 02/22/2013
 Best's Credit Rating Methodology	Disclaimer	 Best's Rating Guide

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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: [Zurich Insurance Group Ltd](#)

Zurich American Insurance Company

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AMB #: 002563

Ultimate Parent: [050457](#)

NAIC #: 16535

FEIN#: 36-4233459

Best's Credit Ratings

Best's Financial Strength Rating: A+

Outlook: Stable

Best's Issuer Credit Rating: aa-

Outlook: Stable

Rating Effective Date: 11/27/2012

Financial Size Category: XV

Report Revision Date: 05/20/2013

Rating Rationale

Rating Rationale: The ratings of Zurich Insurance Company Ltd. have been extended to the company based on its role and strategic importance to the group's overall strategy as well as the explicit support provided through intercompany reinsurance agreements.

The following text is derived from A.M. Best's consolidated Credit Report on Zurich Insurance Company Limited (AMB# 085096).

The ratings of Zurich Insurance Company Limited (ZIC) reflect its excellent consolidated risk-adjusted capitalisation at its ultimate and immediate parent, Zurich Financial Services Ltd (Zurich), as well as solid operating performance and strong business profile in Europe and the United States.

ZIC's risk-adjusted capitalisation remains at an excellent level as at year-end 2012, supported by retained earnings and unrealised gains on its investment portfolio. ZIC has a manageable direct exposure to peripheral eurozone countries at 5.5% of total investments, with Italian bonds representing 3% (USD 6.5 billion) of total investments in 2012. ZIC recently announced a strengthening in long-tail line claims reserves in the German business of USD 426 million. Although this raises questions around the risk controls of the German business, A.M. Best believes that this issue has been isolated and is not reflective of the group's overall reserves, which have shown positive prior year development in recent years, including a redundancy of USD 956 million at year-end 2012.

Earnings remained solid at year-end 2012, with a 3% increase in net income attributable to shareholders to USD 3,878 million. The 2012 result was affected by a pre-tax loss of USD 680 million in the German business as a result of reserve increases and a write-off in deferred acquisition costs. Operating results were also affected by Windstorm Sandy, which is expected to cost around USD 700 million. Despite these factors, overall earnings were underpinned by positive contributions from Zurich's main business units.

Zurich's competitive position within its core (non-life) market in Europe and the United States remains strong. Gross written premiums for non-life business increased in local currency terms in 2012, as the company benefited from rate increases and growth in Latin America through the Santander joint venture. For global life, new business annual premium equivalent is increased, driven by strong growth in private banking client solutions and corporate life and pensions as well as growth in Latin America.

Upwards rating actions are unlikely at this point. Negative rating actions could occur if there were a weakening of Zurich's risk-adjusted capitalisation as a result of large investment losses associated with its eurozone exposures; there were a significant increase in long-tail claims reserves across the group; and if prospective losses from Hurricane Sandy were significantly outside the group's risk tolerance.

Five Year Rating History

Date	BEST'S	
	FSR	ICR
11/27/2012	A+	aa-
11/18/2011	A+	aa-
11/19/2010	A+	aa-
12/17/2009	A	a+
12/11/2008	A	a+
12/11/2007	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	4,801,762	4,437,757	653,458	1,156,547	30,011,079	7,642,260
2011	4,451,432	4,155,752	850,512	960,442	28,729,165	7,018,779
2010	4,268,660	4,400,125	844,496	819,012	29,420,388	7,374,165
2009	4,304,705	4,382,850	884,685	426,597	29,935,745	7,417,151
2008	4,563,455	4,934,314	723,904	249,083	29,634,470	6,239,830
06/2013	2,928,099	2,607,890	473,343	512,707	30,219,291	7,431,679
06/2012	2,531,004	2,310,560	421,571	489,909	29,713,634	7,094,562

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	101.6	3.3	14.9	30.6	0.6	3.5	134.6	122.0
2011	99.6	3.6	19.6	31.1	0.6	3.7	132.7	117.9
2010	97.7	3.8	19.6	36.5	0.6	3.6	133.8	127.4
2009	98.3	3.6	19.1	27.3	0.6	3.6	133.4	124.9
2008	103.6	3.9	14.1	43.9	0.8	4.5	127.2	118.7
5-Yr Avg	100.3	3.6	17.4	...	...	...	...	...
06/2013	88.8	3.0	21.8	63.1	0.6	3.7	133.7	107.6
06/2012	94.5	3.5	20.5	29.1	0.6	3.8	131.7	106.9

(*) 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 Zurich U.S. Pool (AMB# 004430).

Zurich American Insurance Company (ZAIC) and its affiliates (also called Zurich North America, ZNA in the report) are the main U.S.-based general insurance operation of Zurich Insurance Group, Switzerland. ZIG offers a full array of property/casualty and Life insurance products in 170 countries. ZNA contributes about one-third of the worldwide general insurance premiums of ZIG and is integral to its international insurance strategy. Headquartered in Schaumburg, Illinois, ZAIC has about 7,800 employees in the U.S.

Central to ZNA's business strategy are its customer-focused business units (BUs), as well as dedicated service support units. The BUs operate through independent agents, brokers and direct sales force that have access to Zurich's products and services through a nationwide network of four regional offices and multiple offices throughout the United States. These BUs constitute North America Commercial general insurance business division as well as the North American portion of the Global Corporate general insurance business division. The service support units unify ZNA's approach to managing claims, managed care, risk engineering, information technology and marketing and provide support to all its commercial business units described below.

The Global Corporate in North America business division is comprised of two key business segments: domestic business and global business.

The domestic business segment serves large corporate customers and commercial markets with domestic and global solutions that include property and custom-tailored casualty programs. This segment also includes integrated programs combining insurance and alternative risk financing solutions for corporate customers. A robust presence in Canada also falls under the domestic business segment. Zurich is committed to the principle that large companies with complex risk portfolios can benefit from a multi-dimensional approach to risk management and financing.

The global business segment provides comprehensive risk solutions, risk engineering services and claims support for companies with multi-national and global risk management needs. Those needs are met by leveraging global knowledge and capabilities, while providing value that goes beyond product and price. A global energy unit provides a broad range of products and services specifically designed for customers involved in oil and gas, petrochemical, natural resources, mining and power industries virtually worldwide. Programs include onshore property, exploration and production and casualty coverages. Marine also offers a full range of products and services. A special mergers and acquisitions division is charged with providing transactional insurance solutions to the private equity firms, investment banks and corporate entities contemplating mergers, acquisitions and divestitures.

The North America Commercial (NAC) business division provides a broad range of property and casualty products (including both standard and specialty lines) and services to commercial customers in the U.S. market. NAC operates through three business units in the U.S., each of which focuses on distinct segments of the U.S. commercial lines market. The three business units are Commercial Markets, Specialties, and Programs and Direct Markets.

Commercial Markets offers standard lines (e.g., workers' compensation, general liability, auto and property) and industry-specific specialty products focused on targeted industry verticals (e.g., construction, environmental, financial enterprises). Commercial Markets also provides standard lines coverage for middle-market customers in a broad range of general industry segments. In addition, an integrated products unit focuses on serving customers in the market space that falls between the traditional small business and middle-market sectors.

The Specialties business unit offers product-based solutions to customers in a broad range of industry segments. Key areas of focus include management liability (e.g., D&O, E&O, employment practices liability, crime), professional liability (e.g., medical malpractice), excess casualty, excess and surplus lines casualty coverage, accident and health, surety and political risk.

Programs and Direct Markets delivers products and solutions through alternative distribution channels, including a direct sales force and relationships with program administrators, general agents and retail/wholesale distribution. Key product and customer segments include franchised and independent auto dealers, specialty commercial auto segments, builders risk, lender-placed property coverage, crop insurance, professional liability, specialty property coverages and alternative risk-sharing arrangements.

In 2008, NAC sold access rights to its Small Business Solutions book of business to the Truck Insurance Exchange, a member of the Farmers Exchanges. Small Business Solutions provides standard lines property and casualty coverage (e.g., business owners policies, auto and workers' compensation) to small commercial customers, primarily those with less than 50 employees.

Business Profile (Continued ...)

The Zurich U.S. Pool consists of a fourteen-member pool led by Zurich American Insurance Company. Under the pooling agreement, all underwriting transactions included in the net income or loss and all related asset and liability accounts, after the effects of third-party reinsurance, are pooled 100% to ZAIC. The remaining thirteen pool members consist of American Guarantee & Liability Insurance Company; American Zurich Insurance Company; Assurance Company of America; Colonial American Casualty and Surety; Empire Fire and Marine Insurance Company; Empire Indemnity Insurance Company; Fidelity & Deposit Company of Maryland; Maryland Casualty Company (MCC); Northern Insurance Company of New York; Steadfast Insurance Company; Universal Underwriters Insurance Company; Universal Underwriters of Texas Insurance Company and Zurich American Insurance Company of Illinois. In 2009, the business previously written by Maryland Insurance Company (MIC), National Standard Insurance Company (NS) and Maine Bonding and Casualty Company (MB), was assumed by ZAIC via novation agreements. These companies became inactive clean shells and are no longer members of the Zurich U.S. Pool. On December 31, 2009, MCC, NS and MB were parties to a merger transaction whereby all assets and liabilities of NS and MB were transferred to MCC. MIC was sold in 2010, while former affiliate Valiant Insurance Company was sold in 2007.

Affiliations: American Insurance Association, Insurance Services Office, National Council on Compensation Insurance and Surety Association of America.

Scope of Operations

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	4,801,762	7.9	5,326,186	3.5	5,690,191	4.6	4,437,757	6.8
2011	4,451,432	4.3	5,144,655	-5.8	5,440,334	2.0	4,155,752	-5.6
2010	4,268,660	-0.8	5,464,020	-5.3	5,332,555	-6.4	4,400,125	0.4
2009	4,304,705	-5.7	5,772,396	-14.5	5,694,251	-10.8	4,382,850	-11.2
2008	4,563,455	-17.5	6,751,983	-8.1	6,381,124	-9.0	4,934,314	-15.9
5-Yr CAGR	...	-2.8	...	-6.2	...	-4.1	...	-5.4
06/2013	2,928,099	15.7	2,756,907	7.1	3,077,116	10.1	2,607,890	12.9
06/2012	2,531,004	6.9	2,573,897	4.3	2,794,341	4.3	2,310,560	7.0

Territory

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

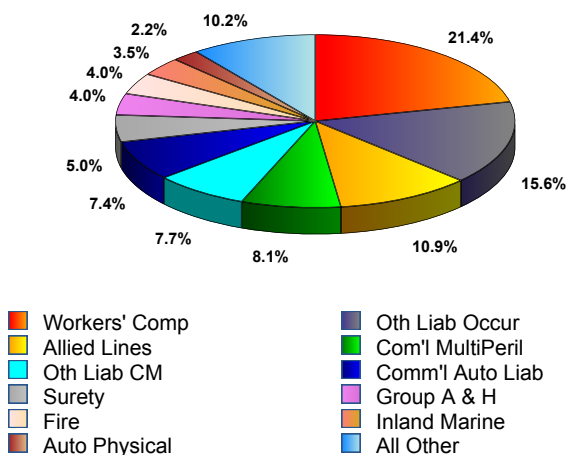
Business Trends

Business Trends (Continued ...)

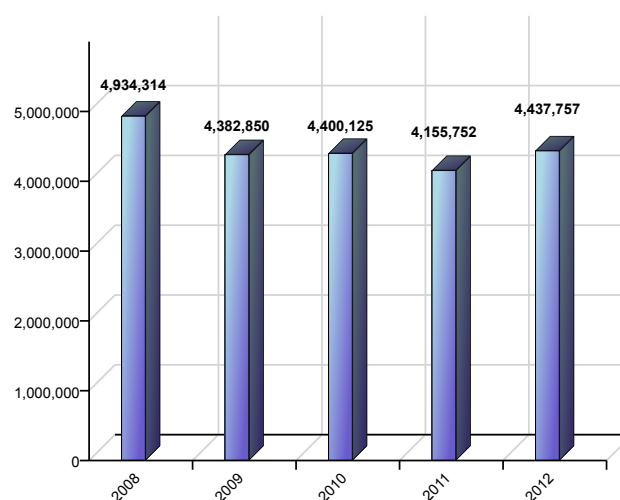
2012 By-Line Business (\$000)

Product Line	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written		Business Retention %
	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)	
Workers' Comp	1,303,859	27.2	876,031	16.4	1,229,340	21.6	950,550	21.4	72.1
Oth Liab Occur	700,604	14.6	808,004	15.2	816,325	14.3	692,283	15.6	83.9
Allied Lines	271,334	5.7	838,923	15.8	625,323	11.0	484,934	10.9	78.8
Com'l MultiPeril	400,228	8.3	372,003	7.0	414,607	7.3	357,624	8.1	75.7
Oth Liab CM	466,455	9.7	269,693	5.1	396,143	7.0	340,006	7.7	72.7
Comm'l Auto Liab	452,787	9.4	313,514	5.9	436,322	7.7	329,978	7.4	71.9
Surety	4,171	0.1	480,697	9.0	261,545	4.6	223,323	5.0	100.0
Group A & H	292,215	6.1	123,432	2.3	238,104	4.2	177,542	4.0	42.7
Fire	235,250	4.9	299,682	5.6	358,751	6.3	176,182	4.0	53.1
Inland Marine	186,651	3.9	199,451	3.7	230,902	4.1	155,199	3.5	73.3
Auto Physical	76,195	1.6	138,848	2.6	117,240	2.1	97,802	2.2	83.7
All Other	412,014	8.6	605,908	11.4	565,588	9.9	452,334	10.2	87.1
Total	4,801,762	100.0	5,326,186	100.0	5,690,191	100.0	4,437,757	100.0	80.3

2012 Top Product Lines of Business (Net Premiums Written)



5 Years of Net Premiums Written (\$000)



Business Trends (Continued ...)

By-Line Reserve (\$000)

Product Line	2012	2011	2010	2009	2008
Workers' Comp	5,342,136	5,086,359	4,835,005	4,403,565	4,060,820
Oth Liab Occur	3,841,161	4,014,697	4,090,235	4,357,766	4,643,823
Allied Lines	547,334	461,361	305,076	297,915	472,860
Com'l MultiPeril	725,752	871,867	978,317	1,117,633	1,304,635
Oth Liab CM	1,278,890	1,392,147	1,361,850	1,388,681	1,205,425
Comm'l Auto Liab	617,290	668,961	766,163	805,915	916,048
Surety	104,720	99,227	111,512	105,520	93,374
Group A & H	104,043	81,840	80,617	73,254	102,004
Fire	82,413	71,904	63,342	114,227	85,492
Inland Marine	92,940	117,943	82,320	139,891	225,486
Auto Physical	9,229	7,112	13,695	16,374	24,999
All Other	1,498,527	1,528,216	1,615,396	1,636,933	1,510,443
Total	14,244,436	14,401,632	14,303,527	14,457,673	14,645,411

Market Share / Market Presence

Geographical Breakdown By Direct Premium Writings (\$000)

	2012	2011	2010	2009	2008
California	728,190	646,008	554,146	544,428	559,141
Texas	446,239	370,378	352,633	369,289	387,097
New York	346,067	353,673	385,636	389,068	442,221
Florida	273,719	249,838	203,528	234,274	266,985
Pennsylvania	251,862	221,168	216,367	239,674	222,239
Illinois	247,077	245,498	256,717	276,133	272,830
New Jersey	175,981	162,789	184,940	189,673	201,057
Aggregate Alien	120,522	155,020	128,871	62,980	35,296
Georgia	113,995	101,614	95,431	123,592	123,792
Louisiana	104,116	96,415	99,727	96,225	97,412
All Other	1,993,994	1,849,030	1,790,664	1,779,368	1,955,384
Total	4,801,762	4,451,432	4,268,660	4,304,705	4,563,455

Risk Management

The following text is derived from A.M. Best's Credit Report on Zurich U.S. Pool (AMB# 004430).

ZIG utilizes a comprehensive enterprise risk management (ERM) program. The group risk management organization consists of group and segment risk leadership, group operations risk management and central functions at Corporate Center, with a distributed risk management network at regional, business unit and functional levels. At group level, there are two centers of expertise: Risk Analytics and Risk and Control. The Risk Analytics Department quantitatively assesses insurance, financial markets and asset/liability, credit and operational risks within Zurich's economic capital model framework. The Risk and Control Department includes operational risk management, internal control framework, risk reporting, risk governance, and risk operations. The majority of ERM related functions, occur at the regional business units across the globe. Each regional Chief Risk Officer (CRO) reports to a segment or functional CRO, who then reports up to the Group CRO. ERM for the North American operations are largely executed out of the group's Schaumburg, Illinois office.

Key risk categories that are tracked by the organization include investment and financial risk, credit risk, operational risk, insurance risk and strategic risk.

Operating Performance

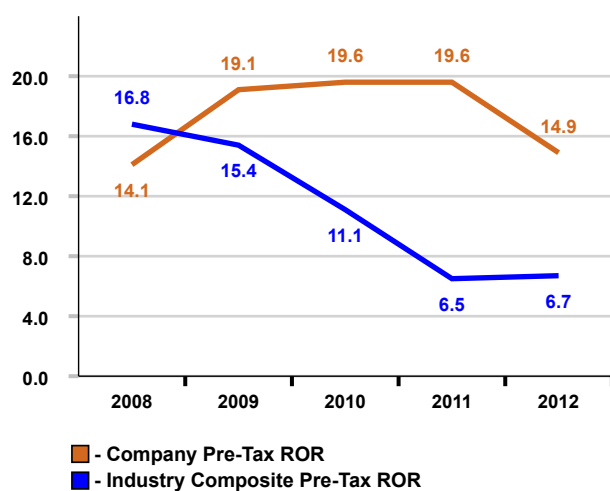
The following text is derived from A.M. Best's Credit Report on Zurich U.S. Pool (AMB# 004430).

Operating Results: ZAIC's five-year average pre-tax and total returns on revenue and equity compare favorably to the commercial casualty composite. The company has experienced a significant profit improvement since 2009 and has closed the gap with its industry peers in terms of overall operating performance in recent years. Profitable pre-tax operating results since 2007 have been driven by positive overall underwriting results and relatively stable levels of investment returns. Underwriting results have generally improved, benefitting from favorable reserve development and rate adequacy, despite soft market conditions. Despite the improved underwriting performance, premium volume has declined due to soft market conditions, the focus on rate adequacy, and portfolio optimization. Net investment yields have remained relatively flat over a five-year period as have the group's overall net investment earnings. Nonetheless, there has been a modest level of net investment income fluctuations over this period. Unrealized and realized capital gains were positive in 2010, 2011 and 2012.

Profitability Analysis

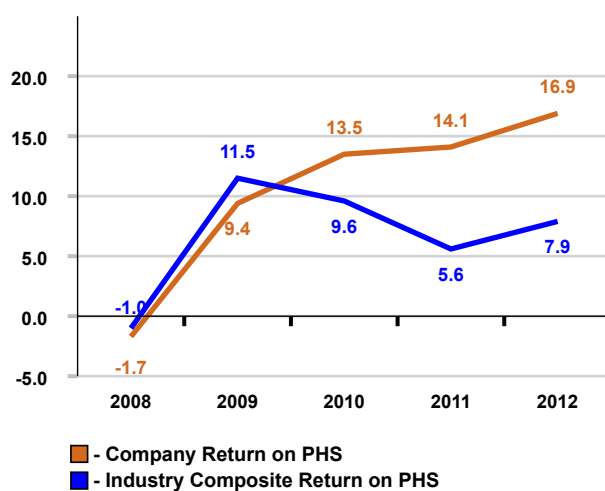
Period Ending	Company							Industry Composite		
	Pre-tax Operating Income	After-tax Operating Income	Net Income	Total Return	Pre-Tax ROR	Return on PHS	Operating Ratio	Pre-Tax ROR	Return on PHS	Operating Ratio
2012	653,458	694,432	1,156,547	1,239,620	14.9	16.9	83.8	6.7	7.9	92.4
2011	850,512	858,306	960,442	1,015,814	19.6	14.1	79.9	6.5	5.6	93.1
2010	844,496	818,543	819,012	997,072	19.6	13.5	77.0	11.1	9.6	88.2
2009	884,685	879,357	426,597	642,796	19.1	9.4	80.5	15.4	11.5	84.6
2008	723,904	721,754	249,083	-112,461	14.1	-1.7	86.0	16.8	-1.0	83.6
5-Yr Avg/Tot	3,957,054	3,972,392	3,611,680	3,782,841	17.4	10.7	81.6	11.3	6.8	88.4
06/2013	473,343	464,736	512,707	584,609	21.8	17.4	75.0	XX	XX	XX
06/2012	421,571	418,448	489,909	563,875	20.5	14.8	76.4	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: ZAIC's underwriting performance has generally improved over the latest five-year period, with underwriting income reported over the majority of the past five years. As a result, the five-year average combined ratio is comparable to the composite driven mainly by its expense ratio, that is significantly lower than its peers. However, the loss ratio remained elevated compared to the composite on a five-year basis though attritional loss ratios have improved over the years. The improvement in ZAIC's underwriting results is due to achieving rate adequacy and improved loss reserve development. Prior to 2008 underwriting losses were reported as a result of adverse prior year loss reserve development driven, in part, by construction defect claims and to a lesser extent, the worker's compensation line of business. However, beginning in 2008 the group reported favorable reserve development which, along with management's initiatives to improve rate adequacy, led to improved underwriting performance in recent years.

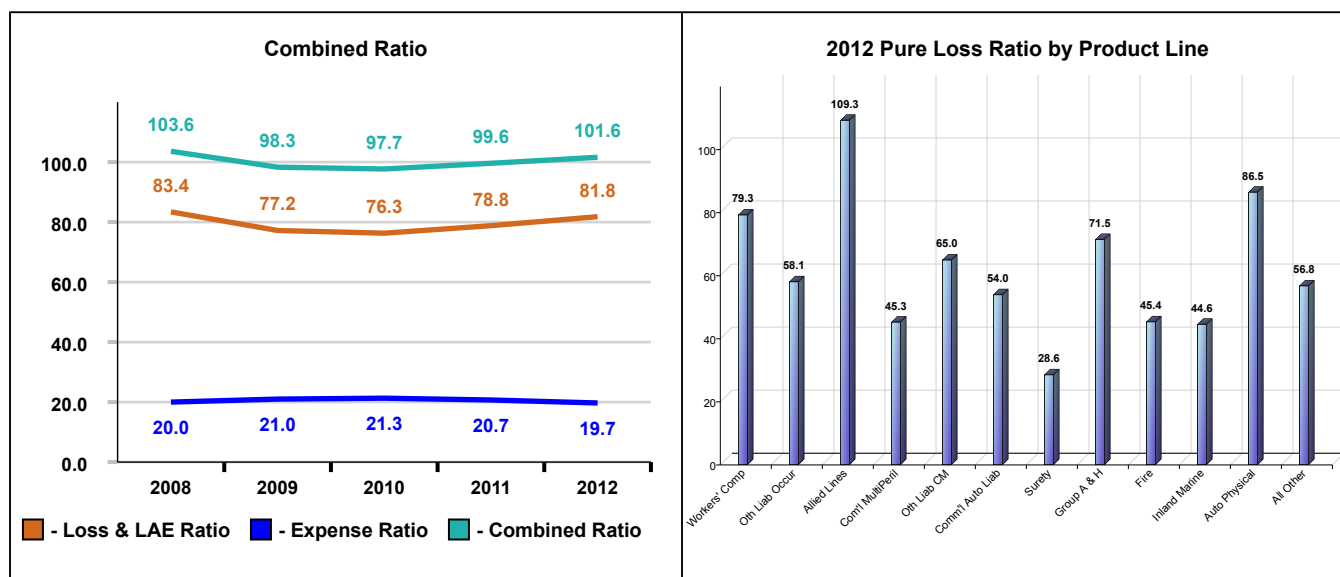
Underwriting Experience

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	-81,324	65.7	16.1	81.8	-8.8	28.5	19.7	0.1	101.6
2011	54,655	62.5	16.3	78.8	-10.2	30.9	20.7	0.2	99.6
2010	76,654	56.0	20.3	76.3	-7.7	28.9	21.3	0.2	97.7
2009	132,533	58.1	19.0	77.2	-7.1	28.0	21.0	0.2	98.3
2008	-148,672	63.9	19.6	83.4	-7.1	27.1	20.0	0.2	103.6
5-Yr Avg	33,845	61.3	18.3	79.6	-8.1	28.6	20.5	0.2	100.3
06/2013	177,733	55.6	18.3	73.9	XX	XX	14.8	0.1	88.8
06/2012	66,296	58.7	17.1	75.8	XX	XX	18.6	0.1	94.5

Loss Ratio By Line

Product Line	2012	2011	2010	2009	2008	5-Yr. Avg.
Workers' Comp	79.3	76.7	94.8	80.3	82.6	82.6
Oth Liab Occur	58.1	70.7	41.2	70.7	47.6	56.7
Allied Lines	109.3	93.8	72.1	45.9	89.4	83.4
Com'l MultiPeril	45.3	71.8	30.1	14.9	42.4	39.7
Oth Liab CM	65.0	63.6	55.2	81.6	69.9	67.4
Comm'l Auto Liab	54.0	51.7	52.2	48.3	64.5	54.6
Surety	28.6	11.4	15.6	3.7	5.8	13.3
Group A & H	71.5	65.4	66.7	45.4	85.1	67.1
Fire	45.4	47.4	3.8	169.5	233.1	72.6
Inland Marine	44.6	80.8	22.0	49.1	65.5	54.4
Auto Physical	86.5	68.9	63.2	51.4	59.1	64.8
All Other	56.8	16.4	49.2	52.8	63.8	48.4
Total	65.7	62.5	56.0	58.1	63.9	61.3

Underwriting Results (Continued ...)



Direct Loss Ratios By State

	2012	2011	2010	2009	2008	5-Yr. Avg.
California	58.6	86.8	65.6	64.6	71.2	69.3
Texas	41.8	61.0	38.7	41.5	153.6	67.4
New York	352.9	93.2	84.7	53.8	36.5	113.7
Florida	4.5	40.9	37.5	50.3	38.2	33.6
Pennsylvania	59.3	65.6	52.7	38.5	56.3	54.8
Illinois	146.1	61.0	73.9	83.7	62.0	82.3
New Jersey	115.3	67.2	68.8	65.9	76.9	78.8
Aggregate Alien	61.1	58.2	40.4	80.4	121.4	61.0
Georgia	22.9	34.5	50.9	54.4	70.2	47.2
Louisiana	34.0	63.6	27.4	48.8	19.8	38.6
All Other	46.7	66.2	56.8	54.7	62.4	57.4
Total	73.4	68.2	58.2	56.2	67.7	65.0

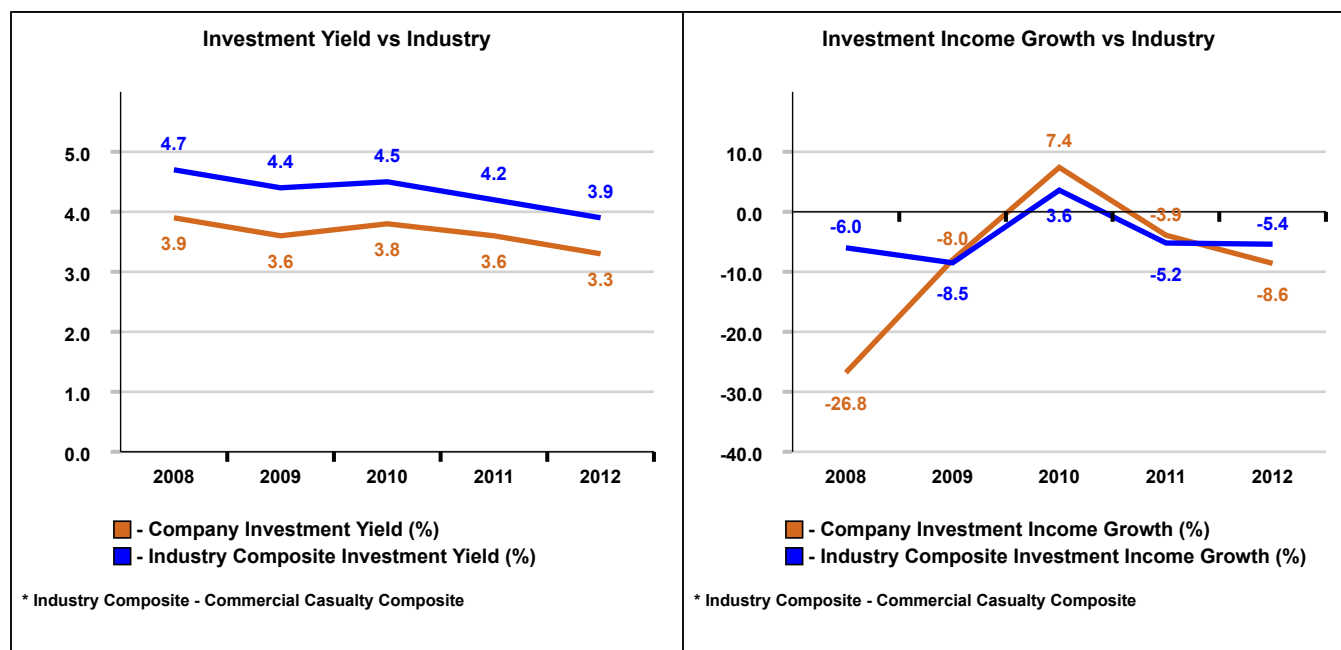
Investment Results

Investment Results: ZAIC's investment income remained relatively stable over the last five years and was the main contributor to the group's favorable operating results. The investment portfolio is comprised of 82% bonds, 3% stocks with the remainder in cash and short-term investments and affiliated investments. The bond portfolio, which includes some exposure to mortgage-backed securities, is primarily comprised of U.S. government and high-quality corporate bonds. However, the five-year average investment yield and total return on invested assets remained below the composite average due mainly to the lower interest rate environment.

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	781,311	462,115	83,074	-8.6	3.3	5.3	5.7	-5.4	3.9
2011	854,638	102,135	55,372	-3.9	3.6	4.1	4.3	-5.2	4.2
2010	889,281	469	178,060	7.4	3.8	3.8	4.5	3.6	4.5
2009	828,098	-452,760	216,199	-8.0	3.6	1.6	2.6	-8.5	4.4
2008	900,444	-472,672	-361,544	-26.8	3.9	1.8	0.3	-6.0	4.7
5-Yr Avg/Tot	4,253,772	-360,712	171,162	-9.6	3.6	3.3	3.5	-4.4	4.4
06/2013	299,259	47,972	71,902	-19.6	3.0	4.9	5.2	XX	XX
06/2012	372,241	71,462	73,966	-5.2	3.5	4.2	4.1	XX	XX



Balance Sheet Strength

Capitalization

The following text is derived from A.M. Best's Credit Report on Zurich U.S. Pool (AMB# 004430).

Capitalization: ZAIC's level of capitalization is strong on a risk-adjusted basis as measured by its Best's Capital Adequacy Ratio (BCAR). In addition, underwriting leverage has improved over the past five years, driven by a decrease in premium volume coupled with an overall increase in surplus levels, and now compares favorably to the composite. However, ZAIC's ceded leverage remained significantly elevated due to significant levels of internal reinsurance with non-US based affiliates. Reinsurance dependence is tempered as approximately 70% of ZAIC's recoverables are with ZIG affiliates, and collateralized in reinsurance trusts that satisfy New York regulatory requirements.

Repayment of \$1.1 billion in Surplus Notes Principal in the past 12 months leaves a remaining \$430 million held by the group at December 31, 2012. Relative to its rating level, the financial leverage of surplus notes is reasonable, particularly given the term of the notes which were issued from ZAIC's parent. Surplus note repayment terms are generally flexible and require prior approval by state insurance regulators. While the payment of interest and principal on surplus notes has somewhat lessened statutory capital, to date neither have materially altered the group's overall strong capitalization. Such payments will likely continue as a result of continuing favorable performance.

Statutory surplus growth was particularly strong in 2009 on positive after-tax income, modest levels of unrealized capital gains and an increase in admitted deferred tax assets. Surplus declined slightly in 2010 as a result of the payment of surplus notes interest and principal in addition to parental dividend payments. As a result of stability and strong capitalization, ZAIC continued to repay principal in 2011 and 2012. A.M. Best believes that capitalization will remain supportive of the current rating level.

The earthquake exposure of the Zurich U.S. Pool is largely on its Midwest writings, with its modeled net (after-tax) 250-year loss (based on a probable maximum loss analysis) representing approximately 6% of its 2012 surplus, while gross modeled losses represent about 25% of surplus. These modeled losses are within A.M. Best's guidelines for its current rating.

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	653,458	462,115	-40,974	83,074	-802,000	185,861	623,481	8.9
2011	850,512	102,135	-7,795	55,372	-1,390,000	18,801	-355,385	-4.8
2010	844,496	469	25,953	178,060	-1,050,000	9,942	-42,986	-0.6
2009	884,685	-452,760	5,328	216,199	...	534,524	1,177,320	18.9
2008	723,904	-472,672	2,150	-361,544	-200,000	-192,421	-504,882	-7.5
5-Yr Total	3,957,054	-360,712	-15,338	171,162	-3,442,000	556,707	897,548	2.5
06/2013	473,343	47,972	8,607	71,902	-685,000	-110,190	-210,581	-2.8
06/2012	421,571	71,462	3,123	73,966	-663,000	174,908	75,783	1.1

Capitalization (Continued ...)

Quality of Surplus (\$000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus	Year End Policyholders Surplus	Conditional Reserves	Adjusted Policyholders Surplus
2012	430,000	...	4,442,390	2,769,870	7,642,260	66,649	7,708,910
2011	883,000	...	4,795,570	1,340,210	7,018,779	60,498	7,079,278
2010	1,533,000	...	4,817,073	1,024,091	7,374,165	64,549	7,438,714
2009	1,883,000	...	4,849,666	684,485	7,417,151	74,860	7,492,010
2008	1,883,000	...	4,473,114	-116,284	6,239,830	95,168	6,334,998
06/2013	...	...	4,441,064	2,990,615	7,431,679	179,409	7,611,089
06/2012	430,000	...	4,441,435	2,223,127	7,094,562	60,498	7,155,061

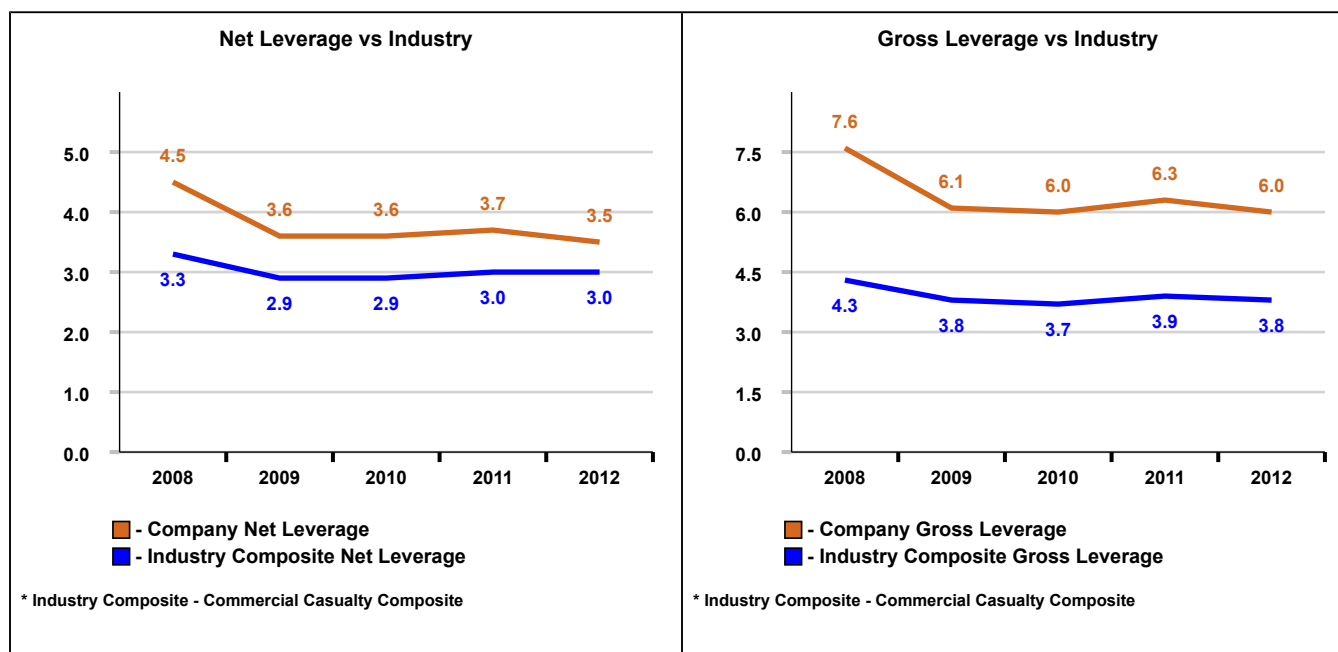
Underwriting Leverage

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	0.6	1.9	3.5	6.0	0.8	1.5	3.0	3.8
2011	0.6	2.1	3.7	6.3	0.8	1.5	3.0	3.9
2010	0.6	1.9	3.6	6.0	0.7	1.5	2.9	3.7
2009	0.6	1.9	3.6	6.1	0.7	1.5	2.9	3.8
2008	0.8	2.3	4.5	7.6	0.9	1.6	3.3	4.3
06/2013	0.6	1.9	3.7	XX	XX	XX	XX	XX
06/2012	0.6	2.0	3.8	XX	XX	XX	XX	XX

Current BCAR: 237

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	19,258,226	80.3	177.5	252.0	82.6	59.1	84.5
2011	18,437,772	82.3	185.2	262.7	81.6	59.4	84.5
2010	17,995,064	84.2	171.7	244.0	81.2	57.6	80.4
2009	18,561,102	83.4	173.5	250.2	82.6	61.2	84.8
2008	19,539,492	81.7	210.9	313.1	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	8,430	1,856	-201	-27,711	-17,628
Foreign Affiliates	3,479,824	7,371,136	74,686	-25,146	10,900,501
US Insurers	430,148	525,706	86,476	-4,437	1,037,893
Pools/Associations	86,171	271,786	50,496	...	408,453
Other Non-Us	382,670	851,788	140,808	-155,119	1,220,146
Total(ex Us Affils)	4,378,813	9,020,416	352,466	-184,702	13,566,993
Grand Total	4,387,242	9,022,270	352,264	-212,413	13,549,364

* Includes Commissions less Funds Withheld

Loss Reserves

Loss Reserves: Accident year development has proven modestly redundant for the 2004 accident year and forward.

Based on Footnote 33 data, ZAIC reported \$494.2 million net asbestos and environmental (A&E) reserves, at year-end 2012. ZAIC's net asbestos and environmental-exposed business generally relates to pre-1986 general liability policies written on a primary and excess basis. A&E reserves constitute approximately 3% of ZAIC's overall loss reserve base and approximately 6% of policyholder surplus, modest amounts in terms of the group's overall exposures. The Zurich U.S. Pool has maintained a centralized facility to handle its A&E claims for over seventeen years. A sizable staff of professionals is dedicated to oversight and management of A&E claims. Resolution strategies include policy buy-outs with indemnification, site releases, structured contingent settlements with caps and proactive declaratory judgment litigation. A.M. Best will continue to monitor the reserve adequacy of the Zurich U.S. Pool's A&E exposure in addition to those of its core lines.

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	13,851,278	13,851,278	...	...	315.8	13,851,278	100.0
2011	13,986,503	13,969,257	-0.1	-0.2	321.7	11,203,723	80.2
2010	13,893,672	13,627,448	-1.9	-3.6	317.0	9,398,382	69.0
2009	14,001,044	13,640,376	-2.6	-4.9	293.9	8,003,071	58.7
2008	14,196,377	13,906,516	-2.0	-4.6	271.8	6,875,109	49.4
2007	14,002,047	13,871,008	-0.9	-1.9	260.9	5,963,401	43.0

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	2,647,555	2,647,555	...	2,647,555	81.1	100.9
2011	2,692,329	2,651,211	-1.5	1,805,341	82.9	103.8
2010	2,611,309	2,498,152	-4.3	1,395,311	79.2	100.7
2009	2,768,436	2,575,097	-7.0	1,127,962	74.5	95.6
2008	3,169,157	2,838,026	-10.4	911,708	77.3	97.5
2007	2,901,342	2,543,585	-12.3	707,020	66.3	86.3

Loss Reserves (Continued ...)

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	494,194	83.4	53.7	18.7	2.9	1.4	9.1	0.6	0.6
2011	424,960	78.9	45.6	33.1	0.6	0.5	9.1	0.5	0.6
2010	386,227	66.1	60.4	12.0	0.8	0.3	7.2	0.7	0.5
2009	387,551	71.7	63.9	...	0.0	...	...	0.6	...
2008	402,389	67.8	67.7	...	0.1	...	...	0.3	...

Liquidity

The following text is derived from A.M. Best's Credit Report on Zurich U.S. Pool (AMB# 004430).

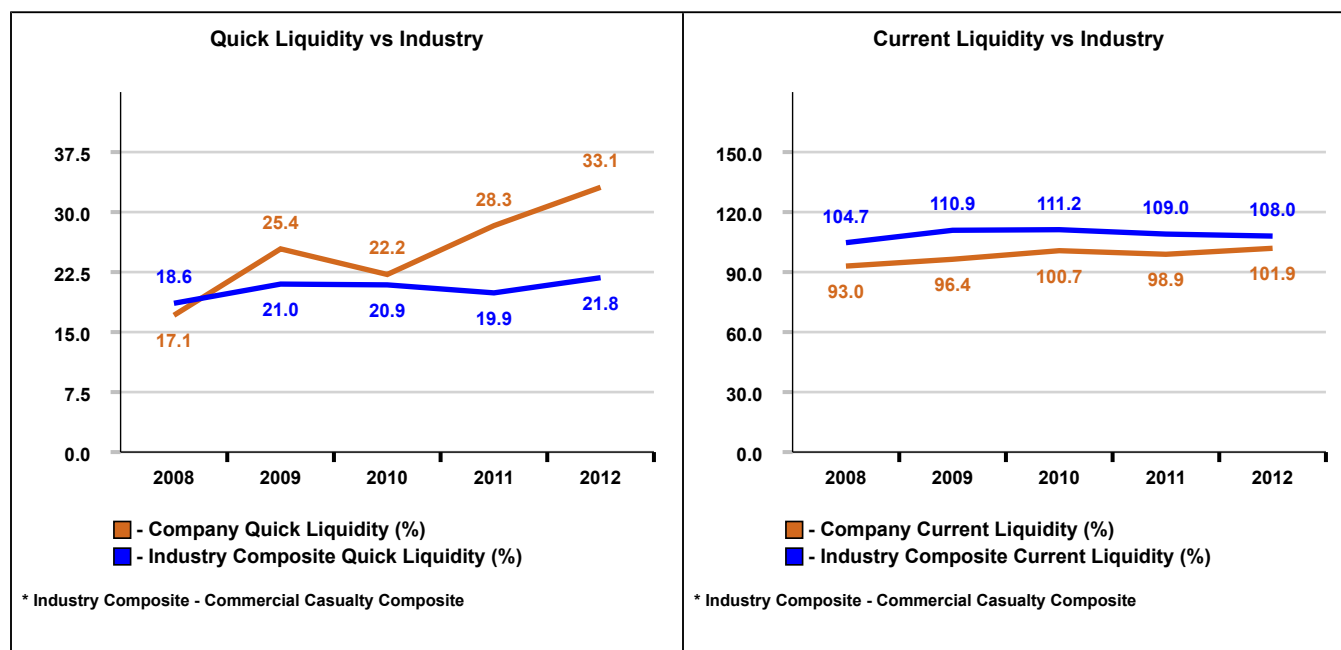
Liquidity: Current and quick liquidity ratios largely reflect its commercial casualty peers. Furthermore, both underwriting and operating cash flows have remained largely positive over a five-year period. While underwriting cash flow was negative in 2011 as premiums declined, operating cash flow did remain positive.

ZAIC maintains a high-quality fixed income portfolio, including U.S. government, high-quality corporate bonds and mortgage-backed securities, with an average bond maturity of under five years. ZAIC holds an insignificant amount of municipal bonds. Invested assets represent approximately 80% of total assets, somewhat below the commercial lines casualty peer composite. In addition, ZAIC maintains relatively sizable long-term receivables associated with its retrospectively rated business.

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	33.1	101.9	134.6	27.1	21.8	108.0	144.9	10.9
2011	28.3	98.9	132.7	25.2	19.9	109.0	144.5	10.3
2010	22.2	100.7	133.8	20.3	20.9	111.2	146.2	9.0
2009	25.4	96.4	133.4	23.3	21.0	110.9	146.0	9.1
2008	17.1	93.0	127.2	37.0	18.6	104.7	140.8	11.9
06/2013	XX	108.4	133.7	21.5	XX	XX	XX	XX
06/2012	XX	94.3	131.7	30.5	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	142,403	1,006,811	875,770	103.1	122.0	98.2	110.7
2011	-127,574	767,513	-518,554	97.0	117.9	96.5	107.6
2010	432,957	1,218,979	-26,123	110.1	127.4	96.6	108.6
2009	291,067	1,076,905	339,530	106.8	124.9	98.4	109.5
2008	88,329	1,004,250	-1,371,153	101.7	118.7	101.2	112.6
5-Yr Total	827,182	5,074,458	-700,531	...	...	...	...
06/2013	-126,189	219,952	-388,864	95.6	107.6	XX	XX
06/2012	-249,111	170,622	175,888	89.9	106.9	XX	XX

Investments

Investments (Continued ...)

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	1.9	...	19.4	9.3	30.6	30.4	7.1	10.3
2011	1.4	...	20.0	9.6	31.1	32.8	7.4	9.5
2010	3.4	...	22.2	10.9	36.5	30.7	7.2	9.0
2009	2.0	...	15.7	9.6	27.3	35.2	6.0	8.2
2008	1.5	0.4	28.7	13.2	43.9	27.2	5.4	9.1

Investments - Bond Portfolio

2012 Distribution By Maturity

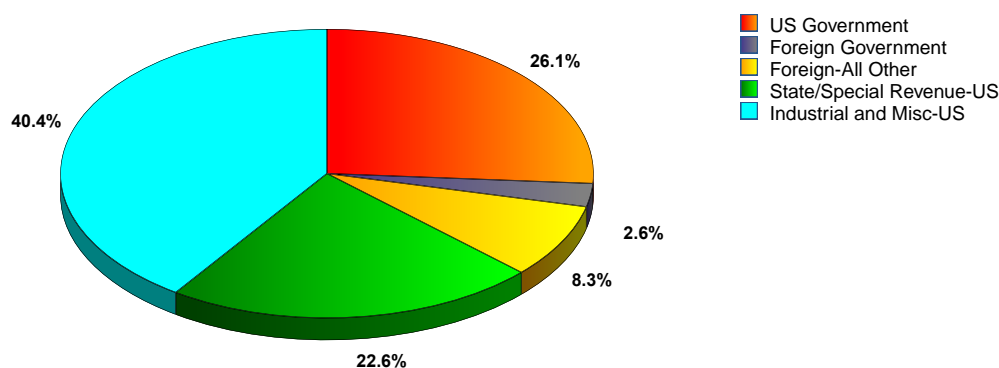
	Years					Years Average Maturity
	0-1	1-5	5-10	10-20	20+	
Government	2.4	19.3	4.2	1.5	1.2	5.0
Government Agencies & Muni.	4.2	12.3	4.3	0.9	0.8	4.7
Industrial & Misc.	6.8	27.8	12.0	1.1	1.1	5.0
Hybrid Securities	...	...	...	...	0.1	25.0
Total	13.4	59.4	20.4	3.5	3.3	4.7

Investments - Bond Portfolio (Continued ...)

Bond Distribution By Issuer Type

	2012	2011	2010	2009	2008
Bonds (000)	18,907,467	18,985,096	18,919,367	18,856,255	18,080,265
US Government	26.1	19.3	13.9	13.0	11.5
Foreign Government	2.6	2.4	2.0	1.1	...
Foreign-All Other	8.3	7.4	7.3	8.0	5.6
State/Special Revenue-US	22.6	20.8	18.8	21.6	27.1
Industrial and Misc-US	40.4	50.1	57.9	56.2	55.8

2012 Bond Distribution By Issuer Type



Bond Percent Private vs Public

	2012	2011	2010	2009	2008
Private Issues	11.1	9.8	9.1	7.4	5.4
Public Issues	88.9	90.2	90.9	92.6	94.6

Bond Quality Percent

	2012	2011	2010	2009	2008
Class 1	90.3	92.1	90.9	92.4	91.4
Class 2	8.9	7.4	7.8	6.9	8.1
Class 3	0.4	0.4	0.6	0.7	0.4
Class 4	0.3	...	0.2	...	...
Class 5	0.1	...	0.5	...	...
Class 6	...	...	...	...	0.1

Investments - Equity Portfolio

	2012	2011	2010	2009	2008
Total Stocks(000)	2,123,025	2,069,141	2,165,749	2,415,783	2,593,949
Unaffiliated Common	33.4	32.6	37.2	29.5	31.8
Affiliated Common	66.6	67.4	62.8	70.5	65.5
Unaffiliated Preferred	...	...	...	...	2.7

Investments - Mortgage Loans And Real Estate

	2012	2011	2010	2009	2008
Mortgage Loans and Real Estate (000)	25,458
Property Held for Income	100.0

Investments - Other Invested Assets

	2012	2011	2010	2009	2008
Other Invested Assets(000)	3,379,670	2,308,369	3,040,349	2,595,032	1,984,208
Cash	21.5	-5.6	9.7	3.1	3.3
Short-Term	3.7	4.6	6.6	17.0	5.9
Schedule BA Assets	60.2	89.5	67.9	75.4	85.7
All Other	14.5	11.4	15.8	4.5	5.1

History

Zurich Insurance Company was incorporated in Zurich, Switzerland, in 1872. It entered the United States (through the State of New York) in October 1912 and began writing business in January 1913.

Prior to June 1955, the company operated under the title Zurich General Accident and Liability Insurance Company, Ltd. Up until January 20, 1999, it operated under the title Zurich Insurance Company as a U.S. Branch of its parent, Zurich Insurance Company, Switzerland. The company was incorporated on June 3, 1998. The company domesticated in New York and the company became a separate legal entity and its current title was adopted effective December 31, 1998.

Administrative offices were moved in early 1980 from Chicago to Schaumburg, Ill.

Capital stock of \$5,000,000 consists of 5,000 shares authorized at \$1,000 par value each. All authorized shares are issued and outstanding.

The company is a member of the Zurich U.S. pool.

Management

Zurich American Insurance Company is owned by Zurich Holding Company of America, Inc. which is, in turn, approximately 99.9% owned by the Zurich Insurance Company LTD. Zurich Insurance Company LTD is then owned by Zurich Insurance Group LTD.

The company is the lead property / casualty company of the Zurich U.S. pool.

Officers And Directors

Officers

CEO Michael T. Foley
President Nancy D. Mueller
EVP and CFO Dalynn J. Hoch
EVP and Chief Actuary Bob Effinger
EVP and General Counsel Dennis F. Kerrigan, Jr.
EVP Craig J. Fundum

EVP Mary Merkel
EVP Earl Randall Clouser
EVP Daniel W. Riordan
EVP Bryan J. Salvatore
EVP Kathleen A. Savio
Treasurer Robert J. Burne

Directors

Michael T. Foley (Chairman)
Craig J. Fundum
Steve Hatch
Dalynn J. Hoch
Richard P. Kearns
Dennis F. Kerrigan, Jr.
Mary R. Merkel

Nancy D. Mueller
Earl Randall Clouser
Daniel W. Riordan
Bryan Salvatore
Kathleen A. Savio
Mark Talbot

Regulatory

An examination of the financial condition is being made as of December 31, 2011, by the insurance department of New York. The 2012 annual independent audit of the company was conducted by PricewaterhouseCoopers, LLP. The annual statement of actuarial opinion is provided by Bob D. Effinger, Executive Vice President and Chief Actuary.

Reinsurance

The following text is derived from A.M. Best's Credit Report on Zurich U.S. Pool (AMB# 004430).

Reinsurance facilities are maintained, with excess of loss, quota share and catastrophe contracts protecting all members of the Zurich U.S. Pool.

Property: The maximum net exposure on any single property risk for Zurich U.S. Pool is \$75,000,000 with the exception of hospital and HPR risks, whose maximum net and unreinsured limit is \$250,000,000 (with no more than \$75,000,000 exposed within the estimated maximum loss [EML]). Property per risk reinsurance provides coverage for losses above \$50,000,000 up to \$315,000,000 and is fully placed with varying levels of second occurrence coverage. HPR business is eligible for an additional \$250,000,000 in reinsurance excess of \$315,000,000 via an automatic facultative arrangement.

Property Catastrophe: Reinsurance provides coverage for losses above \$750,000,000 up to \$2,000,000,000 per occurrence for U.S. wind and is partially placed. Second event coverage is available at the same co-participation and limit. Catastrophe reinsurance is also provided for the peril of earthquake (including California, Pacific Northwest, New Madrid, and Canada) for losses above \$650,000,000 up to \$950,000,000 per occurrence and is partially placed. Second event coverage is available at the same terms and structure. Additional California catastrophe coverage, predominately earthquake, is available for program-produced business for losses in excess of \$200,000,000 up to \$600,000,000 (renewed for losses in excess of \$150,000,000 up to \$500,000,000 at April 1, 2012). This cover inures to the benefit of the Zurich U.S. Pool catastrophe cover. Second event coverage is available at the same terms and structure.

Casualty: The maximum net retained for casualty business is \$75,000,000 per occurrence with the exception of statutory workers' compensation. Casualty reinsurance provides coverage for losses above \$10,000,000 up to \$50,000,000 and is partially placed.

Specialty Lines: Surety reinsurance provides coverage for losses above \$50,000,000 and is fully placed. Political risk and trade credit reinsurance provides coverage for losses on a ground-up quota share basis and is partially placed. Excess trade credit reinsurance provides coverage for losses on a ground-up quota share basis and is partially placed.

Terrorism: Reinsurance provides coverage for multi-line business (excluding workers' compensation) for losses above \$300,000,000 in aggregate, inclusive of nuclear, biological, chemical and radioactive causes of loss, and is partially placed. (Renewed to include Workers' Compensation at January 1, 2012.)

Workers' Compensation: Indexed catastrophe coverage provides for workers' compensation catastrophe protection, including terrorism, industrial accident and natural catastrophes on an occurrence basis for losses in excess of \$200,000,000 inclusive of nuclear, biological, chemical and radioactive causes of loss, and is partially placed. (Non-renewed at January 1, 2012, with Workers' Compensation coverage now included in above Terrorism cover).

Energy: Reinsurance provides coverage for on-shore property, exploration and production, and casualty losses on both a quota share and excess of loss basis and is partially placed.

Balance Sheet (\$000)

Admitted Assets	12/31/2012	12/31/2011	2012 %	2011 %
Bonds	18,907,467	18,985,096	63.0	66.1
Preferred Stock	...	259	...	...
Common Stock	708,591	674,481	2.4	2.3
Cash & Short-Term Invest	854,351	-21,418	2.8	-0.1
Real estate, investment	...	...	...	...
Derivatives	...	...	...	...
Other Non-Affil Inv Asset	1,618,318	1,422,787	5.4	5.0
Investments in Affiliates	2,321,434	2,301,401	7.7	8.0
Real Estate, Offices	...	...	...	...
Total Invested Assets	24,410,162	23,362,606	81.3	81.3
Premium Balances	3,649,247	3,611,868	12.2	12.6
Accrued Interest	121,730	149,372	0.4	0.5
Life department	...	...	...	...
All Other Assets	1,829,940	1,605,318	6.1	5.6
Total Assets	30,011,079	28,729,165	100.0	100.0
Liabilities & Surplus	12/31/2012	12/31/2011	2012 %	2011 %
Loss & LAE Reserves	14,244,436	14,401,632	47.5	50.1
Unearned Premiums	4,159,670	4,066,274	13.9	14.2
Conditional Reserve Funds	66,649	60,498	0.2	0.2
Derivatives	...	...	...	...
Life department	...	...	...	...
All Other Liabilities	3,898,063	3,181,982	13.0	11.1
Total Liabilities	22,368,819	21,710,386	74.5	75.6
Surplus notes	430,000	883,000	1.4	3.1
Capital & Assigned Surplus	4,442,390	4,795,570	14.8	16.7
Unassigned Surplus	2,769,870	1,340,210	9.2	4.7
Total Policyholders' Surplus	7,642,260	7,018,779	25.5	24.4
Total Liabilities & Surplus	30,011,079	28,729,165	100.0	100.0

Interim Balance Sheet (\$000)

Admitted Assets	03/31/2013	06/30/2013
Bonds	19,771,959	19,254,147
Preferred Stock	...	...
Common Stock	2,069,629	2,000,346
Cash & Short-Term Invest	406,899	465,488
Other Investments	2,660,420	2,677,206
Total Invested Assets	24,908,906	24,397,187
Premium Balances	3,228,529	3,759,412
Accrued Interest	112,685	121,370
Reinsurance Funds	417,860	430,811
All Other Assets	1,592,528	1,510,511
Total Assets	30,260,508	30,219,291
Liabilities & Surplus	03/31/2013	06/30/2013
Loss & LAE Reserves	13,870,825	13,789,086
Unearned Premiums	4,358,030	4,605,984
Conditional Reserve Funds	197,146	179,409
All Other Liabilities	3,978,836	4,213,132
Total Liabilities	22,404,837	22,787,611
Capital & Assigned Surp	4,870,132	4,441,064
Unassigned Surplus	2,985,538	2,990,615
Total Policyholders' Surplus	7,855,671	7,431,679
Total Liabilities & Surplus	30,260,508	30,219,291

Summary Of 2012 Operations (\$000)

Statement of Income	12/31/2012	Funds Provided from Operations	12/31/2012
Premiums earned	4,386,725	Premiums collected	4,691,155
Losses incurred	2,882,554	Benefit & loss-related pmts	2,864,667
LAE incurred	707,705		
Undwr expenses incurred	874,635	LAE & undwr expenses paid	1,678,821
Other expenses incurred	...	Other income / expense	...
Dividends to policyholders	3,155	Dividends to policyholders	5,265
Net underwriting income	-81,324	Underwriting cash flow	142,403
		Net transfer	...
Net investment income	781,311	Investment income	886,961
Other income/expense	-46,529	Other income/expense	-22,136
Pre-tax operating income	653,458	Pre-tax cash operations	1,007,227
Realized capital gains	462,115		
Income taxes incurred	-40,974	Income taxes pd (recov)	416
Net income	1,156,547	Net oper cash flow	1,006,811

Interim Income Statement (\$000)

	Period Ended 06/30/2013	Period Ended 06/30/2012	Increase / Decrease
Premiums earned	2,169,925	2,059,556	110,368
Losses incurred	1,206,200	1,208,999	-2,799
LAE incurred	397,529	353,021	44,508
Undwr expenses incurred	386,516	429,690	-43,174
Other expenses incurred	...	...	...
Dividends to policyholders	1,947	1,550	396
Net underwriting income	177,733	66,296	111,437
Net investment income	299,259	372,241	-72,982
Other income/expense	-3,649	-16,966	13,317
Pre-tax operating income	473,343	421,571	51,772
Realized capital gains	47,972	71,462	-23,490
Income taxes incurred	8,607	3,123	5,484
Net income	512,707	489,909	22,798

Interim Cash Flow (\$000)

	Period Ended 06/30/2013	Period Ended 06/30/2012	Increase / Decrease
Premiums collected	2,764,209	2,228,039	536,171
Benefit & loss-related pmts	2,006,739	1,564,447	442,292
LAE & undwr expenses paid	881,131	910,122	-28,990
Dividends to policyholders	2,528	2,580	-52
Underwriting cash flow	-126,189	-249,111	122,922
Net transfer	...	...	...
Investment income	350,968	413,879	-62,911
Other income/expense	-3,031	5,854	-8,885
Pre-tax cash operations	221,748	170,622	51,126
Income taxes pd (recov)	1,795	...	1,795
Net oper cash flow	219,952	170,622	49,331

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