



ANNUAL STATEMENT

For the Year Ended December 31, 2012

OF THE CONDITION AND AFFAIRS OF THE

UNIVERSAL INSURANCE COMPANY

NAIC Group Code	0071 <small>(Current Period)</small>	0071 <small>(Prior Period)</small>	NAIC Company Code	31704	Employer's ID Number	66-0313825
Organized under the Laws of	Puerto Rico		State of Domicile or Port of Entry	Puerto Rico		
Country of Domicile	United States					
Incorporated/Organized	05/15/1971		Commenced Business	03/01/1972		
Statutory Home Office	Metro Office Park, Street 1, Lot 10 <small>(Street and Number)</small>			Guaynabo, PR, US 00968 <small>(City or Town, State, Country and Zip Code)</small>		
Main Administrative Office	Metro Office Park, Street 1, Lot 10 <small>(Street and Number)</small>					
	Guaynabo, PR, US 00968 <small>(City or Town, State, Country and Zip Code)</small>			(787)706-7155 <small>(Area Code) (Telephone Number)</small>		
Mail Address	GPO Box 71338 <small>(Street and Number or P.O. Box)</small>			San Juan, PR, US 00936 <small>(City or Town, State, Country and Zip Code)</small>		
Primary Location of Books and Records	Metro Office Park, Street 1, Lot 10 <small>(Street and Number)</small>					
	Guaynabo, PR, US 00968 <small>(City or Town, State, Country and Zip Code)</small>			(787)282-1722 <small>(Area Code) (Telephone Number)</small>		
Internet Website Address	www.universalpr.com					
Statutory Statement Contact	Linda Viera Orengo <small>(Name)</small>			(787)282-1722 <small>(Area Code)(Telephone Number)(Extension)</small>		
	orodriguez@universalpr.com <small>(E-Mail Address)</small>			(787)620-4205 <small>(Fax Number)</small>		

OFFICERS

Name	Title
Monique Miranda Merle	President
Josely Vega	Secretary
Maritere Jimenez	Treasurer

OTHERS

Maria Vale, Vice President
Linda Viera Orengo, Vice President
Brenda Rivera, Vice President #

Jorge Amadeo Pérez, Vice President
Joe Ortiz, Vice President #

DIRECTORS OR TRUSTEES

Plinio Perez Marrero
Monique Miranda Merle
Jorge J Amadeo López

Donald Kevane
Jorge J Amadeo Pérez #
Rafael Rodriguez

State of _____
County of _____ ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) Monique Miranda Merle	(Signature) Josely Vega	(Signature) Maritere Jimenez
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President	Secretary	Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me this _____ day of _____, 2013

- a. Is this an original filing?
b. If no, 1. State the amendment number
2. Date filed
3. Number of pages attached

Yes[X] No[]

(Notary Public Signature)

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1-2)	4 Net Admitted Assets
1. Bonds (Schedule D)	463,887,096		463,887,096	529,616,880
2. Stocks (Schedule D)				
2.1 Preferred stocks	35,000		35,000	26,600
2.2 Common Stocks	58,276,181		58,276,181	15,618,243
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....15,000,000 encumbrances)	56,429,551	1,169,181	55,260,370	52,303,510
4.2 Properties held for the production of income (less \$.....0 encumbrances)				
4.3 Properties held for sale (less \$.....0 encumbrances)	4,155,760		4,155,760	4,155,760
5. Cash (\$.....32,118,748 Schedule E Part 1), cash equivalents (\$.....34,893,483 Schedule E Part 2) and short-term investments (\$.....0 Schedule DA)	67,012,230		67,012,230	62,191,108
6. Contract loans (including \$.....0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	35,322,887		35,322,887	7,204,468
9. Receivables for securities				
10. Securities Lending Reinvested Collateral Assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	685,118,705	1,169,181	683,949,524	671,116,569
13. Title plants less \$.....0 charged off (for Title insurers only)				
14. Investment income due and accrued	4,086,928		4,086,928	4,792,594
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	45,427,029	3,118,321	42,308,708	43,026,743
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)	11,869,577	134,196	11,735,381	12,454,099
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	3,907,348		3,907,348	6,307,785
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	510,294		510,294	
18.2 Net deferred tax asset	71,844		71,844	369,438
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software	2,785,240	1,600,815	1,184,425	1,184,796
21. Furniture and equipment, including health care delivery assets (\$.....0)	3,807,131	3,807,131		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	24,653,255		24,653,255	23,514,984
24. Health care (\$.....0) and other amounts receivable	8,343,636	2,464,750	5,878,886	6,897,437
25. Aggregate write-ins for other than invested assets				
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	790,580,987	12,294,394	778,286,593	769,664,445
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	790,580,987	12,294,394	778,286,593	769,664,445
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Other				
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)				

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	53,176,506	53,383,423
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)		
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	13,703,989	14,786,384
4. Commissions payable, contingent commissions and other similar charges	799,331	989,618
5. Other expenses (excluding taxes, licenses and fees)	3,484,092	3,238,867
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	22,153	36,471
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses))		219,928
7.2 Net deferred tax liability		
8. Borrowed money \$.....119,939,500 and interest thereon \$.....23,560	119,963,060	132,405,118
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....28,304,954 and including warranty reserves of \$.....0 and accrued accident and health experience rating refunds including \$.....0 for medical loss ratio rebate per the Public Health Service Act)	123,115,059	125,567,575
10. Advance premiums	171,752,838	165,949,856
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	8,169,621	11,959,980
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	3,980,834	4,800,838
15. Remittances and items not allocated		
16. Provision for reinsurance (including (\$.....0 certified)) (Schedule F, Part 8)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	1,333,487	3,882,199
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending		
23. Liability for amounts held under uninsured plans		
24. Capital notes \$.....0 and interest thereon \$.....0		
25. Aggregate write-ins for liabilities	19,930,807	505,742
26. TOTAL Liabilities excluding protected cell liabilities (Lines 1 through 25)	519,431,777	517,725,999
27. Protected cell liabilities		
28. TOTAL Liabilities (Lines 26 and 27)	519,431,777	517,725,999
29. Aggregate write-ins for special surplus funds	52,691,435	49,598,094
30. Common capital stock	2,800,000	2,800,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	76,627,486	40,107,836
35. Unassigned funds (surplus)	126,735,895	159,432,516
36. Less treasury stock, at cost:		
36.10 shares common (value included in Line 30 \$.....0)		
36.20 shares preferred (value included in Line 31 \$.....0)		
37. Surplus as regards policyholders (Lines 29 to 35, minus 36) (Page 4, Line 39)	258,854,816	251,938,446
38. TOTALS (Page 2, Line 28, Column 3)	778,286,593	769,664,445
DETAILS OF WRITE-INS		
2501. Other liability		505,742
2502. Unsettled investment	19,930,807	
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	19,930,807	505,742
2901. Catastrophe Insurance pursuant to Chapter 25 of the Insurance Code of P.R.	52,691,435	49,598,094
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above)	52,691,435	49,598,094
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. TOTALS (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	210,943,725	214,889,846
DEDUCTIONS		
2. Losses incurred (Part 2, Line 35, Column 7)	121,228,367	120,003,389
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	23,046,914	23,193,545
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	71,054,821	70,537,165
5. Aggregate write-ins for underwriting deductions		
6. TOTAL Underwriting Deductions (Lines 2 through 5)	215,330,102	213,734,099
7. Net income of protected cells		
8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7)	(4,386,377)	1,155,747
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	20,536,409	21,717,734
10. Net realized capital gains (losses) less capital gains tax of \$.....0 (Exhibit of Capital Gains (Losses))	5,165,417	6,048,882
11. Net investment gain or (loss) (Lines 9 + 10)	25,701,826	27,766,616
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0)		
13. Finance and service charges not included in premiums	785,501	869,479
14. Aggregate write-ins for miscellaneous income	2,986,087	(359,303)
15. TOTAL Other Income (Lines 12 through 14)	3,771,588	510,176
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	25,087,037	29,432,539
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	25,087,037	29,432,539
19. Federal and foreign income taxes incurred	(127,339)	879,725
20. Net income (Line 18 minus Line 19) (to Line 22)	25,214,376	28,552,814
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	251,938,446	245,350,043
22. Net income (from Line 20)	25,214,376	28,552,814
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....0	1,045,411	(589,289)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(162,252)	163,585
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets Line 28, Column 3)	377,929	(478,880)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in	36,519,650	
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(56,000,000)	(20,000,000)
36. Change in treasury stock (Page 3, Line 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	(78,743)	(1,059,827)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	6,916,371	6,588,403
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37)	258,854,816	251,938,446
DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)		
1401. Other income (expense)	2,986,087	(359,303)
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)	2,986,087	(359,303)
3701. Portion of Catastrophe Reserve		(1,532,949)
3702. Other	(78,743)	473,122
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Lines 37 above)	(78,743)	(1,059,827)

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance	211,490,616	193,344,304
2.	Net investment income	24,793,641	22,994,423
3.	Miscellaneous income	3,771,588	510,176
4.	Total (Lines 1 through 3)	240,055,845	216,848,903
5.	Benefit and loss related payments	119,034,837	126,062,727
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	95,143,510	95,458,020
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	467,541	627,559
10.	Total (Lines 5 through 9)	214,645,888	222,148,306
11.	Net cash from operations (Line 4 minus Line 10)	25,409,957	(5,299,403)
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	541,836,792	333,304,832
12.2	Stocks	4,921,084	1,398,954
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets	257,616	
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds	229,740	1,153,335
12.8	Total investment proceeds (Lines 12.1 to 12.7)	547,245,232	335,857,121
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	473,302,803	310,318,556
13.2	Stocks	43,652,070	4,205,643
13.3	Mortgage loans		
13.4	Real estate	4,881,870	3,589,025
13.5	Other invested assets	30,568,903	7,204,468
13.6	Miscellaneous applications	143,770	83,789
13.7	Total investments acquired (Lines 13.1 to 13.6)	552,549,416	325,401,481
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(5,304,184)	10,455,640
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock	36,519,650	
16.3	Borrowed funds	(12,442,058)	78,930,505
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders	56,000,000	20,000,000
16.6	Other cash provided (applied)	16,637,757	(18,917,646)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(15,284,651)	40,012,859
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	4,821,122	45,169,096
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	62,191,108	17,022,012
19.2	End of year (Line 18 plus Line 19.1)	67,012,230	62,191,108

Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001		
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UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

Line of Business	1 Net Premiums Written Per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Column 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Column 5, Part 1A	4 Premiums Earned During Year (Columns 1 + 2 - 3)
1. Fire	437,297	495,219	591,307	341,209
2. Allied lines	1,683,506	1,492,231	1,641,007	1,534,730
3. Farmowners multiple peril				
4. Homeowners multiple peril	21,530,687	11,596,932	11,906,904	21,220,715
5. Commercial multiple peril	22,431,560	16,104,279	15,336,807	23,199,032
6. Mortgage guaranty				
8. Ocean marine	144,661	132,710	124,248	153,123
9. Inland marine	209,373	265,723	209,399	265,697
10. Financial guaranty				
11.1 Medical professional liability - occurrence				
11.2 Medical professional liability - claims-made				
12. Earthquake	1,888,174	1,812,231	1,976,239	1,724,166
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation				
17.1 Other liability - occurrence	6,122,270	2,603,655	3,010,234	5,715,691
17.2 Other liability - claims-made				
17.3 Excess Workers' Compensation				
18.1 Products liability - occurrence	494,255	268,314	270,481	492,088
18.2 Products liability - claims-made				
19.1 19.2 Private passenger auto liability	14,155,375	8,464,923	7,772,375	14,847,923
19.3 19.4 Commercial auto liability	14,221,144	6,898,980	6,966,994	14,153,130
21. Auto physical damage	123,096,573	73,939,963	71,734,812	125,301,724
22. Aircraft (all perils)				
23. Fidelity	262	26	97	191
24. Surety	2,074,624	1,488,872	1,572,324	1,991,172
26. Burglary and theft				
27. Boiler and machinery	2,295	3,517	1,831	3,981
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property				
32. Reinsurance-Nonproportional Assumed Liability				
33. Reinsurance-Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business	(847)			(847)
35. TOTALS	208,491,209	125,567,575	123,115,059	210,943,725
DETAILS OF WRITE-INS				
3401. Title Insurance	(847)			(847)
3402. Mechanical Breakdown				
3403.				
3498. Summary of remaining write-ins for Line 34 from overflow page				
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above)	(847)			(847)

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

	1 Amount Unearned (Running One Year or Less From Date of Policy) (a)	2 Amount Unearned (Running More Than One Year From Date of Policy) (a)	3 Earned But Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve For Unearned Premiums Columns 1 + 2 + 3 + 4
Line of Business					
1. Fire	591,307				591,307
2. Allied lines	1,641,007				1,641,007
3. Farmowners multiple peril					
4. Homeowners multiple peril	11,906,904				11,906,904
5. Commercial multiple peril	15,336,807				15,336,807
6. Mortgage guaranty					
8. Ocean marine	124,248				124,248
9. Inland marine	209,399				209,399
10. Financial guaranty					
11.1 Medical professional liability - occurrence					
11.2 Medical professional liability - claims-made					
12. Earthquake	1,976,239				1,976,239
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation					
17.1 Other liability - occurrence	3,010,234				3,010,234
17.2 Other liability - claims-made					
17.3 Excess Workers' Compensation					
18.1 Products liability - occurrence	270,481				270,481
18.2 Products liability - claims-made					
19.1 19.2 Private passenger auto liability	7,772,375				7,772,375
19.3 19.4 Commercial auto liability	6,966,994				6,966,994
21. Auto physical damage	62,974,974	8,759,838			71,734,812
22. Aircraft (all perils)					
23. Fidelity	97				97
24. Surety	1,572,324				1,572,324
26. Burglary and theft					
27. Boiler and machinery	1,831				1,831
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-Nonproportional Assumed Property					
32. Reinsurance-Nonproportional Assumed Liability					
33. Reinsurance-Nonproportional Assumed Financial Lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	114,355,221	8,759,838			123,115,059
36. Accrued retrospective premiums based on experience					
37. Earned but unbilled premiums					
38. Balance (Line 35 through Line 37)					123,115,059
DETAILS OF WRITE-INS					
3401.					
3402.					
3403.					
3498. Summary of remaining write-ins for Line 34 from overflow page					
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above)					

(a) State here basis of computation used in each case: Pro rata

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Columns 1+2+3+4-5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire	2,577,858				2,140,561	437,297
2. Allied lines	11,121,817				9,438,311	1,683,506
3. Farmowners multiple peril						
4. Homeowners multiple peril	29,177,285				7,646,598	21,530,687
5. Commercial multiple peril	56,914,732				34,483,172	22,431,560
6. Mortgage guaranty						
8. Ocean marine	681,186				536,525	144,661
9. Inland marine	1,077,971				868,598	209,373
10. Financial guaranty						
11.1 Medical professional liability - occurrence						
11.2 Medical professional liability - claims-made						
12. Earthquake	8,299,114				6,410,940	1,888,174
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation						
17.1 Other liability - occurrence	9,717,373				3,595,103	6,122,270
17.2 Other liability - claims-made						
17.3 Excess Workers' Compensation						
18.1 Products liability - occurrence	507,778				13,523	494,255
18.2 Products liability - claims-made						
19.1 19.2 Private passenger auto liability	14,536,749				381,374	14,155,375
19.3 19.4 Commercial auto liability	14,879,394				658,250	14,221,144
21. Auto physical damage	125,153,777				2,057,204	123,096,573
22. Aircraft (all perils)						
23. Fidelity	1,042				780	262
24. Surety	3,484,850				1,410,226	2,074,624
26. Burglary and theft						
27. Boiler and machinery	59,081				56,786	2,295
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X					
32. Reinsurance-Nonproportional Assumed Liability	X X X					
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business	(847)					(847)
35. TOTALS	278,189,160				69,697,951	208,491,209
DETAILS OF WRITE-INS						
3401. Titla Insurance	(847)					(847)
3402.						
3403.						
3498. Summary of remaining write-ins for Line 34 from overflow page						
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above)	(847)					(847)

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [] No[X]

If yes, (1) The amount of such installment premiums \$.....0.

(2) Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$.....0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Column 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Columns 4 + 5 - 6)	8 Percentage of Losses Incurred (Column 7, Part 2) to Premiums Earned (Column 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Columns 1 + 2 - 3)				
1. Fire	352,446		178,827	173,619	73,286	88,986	157,919	46.28
2. Allied lines	423,853		364,634	59,219	59,062	53,262	65,019	4.24
3. Farmowners multiple peril								
4. Homeowners multiple peril	11,426,784		1,252,934	10,173,850	4,186,551	3,348,832	11,011,569	51.89
5. Commercial multiple peril	14,983,620		5,188,151	9,795,469	23,139,452	21,657,923	11,276,998	48.61
6. Mortgage guaranty								
8. Ocean marine	105,264		44,911	60,353	6,305	7,505	59,153	38.63
9. Inland marine	501,662		283,441	218,221	61,544	194,493	85,272	32.09
10. Financial guaranty								
11.1 Medical professional liability - occurrence								
11.2 Medical professional liability - claims-made								
12. Earthquake	2,760		1,380	1,380	1,350	2,950	(220)	(0.01)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation								
17.1 Other liability - occurrence	1,133,423		(130,307)	1,263,730	5,719,410	6,198,458	784,682	13.73
17.2 Other liability - claims-made								
17.3 Excess Workers' Compensation								
18.1 Products liability - occurrence								
18.2 Products liability - claims made								
19.1 19.2 Private passenger auto liability	10,133,088		179,831	9,953,257	5,932,469	7,206,466	8,679,260	58.45
19.3 19.4 Commercial auto liability	8,563,757		266,314	8,297,443	10,667,296	10,366,432	8,598,307	60.75
21. Auto physical damage	80,673,600		87,902	80,585,698	4,339,424	4,636,199	80,288,923	64.08
22. Aircraft (all perils)								
23. Fidelity								
24. Surety	1,041,373		255,061	786,312	(1,079,245)	(444,084)	151,151	7.59
26. Burglary and theft					1	1		
27. Boiler and machinery								
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-Nonproportional Assumed Property	X X X							
32. Reinsurance-Nonproportional Assumed Liability	X X X							
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
34. Aggregate write-ins for other lines of business	66,733			66,733	69,601	66,000	70,334	(8,303.90)
35. TOTALS	129,408,363		7,973,079	121,435,284	53,176,506	53,383,423	121,228,367	57.47
DETAILS OF WRITE-INS								
3401. Mechanical Breakdown	66,733			66,733	3,101		69,834	(8,244.86)
3402. Title Insurance					66,500	66,000	500	
3403.								
3498. Summary of remaining write-ins for Line 34 from overflow page								
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above)	66,733			66,733	69,601	66,000	70,334	(8,303.90)

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Columns 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excluding Incurred But Not Reported (Columns 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	10,001		3,640	6,361	130,861		63,936	73,286	44,072
2. Allied Lines	83,000		75,400	7,600	438,117		386,655	59,062	101,658
3. Farmowners multiple peril									
4. Homeowners multiple peril	2,483,688		84,120	2,399,568	2,239,260		452,277	4,186,551	1,010,942
5. Commercial multiple peril	19,412,588		1,614,165	17,798,423	7,245,367		1,904,338	23,139,452	3,331,865
6. Mortgage guaranty									
8. Ocean marine	1,416			1,416	5,097		208	6,305	1,292
9. Inland marine	17,600		7,631	9,969	242,650		191,075	61,544	103,018
10. Financial guaranty									
11.1 Medical professional liability - occurrence									
11.2 Medical professional liability - claims-made									
12. Earthquake	2,700		1,350	1,350				1,350	
13. Group accident & health								(a)	
14. Credit accident & health (group & individual)								(a)	
15. Other accident & health									
16. Workers' compensation									
17.1 Other liability - occurrence	9,281,019		5,002,827	4,278,192	2,204,788		763,570	5,719,410	1,211,691
17.2 Other liability - claims-made									
17.3 Excess Workers' Compensation									
18.1 Products liability - occurrence									
18.2 Products liability - claims-made									
19.1 19.2 Private passenger auto liability	4,195,301		194,871	4,000,430	2,013,747		81,708	5,932,469	1,636,258
19.3 19.4 Commercial auto liability	8,336,716		175,296	8,161,420	2,533,872		27,996	10,667,296	1,961,837
21. Auto physical damage	4,799,636		5,179	4,794,457	(698,679)		(243,646)	4,339,424	3,786,689
22. Aircraft (all perils)									
23. Fidelity									
24. Surety	(3,682,379)		(2,395,663)	(1,286,716)	711,621		504,150	(1,079,245)	478,497
26. Burglary and theft	1			1				1	
27. Boiler and machinery									
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Liability	X X X				X X X				
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
34. Aggregate write-ins for other lines of business	3,601			3,601	66,000			69,601	36,170
35. TOTALS	44,944,888		4,768,816	40,176,072	17,132,701		4,132,267	53,176,506	13,703,989
DETAILS OF WRITE-INS									
3401. Mechanical Breakdown	3,101			3,101				3,101	
3402. Title Insurance	500			500	66,000			66,500	36,170
3403.									
3498. Summary of remaining write-ins for Line 34 from overflow page									
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above)	3,601			3,601	66,000			69,601	36,170

(a) Including \$.....0 for present value of life indemnity claims.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	2,460,524			2,460,524
1.2 Reinsurance assumed				
1.3 Reinsurance ceded	1,703,846			1,703,846
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	756,678			756,678
2. Commission and brokerage:				
2.1 Direct, excluding contingent		54,322,787		54,322,787
2.2 Reinsurance assumed, excluding contingent				
2.3 Reinsurance ceded, excluding contingent		15,734,794		15,734,794
2.4 Contingent - direct		381,060		381,060
2.5 Contingent - reinsurance assumed				
2.6 Contingent - reinsurance ceded		2,348,117		2,348,117
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)		36,620,936		36,620,936
3. Allowances to manager and agents				
4. Advertising	572,247	3,225,335	192	3,797,774
5. Boards, bureaus and associations	69,675	827,522		897,197
6. Surveys and underwriting reports		8,152		8,152
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	10,744,140	12,519,503	270,280	23,533,923
8.2 Payroll taxes	871,169	1,025,841	21,445	1,918,455
9. Employee relations and welfare	1,840,276	2,390,223	52,568	4,283,067
10. Insurance	243,670	507,239	8,393	759,302
11. Directors' fees	1,706	14,150		15,856
12. Travel and travel items	1,114,746	1,027,350	20,753	2,162,849
13. Rent and rent items	1,934,521	2,094,043	32,305	4,060,869
14. Equipment	843,508	1,278,696	29,115	2,151,319
15. Cost or depreciation of EDP equipment and software	716,584	496,414	3,706	1,216,704
16. Printing and stationery	1,140,462	1,355,500	6,253	2,502,215
17. Postage, telephone and telegraph, exchange and express	565,781	793,895	11,478	1,371,154
18. Legal and auditing	94,821	644,070	162,382	901,273
19. TOTALS (Lines 3 to 18)	20,753,306	28,207,933	618,870	49,580,109
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....0				
20.2 Insurance department licenses and fees	42,280	191,203		233,483
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)	1,380	74,163	2,508	78,051
20.5 TOTAL taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)	43,660	265,366	2,508	311,534
21. Real estate expenses	508,566	204,361	1,070,255	1,783,182
22. Real estate taxes	352,513	197,936	428	550,877
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	632,191	5,558,289	976,420	7,166,900
25. TOTAL expenses incurred	23,046,914	71,054,821	2,668,481	(a) 96,770,216
26. Less unpaid expenses - current year	13,703,989	4,248,125		17,952,114
27. Add unpaid expenses - prior year	14,786,384	4,264,956		19,051,340
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	24,129,309	71,071,652	2,668,481	97,869,442
DETAILS OF WRITE-INS				
2401. Other	632,191	2,534,797	976,420	4,143,408
2402. AAI Home & Road Assistance Service Fees		1,765,099		1,765,099
2403. Goodwill amortization		1,258,393		1,258,393
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. TOTALS (Lines 2401 through 2403 plus 2498) (Line 24 above)	632,191	5,558,289	976,420	7,166,900

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 10,811,330	10,024,108
1.1	Bonds exempt from U.S. tax	(a) 4,506,188	4,264,803
1.2	Other bonds (unaffiliated)	(a) 4,678,013	5,051,162
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	743,476	743,476
2.21	Common stocks of affiliates	3,000,000	3,000,000
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 227,319	180,084
7.	Derivative instruments	(f)	
8.	Other invested assets	(58,744)	(58,744)
9.	Aggregate write-ins for investment income		
10.	Total gross investment income	23,907,583	23,204,890
11.	Investment expenses		(g) 2,668,481
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15)		2,668,481
17.	Net Investment income (Line 10 minus Line 16)		20,536,409

DETAILS OF WRITE-INS

0901.			
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page		
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)		
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above)		

- (a) Includes \$.....605,212 accrual of discount less \$.....(2,470,287) amortization of premium and less \$.....1,290,064 paid for accrued interest on purchases.
(b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
(c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
(d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
(e) Includes \$.....16 accrual of discount less \$.....(20,701) amortization of premium and less \$.....0 paid for accrued interest on purchases.
(f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
(g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
(i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	1,134,089		1,134,089		
1.1	Bonds exempt from U.S. tax	923,344		923,344		
1.2	Other bonds (unaffiliated)	2,656,344	(10,719)	2,645,625		
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)				7,140	
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)	728,260		728,260	697,698	
2.21	Common stocks of affiliates				236,262	
3.	Mortgage loans					
4.	Real estate		(506,361)	(506,361)		
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments	78,741		78,741	78,743	
7.	Derivative instruments				25,568	
8.	Other invested assets	161,719		161,719		
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	5,682,497	(517,080)	5,165,417	1,045,411	

DETAILS OF WRITE-INS

0901.					
0902.					
0903.					
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)				

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	1,169,181	1,217,568	48,387
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)	1,169,181	1,217,568	48,387
13. Title plants (for Title insurers only)			
14. Invested income due and accrued			
15. Premium and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	3,118,321	2,593,718	(524,603)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	134,196	208,830	74,634
15.3 Accrued retrospective premiums			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset			
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	1,600,815	2,282,734	681,919
21. Furniture and equipment, including health care delivery assets	3,807,131	3,725,417	(81,714)
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable	2,464,750	2,644,056	179,306
25. Aggregate write-ins for other than invested assets			
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	12,294,394	12,672,323	377,929
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	12,294,394	12,672,323	377,929
DETAILS OF WRITE-INS			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Other			
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)			

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

- A. The accompanying financial statements of Universal Insurance Company (the Company) have been prepared on the basis of accounting practices prescribed or permitted by the Commissioner of Insurance of the Commonwealth of Puerto Rico (the Commissioner).

The Commissioner recognizes only statutory accounting practices prescribed or permitted by the Commonwealth of Puerto Rico for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Puerto Rico Insurance Code. The National Association of Insurance Commissioners' latest Accounting Practices and Procedures Manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the Commissioner. The Commissioner has adopted certain prescribed accounting practices which differ from those found in NAIC SAP, specifically, the deferred income tax arising from the temporary difference resulting from additions to the Catastrophe Loss Reserve which is deductible for tax purposes. For the year 2011 the Commissioner authorized the Company to withdraw approximately \$1.8 million from the Catastrophe Loss Reserve (the Reserve). According to the dispositions of Circular Letter Num. E-06-1611-2011, the amount withdrawn from the Reserve should be exclude from losses paid and therefore net income, and recognized as a reduction of aggregate write-ins for other than special surplus funds.

A reconciliation of the Company's capital and surplus and net income between NAIC SAP and practices prescribed and permitted by the Commissioner are shown below.

	12/31/2012	12/31/2011
Statutory Surplus, PR Insurance Code	258,854,816	251,938,446
Effect of PR prescribed practices		
Deferred tax provision resulting from additions to the catastrophe loss reserve which are deductible for tax purposes	(7,903,715)	(7,444,656)
Statutory Surplus, NAIC SAP basis	\$ 250,951,101	\$ 244,493,790

	12/31/2012	12/31/2011
Statutory Net Income, PR Insurance Code	25,214,376	28,552,814
Amount withdrawn from Catastrophe Reserve	-	(1,743,423)
Statutory Net Income, NAIC SAP basis	\$ 25,214,376	\$ 26,809,391

- B. Use of estimates in the preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.
- C. Accounting Policy
1. Short term investments are stated at market.
 2. Bonds are carried at amortized cost using the effective interest method.
 3. Common stocks are carried at market value. Declines in value are accounted in accordance with SSAP No. 30.
 4. Preferred stocks are stated at market.
 5. Mortgage Loans – Not applicable
 6. Prepayment assumptions for loan-backed securities were obtained from broker dealer survey values. The retrospective adjustment method is used to value all securities.
 7. Investments in subsidiary and affiliated are stated at statutory equity - Not applicable.
 8. Investments in joint ventures, partnerships and limited liability companies – Not applicable
 9. All derivatives are stated at fair value.

Notes to Financial Statements

10. The company use anticipated investment income as a factor in the premium deficiency test.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess or less than the amount provided. The methods for making such estimates and for establishing the resulting liability; are continually reviewed and any adjustments are reflected in the period determined.
12. The company has not modified its capitalization policy from the prior period.
13. Pharmaceutical Rebate Receivables – Not applicable

2. Accounting changes and corrections of errors

- A. Not applicable

3. Business combinations and goodwill

A. Statutory Purchase Method –

1. The Company received 100% of the outstanding stocks of Universal Life Insurance Company (ULICO) from Universal Group (parent company of Universal Insurance Company) through a capital contribution. The transfer and capital contribution were approved by the Commissioner of Insurance of Puerto Rico on June 27, 2012 however; the effective date of the transaction was January 1, 2012. ULICO is engaged in the life, annuity, and accident and health insurance business, generating the majority of its business from individual annuities, group life, group accident and health, and credit life policies.
2. The ULICO transaction was accounted for as statutory purchase.
3. The cost of ULICO transfer was \$36,519,650, resulting in goodwill of \$12,583,925 of which \$11,325,532 is unamortized.
4. Goodwill is amortized over ten years. Current year amortization expense amounts to \$1,258,393. Goodwill amortization is recorded as administrative expense.

- B. Statutory Merger - Not applicable
- C. Impairment Loss - Not applicable

4. Discontinued Operations – Not applicable

5. Investments

- A. Mortgage Loans - Not applicable
- B. Troubled Debt Restructuring for Creditors – Not applicable
- C. Reverse Mortgage – Not applicable
- D. Loan backed securities and structured securities -
 1. Prepayment assumptions for loan-backed securities were obtained from broker dealer survey values.
 2. No other-than-temporary impairments for loan-backed securities were recorded.
 3. The Company does not have any loan-backed and structured securities that were in a continuous unrealized loss position during the current period.
 4. All loan-backed and structured securities in an unrealized loss position, if any, were reviewed to determine whether other-than-temporary impairments should be recognized. The Company asserts that it has the intent and ability to hold these securities long enough to allow the cost basis of these securities to be recovered. These conclusions are supported by a detailed analysis of the underlying discounts. It is possible that the Company could recognize other-than-temporary impairments in the future on some of the securities credit and cash flows of each security. Unrealized losses are primarily attributable to credit spread widening and increased liquidity.
- E. Repurchase Agreement

Notes to Financial Statements

For repurchase agreements, the Company is required a minimum of 80% to 111% of the fair value of securities lend as collateral. Cash collateral received under repurchase agreements is invested in short-term investments, affiliates short-term loans. As of December 31, 2012, the Company has \$134,939,500 in repurchase agreements less \$15,000,000, encumbrances and these are classified as secured borrowings. The collateral, mostly U.S. Governmental Bonds with carrying value of \$131,081,470 and fair value of \$144,351,625, are included in the Balance Sheet and their maturities are in January, February and March 2013.

- F. Real Estate - Not applicable
- G. Low-income housing tax credits - Not applicable

6. Joint Ventures, Partnerships and Limited Liability Companies - Not applicable

7. Investment Income

- D. Accrued Investment Income –
The investment income is accrued as earned. Gains or losses on sale of securities are determined under the specific method.
- E. Amounts Nonadmitted – Not applicable

8. Derivative Instruments

In December 2002 the Company entered into an interest rate swap agreement to manage its exposure to interest rate movements by converting a portion of its debt and certain financing arrangements from variable rates to fixed rates. Maturity dates of interest swap agreement generally match those of the underlying debt or financing arrangements. This agreement, which has a maturity of up to 20 years, involved the exchange of variable rate payments for fixed rate payments without the exchange of the underlying principal amounts. Variable rates are based on three-month U.S. dollar libor and are reset on quarterly basis. The differential between variable and fixed rates to be paid or received is accrued as interest rates change in accordance with the agreement and recognized over the life of the agreement as an adjustment to interest expense. The notional principal amount of the interest rate swap outstanding was a loss of \$2,420,234 at December 31, 2012. The derivative instruments are recognized at fair market value and the resulted gains or losses are recorded as unrealized gain or losses. The company recognized a net unrealized loss of \$36,526 during the reporting period resulted from the repurchase agreement.

Notes to Financial Statements

9. Income Tax

The Company's current income tax is determined on the basis of Statutory Annual Statements filed with the insurance regulatory authorities. Also, operations are subject to an alternative minimum tax, which is calculated based on a formula established by the existing tax laws in the Commonwealth of Puerto Rico.

A. Components of Deferred Tax Assets (DTAs) and Deferred Tax Liabilities (DLTs)

1. Components of net deferred tax as of December 31, 2012 and 2011:

	2012			2011			Change		
	1	2	3	4	5	6	7	8	9
	Ordinary	Capital	(Col 1+2) Total	Ordinary	Capital	(Col 4+5) Total	Ordinary	Capital	(Col 7+8) Total
a. Gross deferred tax assets	\$ 726,070	\$ 255,899	\$ 981,969	\$ 737,028	\$ 448,024	\$ 1,185,052	\$ (10,958)	\$ (192,124)	\$ (203,082)
b. Statutory valuation allowance adjustment	-	-	-	-	-	-	-	-	-
c. Adjusted gross deferred tax assets (1a-1b)	726,070	255,899	981,969	737,028	448,024	1,185,052	(10,958)	(192,124)	(203,082)
d. Deferred tax assets nonadmitted	-	-	-	-	-	-	-	-	-
e. Subtotal net admitted deferred tax assets (1c-1d)	726,070	255,899	981,969	737,028	448,024	1,185,052	(10,958)	(192,124)	(203,082)
f. Deferred tax liability	683,962	226,162	910,124	713,835	101,779	815,614	(29,873)	124,383	94,511
g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)	\$ 42,108	\$ 29,737	\$ 71,845	\$ 23,193	\$ 346,245	\$ 369,438	\$ 18,915	\$ (316,508)	\$ (297,593)

2. Admission Calculation Components

	2012			2011			Change		
	1	2	3	4	5	6	7	8	9
	Ordinary	Capital	(Col 1+2) Total	Ordinary	Capital	(Col 4+5) Total	Ordinary	Capital	(Col 7+8) Total
a. Puerto Rico income taxes paid in prior year recoverable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above after application of the threshold limitation. (The lesser of 2(b) 1 and 2 (b) 2 below :	-	-	-	-	-	-	-	-	-
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	726,070	255,899	981,969	737,028	448,024	1,185,052	(10,958)	(192,124)	(203,082)
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXXXXXXX	XXXXXXXX	38,639,782	XXXXXXXX	XXXXXXXX	37,557,632	XXXXXXXX	XXXXXXXX	1,082,150
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above offset by gross deferred tax liability	-	-	-	-	-	-	-	-	-
d. Deferred tax assets admitted as the result of application of SSAP 101									
Total (2(a)+2(b)+2(c))	\$ 726,070	\$ 255,899	\$ 981,969	\$ 737,028	\$ 448,024	\$ 1,185,052	\$ (10,958)	\$ (192,124)	\$ (203,082)

899

3. Other Admissibility Criteria

	2012	2011
a. Ratio percentage used to determine recovery period and threshold limitation amount	1300%	1376%
b. Amount of adjusted capital and surplus to determine recovery period and threshold limitations in 2(b) 2 above	\$ 258,782,970	\$ 251,569,008

Notes to Financial Statements

4. Impact of Tax Planning Strategies

	2012			2011			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 Ordinary	8 Capital	9 (Col 7+8) Total
a. Adjusted gross DTAs (% of total adjusted gross DTAs)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. Net admitted adjusted gross DTAs (%of total net admitted adjusted gross DTAs)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
c. Does the company's tax planning strategies include the use of reinsurance?				Yes ()	No (X)				

B. Deferred Tax Liabilities Not Recognized

Not applicable

C. Current and Deferred Income Taxes

1. Current Income Tax

	1 2012	2 2011	3 (Col 1-2) Change
a. Federal			
b. Foreign- Puerto Rico	\$ (127,339)	\$ 133,588	\$ (260,927)
c. Subtotal	(127,339)	133,588	(260,927)
d. Puerto Rico income tax on net capital gains		746,137	(746,137)
e. Utilization of capital loss carry -forwards			
f. Other	-	-	-
g. Federal and Foreign income taxes incurred	\$ (127,339)	\$ 879,725	\$ (1,007,064)

2. Deferred Tax Assets

	1 2012	2 2011	(Col 1-2) Change
a. Ordinary			
1- Unrealized loss on valuation of derivative financial instrument	\$ 726,070	\$ 737,028	\$ (10,958)
99- Subtotal	726,070	737,028	(10,958)
b. Statutory valuation allowance adjustment	-	-	-
c. Non admitted	-	-	-
d. Admitted ordinary deferred tax assets (2a99-2b-2c)	726,070	737,028	(10,958)
e. Capital			
1- OTTI- equity securities	158,399	350,524	(192,124)
2- Real estate	97,500	97,500	-
99- Subtotal	255,899	448,024	(192,124)
f. Statutory valuation allowance adjustment			
g. Non admitted			
h. Admitted capital deferred tax assets (2e99-2f-2g)	255,899	448,024	(192,124)
i. Admitted deferred tax assets (2d+2h)	\$ 981,969	\$ 1,185,052	\$ (203,082)

Notes to Financial Statements

3. Deferred Tax Liability

	1	2	3
	2012	2011	(Col 1-2) Change
a. Ordinary			
1- Difference in depreciation method	599,069	628,942	(29,873)
2- Ceding commission reserve	84,893	84,893	-
99- Subtotal	683,962	713,835	(29,873)
b. Capital			
1- Unrealized valuation on equity securities	226,162	101,779	124,383
99- Subtotal	226,162	101,779	124,383
c. Deferred tax liability (3a99+3b99)	910,124	815,614	94,511

4. Net Deferred Tax Asset (2i-3c) \$ 71,845 \$ 369,438 \$ (207,593)

D. Reconciliation of Statutory Income Rate to Actual Effective Rate

	2012		2011	
	Amount	Effective tax rate	Amount	Effective tax rate
Computed income tax at statutory rate	\$ 7,526,111	30.0%	\$ 8,829,762	30%
Benefit of net exempt income	(6,792,255)	-27.1%	(5,672,050)	-19.3%
Benefit of contributions to catastrophe reserve	(918,118)	-3.7%	(379,760)	-1.3%
Other - net	56,923	0.2%	(1,898,227)	-6.4%
Total income tax provision	\$ (127,339)	-0.5%	\$ 879,725	3.0%

E. Operating Loss and Tax Credit Carry forwards and Protective Tax Deposits -
Not applicable

F. Consolidated Federal Income tax return -
Not applicable

G. Federal or Foreign Federal Income Tax Loss Contingencies -
Not applicable

10. Information concerning Parents, Subsidiaries, Affiliates and Other Related Parties

A. Nature of Relationship - The Company is a wholly owned subsidiary of Universal group, Inc. a Puerto Rico Corporation.

B. Detail of transactions Greater than ½ of 1% of Admitted Assets - During September 27, 2012, the Company entered into a Revolving Credit Line facility loan (Credit Facility) with Universal Group (The Parent) amounting to \$23,000,000. The intercompany Credit Facility shall mature five (5) years from the closing date (September 27, 2017). The interest rate that shall apply to the outstanding amounts under the Credit Facility shall be determined based on the Bank's 90-day LIBOR Rate as in effect on the applicable Interest Repricing Date, on a floating basis, plus margin of 1.25% (the Margin), provided no Event of Default exist at such time. For purposes hereof, Interest Repricing Date, shall be the Closing Date and each first of January, April, July and October of each year during the term hereof commencing on the Closing Date. Interest will be payable in arrears on the first day of each month. Borrower will have the right to make partial principal payments

Notes to Financial Statements

through the life of the Credit Facility, and shall be paid in full by the Maturity date.

- C. Change in terms of Intercompany Arrangements - Not applicable
- D. Amounts due to or from related parties – the intercompany balances must be settled within 30 days. The amounts due from /to affiliates are as follows:

Amount due from affiliates	\$24,653,255
Amount due to affiliates	<u>1,333,487</u>
Net Receivable from affiliates	<u>\$ 23,319,768</u>

- E. Guarantees or contingencies for related parties - Not applicable
- F. Management, Service Contracts, Cost Sharing Arrangements

The Parent has agreed to provide certain management services to all members of the holding company group.
- G. Nature of relationships that could affect operations - Not applicable
- H. Amount deducted for Investment in upstream company - Not applicable
- I. Detail of Investments in affiliates greater than 10% of admitted assets -Not applicable.
- J. Write downs for impairment - Not applicable
- K. Investment in a foreign insurance subsidiary - Not applicable
- L. Downstream Holding Company Valued Using Look-Through Method – Not applicable

11. Debt - Not applicable

12. Retirement plans, deferred compensation benefits and compensated absences and other postretirement benefit plans

- A. Defined Benefit Plans – Not applicable
- B. Defined Contribution Plans

The company has a qualified non-contributory profit sharing plan for the eligible employees. Pension cost allocated to the company amounted approximately \$937,552 for the period ended December 31, 2012.

The plan calls for a voluntary contribution of no less than 1% of the annual compensation as defined. The parent sponsors a defined contribution savings plan covering substantially all employees of the Company. Employees may contribute up to 6% of salary to the plan which is subject to 50% parent match. The company's share of the savings plan was approximately \$271,909.

- C. Multi employer plans - Not applicable
- D. Consolidated/Holding Company Plans - Not applicable
- E. Post Employment Benefits and Compensated Absences - Not applicable
- F. Impact of Medicare Modernization Act on Postretirement Benefits – Not applicable

Notes to Financial Statements

13. Capital and Surplus, Dividends Restrictions and Quasi-Reorganizations

A. Outstanding Shares

The Company has a total authorized capital of 560,000 common shares at \$5 par value and 15,000 Preferred Shares at \$1,000. Universal Insurance Company has 200,000, 200,000 and 160,000 common shares of Class A, Class B and Class C issued and outstanding, respectively. No preferred stocks are outstanding. The types of common stocks are as follows:

Type of Stocks	# Shares	Par Value	Amount
Common Class A	200,000	\$ 5	\$1,000,000
Common Class B	200,000	5	1,000,000
Common Class C	160,000	5	800,000

B. Dividend Rate of Preferred Stock - Not applicable.

C. Dividend Restrictions and Amounts of Dividends Paid

Dividends in common stock are paid as declared by the Board of Directors of the Company. Under the insurance regulations of Puerto Rico, the maximum amount of dividends which the company may pay to shareholders without approval of the Commissioner of Insurance is restricted to statutory surplus limitations. Shareholders' dividends declared and paid were \$20,000,000 and \$20,000,000 for the periods ended December 31, 2012 and December 31, 2011, respectively.

On June 27, 2012 the Commissioner of Insurance of Puerto Rico authorized an extraordinary dividend to Universal Group (parent) amounting to \$36,000,000. As of September 30, 2012 the dividend was paid.

D. Restriction on the unassigned funds

In accordance with Chapter 25 of the Insurance Code, as amended, the Company is required to record a catastrophe loss reserve. This catastrophe loss reserve is supported by a trust fund for the payment of catastrophe losses. The reserve increases by amounts determined by applying a contribution rate, not in excess of 5%, to catastrophe written premiums as instructed annually by the Commissioner of Insurance, unless the level of the reserve exceeds 8% of catastrophe exposure, as defined. The reserve also increases by an amount equal to the resulting return in the supporting trust fund and decreases by payments on catastrophe losses or authorized withdrawals from the trust fund. Additions to the catastrophe loss reserve are deductible for income tax purposes. This trust may invest its funds in securities authorized by the Insurance Code, but not in investments whose value may be affected by hazards covered by the catastrophic insurance losses. The interest earned on these investments and any realized gains (loss) on investment transactions are part of the trust fund and are recorded as income (expense) of the Company. An amount equal to the investment returns is recorded as an addition to the trust fund.

Pursuant to the law, Universal has established a reserve in the amount of \$52,691,435 and \$49,598,094 as of December 31, 2012, and December 31, 2011 respectively. This reserve will be presented in the Annual Statement as "Aggregate write-ins for special funds". During the period ended December 31, 2012, the interest earned of the aforementioned reserve was \$3,093,341.

E. Mutual Surplus Advances - Not applicable

F. Company Stock Held for Special Surplus - Not applicable

Notes to Financial Statements

G. Changes in Special Funds

Balance as of December 31, 2011	\$ 49,598,094
Interest earned	3,093,341
Balance as of December 31, 2012	\$ 52,691,435

H. Change in Unassigned Funds:

	Dec-12	Dec-11	Change
Net unrealized preferred stocks	23,120	15,980	7,140
Net unrealized common stocks	1,258,464	560,766	697,698
Net unrealized in derivative instrument	(1,694,164)	(1,719,732)	25,568
Net unrealized in foreign exchange	-	(78,743)	78,743
Net unrealized in common stocks -affiliates	236,262	-	236,262
Change in unrealized	(176,318)	(1,221,729)	1,045,411

I. Surplus Notes - Not applicable

J. Quasi Reorganizations – Not applicable

14. Contingencies

A. Contingent Commitments

Pursuant to Chapter 41 of the Puerto Rico Insurance Code and Rule No. 56 of the insurance regulations of the Commonwealth of Puerto Rico, property and liability insurance companies are members of the “*Sindicato de Aseguradores para la Suscripción Conjunta de Seguros de Responsabilidad Profesional Medico-Hospitalaria (SIMED)*” and the “*Sindicato de Aseguradores de Responsabilidad Profesional para Medicos*”. Both syndicates were created for the purpose of underwriting medical-hospital professional liability insurance. As a member the Company shares risks with other member companies and, accordingly, is contingently liable in the event that these syndicates cannot meet their obligations.

Also, pursuant to Chapter 37 of the Puerto Rico Insurance Code, property and liability companies who underwrite premiums directly related to fire and allied lines for commercial or residential properties are members of the “*Asociación de Suscripción Conjunta de Seguros de Incendio y Líneas Aliadas*”. This association was created for the purpose of underwriting fire and allied lines insurance. As a member, the Company shares risks with other member companies and, accordingly, is contingently liable in the event that these syndicates cannot meet their obligations.

Additional, pursuant to Article 12 of Rule LXIX of the Puerto Rico Insurance Code, Universal, is a member of the Compulsory Vehicle Liability Insurance Joint Underwriting Association (the “Association”), which was organized during 1977 to underwrite insurance coverage motor vehicles property damage liability risks effective January 1, 1988. As a member of the Association the Company shares the risk proportionally with other members based on a formula established by the Puerto Rico Insurance Code.

B. Assessments

Property and Liability Insurance companies are also members of the Puerto Rico Property and Casualty Insurance Guaranty Association. Members are obligated to provide funds for the settlement of claims and reimbursements of unearned premiums of Insurance policies issued by insolvent insurance companies. During 2012 and 2011 there were no assessment.

C. Gain Contingencies – Not applicable

D. Extra Contractual Obligation and Bad Faith Losses – Not applicable

Notes to Financial Statements

E. Product Warranties – Not applicable

F. Other Contingencies -

Lawsuits arise against the Company in the normal course of the business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of Universal.

15. Leases

A. Lessee Leasing Arrangements

1. The Company leases office facilities under various operating leases. Rent expense for the period ended December 31, 2012 is \$552,649.
2. Minimum future rental payments for the next five years under the remaining non-cancelable operating leases will be approximately as follow:

Year	Amount
2013	\$551,736
2014	\$424,859
2015	\$382,417
2016	\$393,890
2017	\$405,707

3. The Company has not entered into any sale and leaseback arrangement.

B. Lessor Leasing Arrangements – Not applicable

16. Information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk

Not applicable

17. Sale, transfer and servicing of financial assets and financial and extinguishments of liabilities.

Not applicable

18. Gain or loss from Uninsured Plans and the Uninsured Portion of Partially Insured Plans.

Not applicable

19. Direct Premium written/produced by managing general agents/third party administrators

The major general agents and direct premiums written for the Company were:

Notes to Financial Statements

Name and Address	FEI Number	Exclusive Contract	Type of Business	Type of Authority Granted	Direct Premiums Written
Eastern America Insurance Agency PO Box 193900 Hato Rey, PR 00919-3900	66-0388346	N	P/C	U	\$ 149,343,796
Popular Insurance PO Box 470331 San Juan, PR 00936	66-0542973	N	P/C	U	5,498,633
Benitez Insurance PO Box 86 Barranquitas, PR 00794	66-0343660	N	P/C	U	7,248,248
Selecta Insurance PO Box 2055 Bayamón, PR 00960	66-0347961	N	P/C	U	3,759,909
Other					11,551,747
Direct business					100,786,827
Total					\$ 278,189,160

20. Fair Value Measurement

A. Inputs Used for Assets and Liabilities Measured at Fair Value

1. Fair Value Measurement by levels 1, 2 and 3

The Company has categorized its assets and liabilities that are measured at fair value into three-level fair value hierarchy as reflected in the table below. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows.

Level 1 — Level 1 asset and liabilities would include for example equity securities that are traded in an active exchange market, as well as certain U.S. Treasury and other U.S. government agency securities that are traded by dealers or brokers in active markets.

Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities would include for example (i) mortgage-backed securities for which the fair value is estimated based on valuations obtained from third party pricing services for identical or comparable assets, (ii) debt securities with quoted prices that are traded less frequently than exchange-traded instruments and (iii) derivative contracts and financial liabilities.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities would include for example financial instruments whose value is determined using pricing models, for which the determination of fair value requires significant management judgment or estimation.

Notes to Financial Statements

Recurring Measurements - The following table presents for each of these hierarchy levels, the Company's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2012

	2012			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Preferred Stocks				
Industrial and Miscellaneous	35,000	-	-	35,000
Total Preferred Stocks	35,000	-	-	35,000
Common Stocks				
Industrial and Miscellaneous	231,332	-	-	231,332
Mutual Funds	15,118,484	-	4,028,846	19,147,329
Total Common Stocks	15,349,815	-	42,926,366	58,276,181
Total equity securities	\$ 15,384,815	\$ -	\$ 42,926,366	\$ 58,311,181
	-	-	-	-
Real estate held for sale (IF APPLY)	-	-	-	-
Total assets at fair value	\$ 15,384,815	\$ -	\$ 42,926,366	\$ 58,311,181
Liabilities:				
Derivative liabilities (IF APPLY)	-	2,420,234	-	-
Total liabilities reported at fair value	\$ 15,384,815	\$ 2,420,234	\$ 42,926,366	\$ 58,311,181

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels 1 and 2. This policy also applies to transfers into or out of Level 3.

2. Rollforward of Level 3 items

The rollforward of all assets measured at fair value using significant unobservable inputs (Level 3) for the period ended December 31, 2011, is as follows:

	Beginning Balance at Jan 1 2012	Transfer into Level 3	Transfer out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance
										12/31/2012
Equity securities:										
Mutual Funds	3,914,787	-	-	-	114,912	132	-	(985)	-	4,028,846
Total equity securities	3,914,787	-	-	-	114,912	132	-	(985)	-	4,028,846
Total assets reported at fair value	\$ 3,914,787	\$ -	\$ -	\$ -	\$ 114,912	\$ 132	\$ -	\$ (985)	\$ -	\$ 4,028,846

3. Policy on Transfers Into and Out of Level 3

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred into or out of Level 3. During the current year, no transfers into or out of Level 3 were required.

4. Inputs and Techniques used for level 2 and level 3 fair values

The following is a description of the valuation methodologies used for instruments measured at fair value:

Debt Securities — Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as discounted cash flow methodologies, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Level 1 investment securities include those identical securities traded in active markets, such as U.S. treasuries, U.S.

Notes to Financial Statements

agency mortgage backed securities (pass-through), and common and preferred stocks. Level 2 investment securities primarily include U.S. agencies, U.S. state and municipalities, Puerto Rico government and agencies, corporate debt, Puerto Rico open-ended funds, U.S. agency mortgage-backed securities. Level 3 securities include Puerto Rico closed-end funds, Puerto Rico agency mortgage backed securities, asset-backed securities and non-agency mortgage-backed securities. The estimated fair value of these instruments is mainly determined by using a third-party cash flow valuation model to calculate the present value of projected future cash flows.

Preferred and Common Stocks - equity securities that are traded in an active exchange market for which fair value categorized as Level 1. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

Other Equity Securities - Level 3 assets would include financial instruments whose value is determined using pricing models, for which the determination of fair value requires significant management judgment or estimation.

5. Derivative Fair Values

The fair values of the interest rate swaps were obtained using an independent valuation model and based on inputs other than quoted prices that are observable for the underlying (e.g., index, interest rates).

B. Other Fair Value Disclosures - Not applicable

C. Fair Value for all Financial Instruments by levels 1, 2 and 3

Type of Financial Instrument	Fair Value	Admitted value	Level 1	Level 2	Level 3	Not Practicable (carrying Value)
Financial Instrument - assets						
Bonds	\$ 496,158,851	\$463,887,096	\$ -	\$ 472,627,469	\$ 23,531,382	
Preferred stocks	35,000	35,000	35,000			
Common stocks	19,378,661	19,378,661	15,349,815	-	4,028,846	
Cash, cash equivalents and short-term investments	67,012,530	67,012,230	67,012,230			
Total assets	\$ 582,585,042	\$550,312,987	\$ 82,397,045	\$ 472,627,469	\$ 27,560,228	\$ -
Financial instrument - Liabilities						
Derivaive liabilities	2,420,234	2,420,234		2,420,234		
Total liabilities	\$ 2,420,234	\$ 2,420,234	\$ -	\$ 2,420,234	\$ -	\$ -

D. Financial Instruments for which Not Practicable to Estimate Fair Value –
Not applicable

21. Other Items

A. Extraordinary Items –Not applicable

B. Trouble Debt Restructuring -Not applicable

C. Other Disclosures - Not applicable

D. Uncollectible Premiums Receivable - Not applicable

E. Business Interruption Insurance Recoveries - Not applicable

F. State Transferable Tax Credits – Not applicable

G. Subprime Mortgages Related Risk Exposure

Notes to Financial Statements

1. The Company classifies investments as having subprime exposure if they meet any one of the following:
 - I.
 - A. Bloomberg Collateral Label is RESB/C (Residential B and C Rated)
 - B. Average FICO scores below 670
 - C. Percentage of Collateral with FICO scores below 650 exceeds 25%
 - II. If average FICO scores are unknown or fall below 700 the Company considers the following loan characteristics in determining the subprime classification:
 - A. Greater than 50% I/O Loans
 - B. Average LTV above 85%
 - C. Low Doc Loans Below 50%
 - D. Negative Amortization Loans Exceed 10%
 - III. None of these factors taken alone would necessarily classify a holding as subprime, but could be indications of potential subprime exposure and would require the Company to make a specific judgment classifying the exposure as either subprime or not.
 - IV. Delinquencies and credit enhancement levels of all whole loan positions are monitored on a monthly basis regardless of classification.

It is the Company's policy to invest in high grade securities which meet investment guidelines set forth by the NAIC SVO and that of any relevant state regulated department of insurance.

2. The Company does not have any direct exposure to subprime mortgage loans as the Company does not hold any subprime mortgage loans as defined above.
3. The Company does not have any direct exposure through other investments separated by the categories of residential mortgage backed securities; commercial mortgage backed securities; collateralized debt obligations; structured securities (including principal protected notes); equity investments in subsidiary, controlled, or affiliated entities with significant subprime mortgage-related risk exposure.
4. The Company does not write mortgage guaranty insurance, directors and officer's liability, errors and omissions liability, or any other insurance expected to be impacted by subprime related losses and therefore has no underwriting exposure expected to be impacted by subprime related losses.

The Company reflects or holds any security with direct exposure to subprime mortgage loans. Assessment of the possible exposure has been addressed consistently by management since September 2007.

22. Events subsequent

There were no events occurring subsequent to December 31 2012 through the date of the filing.

23. Reinsurance

A. Unsecured Reinsurance Recoverable

The Company does not have an unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses and unearned premiums with any individual reinsurer, authorized or unauthorized, that exceeds 3% of policyholders.

B. Reinsurance Recoverable in Dispute

Notes to Financial Statements

The Company does not have reinsurance recoverable for paid losses and loss adjustment expenses that exceed 5% of policyholders' surplus for an individual reinsurer or 10% of policyholders' surplus in aggregate.

F. Reinsurance Assumed and Ceded

1. The following table summarized ceded and assumed unearned premiums and the related commission equity at December 31, 2012

	Assumed		Ceded		Assumed Less Ceded	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
A. Affiliates	\$ -	-	-	-	-	-
B. All other	\$ -	-	25,762,673	7,581,902	(25,762,673)	(7,581,902)
C. Totals	<u>\$ -</u>	<u>-</u>	<u>25,762,673</u>	<u>7,581,902</u>	<u>(25,762,673)</u>	<u>(7,581,902)</u>

D. Direct Unearned Premiums Reserve \$ 151,330,248

- i. Certain agency agreements and ceded reinsurance contracts provide for additional or returned commission based on the actual loss experience of the produced or reinsurance business. Amounts accrued at December 31, 2012:

Description	Direct	Assumed	Ceded	Net
A. Contingent Commissions	\$ -	-	1,194,700	(1,194,700)
B. Sliding scale adjustments	\$ -	-	-	-
C. Other profit commissions	\$ -	-	-	-
D. Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,194,700</u>	<u>\$ (1,194,700)</u>

3. Uncollectible Reinsurance – Not applicable
4. Commutation of Ceded Reinsurance – Not applicable
5. Retroactive Reinsurance – Not applicable
6. Reinsurance Accounted for as a Deposit – Not applicable
7. Run-off Agreements – Not applicable

24. Retrospectively rated contracts and contracts subject to redetermination

- A. Method used to estimate - Not applicable
- B. Method used to record - Not applicable
- C. Amount and Percent of net Retrospective Premium - Not applicable
- D. Calculation of Non-admitted Accrued Retrospective Premiums - Not applicable

25. Change in incurred losses and loss adjustment expenses

Notes to Financial Statements

	<u>2012</u>	<u>2011</u>
Balance - January 1	\$ <u>68,169,807</u>	\$ <u>73,263,093</u>
Incurred related to:		
Current year	143,778,000	147,811,000
Prior years	<u>497,282</u>	<u>(4,614,066)</u>
Total incurred	<u>144,275,282</u>	<u>143,196,934</u>
Paid related to:		
Current year	113,520,000	115,677,000
Prior years	<u>32,044,593</u>	<u>32,613,220</u>
Total paid	<u>145,564,593</u>	<u>148,290,220</u>
Balance - December 31	\$ <u><u>66,880,496</u></u>	\$ <u><u>68,169,807</u></u>

- 26. **Intercompany pooling arrangements** - Not applicable
- 27. **Structured Settlements** - Not applicable
- 28. **Health Care Receivables** - Not applicable
- 29. **Participating Policies** - Not applicable
- 30. **Premiums Deficiencies Reserves** - Not applicable
- 31. **High deductible** - Not applicable
- 32. **Discounting of liabilities for unpaid losses or unpaid loss adjustment expenses** - Not applicable
- 33. **Asbestos/Environmental Reserves** – Not applicable
- 34. **Subscriber Savings Account** - Not applicable
- 35. **Multiple Peril Crop Insurance** - Not applicable
- 36. **Financial Guaranty Insurance** – Not applicable

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [] No[X]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [] No [] N/A[X]
- 1.3 State Regulating?
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No[X]
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2007
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2003
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 09/15/2008
- 3.4 By what department or departments?
Insurance Commissioner of Puerto Rico
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [] No [] N/A[X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [] No [] N/A[X]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No[X]
- 4.12 renewals? Yes [] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No[X]
- 4.22 renewals? Yes [] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No[X]
- 7.2 If yes, 0.000%
- 7.21 State the percentage of foreign control
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity
.....

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC
.....	Yes [] No[X] ..			

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Deloitte LLP Torre Chardon , 350 Avenue, Suite 700, San Juan PR 00918-2140
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [] No[X]
- 10.2 If response to 10.1 is "yes," provide information related to this exemption:
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [] No[X]
- 10.4 If response to 10.3 is "yes," provide information related to this exemption:
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes[X] No [] N/A []
- 10.6 If the response to 10.5 is "NO" or "N/A" please explain:
11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Leigh Oates -Towers Watson -1500 Market Street, Centre Square East , Philadelphia, PA 19102-4790
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No[X]

GENERAL INTERROGATORIES (Continued)

- 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes[] No[] N/A[X]
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$ 0
- 24.102 Total book/adjusted carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$ 0
- 24.103 Total payable for securities lending reported on the liability page. \$ 0

- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes[X] No[]
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- 25.21 Subject to repurchase agreements \$ 0
- 25.22 Subject to reverse repurchase agreements \$ 0
- 25.23 Subject to dollar repurchase agreements \$ 0
- 25.24 Subject to reverse dollar repurchase agreements \$ 134,939,500
- 25.25 Pledged as collateral \$ 0
- 25.26 Placed under option agreements \$ 0
- 25.27 Letter stock or securities restricted as to sale \$ 0
- 25.28 On deposit with state or other regulatory body \$ 0
- 25.29 Other \$ 0

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes[] No[X]
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes[] No[] N/A[X]
If no, attach a description with this statement.

- 27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes[] No[X]
- 27.2 If yes, state the amount thereof at December 31 of the current year. \$ 0

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section I, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes[X] No[]
- 28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Santander Securities	B-7 Calle Tabonuco STE 1800, Guaynabo, Puerto Rico 00968-3028
UBS Financial Services, Incorporated of PR	1 ST.1, Metro Office Park PH, Guaynabo PR 00968
Citibank, N.A. - Puerto Rico	G.P.O. Box 70301, San Juan, PR 00936
Popular Securities	209 Muñoz Rivera Ave., Popular Center - 12th Floor, SJ, PR 00918
BBVA Securities of Puerto Rico, Inc.	BBVA Tower Lobby Level, 254 Muñoz Rivera Ave., Hato Rey, PR 00918
Oriental Trust	270 Muñoz Rivera Ave., San Juan PR 00918
Barclays Capital Inc	745 Seventh Avenue, New York, NY 10019
Morgan Keegan	50 N.Front Street I Memphis, TN 38103
Merrill Lynch	#15 Second Street, suite 210, Guaynabo PR 00968

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

- 28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes[] No[X]
- 28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

28.05 Identify all investment advisers, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address

- 29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])? Yes[] No[X]
- 29.2 If yes, complete the following schedule:

GENERAL INTERROGATORIES (Continued)

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
29.2999 Total		

29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	463,887,095	496,158,853	32,271,758
30.2 Preferred stocks	35,000	35,000	
30.3 Totals	463,922,095	496,193,853	32,271,758

30.4 Describe the sources or methods utilized in determining the fair values

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [] No [X]
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [] No [] N/A [X]
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
Used Security Valuation office to valued the portfolio
- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []
- 32.2 If no, list exceptions:

OTHER

- 33.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ 700,589
- 33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
INSURANCE SERVICE OFFICE	543,704

- 34.1 Amount of payments for legal expenses, if any? \$ 251,867
- 34.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
CASILLAS SANTIAGO & TORRES	90,972

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ 0
- 35.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	

GENERAL INTERROGATORIES (Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes No
- 1.2 If yes, indicate premium earned on U.S. business only. \$ 0
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0
- 1.31 Reason for excluding:
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ 0
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ 0
- 1.6 Individual policies
- Most current three years:
- 1.61 Total premium earned \$ 0
- 1.62 Total incurred claims \$ 0
- 1.63 Number of covered lives 0
- All years prior to most current three years:
- 1.64 Total premium earned \$ 0
- 1.65 Total incurred claims \$ 0
- 1.66 Number of covered lives 0
- 1.7 Group policies
- Most current three years:
- 1.71 Total premium earned \$ 0
- 1.72 Total incurred claims \$ 0
- 1.73 Number of covered lives 0
- All years prior to most current three years:
- 1.74 Total premium earned \$ 0
- 1.75 Total incurred claims \$ 0
- 1.76 Number of covered lives 0

2. Health Test

	1 Current Year	2 Prior Year
2.1 Premium Numerator 210,943,725 214,889,846
2.2 Premium Denominator		
2.3 Premium Ratio (2.1 / 2.2)		
2.4 Reserve Numerator		
2.5 Reserve Denominator 189,995,554 193,737,382
2.6 Reserve Ratio (2.4 / 2.5)		

- 3.1 Does the reporting entity issue both participating and non-participating policies? Yes No
- 3.2 If yes, state the amount of calendar year premiums written on:
 - 3.21 Participating policies \$ 0
 - 3.22 Non-participating policies \$ 0
- 4. For Mutual reporting entities and Reciprocal Exchanges only:
- 4.1 Does the reporting entity issue assessable policies? Yes No N/A
- 4.2 Does the reporting entity issue non-assessable policies? Yes No N/A
- 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? 0%
- 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ 0
- 5. For Reciprocal Exchanges Only:
- 5.1 Does the exchange appoint local agents? Yes No N/A
- 5.2 If yes, is the commission paid:
 - 5.21 Out of Attorney's-in-fact compensation Yes No N/A
 - 5.22 As a direct expense of the exchange Yes No N/A
- 5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact? Yes No N/A
- 5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions been deferred? Yes No N/A
- 5.5 If yes, give full information:
- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss:
Not applicable
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
Computer software Link 11.0 from RMS for hurricane and earthquake risks.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss:
Catastrophe Reinsurance Program
- 6.4 Does the reporting entity carry catastrophic reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes No
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes No
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 0
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes No N/A
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes No
- 8.2 If yes, give full information.
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;

GENERAL INTERROGATORIES (Continued)

- (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
- (c) Aggregate stop loss reinsurance coverage;
- (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
- (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
- (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes[] No[X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
- (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
- (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes[] No[X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
- (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income.
- (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
- (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
- (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
- (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes[] No[X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
- (a) The entity does not utilize reinsurance; or Yes[] No[X]
- (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes[] No[X]
- (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes[] No[X]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes[] No[] N/A[X]
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? Yes[] No[X]
- 11.2 If yes, give full information:
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- 12.11 Unpaid losses \$ 0
- 12.12 Unpaid underwriting expenses (including loss adjustment expenses) \$ 0
- 12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds. \$ 0
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes[] No[] N/A[X]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- 12.41 From 0.000%
- 12.42 To 0.000%
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes[] No[X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- 12.61 Letters of Credit \$ 0
- 12.62 Collateral and other funds \$ 0
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 500,000
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes[] No[X]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 0
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes[] No[X]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes[] No[] N/A[X]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes[] No[] N/A[X]
- 14.5 If the answer to 14.4 is no, please explain
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes[] No[X]
- 15.2 If yes, give full information:
- 16.1 Does the reporting entity write any warranty business? Yes[] No[X]
- If yes, disclose the following information for each of the following types of warranty coverage:

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11 Home
16.12 Products
16.13 Automobile
16.14 Other *

* Disclose type of coverage:

- 17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5? Yes[] No[X]
- Incurred but not reported losses on contracts in force prior to July 1, 1984 and not subsequently renewed are exempt from inclusion in Schedule F - Part 5. Provide the following information for this exemption.
- 17.11 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5 \$ 0
- 17.12 Unfunded portion of Interrogatory 17.11 \$ 0

GENERAL INTERROGATORIES (Continued)

17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$	0
17.14 Case reserves portion of Interrogatory 17.11	\$	0
17.15 Incurred but not reported portion of Interrogatory 17.11	\$	0
17.16 Unearned premium portion of Interrogatory 17.11	\$	0
17.17 Contingent commission portion of Interrogatory 17.11	\$	0
Provide the following information for all other amounts included in Schedule F - Part 3 and excluded from Schedule F - Part 5, not included above.		
17.18 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$	0
17.19 Unfunded portion of Interrogatory 17.18	\$	0
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$	0
17.21 Case reserves portion of Interrogatory 17.18	\$	0
17.22 Incurred but not reported portion of Interrogatory 17.18	\$	0
17.23 Unearned premium portion of Interrogatory 17.18	\$	0
17.24 Contingent commission portion of Interrogatory 17.18	\$	0
18.1 Do you act as a custodian for health savings accounts?	Yes[] No[X]	
18.2 If yes, please provide the amount of custodial funds held as of the reporting date:	\$	0
18.3 Do you act as an administrator for health savings accounts?	Yes[] No[X]	
18.4 If yes, please provide the balance of the funds administered as of the reporting date:	\$	0

FIVE - YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e., 17.6

	1 2012	2 2011	3 2010	4 2009	5 2008
Gross Premiums Written (Page 8, Part 1B, Columns 1, 2 & 3)					
1. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2, & 19.3, 19.4)	39,641,294	39,950,074	46,200,758	49,029,672	51,767,957
2. Property Lines (Lines 1, 2, 9, 12, 21, & 26)	148,230,537	146,422,698	160,423,650	177,954,575	182,337,674
3. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)	86,832,284	87,398,154	77,247,806	75,590,980	77,387,973
4. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	3,485,045	3,462,879	3,610,597	3,224,313	4,022,768
5. Nonproportional Reinsurance Lines (Lines 31, 32, & 33)					
6. TOTAL (Line 35)	278,189,160	277,233,805	287,482,811	305,799,540	315,516,372
Net Premiums Written (Page 8, Part 1B, Column 6)					
7. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	34,993,044	35,297,703	36,626,725	40,455,413	41,932,414
8. Property Lines (Lines 1, 2, 9, 12, 21 & 26)	127,314,923	127,381,460	139,506,217	150,914,168	157,629,670
9. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)	44,109,203	42,379,872	38,791,960	36,608,474	36,540,494
10. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	2,074,039	2,363,239	2,588,908	1,700,252	2,184,649
11. Non-proportional Reinsurance Lines (Lines 31, 32 & 33)					
12. TOTAL (Line 35)	208,491,209	207,422,274	217,513,810	229,678,307	238,287,227
Statement of Income (Page 4)					
13. Net underwriting gain or (loss) (Line 8)	(4,386,377)	1,155,747	5,104,717	4,174,068	10,514,958
14. Net investment gain or (loss) (Line 11)	25,701,826	27,766,616	25,792,345	27,265,209	22,998,768
15. TOTAL other income (Line 15)	3,771,588	510,176	3,346,915	1,039,678	3,407,491
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	(127,339)	879,725	2,276,968	1,375,027	4,017,317
18. Net income (Line 20)	25,214,376	28,552,814	31,967,010	31,103,928	32,903,900
Balance Sheet Lines (Pages 2 and 3)					
19. TOTAL admitted assets excluding protected cell business (Page 2, Line 26, Column 3)	778,286,593	769,664,445	708,861,512	742,919,062	733,284,166
20. Premiums and considerations (Page 2, Column 3)					
20.1 In course of collection (Line 15.1)	42,308,708	43,026,743	41,717,473	36,075,115	40,018,778
20.2 Deferred and not yet due (Line 15.2)	11,735,381	12,454,099	14,538,541	16,019,754	16,370,652
20.3 Accrued retrospective premiums (Line 15.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 26)	519,431,777	517,725,999	463,511,469	509,962,073	519,691,801
22. Losses (Page 3, Line 1)	53,176,506	53,383,423	57,698,156	62,188,195	69,048,069
23. Loss adjustment expenses (Page 3, Line 3)	13,703,989	14,786,384	15,564,937	15,678,452	16,711,719
24. Unearned premiums (Page 3, Line 9)	123,115,059	125,567,575	133,035,147	148,933,378	158,104,588
25. Capital paid up (Page 3, Lines 30 & 31)	2,800,000	2,800,000	2,800,000	2,800,000	2,800,000
26. Surplus as regards policyholders (Page 3, Line 37)	258,854,816	251,938,446	245,350,043	232,956,989	213,592,365
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	25,409,957	(5,299,403)	(11,262,330)	385,704	15,818,813
Risk-Based Capital Analysis					
28. TOTAL adjusted capital	258,854,816	251,938,446	245,350,043	232,956,989	213,592,364
29. Authorized control level risk-based capital	19,902,328	18,283,701	17,527,774	16,817,330	13,550,663
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Column 3)					
(Item divided by Page 2, Line 12, Column 3) x 100.0					
30. Bonds (Line 1)	67.8	78.9	86.7	74.1	81.6
31. Stocks (Lines 2.1 & 2.2)	8.5	2.3	2.0	2.8	3.9
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)	8.7	8.4	8.6	7.5	7.9
34. Cash, cash equivalents and short-term investments (Line 5)	9.8	9.3	2.7	15.5	6.7
35. Contract loans (Line 6)					
36. Derivatives (Line 7)				X X X	X X X
37. Other invested assets (Line 8)	5.2	1.1			
38. Receivables for securities (Line 9)					
39. Securities lending reinvested collateral assets (Line 10)				X X X	X X X
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Schedule D, Summary, Line 12, Column 1)					
43. Affiliated preferred stocks (Schedule D, Summary, Line 18, Column 1)					
44. Affiliated common stocks (Schedule D, Summary, Line 24, Column 1)	38,897,520				
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Column 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. TOTAL of above Lines 42 to 47	38,897,520				
49. TOTAL investment in parent included in Lines 42 to 47 above					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Column 1, Line 37 x 100.0)	15.0				

FIVE - YEAR HISTORICAL DATA (Continued)

	1 2012	2 2011	3 2010	4 2009	5 2008
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains or (Losses) (Line 24)	1,045,411	(589,289)	(736,387)	2,842,684	(2,581,626)
52. Dividends to stockholders (Line 35)	(56,000,000)	(20,000,000)	(20,000,000)	(15,000,000)	(11,435,000)
53. Change in surplus as regards policyholders for the year (Line 38)	6,916,371	6,588,403	12,393,054	19,364,624	5,748,245
Gross Losses Paid (Page 9, Part 2, Columns 1 and 2)					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	19,830,268	20,922,872	24,720,617	24,893,183	27,562,091
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	81,954,321	83,954,436	90,472,661	99,609,756	98,241,745
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22, & 27)	26,515,668	26,539,347	25,932,576	25,457,679	24,512,339
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,108,106	2,384,011	2,230,891	1,561,674	(71,777)
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
59. TOTAL (Line 35)	129,408,363	133,800,666	143,356,745	151,522,292	150,244,398
Net Losses Paid (Page 9, Part 2, Column 4)					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	19,514,430	20,444,447	23,521,151	23,046,614	25,851,026
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	81,038,137	82,127,631	87,505,336	95,344,262	93,666,334
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22, & 27)	20,029,672	20,690,999	19,093,078	19,724,402	17,342,299
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30, & 34)	853,045	1,055,045	1,282,831	1,178,352	1,042,639
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
65. TOTAL (Line 35)	121,435,284	124,318,122	131,402,396	139,293,630	137,902,298
Operating Percentages (Page 4)					
(Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	57.5	55.8	54.4	55.4	52.0
68. Loss expenses incurred (Line 3)	10.9	10.8	12.1	11.7	11.7
69. Other underwriting expenses incurred (Line 4)	33.7	32.8	31.3	31.1	32.1
70. Net underwriting gain (loss) (Line 8)	(2.1)	0.5	2.2	1.7	4.1
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Column 6, Line 35 x 100.0)	32.3	33.8	32.1	31.9	33.1
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	68.4	66.6	66.5	67.2	63.8
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Column 6, Line 35 divided by Page 3, Line 37, Column 1 x 100.0)	80.5	82.3	88.7	98.6	111.6
One Year Loss Development (000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Column 11)	(889)	(5,442)	(11,074)	(10,917)	(12,436)
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Column 1 x 100.0)	(0.4)	(2.2)	(4.8)	(5.1)	(6.0)
Two Year Loss Development (000 omitted)					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Column 12)	(6,387)	(12,394)	(13,963)	(17,833)	(15,843)
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Column 2 x 100.0)	(2.6)	(5.3)	(6.5)	(8.6)	(8.7)

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes[] No[] N/A[X]

If no, please explain::

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES**SCHEDULE P - PART 1 - SUMMARY**

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported - Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Columns 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Columns 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior ...	X X X	X X X	X X X	202	(15)	96	239	84	378	158	X X X	
2. 2003 ...	288,716	71,401	217,315	133,716	18,050	3,772	707	26,064	22	15,708	144,773	X X X
3. 2004 ...	316,102	65,502	250,600	154,110	16,487	4,914	1,950	24,132	96	19,421	164,623	X X X
4. 2005 ...	330,266	67,282	262,984	155,729	11,320	3,060	371	27,869	80	20,954	174,887	X X X
5. 2006 ...	341,142	73,157	267,985	158,432	10,488	2,353	252	28,091	168	22,002	177,968	X X X
6. 2007 ...	340,316	76,794	263,522	150,871	10,975	1,785	349	25,814	327	21,475	166,819	X X X
7. 2008 ...	332,118	76,011	256,107	147,169	11,542	1,796	261	24,236	332	20,791	161,066	X X X
8. 2009 ...	316,953	78,102	238,851	143,630	11,458	1,428	278	24,016	347	23,821	156,991	X X X
9. 2010 ...	305,903	72,491	233,412	136,395	10,571	1,355	242	24,582	205	24,032	151,314	X X X
10. 2011 ...	288,520	73,630	214,890	124,814	8,701	954	199	20,784	321	20,986	137,331	X X X
11. 2012 ...	278,103	67,157	210,946	100,638	3,893	598	115	16,292	11,058	113,520	X X X	
12. Totals ...	X X X	X X X	X X X	1,405,706	113,470	22,111	4,963	241,964	1,898	200,626	1,549,450	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior ...	(73)	(1,034)	60	21					237	710	1,237	X X X	
2. 2003 ...	(207)	(106)	41	14			10	1	44	469	(21)	X X X	
3. 2004 ...	4,156	3,280	36	13			9	1	284		1,191	X X X	
4. 2005 ...	1,087	116	35	15			8	2	99	2	1,096	X X X	
5. 2006 ...	1,554	62	53	21			18	4	156	115	1,694	X X X	
6. 2007 ...	1,742	365	18	10			21	4	212	225	1,614	X X X	
7. 2008 ...	4,391	48	139	24			69	9	437	113	4,955	X X X	
8. 2009 ...	3,623	303	441	67			189	25	446	262	4,304	X X X	
9. 2010 ...	7,574	869	524	52			309	44	869	595	8,311	X X X	
10. 2011 ...	9,321	306	1,599	374			804	190	1,384	1,340	12,238	X X X	
11. 2012 ...	11,779	562	14,184	3,519			5,645	818	3,552	11,447	30,261	X X X	
12. Totals ...	44,947	4,771	17,130	4,130			7,082	1,098	7,720	15,278	66,880	X X X	

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior ...	X X X	X X X	X X X	X X X	X X X	X X X			X X X	1,000	237
2. 2003 ...	163,440	18,688	144,752	56.6	26.2	66.6				(74)	53
3. 2004 ...	187,641	21,827	165,814	59.4	33.3	66.2				899	292
4. 2005 ...	187,887	11,904	175,983	56.9	17.7	66.9				991	105
5. 2006 ...	190,657	10,995	179,662	55.9	15.0	67.0				1,524	170
6. 2007 ...	180,463	12,030	168,433	53.0	15.7	63.9				1,385	229
7. 2008 ...	178,237	12,216	166,021	53.7	16.1	64.8				4,458	497
8. 2009 ...	173,773	12,478	161,295	54.8	16.0	67.5				3,694	610
9. 2010 ...	171,608	11,983	159,625	56.1	16.5	68.4				7,177	1,134
10. 2011 ...	159,660	10,091	149,569	55.3	13.7	69.6				10,240	1,998
11. 2012 ...	152,688	8,907	143,781	54.9	13.3	68.2				21,882	8,379
12. Totals ...	X X X	X X X	X X X	X X X	X X X	X X X			X X X	53,176	13,704

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

SCHEDULE P - PART 2 - SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior	31,664	28,265	27,782	27,340	25,766	25,241	24,673	24,203	24,422	24,484	62	281
2. 2003	127,554	122,783	120,036	120,381	120,701	119,470	118,969	118,892	118,788	118,666	(122)	(226)
3. 2004	X X X	150,349	143,249	144,329	143,336	142,323	142,304	141,416	141,478	141,494	16	78
4. 2005	X X X	X X X	156,988	152,517	151,952	149,471	148,283	148,044	148,078	148,095	17	51
5. 2006	X X X	X X X	X X X	161,491	154,037	153,710	152,398	151,744	151,882	151,583	(299)	(161)
6. 2007	X X X	X X X	X X X	X X X	152,664	145,806	143,996	143,792	142,953	142,734	(219)	(1,058)
7. 2008	X X X	X X X	X X X	X X X	X X X	148,110	142,592	142,077	141,673	141,680	7	(397)
8. 2009	X X X	X X X	X X X	X X X	X X X	X X X	145,970	137,943	137,517	137,180	(337)	(763)
9. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	138,571	134,449	134,379	(70)	(4,192)
10. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	127,666	127,722	56	X X X
11. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	123,937	X X X	X X X
12. TOTALS											(889)	(6,387)

SCHEDULE P - PART 3 - SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
1. Prior	000	10,449	15,810	19,871	20,542	22,033	22,563	22,842	23,410	23,484	X X X	X X X
2. 2003	84,013	106,092	110,907	113,323	114,634	117,123	118,422	118,578	118,663	118,731	X X X	X X X
3. 2004	X X X	104,277	126,513	131,558	135,450	138,116	139,838	140,225	140,357	140,587	X X X	X X X
4. 2005	X X X	X X X	113,538	137,696	141,256	143,577	144,978	146,167	146,851	147,098	X X X	X X X
5. 2006	X X X	X X X	X X X	120,258	141,013	145,069	147,845	149,051	149,758	150,045	X X X	X X X
6. 2007	X X X	X X X	X X X	X X X	115,204	133,497	137,200	140,309	140,900	141,332	X X X	X X X
7. 2008	X X X	X X X	X X X	X X X	X X X	108,283	129,091	133,896	135,510	137,162	X X X	X X X
8. 2009	X X X	X X X	X X X	X X X	X X X	X X X	109,646	127,444	130,609	133,322	X X X	X X X
9. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	104,496	123,813	126,937	X X X	X X X
10. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	99,646	116,868	X X X	X X X
11. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	97,228	X X X	X X X

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Prior	6,976	1,992	1,421	867	623	382	277	91	32	39
2. 2003	24,211	4,322	963	975	1,263	559	226	64	55	36
3. 2004	X X X	38,317	3,536	1,740	1,460	1,137	1,151	314	49	31
4. 2005	X X X	X X X	34,869	4,487	2,308	1,231	525	119	25	26
5. 2006	X X X	X X X	X X X	36,214	4,847	3,104	812	192	(23)	46
6. 2007	X X X	X X X	X X X	X X X	34,061	5,634	1,340	249	(22)	25
7. 2008	X X X	X X X	X X X	X X X	X X X	33,432	4,174	428	141	175
8. 2009	X X X	X X X	X X X	X X X	X X X	X X X	31,152	2,286	113	538
9. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	22,180	2,166	737
10. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	17,584	1,839
11. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	15,492

**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN
ALLOCATED BY STATES AND TERRITORIES**

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Column 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama (AL)	N								
2. Alaska (AK)	N								
3. Arizona (AZ)	N								
4. Arkansas (AR)	N								
5. California (CA)	N								
6. Colorado (CO)	N								
7. Connecticut (CT)	N								
8. Delaware (DE)	N								
9. District of Columbia (DC)	N								
10. Florida (FL)	N								
11. Georgia (GA)	N								
12. Hawaii (HI)	N								
13. Idaho (ID)	N								
14. Illinois (IL)	N								
15. Indiana (IN)	N								
16. Iowa (IA)	N								
17. Kansas (KS)	N								
18. Kentucky (KY)	N								
19. Louisiana (LA)	N								
20. Maine (ME)	N								
21. Maryland (MD)	N								
22. Massachusetts (MA)	N								
23. Michigan (MI)	N								
24. Minnesota (MN)	N								
25. Mississippi (MS)	N								
26. Missouri (MO)	N								
27. Montana (MT)	N								
28. Nebraska (NE)	N								
29. Nevada (NV)	N								
30. New Hampshire (NH)	N								
31. New Jersey (NJ)	N								
32. New Mexico (NM)	N								
33. New York (NY)	N								
34. North Carolina (NC)	N								
35. North Dakota (ND)	N								
36. Ohio (OH)	N								
37. Oklahoma (OK)	N								
38. Oregon (OR)	N								
39. Pennsylvania (PA)	N								
40. Rhode Island (RI)	N								
41. South Carolina (SC)	N								
42. South Dakota (SD)	N								
43. Tennessee (TN)	N								
44. Texas (TX)	N								
45. Utah (UT)	N								
46. Vermont (VT)	N								
47. Virginia (VA)	N								
48. Washington (WA)	N								
49. West Virginia (WV)	N								
50. Wisconsin (WI)	N								
51. Wyoming (WY)	N								
52. American Samoa (AS)	N								
53. Guam (GU)	N								
54. Puerto Rico (PR)	L	278,189,160	278,099,395		129,408,363	128,588,160	62,077,589		
55. U.S. Virgin Islands (VI)	N								
56. Northern Mariana Islands (MP)	N								
57. Canada (CAN)	N								
58. Aggregate other alien (OT)	X X X								
59. TOTALS	(a) 1	278,189,160	278,099,395		129,408,363	128,588,160	62,077,589		

DETAILS OF WRITE-INS

5801.	X X X								
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X								

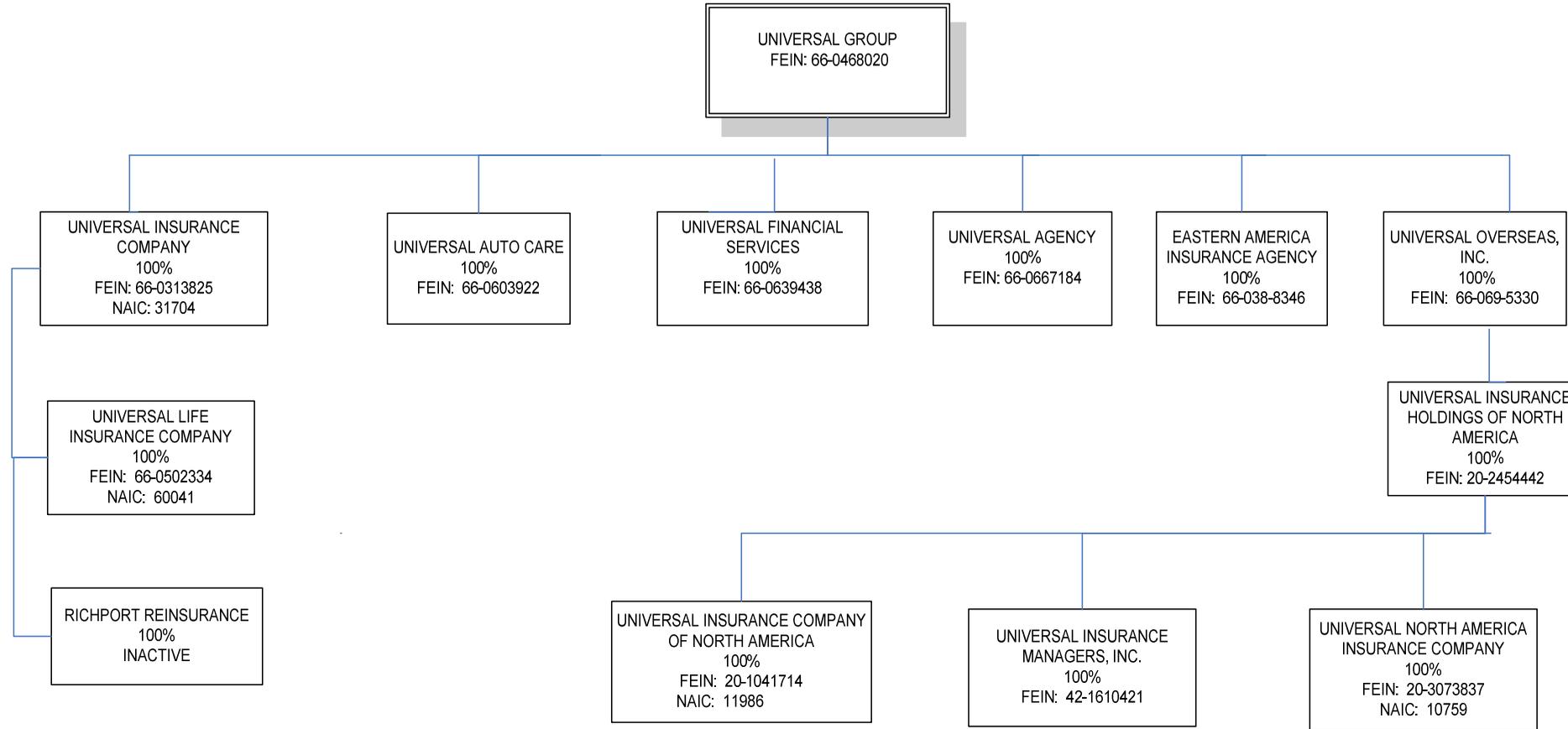
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and Other Alien.
Explanation of basis of allocation of premiums by states, etc.: Location of property

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

UNIVERSAL GROUP ORGANIZATIONAL STRUCTURE

97



INDEX TO PROPERTY & CASUALTY ANNUAL STATEMENT

Assets	2
Cash Flow	5
Exhibit of Capital Gains (Losses)	12
Exhibit of Net Investment Income	12
Exhibit of Nonadmitted Assets	13
Exhibit of Premiums and Losses (State Page)	19
Five-Year Historical Data	17
General Interrogatories	15
Jurat Page	1
Liabilities, Surplus and Other Funds	3
Notes To Financial Statements	14
Overflow Page for Write-ins	101
Schedule A - Part 1	E01
Schedule A - Part 2	E02
Schedule A - Part 3	E03
Schedule A - Verification Between Years	SI02
Schedule B - Part 1	E04
Schedule B - Part 2	E05
Schedule B - Part 3	E06
Schedule B - Verification Between Years	SI02
Schedule BA - Part 1	E07
Schedule BA - Part 2	E08
Schedule BA - Part 3	E09
Schedule BA - Verification Between Years	SI03
Schedule D - Part 1	E10
Schedule D - Part 1A - Section 1	SI05
Schedule D - Part 1A - Section 2	SI08
Schedule D - Part 2 - Section 1	E11
Schedule D - Part 2 - Section 2	E12
Schedule D - Part 3	E13
Schedule D - Part 4	E14
Schedule D - Part 5	E15
Schedule D - Part 6 - Section 1	E16
Schedule D - Part 6 - Section 2	E16
Schedule D - Summary By Country	SI04
Schedule D - Verification Between Years	SI03
Schedule DA - Part 1	E17
Schedule DA - Verification Between Years	SI10
Schedule DB - Part A - Section 1	E18
Schedule DB - Part A - Section 2	E19
Schedule DB - Part A - Verification Between Years	SI11
Schedule DB - Part B - Section 1	E20
Schedule DB - Part B - Section 2	E21
Schedule DB - Part B - Verification Between Years	SI11
Schedule DB - Part C - Section 1	SI12
Schedule DB - Part C - Section 2	SI13
Schedule DB - Part D	E22
Schedule DB - Verification	SI14
Schedule DL - Part 1	E23
Schedule DL - Part 2	E24
Schedule E - Part 1 - Cash	E25
Schedule E - Part 2 - Cash Equivalents	E26
Schedule E - Part 3 - Special Deposits	E27
Schedule E - Verification Between Years	SI15
Schedule F - Part 1	20
Schedule F - Part 2	21
Schedule F - Part 3	22
Schedule F - Part 4	23
Schedule F - Part 5	24
Schedule F - Part 6 - Section 1	25
Schedule F - Part 6 - Section 2	27
Schedule F - Part 7	28

INDEX TO PROPERTY & CASUALTY ANNUAL STATEMENT

Schedule F - Part 8	29
Schedule F - Part 9	30
Schedule H - Accident and Health Exhibit - Part 1	31
Schedule H - Parts 2, 3, and 4	32
Schedule H - Part 5 - Health Claims	33
Schedule P - Part 1 - Summary	34
Schedule P - Part 1A - Homeowners/Farmowners	36
Schedule P - Part 1B - Private Passenger Auto Liability/Medical	37
Schedule P - Part 1C - Commercial Auto/Truck Liability/Medical	38
Schedule P - Part 1D - Workers' Compensation (Excluding Excess Workers' Compensation)	39
Schedule P - Part 1E - Commercial Multiple Peril	40
Schedule P - Part 1F - Section 1 - Medical Professional Liability - Occurrence	41
Schedule P - Part 1F - Section 2 - Medical Professional Liability - Claims-Made	42
Schedule P - Part 1G - Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	43
Schedule P - Part 1H - Section 1 - Other Liability - Occurrence	44
Schedule P - Part 1H - Section 2 - Other Liability - Claims-Made	45
Schedule P - Part 1I - Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary & Theft)	46
Schedule P - Part 1J - Auto Physical Damage	47
Schedule P - Part 1K - Fidelity/Surety	48
Schedule P - Part 1L - Other (Including Credit, Accident and Health)	49
Schedule P - Part 1M - International	50
Schedule P - Part 1N - Reinsurance - Nonproportional Assumed Property	51
Schedule P - Part 1O - Reinsurance - Nonproportional Assumed Liability	52
Schedule P - Part 1P - Reinsurance - Nonproportional Assumed Financial Lines	53
Schedule P - Part 1R - Section 1 - Products Liability - Occurrence	54
Schedule P - Part 1R - Section 2 - Products Liability - Claims-Made	55
Schedule P - Part 1S - Financial Guaranty/Mortgage Guaranty	56
Schedule P - Part 1T - Warranty	57
Schedule P - Part 2, Part 3 and Part 4 - Summary	35
Schedule P - Part 2A - Homeowners/Farmowners	58
Schedule P - Part 2B - Private Passenger Auto Liability/Medical	58
Schedule P - Part 2C - Commercial Auto/Truck Liability/Medical	58
Schedule P - Part 2D - Workers' Compensation (Excluding Excess Workers' Compensation)	58
Schedule P - Part 2E - Commercial Multiple Peril	58
Schedule P - Part 2F - Section 1 - Medical Professional Liability - Occurrence	59
Schedule P - Part 2F - Section 2 - Medical Professional Liability - Claims-Made	59
Schedule P - Part 2G - Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	59
Schedule P - Part 2H - Section 1 - Other Liability - Occurrence	59
Schedule P - Part 2H - Section 2 - Other Liability - Claims - Made	59
Schedule P - Part 2I - Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	60
Schedule P - Part 2J - Auto Physical Damage	60
Schedule P - Part 2K - Fidelity, Surety	60
Schedule P - Part 2L - Other (Including Credit, Accident and Health)	60
Schedule P - Part 2M - International	60
Schedule P - Part 2N - Reinsurance - Nonproportional Assumed Property	61
Schedule P - Part 2O - Reinsurance - Nonproportional Assumed Liability	61
Schedule P - Part 2P - Reinsurance - Nonproportional Assumed Financial Lines	61
Schedule P - Part 2R - Section 1 - Products Liability - Occurrence	62
Schedule P - Part 2R - Section 2 - Products Liability - Claims-Made	62
Schedule P - Part 2S - Financial Guaranty/Mortgage Guaranty	62
Schedule P - Part 2T - Warranty	62
Schedule P - Part 3A - Homeowners/Farmowners	63
Schedule P - Part 3B - Private Passenger Auto Liability/Medical	63
Schedule P - Part 3C - Commercial Auto/Truck Liability/Medical	63
Schedule P - Part 3D - Workers' Compensation (Excluding Excess Workers' Compensation)	63
Schedule P - Part 3E - Commercial Multiple Peril	63
Schedule P - Part 3F - Section 1 - Medical Professional Liability - Occurrence	64
Schedule P - Part 3F - Section 2 - Medical Professional Liability - Claims-Made	64
Schedule P - Part 3G - Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	64
Schedule P - Part 3H - Section 1 - Other Liability - Occurrence	64
Schedule P - Part 3H - Section 2 - Other Liability - Claims-Made	64
Schedule P - Part 3I - Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	65
Schedule P - Part 3J - Auto Physical Damage	65
Schedule P - Part 3K - Fidelity/Surety	65

INDEX TO PROPERTY & CASUALTY ANNUAL STATEMENT

Schedule P - Part 3L - Other (Including Credit, Accident and Health)	65
Schedule P - Part 3M - International	65
Schedule P - Part 3N - Reinsurance - Nonproportional Assumed Property	66
Schedule P - Part 3O - Reinsurance - Nonproportional Assumed Liability	66
Schedule P - Part 3P - Reinsurance - Nonproportional Assumed Financial Lines	66
Schedule P - Part 3R - Section 1 - Products Liability - Occurrence	67
Schedule P - Part 3R - Section 2 - Products Liability - Claims-Made	67
Schedule P - Part 3S - Financial Guaranty/Mortgage Guaranty	67
Schedule P - Part 3T - Warranty	67
Schedule P - Part 4A - Homeowners/Farmowners	68
Schedule P - Part 4B - Private Passenger Auto Liability/Medical	68
Schedule P - Part 4C - Commercial Auto/Truck Liability/Medical	68
Schedule P - Part 4D Workers' Compensation (Excluding Excess Workers' Compensation)	68
Schedule P - Part 4E - Commercial Multiple Peril	68
Schedule P - Part 4F - Section 1 - Medical Professional Liability - Occurrence	69
Schedule P - Part 4F - Section 2 - Medical Professional Liability - Claims-Made	69
Schedule P - Part 4G - Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	69
Schedule P - Part 4H - Section 1 - Other Liability - Occurrence	69
Schedule P - Part 4H - Section 2 - Other Liability - Claims-Made	69
Schedule P - Part 4I - Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary and Theft)	70
Schedule P - Part 4J - Auto Physical Damage	70
Schedule P - Part 4K - Fidelity/Surety	70
Schedule P - Part 4L - Other (Including Credit, Accident and Health)	70
Schedule P - Part 4M - International	70
Schedule P - Part 4N - Reinsurance - Nonproportional Assumed Property	71
Schedule P - Part 4O - Reinsurance - Nonproportional Assumed Liability	71
Schedule P - Part 4P - Reinsurance - Nonproportional Assumed Financial Lines	71
Schedule P - Part 4R - Section 1 - Products Liability - Occurrence	72
Schedule P - Part 4R - Section 2 - Products Liability - Claims-Made	72
Schedule P - Part 4S - Financial Guaranty/Mortgage Guaranty	72
Schedule P - Part 4T - Warranty	72
Schedule P - Part 5A - Homeowners/Farmowners	73
Schedule P - Part 5B - Private Passenger Auto Liability/Medical	74
Schedule P - Part 5C - Commercial Auto/Truck Liability/Medical	75
Schedule P - Part 5D - Workers' Compensation (Excluding Excess Worker' Compensation)	76
Schedule P - Part 5E - Commercial Multiple Peril	77
Schedule P - Part 5F - Medical Professional Liability - Claims-Made	79
Schedule P - Part 5F - Medical Professional Liability - Occurrence	78
Schedule P - Part 5H - Other Liability - Claims-Made	81
Schedule P - Part 5H - Other Liability - Occurrence	80
Schedule P - Part 5R - Products Liability - Claims-Made	83
Schedule P - Part 5R - Products Liability - Occurrence	82
Schedule P - Part 5T - Warranty	84
Schedule P - Part 6C - Commercial Auto/Truck Liability/Medical	85
Schedule P - Part 6D - Workers' Compensation (Excluding Excess Workers' Compensation)	85
Schedule P - Part 6E - Commercial Multiple Peril	86
Schedule P - Part 6H - Other Liability - Claims-Made	87
Schedule P - Part 6H - Other Liability - Occurrence	86
Schedule P - Part 6M - International	87
Schedule P - Part 6N - Reinsurance - Nonproportional Assumed Property	88
Schedule P - Part 6O - Reinsurance - Nonproportional Assumed Liability	88
Schedule P - Part 6R - Products Liability - Claims-Made	89
Schedule P - Part 6R - Products Liability - Occurrence	89
Schedule P - Part 7A - Primary Loss Sensitive Contracts	90
Schedule P - Part 7B - Reinsurance Loss Sensitive Contracts	92
Schedule P Interrogatories	94
Schedule T - Exhibit of Premiums Written	95
Schedule T - Part 2 - Interstate Compact	96
Schedule Y - Information Concerning Activities of Insurer Members of a Holding Company Group	97
Schedule Y - Part 1A - Detail of Insurance Holding Company System	98
Schedule Y - Part 2 - Summary of Insurer's Transactions With Any Affiliates	99

INDEX TO PROPERTY & CASUALTY ANNUAL STATEMENT

Statement of Income	4
Summary Investment Schedule	SI01
Supplemental Exhibits and Schedules Interrogatories	100
Underwriting and Investment Exhibit Part 1	6
Underwriting and Investment Exhibit Part 1A	7
Underwriting and Investment Exhibit Part 1B	8
Underwriting and Investment Exhibit Part 2	9
Underwriting and Investment Exhibit Part 2A	10
Underwriting and Investment Exhibit Part 3	11