



QUARTERLY STATEMENT

AS OF JUNE 30, 2010
OF THE CONDITION AND AFFAIRS OF THE

LUMBERMENS MUTUAL CASUALTY COMPANY

NAIC Group Code 0108, 0108 NAIC Company Code 22977 Employer's ID Number 36-1410470
(Current Period) (Prior Period)

Organized under the Laws of Illinois, State of Domicile or Port of Entry Illinois
Country of Domicile United States

Incorporated/Organized 11/18/1912 Commenced Business 11/25/1912

Statutory Home Office 1 Corporate Drive, Lake Zurich, IL 60047-8945
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 1 Corporate Drive Lake Zurich, IL 60047-8945 847-320-2000
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 1 Corporate Drive, Lake Zurich, IL 60047-8945
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 1 Corporate Drive Lake Zurich, IL 60047-8945 847-320-3127
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.lmcco.com

Statutory Statement Contact Fredrick Thomas Griffith 847-320-3127
(Name) (Area Code) (Telephone Number) (Extension)
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OFFICERS

Name	Title	Name	Title
<u>Douglas Sean Andrews</u>	<u>President and CEO</u>	<u>John Keating Conway</u>	<u>Secretary</u>
<u>Fredrick Thomas Griffith</u>	<u>Chief Financial Officer</u>	<u>Geoffrey Andrew Cooke</u>	<u>Treasurer</u>

OTHER OFFICERS

<u>Barbara Kay Murray</u>	<u>Senior Vice President</u>	<u>Benjamin David Schwartz</u>	<u>Senior Vice President</u>
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DIRECTORS OR TRUSTEES

<u>Douglas Sean Andrews</u>	<u>Peter Bannerman Hamilton</u>	<u>George Ralph Lewis</u>	<u>Arthur James Massolo</u>
<u>David Barrett Mathis</u>			

State of Illinois

ss

County of Lake

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of 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.

Douglas Sean Andrews
President and CEO

John Keating Conway
Secretary

Fredrick Thomas Griffith
Chief Financial Officer

a. Is this an original filing? Yes [X] No []

Subscribed and sworn to before me this
11 day of August, 2010

b. If no,
1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____

STATEMENT AS OF JUNE 30, 2010 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	732,127,542		732,127,542	805,880,134
2. Stocks:				
2.1 Preferred stocks	0		0	0
2.2 Common stocks	62,152,304		62,152,304	60,979,750
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$9,466,479), cash equivalents (\$0) and short-term investments (\$38,513,509)	47,979,988		47,979,988	59,334,761
6. Contract loans (including \$premium notes)			0	0
7. Derivatives			0	0
8. Other invested assets	5,315,221		5,315,221	5,618,196
9. Receivables for securities			0	0
10. Aggregate write-ins for invested assets	0	0	0	0
11. Subtotals, cash and invested assets (Lines 1 to 10)	847,575,055	0	847,575,055	931,812,841
12. Title plants less \$ charged off (for Title insurers only)			0	0
13. Investment income due and accrued	5,515,236		5,515,236	6,139,131
14. Premiums and considerations:				
14.1 Uncollected premiums and agents' balances in the course of collection	965,387	3,750,961	(2,785,574)	(707,981)
14.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)	5,246,517	61,138	5,185,379	8,665,035
14.3 Accrued retrospective premiums	7,297,570	168,093	7,129,477	9,741,523
15. Reinsurance:				
15.1 Amounts recoverable from reinsurers	56,716,651		56,716,651	82,629,828
15.2 Funds held by or deposited with reinsured companies	12,489,150		12,489,150	11,184,035
15.3 Other amounts receivable under reinsurance contracts			0	0
16. Amounts receivable relating to uninsured plans			0	0
17.1 Current federal and foreign income tax recoverable and interest thereon	433,827		433,827	383,396
17.2 Net deferred tax asset	762,033,352	762,033,352	0	0
18. Guaranty funds receivable or on deposit			0	0
19. Electronic data processing equipment and software			0	0
20. Furniture and equipment, including health care delivery assets (\$)			0	0
21. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
22. Receivables from parent, subsidiaries and affiliates	1,014,377	3,665	1,010,712	251,269
23. Health care (\$) and other amounts receivable			0	0
24. Aggregate write-ins for other than invested assets	69,178,972	3,809,209	65,369,763	73,928,208
25. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 11 to 24)	1,768,466,094	769,826,418	998,639,676	1,124,027,285
26. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
27. Total (Lines 25 and 26)	1,768,466,094	769,826,418	998,639,676	1,124,027,285
DETAILS OF WRITE-INS				
1001.				
1002.				
1003.				
1098. Summary of remaining write-ins for Line 10 from overflow page	0	0	0	0
1099. Totals (Lines 1001 through 1003 plus 1098)(Line 10 above)	0	0	0	0
2401. Amounts receivable under high deductible policies.....	4,164,412	3,469,220	695,192	4,664,499
2402. Advance to claims service provider.....	8,795,086		8,795,086	8,292,510
2403. Other admitted assets.....	56,219,474	339,989	55,879,485	60,971,199
2498. Summary of remaining write-ins for Line 24 from overflow page	0	0	0	0
2499. Totals (Lines 2401 through 2403 plus 2498)(Line 24 above)	69,178,972	3,809,209	65,369,763	73,928,208

STATEMENT AS OF JUNE 30, 2010 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$482,000)	654,525,157	677,228,257
2. Reinsurance payable on paid losses and loss adjustment expenses	18,732,409	22,869,036
3. Loss adjustment expenses	191,526,628	213,253,103
4. Commissions payable, contingent commissions and other similar charges	338,696	407,204
5. Other expenses (excluding taxes, licenses and fees)	8,631,626	11,418,403
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	10,627,812	9,326,453
7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses))		0
7.2 Net deferred tax liability		0
8. Borrowed money \$ and interest thereon \$		0
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$1,247,495 and including warranty reserves of \$73,974)	1,681,457	2,569,021
10. Advance premium		0
11. Dividends declared and unpaid:		
11.1 Stockholders		0
11.2 Policyholders		0
12. Ceded reinsurance premiums payable (net of ceding commissions)	1,099,724	331,486
13. Funds held by company under reinsurance treaties	1,875,644	2,133,617
14. Amounts withheld or retained by company for account of others	53,389,940	72,666,145
15. Remittances and items not allocated	1,222,369	1,029,380
16. Provision for reinsurance		0
17. Net adjustments in assets and liabilities due to foreign exchange rates	444,882	434,296
18. Drafts outstanding		0
19. Payable to parent, subsidiaries and affiliates		0
20. Derivatives		0
21. Payable for securities		0
22. Liability for amounts held under uninsured plans		0
23. Capital notes \$ and interest thereon \$		0
24. Aggregate write-ins for liabilities	42,308,413	102,237,606
25. Total liabilities excluding protected cell liabilities (Lines 1 through 24)	986,404,757	1,115,904,007
26. Protected cell liabilities		0
27. Total liabilities (Lines 25 and 26)	986,404,757	1,115,904,007
28. Aggregate write-ins for special surplus funds	0	0
29. Common capital stock		0
30. Preferred capital stock		0
31. Aggregate write-ins for other than special surplus funds	1,500,000	1,500,000
32. Surplus notes	698,355,598	698,355,598
33. Gross paid in and contributed surplus		0
34. Unassigned funds (surplus)	(687,620,679)	(691,732,320)
35. Less treasury stock, at cost:		
35.1 shares common (value included in Line 29 \$)		0
35.2 shares preferred (value included in Line 30 \$)		0
36. Surplus as regards policyholders (Lines 28 to 34, less 35)	12,234,919	8,123,278
37. Totals	998,639,676	1,124,027,285
DETAILS OF WRITE-INS		
2401. Accounts payable and other liabilities	42,308,413	102,237,606
2402.		
2403.		
2498. Summary of remaining write-ins for Line 24 from overflow page	0	0
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	42,308,413	102,237,606
2801.		
2802.		
2803.		
2898. Summary of remaining write-ins for Line 28 from overflow page	0	0
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	0	0
3101. Guaranty fund	1,500,000	1,500,000
3102.		
3103.		
3198. Summary of remaining write-ins for Line 31 from overflow page	0	0
3199. Totals (Lines 3101 through 3103 plus 3198) (Line 31 above)	1,500,000	1,500,000

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written \$(97,751))	6,418	(4,379,987)	(3,726,784)
1.2 Assumed (written \$438,566)	1,352,853	6,870,820	9,905,839
1.3 Ceded (written \$266,895)	397,787	(812,765)	1,002,253
1.4 Net (written \$73,920)	961,484	3,303,598	5,176,802
DEDUCTIONS:			
2. Losses incurred (current accident year \$716,000):			
2.1 Direct	(38,067,545)	2,987,418	70,183,986
2.2 Assumed	(16,877,237)	11,245,710	105,447,262
2.3 Ceded	(112,265,115)	(9,527,589)	142,931,421
2.4 Net	57,320,333	23,760,717	32,699,827
3. Loss adjustment expenses incurred	5,335,303	760,080	57,529,029
4. Other underwriting expenses incurred	(33,823,392)	19,334,588	85,753,838
5. Aggregate write-ins for underwriting deductions	0	0	(1,279,771)
6. Total underwriting deductions (Lines 2 through 5)	28,832,244	43,855,385	174,702,923
7. Net income of protected cells	0	0	0
8. Net underwriting gain or (loss) (Line 1.4 minus Line 6 + Line 7)	(27,870,760)	(40,551,787)	(169,526,121)
INVESTMENT INCOME			
9. Net investment income earned	14,567,524	18,526,109	46,651,058
10. Net realized capital gains (losses) less capital gains tax of \$	2,491,975	72,843	1,278,934
11. Net investment gain (loss) (Lines 9 + 10)	17,059,499	18,598,952	47,929,992
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$14,213 amount charged off \$82,398)	(68,185)	3,731,165	4,981,532
13. Finance and service charges not included in premiums	0	0	0
14. Aggregate write-ins for miscellaneous income	9,097,057	1,883,186	7,556,223
15. Total other income (Lines 12 through 14)	9,028,872	5,614,351	12,537,755
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(1,782,389)	(16,338,484)	(109,058,374)
17. Dividends to policyholders	251,262	1,779,345	1,964,927
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)	(2,033,651)	(18,117,829)	(111,023,301)
19. Federal and foreign income taxes incurred	(50,431)	(298,264)	(600,462)
20. Net income (Line 18 minus Line 19)(to Line 22)	(1,983,220)	(17,819,565)	(110,422,839)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	8,123,278	113,172,215	113,172,215
22. Net income (from Line 20)	(1,983,220)	(17,819,565)	(110,422,839)
23. Net transfers (to) from Protected Cell accounts	0	0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$	910,763	3,237,438	(5,650,732)
25. Change in net unrealized foreign exchange capital gain (loss)	(10,586)	295,476	1,050,710
26. Change in net deferred income tax	(1,157,919)	4,130,693	39,982,855
27. Change in nonadmitted assets	2,467,234	(1,677,043)	(31,273,709)
28. Change in provision for reinsurance	0	0	0
29. Change in surplus notes	0	0	0
30. Surplus (contributed to) withdrawn from protected cells	0	0	0
31. Cumulative effect of changes in accounting principles	0	0	0
32. Capital changes:			
32.1 Paid in	0	0	0
32.2 Transferred from surplus (Stock Dividend)	0	0	0
32.3 Transferred to surplus	0	0	0
33. Surplus adjustments:			
33.1 Paid in	0	0	0
33.2 Transferred to capital (Stock Dividend)	0	0	0
33.3 Transferred from capital	0	0	0
34. Net remittances from or (to) Home Office	0	0	0
35. Dividends to stockholders	0	0	0
36. Change in treasury stock	0	0	0
37. Aggregate write-ins for gains and losses in surplus	3,885,369	3,011,875	1,264,778
38. Change in surplus as regards policyholders (Lines 22 through 37)	4,111,641	(8,821,126)	(105,048,937)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	12,234,919	104,351,089	8,123,278
DETAILS OF WRITE-INS			
0501. Change in premium deficiency reserve	0	0	(1,279,771)
0502.	0	0	0
0503.	0	0	0
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	(1,279,771)
1401. Other income	9,097,057	1,883,186	7,556,223
1402.	0	0	0
1403.	0	0	0
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)	9,097,057	1,883,186	7,556,223
3701. Provision for uncollectible reinsurance	3,885,369	3,011,875	1,264,778
3702.	0	0	0
3703.	0	0	0
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)	3,885,369	3,011,875	1,264,778

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance.....	7,353,890	11,733,992	15,733,603
2. Net investment income	17,403,302	23,103,841	52,744,627
3. Miscellaneous income	7,723,757	5,959,214	13,599,785
4. Total (Lines 1 to 3)	32,480,949	40,797,047	82,078,015
5. Benefit and loss related payments	58,246,883	90,521,193	165,190,380
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	(5,207,687)	57,753,338	176,256,739
8. Dividends paid to policyholders	(2,419,725)	(3,939,821)	(5,660,561)
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses).....	0	0	(841,023)
10. Total (Lines 5 through 9)	50,619,471	144,334,710	334,945,535
11. Net cash from operations (Line 4 minus Line 10)	(18,138,522)	(103,537,663)	(252,867,520)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	127,096,327	293,061,994	499,523,618
12.2 Stocks	(276,723)	83,067	2,166,776
12.3 Mortgage loans	0	0	0
12.4 Real estate	0	0	0
12.5 Other invested assets	364,033	311,598	685,752
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	124	0	(9,033)
12.7 Miscellaneous proceeds	0	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	127,183,761	293,456,659	502,367,113
13. Cost of investments acquired (long-term only):			
13.1 Bonds	53,230,916	202,026,236	288,263,769
13.2 Stocks	0	0	0
13.3 Mortgage loans	0	0	0
13.4 Real estate	0	0	0
13.5 Other invested assets	0	0	0
13.6 Miscellaneous applications	0	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	53,230,916	202,026,236	288,263,769
14. Net increase (or decrease) in contract loans and premium notes	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	73,952,845	91,430,423	214,103,344
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes	0	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0	0
16.3 Borrowed funds	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0	0
16.5 Dividends to stockholders	0	0	0
16.6 Other cash provided (applied).....	(67,169,096)	(12,752,210)	11,738,579
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(67,169,096)	(12,752,210)	11,738,579
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)	(11,354,773)	(24,859,450)	(27,025,597)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	59,334,761	86,360,358	86,360,358
19.2 End of period (Line 18 plus Line 19.1)	47,979,988	61,500,908	59,334,761

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

The accompanying statutory financial statements of Lumbermens Mutual Casualty Company (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners (the "NAIC") *Accounting Practices and Procedures Manual* (the "Manual") and with accounting practices prescribed (including accounting allowances under Corrective Orders) or permitted by the Illinois Department of Insurance (the "Department").

The Company's reported surplus at June 30, 2010 and December 31, 2009 reflects increases of \$283.1 million and \$282.0 million, respectively, at those dates over what would have been reported without accounting practices prescribed or permitted by the Department, as illustrated in the following table and as described further below:

(in thousands) Prescribed or Permitted Practices	June 30, 2010	December 31, 2009	Increase/ (Decrease)
Loss and LAE Reserve Discounting	\$ 221,518	220,433	1,085
Prepaid Expenses	18,564	18,748	(184)
Provision for Uncollectible Reinsurance	166	166	0
Annuity Reinsurance Contracts	10,082	10,082	0
Subsidiary Audited Financials	4,328	4,101	227
LBA & PDR	28,443	28,443	0
Total	\$ 283,101	281,973	1,128

1. **Loss and LAE Reserve Discounting.** Pursuant to a prescribed accounting practice, the Company discounts its loss and loss adjustment expense ("LAE") reserves at 4.2% in the accompanying financial statements. Prior to 2003, the Company discounted at 3.5% (or the required statutory rate) only certain categories of liabilities on its statutory statements of admitted assets, liabilities and surplus ("balance sheet"), essentially the tabular discount on permanent total/lifetime benefit liabilities, pursuant to prescribed accounting practices. At June 30, 2010, the total amount of the tabular and non-tabular discount, included on the balance sheet and on Schedule P, was \$350.7 million; the total was \$340.8 million at December 31, 2009. With this prescribed practice, the Company's reported surplus exceeded what its surplus would have been under the tabular discount by \$221.5 million at June 30, 2010 and \$220.4 million at December 31, 2009.
2. **Prepaid Expenses.** Pursuant to a prescribed accounting practice, the balance sheet of the Company reflects as admitted assets the expenses that the Company has prepaid primarily for claim handling services to two third-party administrators and for information technology services. With this prescribed practice, the Company's reported surplus exceeded what its surplus would have been by \$18.6 million at June 30, 2010 and \$18.7 million at December 31, 2009.
3. **Provision for Uncollectible Reinsurance.** Pursuant to a prescribed accounting practice, the Company established a general provision for uncollectible reinsurance, net of discount, of \$21.1 million at June 30, 2010 and \$25.0 million at December 31, 2009. The Schedule F penalty otherwise prescribed by the Manual would have been approximately the same as the provision at June 30, 2010 and December 31, 2009.
4. **Annuity Reinsurance Contracts.** Pursuant to a prescribed accounting practice, the balance sheet of the Company at June 30, 2010 and December 31, 2009 reflects as admitted assets the estimated value of certain annuity reinsurance contracts issued by Washington National Insurance Company, which is rated B+ (good) by A.M. Best. As reflected on the balance sheet, the annuity reinsurance contracts totaled \$13.0 million at June 30, 2010 and \$13.3 million at December 31, 2009. The benefit to surplus of the prescribed practice at June 30, 2010 is approximately the same as December 31, 2009.
5. **Audited Financial Statements of Certain Subsidiaries.** For December 31, 2009, the Department granted a permitted practice allowing the Company to forego the requirement to obtain audited financial statements for certain of the Company's non-insurance company subsidiaries and the Company has carried forward the permitted practice to June 30, 2010. At June 30, 2010 and December 31, 2009, such subsidiaries had a combined statement value (surplus) of \$4.3 million and \$4.1 million, respectively. The Company believes that the statutory carrying values of these subsidiaries approximate the carrying values that would be determined if audited statements were obtained.
6. **Loss Based Assessment ("LBA") and Premium Deficiency Reserve ("PDR") Liabilities.** Pursuant to a prescribed accounting practice, the Company discounts its LBA and PDR liabilities at 4.2%.

NOTES TO FINANCIAL STATEMENTS

The prescribed accounting practice further allows the Company to calculate its LBA liability based on an estimate of LBA payments to be made within two years of the date of the quarterly statutory financial statement. The benefit to surplus of the prescribed practice at June 30, 2010 is approximately the same as December 31, 2009.

7. Reporting of Correction of Errors. As described in Note 2 "Accounting Changes and Correction of Errors" and more fully detailed in Note 20 "Other Items", during the first quarter of 2010 the Company identified errors aggregating approximately \$5.0 million related to the preparation of its December 31, 2009 estimate for loss and LAE liabilities. The Manual provides technical guidance to the effect that such error corrections be recorded in the current period as a direct adjustment to surplus. The Company recorded \$5.0 million of those adjustments through its statement of operations in the first quarter of 2010, which adjustments then resulted in a surplus reduction on the balance sheet. The Department has granted a permitted practice to the Company to record in its March 31, 2010 statutory financial statements the corrections of errors through current year operations and has not required the Company to restate its 2009 financial statements. This permitted practice has no impact on the Company's reported surplus at June 30, 2010.

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

Correction of Errors

As detailed in Note 20 "Other Items", errors affecting the Company's December 31, 2009 surplus aggregating approximately \$5.0 million were identified during the first quarter of 2010, though subsequent to the filing of its 2009 Annual Statement. Pursuant to a permitted accounting practice (see Note 1.A.), the correction of these errors has been presented in the accompanying statutory financial statements through current year operations.

3. BUSINESS COMBINATIONS AND GOODWILL

No change.

4. DISCONTINUED OPERATIONS

No change.

5. INVESTMENTS

D. The fair values of the Company's bonds have been determined using quoted market prices from an orderly market at the reporting date for those or similar investments. If quoted market prices from an orderly market are not available, the fair value is determined using an income approach valuation technique (present value using the discount rate adjustment technique) that considers, among other things, interest rates, the issuer's credit spread, prepayments, performance of the underlying collateral for loan-backed securities and illiquidity by sector and maturity.

The statement value and fair value of bonds at June 30, 2010 were as follows:

	Statement value	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
U.S. governments	\$ 64,695	4,311	0	69,006
Special revenue and assessment obligations and all non-guaranteed obligations of agencies and authorities of U.S. governments	25,437	530	(95)	25,872
Industrial and miscellaneous	444,772	11,675	(18,967)	437,480
Asset-backed securities	28,077	59	(376)	27,760
Mortgage-backed securities	169,147	2,942	(993)	171,096
Total bonds	<u>\$ 732,128</u>	<u>19,517</u>	<u>(20,431)</u>	<u>731,214</u>

Bonds in an unrealized loss position are regularly reviewed for other-than-temporary declines in value. Factors considered in determining whether a decline is other-than-temporary include the length of time a bond has been in an unrealized loss position and the reasons for the decline in value. Assessments include judgments about an obligor's or guarantor's current and projected financial position, an issuer's current and projected ability to service and repay its debt obligations, the existence of, and realizable value for, any collateral backing the obligations, and the macro-economic and micro-economic outlooks for specific industries and issuers. Estimating the future cash flows of loan-backed securities also involves assumptions regarding the underlying collateral such as prepayment rates, default and recovery rates, existence of subordinated classes capable of absorbing losses, and third-party servicing abilities.

In performing its other-than-temporary impairment reviews, the Company, in consultation with its engaged portfolio manager, considers the relevant facts and circumstances relating to each investment and exercises judgment in determining whether a bond is other-than-temporarily

NOTES TO FINANCIAL STATEMENTS

impaired. Among the factors considered are whether the decline in fair value results from fundamental credit problems of the issuer, or is interest related, and the likelihood of recovering the amortized cost based on the current and short-term prospects of the issuer. Unrealized losses are determined to be temporary where such losses are primarily the result of market conditions, such as increasing interest rates, unusual market volatility, or industry-related events, and where the Company also believes it is probable that the Company will be able to collect all amounts when due in accordance with the contractual terms of the investment and, furthermore, has the intent and ability to hold the investment until the market recovers or maturity and, therefore, does not have the intent to sell the investment.

The bonds shown in the table below, nearly all of which are rated "A" or better, or are U.S. government agency mortgage-backed obligations and which, therefore, have minimal credit risk, are subject to normal market fluctuations. Based on the Company's evaluation of the bonds shown in the table below and the Company's intent and ability to hold the securities until they recover in value or mature, the Company does not consider the bonds to be other-than-temporarily impaired at June 30, 2010.

The risks inherent in reviewing the impairment of any investment include the risk that market results may differ from expectations; facts and circumstances may change in the future and differ from estimates and assumptions; or the Company may later decide to sell the security and realize a loss as a result of changes in the specific facts and circumstances surrounding a bond, or the outlook for its industry sector or the economy.

As of June 30, 2010, the gross unrealized losses segregated between those that were in a loss position for more than twelve months and those that were in a loss position for less than twelve months were as follows:

	Number of issues		Gross unrealized losses		Fair Value
	(In thousands)				
Bonds in a loss position more than 12 months:					
Special revenue & assessment obligations and all non-guaranteed obligations of agencies and authorities of U.S. governments	2	\$	(95)		4,333
Industrial & miscellaneous ¹	2		(18,590)		139,812
Asset-backed securities	1		(331)		2,675
Mortgage-backed securities	2		(827)		10,239
	7		(19,843)		157,059
Bonds in a loss position less than 12 months:					
Special revenue & assessment obligations and all non-guaranteed obligations of agencies and authorities of U.S. governments					
Industrial & miscellaneous	1		(377)		4,623
Asset-backed securities	1		(45)		7,926
Mortgage-backed securities	11		(166)		22,767
	13		(588)		35,316
Total bonds in a loss position	20	\$	(20,431)		192,375

¹ Includes two Berkshire Hathaway Group (Berkshire) (which is rated "AA") bonds with gross unrealized losses of \$18.6 million and fair values of \$139.8 million.

During 2010, the Company has recognized \$84 thousand of realized losses related to other-than-temporary impairment writedowns of a loan-backed bond because the present value of cash flows expected to be collected was less than the amortized cost of the security.

NOTES TO FINANCIAL STATEMENTS

The Company's holding at June 30, 2010 in the loan-backed bond which recognized an other-than-temporary impairment because the present value of cash flows expected to be collected was less than the amortized cost of the security is identified below (in thousands):

CUSIP	Amortized cost before impairment	Impairment recognized during quarter	Amortized cost after impairment	Fair Value
23242MAA9	\$ 859	23	836	821

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

No change.

7. INVESTMENT INCOME

No change.

8. DERIVATIVE INSTRUMENTS

No change.

9. INCOME TAXES

A. In December, 2009, the NAIC adopted SSAP No. 10R, *Income Taxes - Revised, A Temporary Replacement of SSAP No. 10* (SSAP No. 10R). The primary changes made by SSAP No. 10R were (1) the introduction of the concept of a statutory valuation allowance, (2) the increased admittance of deferred tax assets for insurers that meet certain risk-based capital requirements and (3) the expanded reporting of deferred tax items by tax character (ordinary versus capital).

The Company's financial statements have been prepared using the provisions of SSAP No. 10 and have not been adjusted for the changes made by SSAP No. 10R. Due to the Company's run-off status, all net deferred tax assets of the Company previously have been and continue to be fully non-admitted. As a result, no change to the Company's net admitted deferred tax asset position would result if the provisions of SSAP No. 10R were applied to the Company's financial statements.

NOTES TO FINANCIAL STATEMENTS

The components of the Company's net deferred tax asset are as follows:

	June 30, 2010	December 31, 2009
	(in thousands)	
Total of gross deferred tax assets	\$ 763,609	\$ 764,767
Total of deferred tax liabilities	1,576	1,576
Net deferred tax asset	762,033	763,191
Deferred tax asset nonadmitted	762,033	763,191
Net admitted deferred tax asset	0	\$ 0
Decrease in nonadmitted asset	\$ 1,158	

C2. The change in net deferred income taxes is comprised of the following:

	June 30, 2010	December 31, 2009	Change
	(in thousands)		
Total deferred tax assets	\$ 763,609	\$ 764,767	\$ (1,158)
Total deferred tax liabilities	1,576	1,576	0
Net deferred tax asset	\$ 762,033	\$ 763,191	(1,158)
Tax effect of unrealized gains (losses)			0
Changes in net deferred income tax			\$ (1,158)

D. The provision for Federal and foreign income taxes incurred plus the change in deferred income taxes is different from that which would be obtained by applying the statutory Federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

	June 30, 2010
	(in thousands)
Provision computed at statutory rate	\$ 712
Receivables	(1,820)
Total	\$ (1,108)
Federal and foreign income taxes incurred	\$ 50
Change in net deferred income taxes	(1,158)
Total statutory income taxes	\$ (1,108)

F. No change.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AFFILIATES AND OTHER RELATED PARTIES

Significant Former Affiliate Transactions

In July 2003, the Company sold its NATLSCO, Inc. subsidiary and related claim service operations (together subsequently renamed "Broadspire"). The 2003 sales agreement with Broadspire provided for certain contingent consideration (earn-out) based on the revenue and net income of the sold business for a four-year period beginning January 1, 2004 (the "Earn-out Period"). The sales agreement required the acceleration and payment of the remaining earn-out if Broadspire sold assets of NATLSCO during the Earn-out Period. In an arbitration proceeding, the Company is disputing the accuracy of the amounts paid by Broadspire for the 2004 and 2005 earn-out periods. In addition, in a series of three transactions between December 2004 and November 2006, Broadspire disposed of NATLSCO and certain of its assets. The Company is disputing the accuracy of Broadspire's calculations, and is involved in arbitration proceedings with Broadspire related to the asset sales. In accordance with the Manual, the Company is not carrying an admitted asset for any future recoveries from Broadspire. In the second quarter of 2010 the Company received approximately \$3.5 million as a result of the arbitrator's ruling on the 2004 Earn-out Period.

11. DEBT

No change.

NOTES TO FINANCIAL STATEMENTS

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POST EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

No change.

13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

Each payment of interest on and/or repayment of principal of the surplus notes issued by the Company in 1996 and 1997 may be made only with the prior approval of the Director of the Illinois Department of Insurance (the "Director"), which approval will only be granted if, in the judgment of the Director, the financial condition of the Company warrants the making of such payments and the Company's policyholders' surplus reflects sufficient funds to cover the amount of such payment. All payments of interest scheduled since January 1, 2003 have not been paid due to disapprovals by the Director based on the Company's financial condition. The cumulative amount of interest that was scheduled to be paid but is unpaid, plus the amount otherwise accruing in the second quarter of 2010 for which scheduled interest payment dates have not yet arrived, totaled \$464,462,500 as of June 30, 2010. In accordance with statutory accounting principles, this total amount is not reflected as a liability on the Company's statutory balance sheet as of June 30, 2010. On May 25, 2010, the Department disapproved the payments of interest due on June 1, 2010 and July 1, 2010 (and all previously disapproved interest payments) on the \$400,000,000 9.15% Surplus Notes due on July 1, 2026, the \$200,000,000 8.30% Surplus Notes due on December 1, 2037, and the \$100,000,000 8.45% Surplus Notes due on December 1, 2097.

14. CONTINGENCIES

E. In the second quarter of 2010, the Alaska Division of Insurance notified the Company that its Certificate of Authority to transact insurance in Alaska has been suspended after the surplus at March 31, 2010 fell below the Alaska surplus requirement. The Company is prohibited from transacting insurance and is required to file its financial statements and pay all fees and taxes. The Company continues to handle claims, and liquidate assets and liabilities from its prior operations.

15. LEASES

No change.

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

No change.

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

No change.

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

No change.

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

No change.

20. OTHER ITEMS

C. Subsequent to the filing of the Company's 2009 Annual Statement on or about March 1, 2010, the Company became aware of certain facts that provided additional evidence with respect to conditions or circumstances that existed at the date of filing. These additional facts affected the estimates inherent in the process of preparing the 2009 Annual Statement and are referred to as Type I subsequent events in SSAP No. 9, *Subsequent Events*. In accordance with SSAP No. 9, all information that becomes available prior to the issuance of the statutory financial statements relating to a material Type I subsequent event shall be used by management to determine the related accounting estimate.

NOTES TO FINANCIAL STATEMENTS

The Company has recorded the following adjustments to the Company's 2009 Annual Statement as filed which will be reflected in the 2009 audited statutory financial statements:

	Net Loss	Surplus
As filed in 2009 Annual Statement	\$ (110,422,839)	\$ 8,123,278
2009 Adjustments related to:		
Misapplication of facts related to development of certain losses and loss adjustment expenses	(5,034,144)	(5,034,144)
Total of all adjustments	(5,034,144)	(5,034,144)
As per 2009 audited statutory financial statements	\$ (115,456,983)	\$ 3,089,134

The Company and its affiliates have ceased the use of the name "Kemper Insurance Companies" and will continue winding up their operations under the trade name "Lumbermens Mutual Group." Historically, Kemper has been the marketing and trade name for the Company and its affiliates, including American Manufacturers Mutual Insurance Company. This change occurred because Lumbermens Mutual Group, on June 29, 2010, concluded the sale of its rights in the Kemper name to Unitrin, Inc.

- H.** Fair values are estimated at specific points in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Fair values are based on quoted market prices when available and appropriate. Otherwise fair values for financial instruments are generally determined using discounted cash flow models and assumptions that are based on judgments regarding current and future economic conditions and the risk characteristics of the investments. Although fair values are calculated using assumptions that management believes are appropriate, changes in assumptions could significantly affect the estimates and such estimates should be used with care.

Fair values are determined for existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and certain liabilities that are not considered financial instruments. For example, the Company's subsidiaries are not considered financial instruments, and their value has not been incorporated into the fair value estimates. Accordingly, the aggregate fair value presented does not represent the underlying value of the Company.

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

Bonds: Fair values for bonds are determined using quoted market prices from an orderly market at the reporting date for those or similar investments. If quoted market prices from an orderly market are not available, the fair value is determined using an income approach valuation technique (present value using the discount rate adjustment technique) that considers, among other things, interest rates, the issuer's credit spread, prepayments, performance of the underlying collateral for loan-backed securities and illiquidity by sector and maturity.

Cash equivalents and short-term investments: Fair values for money market funds are based on quoted market prices. Fair values for other instruments approximate amortized cost.

Cash: The statement value reported for cash approximates fair value.

Unaffiliated common stocks: Fair values for unaffiliated private placement common stocks are based on a discounted cash flow income approach and the offering price of a new stock issue (cost approach).

Notes receivable: The fair value of notes receivable is determined in good faith by the Company's engaged portfolio manager based on the estimated timing of cash receipts and a discount rate appropriate for the borrower's credit status.

NOTES TO FINANCIAL STATEMENTS

The statement values and fair values of the Company's financial instruments at June 30, 2010 and December 31, 2009 were as follows:

	2010		2009	
	Statement value	Fair Value	Statement value	Fair value
	(In thousands)			
Financial instruments recorded as assets:				
Bonds	\$ 732,128	731,214	805,880	795,804
Cash, cash equivalents, and short-term investments	47,980	47,981	59,335	59,342
Unaffiliated common stocks	1,377	1,377	1,377	1,377
Notes receivable	0	0	303	359

The Company's financial assets carried at fair value have been classified, for disclosure purposes, based on a fair value hierarchy defined by SSAP No. 100, *Fair Value Measurements*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's classification is determined based on the lowest level input that is significant to its fair value measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1 - Inputs are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Examples of other inputs include market interest rates, volatilities, spreads, yield curves, prepayment speeds and default rates.

Level 3 - Includes unobservable inputs that are supported by little or no market activity and are significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what assumptions hypothetical market participants would use to determine a transaction price for the asset at the reporting date.

The following table summarizes assets measured at fair value on a recurring basis at June 30, 2010:

	Fair Value Measurement Category			Statement value
	Level 1	Level 2	Level 3	
	(In thousands)			
Unaffiliated common stocks	\$ 0	0	1,377	1,377

NOTES TO FINANCIAL STATEMENTS

The following table reconciles the beginning and ending balances of assets measured at fair value on a recurring basis using significant Level 3 inputs at June 30, 2010:

		Unaffiliated common stocks	
		(In thousands)	
Statement value 1/1/2010	\$	1,377	
Total gains or losses:			
Realized included in net income		0	
Unrealized included in surplus		0	
Net purchases and sales		0	
Net transfers in or out of Level 3		0	
Statement value 6/30/2010	\$	1,377	

Certain financial assets are measured at fair value on a non-recurring basis, such as certain bonds valued at the lower of cost or fair value, or investments that are impaired during the reporting period. The following table summarizes the assets measured at fair value on a non-recurring basis as of June 30, 2010, and the net gains and losses recorded on assets measured at fair value on a non-recurring basis during 2010:

		Statement value	June 30, 2010			2010 Net gains/(losses)
			Fair Value Measurement Category			
			Level 1	Level 2	Level 3	
(In thousands)						
Bonds	\$	10,319	0	7,850	2,469	(201)

During 2010, the Company recorded \$84 thousand of impairment writedowns on a bond included in the above table. The Company carries the above bonds at fair value because they are rated NAIC 3 or below and fair value is lower than amortized cost. Unrealized losses are recorded in surplus. At June 30, 2010, the Level 2 fair value above was determined based on a price from a third party pricing vendor using a matrix pricing model, and the Level 3 fair values were determined based on a price determined by the Company's engaged portfolio manager using a discount rate adjustment technique pricing model.

21. EVENTS SUBSEQUENT

No change.

22. REINSURANCE

In March 2010, the Company resolved a reinsurance dispute with Converium Reinsurance (North America) Inc., f/k/a Zurich Reinsurance (North America) Inc., and n/k/a Finial Reinsurance Company ("Converium") by commuting all reinsurance treaties between them. The treaties related to certain excess of loss reinsurance agreements encompassing primarily workers compensation losses and LAE. The Company had recorded in its 2009 year-end statutory financial statements a liability that reduced its surplus by approximately \$57 million to reflect the expected result of the commutation. At March 31, 2010, the Company reversed the liability and reflected the actual result of the commutation as losses incurred of approximately \$57 million (see Note 24).

23. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION

No change.

NOTES TO FINANCIAL STATEMENTS

24. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

Activity in the liabilities for losses and LAE is summarized as follows:

	2010	2009
	(in thousands)	
Balance as of January 1, net of reinsurance recoverables of \$890,864 in 2010 and \$879,068 in 2009	\$ 890,481	\$ 1,040,399
Incurred related to:		
Current accident year	863	2,988
Prior accident years	61,793	87,241
Total incurred	62,656	90,229
Paid related to:		
Current accident year	(240)	(649)
Prior accident years	(106,845)	(239,498)
Total paid	(107,085)	(240,147)
Balance as of June 30, 2010 and December 31, 2009, net of reinsurance recoverables of \$703,023 in 2010 and \$890,864 in 2009	\$ 846,052	\$ 890,481

The incurred loss and LAE reserves related to prior accident years increased by \$61.8 million for the six months ended June 30, 2010 and \$87.2 million for the year ending December 31, 2009.

The prior year development at June 30, 2010 is due to:

1. Nominal adverse loss and LAE reserve development of \$71.7 million comprised of (a) a \$64.2 million increase arising from buybacks, commutations, novations, deductible buy-ups and buy-downs, of which \$91.2 million is attributable to the Converium commutation (see Note 22); and (b) nominal reserve strengthening of \$7.5 million, of which \$7.3 million is attributable to a correction of error (see Note 2); and
2. An increase in the discount of \$9.9 million comprised of (a) a \$18.0 million decrease related to anticipated amortization of discount; (b) a \$25.7 million increase associated with buybacks, commutations, novations, deductible buy-ups and buy-downs, of which \$34.2 million is attributable to the Converium commutation (see Note 22); and (c) a \$2.2 million increase due to nominal reserve strengthening related to a correction of error (see Note 2).

The prior year development in 2009 is due to:

1. Nominal adverse loss and LAE reserve development of \$52.6 million comprised of (a) an \$82.6 million increase arising primarily from deterioration in workers' compensation, other liability, commercial auto liability, and special property that was partially offset by favorable development in products liability, CMP, and special liability; and (b) a \$30.0 million decrease arising from buybacks, commutations, and novations; and
2. A reduction of discount of \$34.6 million comprised of (a) a \$37.9 million decrease for anticipated amortization of discount; (b) a \$13.1 million increase due to nominal reserve strengthening; and (c) a \$9.8 million reduction associated with buybacks, commutations, and novations.

25. INTERCOMPANY POOLING ARRANGEMENTS

No change.

26. STRUCTURED SETTLEMENTS

No change.

27. HEALTH CARE RECEIVABLES

No change.

28. PARTICIPATING POLICIES

No change.

NOTES TO FINANCIAL STATEMENTS

29. PREMIUM DEFICIENCY RESERVES

No change.

30. HIGH DEDUCTIBLE

No change.

31. DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES OR UNPAID LOSS ADJUSTMENT EXPENSES

No change.

32. ASBESTOS/ENVIRONMENTAL RESERVES

No change.

33. SUBSCRIBER SAVINGS ACCOUNT

No change.

34. MULTIPLE PERIL CROP INSURANCE

No change.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [] No [X]
- 1.2 If yes, has the report been filed with the domiciliary state? Yes [] No []
- 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. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [] No [X]
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 4.2 If yes, provide the name of 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

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [] No [] NA [X]
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2005
- 6.2 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. 12/31/2005
- 6.3 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). 07/11/2007
- 6.4 By what department or departments?
Illinois.....
- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [X] No [] NA []
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [] NA []
- 7.1 Has this 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 [X] No []
- 7.2 If yes, give full information:
Information is provided in Financial Note 14E.....
- 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 below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), 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 OTS	6 FDIC	7 SEC

GENERAL INTERROGATORIES

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?..... Yes No
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.

9.11 If the response to 9.1 is No, please explain:
.....

9.2 Has the code of ethics for senior managers been amended?..... Yes No

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
.....

9.3 Have any provisions of the code of ethics been waived for any of the specified officers?..... Yes No

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).
.....

FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?..... Yes No

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$0

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes No

11.2 If yes, give full and complete information relating thereto:
.....

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$5,315,221

13. Amount of real estate and mortgages held in short-term investments: \$

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes No

14.2 If yes, please complete the following:

	1		2	
	Prior Year-End Book/Adjusted Carrying Value		Current Quarter Book/Adjusted Carrying Value	
14.21 Bonds	\$		\$	
14.22 Preferred Stock	\$		\$	
14.23 Common Stock	\$59,602,259		\$60,774,813	
14.24 Short-Term Investments	\$		\$	
14.25 Mortgage Loans on Real Estate	\$0		\$0	
14.26 All Other	\$5,315,221		\$5,315,221	
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$64,917,480		\$66,090,034	
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above	\$		\$	

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes No

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes No
If no, attach a description with this statement.

GENERAL INTERROGATORIES

16. 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 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?.....

Yes No

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
BNY Mellon Trust Company of Illinois.....	2 North LaSalle St., Suite 1020, Chicago, IL 60602...

16.2 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)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?

Yes No

16.4 If yes, give full and complete information relating thereto:

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

16.5 Identify all investment advisors, brokers/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	2 Name(s)	3 Address
109875.....	Asset Allocation & Management Company, L.L.C.....	30 North LaSalle, St., 35th Floor, Chicago, IL 60602.....

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes No

17.2 If no, list exceptions:

.....

STATEMENT AS OF JUNE 30, 2010 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted.)

PART 2

PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes [] No [X] NA []
If yes, attach an explanation.

2. Has the 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 the risk, or portion thereof, reinsured? Yes [] No [X]
If yes, attach an explanation.

- 3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes [] No [X]
- 3.2 If yes, give full and complete information thereto.
.....

- 4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see annual statement instructions pertaining to disclosure of discounting for definition of "tabular reserves") discounted at a rate of interest greater than zero? Yes [X] No []
- 4.2 If yes, complete the following schedule:

1 Line of Business	2 Maximum Interest	3 Discount Rate	TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
			4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 TOTAL	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 TOTAL
1.Homeowners/Farmowners.....		4.200			30,563	30,563			(1,674)	(1,674)
2.Private Passenger Auto Liability.....		4.200			742,164	742,164			(40,566)	(40,566)
3.Commercial Auto Liability.....		4.200			7,764,656	7,764,656			(424,506)	(424,506)
4.Workers' Compensation.....		4.200			145,734,956	145,734,956			5,983,058	5,983,058
5.Commercial Multi Peril.....		4.200			10,129,689	10,129,689			(553,880)	(553,880)
6.Medical Malpractice-Occurrence.....		4.200			9,235	9,235			(504)	(504)
7.Medical Malpractice-Claims Made.....		4.200			164	164			(12)	(12)
8.Special Liability.....		4.200			685,933	685,933			(36,912)	(36,912)
9.Other Liability-Occurrence.....		4.200			31,323,983	31,323,983			(2,467,592)	(2,467,592)
10.Other Liability-Claims Made.....		4.200			4,562,573	4,562,573			(249,476)	(249,476)
11.Special Property.....		4.200			(18,639)	(18,639)			1,026	1,026
12.Auto Physical Damage.....		4.200			24,711	24,711			(1,350)	(1,350)
13.Fidelity/Surety.....		4.200			1,035,578	1,035,578			(56,616)	(56,616)
14.Other.....		4.200			6,653,737	6,653,737			(602,808)	(602,808)
17.Reinsurance Nonproportional Assumed Liability.....		4.200			12,268,664	12,268,664			(670,812)	(670,812)
19.Product Liability-Occurrence.....		4.200			7,172,613	7,172,613			(392,190)	(392,190)
TOTAL			0	0	228,120,580	228,120,580	0	0	485,186	485,186

5. Operating Percentages:
 - 5.1 A&H loss percent 20,803.6%
 - 5.2 A&H cost containment percent 0.0%
 - 5.3 A&H expense percent excluding cost containment expenses 547.6%

- 6.1 Do you act as a custodian for health savings accounts? Yes [] No [X]
- 6.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$.....
- 6.3 Do you act as an administrator for health savings accounts? Yes [] No [X]
- 6.4 If yes, please provide the balance of funds administered as of the reporting date. \$.....

SCHEDULE F—CEDED REINSURANCE

Showing all new reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Location	5 Is Insurer Authorized? (Yes or No)
		AFFILIATES		
		US INSURERS		
		POOLS AND ASSOCIATIONS		
		ALL OTHER INSURERS		
NONE				

STATEMENT AS OF JUNE 30, 2010 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

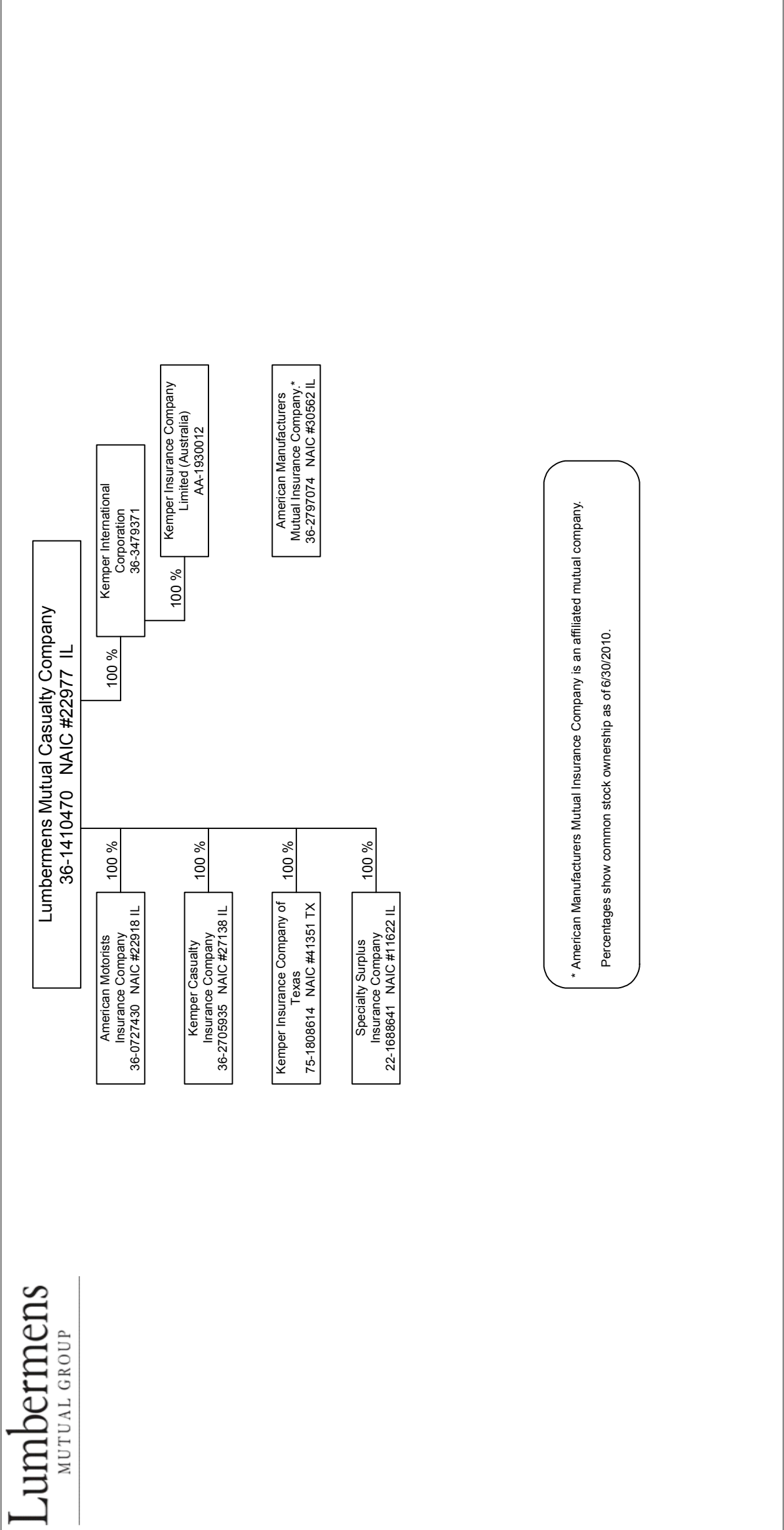
Current Year to Date - Allocated by States and Territories

	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid		
		2	3	4	5	6	7	
States, etc.	Active Status	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date	
1. Alabama	AL	L	409	7,903	359,594	547,559	5,360,480	5,717,348
2. Alaska	AK	L	16	1,689	163,397	(621,318)	892,991	1,269,493
3. Arizona	AZ	L	725	8,937	524,636	332,020	8,099,354	12,303,951
4. Arkansas	AR	L	0	(35,151)	40,071	2,195,865	1,085,726	885,903
5. California	CA	L	49,504	1,167,171	9,379,111	8,254,050	82,528,584	86,148,617
6. Colorado	CO	L	2,053	(83,711)	122,296	357,979	2,020,187	2,279,373
7. Connecticut	CT	L	(4,541)	4,844	613,768	944,540	3,168,110	3,442,335
8. Delaware	DE	L	546	48,376	162,934	28,608	3,771,703	3,548,086
9. District of Columbia	DC	L	7	(644)	121,667	238,984	1,263,343	959,561
10. Florida	FL	N	1,378	(96,737)	1,975,876	2,262,037	9,090,185	12,843,620
11. Georgia	GA	L	(1,437)	(149,866)	560,447	(11,214,173)	10,023,152	22,618,150
12. Hawaii	HI	L	22,350	(244,814)	173,348	386,104	1,323,709	2,013,825
13. Idaho	ID	L	286	(7,176)	(15)	12,500	1,266	5,267
14. Illinois	IL	L	1,580	(84,115)	1,375,497	1,643,570	25,882,858	56,360,846
15. Indiana	IN	L	901	39,118	751,346	1,877,752	3,300,663	5,956,739
16. Iowa	IA	L	1,587	(131,691)	63,762	159,717	1,407,481	1,605,634
17. Kansas	KS	L	1,323	(36,399)	1,520	(237,469)	223,581	5,751
18. Kentucky	KY	L	0	(54,616)	1,208,302	462,671	10,971,189	13,800,744
19. Louisiana	LA	L	(20,718)	2,193	95,780	272,956	2,294,003	2,176,025
20. Maine	ME	L	56	(569)	8,744	13,785	74,452	105,547
21. Maryland	MD	L	(5,236)	704	(297,764)	1,200,025	4,783,152	10,044,885
22. Massachusetts	MA	L	(3,363)	170,319	1,167,040	782,469	6,930,200	11,991,922
23. Michigan	MI	L	6,513	151,521	3,222,107	1,321,081	8,653,479	14,463,708
24. Minnesota	MN	L	(18,609)	(70,656)	826,722	1,026,607	12,581,117	4,892,846
25. Mississippi	MS	L	4,328	15,766	113,179	38,070	357,984	382,975
26. Missouri	MO	L	1,215	(21,647)	277,938	452,325	2,466,068	2,833,192
27. Montana	MT	L	519	10,057	53,499	236,908	516,884	511,034
28. Nebraska	NE	L	1,418	(44,174)	31,636	55,723	1,911,855	2,005,684
29. Nevada	NV	L	(24,896)	(290,585)	63,348	951,179	1,143,302	765,810
30. New Hampshire	NH	L	(355)	1,537	74,108	87,506	1,270,917	2,337,148
31. New Jersey	NJ	L	5,622	(24,296)	4,132,910	4,753,729	44,407,359	50,595,361
32. New Mexico	NM	L	496	(30,332)	86,388	27,987	658,326	326,692
33. New York	NY	L	105,150	120,772	5,577,241	7,302,348	63,956,134	76,382,237
34. North Carolina	NC	L	(6,170)	(15,439)	763,786	1,070,303	7,934,548	9,539,420
35. North Dakota	ND	L	5	20	0	0	91	422
36. Ohio	OH	L	(501)	(3,296,231)	2,172,702	748,309	7,800,382	11,636,683
37. Oklahoma	OK	L	0	(39,872)	(15,299)	86,035	942,733	1,043,242
38. Oregon	OR	L	9,618	(95,352)	119,605	138,020	3,808,776	4,544,798
39. Pennsylvania	PA	L	1	(45,445)	11,988,945	6,325,682	9,583,538	16,852,638
40. Rhode Island	RI	L	(3,151)	5,541	1,375,623	70,826	1,060,192	5,112,967
41. South Carolina	SC	L	177	(2,628)	877,577	381,591	7,900,352	9,233,587
42. South Dakota	SD	L	374	(2,810)	5,899	(107,705)	97,503	101,096
43. Tennessee	TN	L	(3,201)	58,916	1,292,652	497,428	4,962,427	8,300,081
44. Texas	TX	L	0	14,460	2,587,108	3,348,465	51,839,023	61,841,469
45. Utah	UT	L	1,211	(3,992)	30,476	593,359	302,146	475,191
46. Vermont	VT	L	3,355	680	120,023	96,869	840,416	549,795
47. Virginia	VA	L	(49)	77,067	640,892	1,134,952	3,952,574	6,547,297
48. Washington	WA	L	336	4,447	1,045,183	3,882,695	1,298,421	2,427,881
49. West Virginia	WV	L	91	1,090	7,198	10,128	141,709	172,462
50. Wisconsin	WI	L	(232,120)	(655,941)	1,169,849	390,993	1,438,450	3,213,986
51. Wyoming	WY	L	2	59	9,494	10,190	142,837	122,008
52. American Samoa	AS	N	0	0	0	0	0	0
53. Guam	GU	N	0	0	0	0	0	0
54. Puerto Rico	PR	N	0	0	35,594	39,161	253,225	417,343
55. U.S. Virgin Islands	VI	N	0	0	0	0	0	0
56. Northern Mariana Islands	MP	N	0	0	0	0	0	0
57. Canada	CN	L	(282)	2,346	(50,000)	0	39,680	628,779
58. Aggregate Other Alien	OT	XXX	3,726	(1,047,946)	5,580,253	2,110,716	68,082	1,442,622
59. Totals	(a)	50	(97,751)	(4,697,302)	62,787,993	46,981,711	426,826,899	555,784,076
DETAILS OF WRITE-INS								
5801. Asia	XXX			12,675		0	3,127	652,265
5802. Australia	XXX			(1,054,365)		0	139	305
5803. Europe	XXX			(12,675)	5,580,253	2,110,716	61,917	784,828
5898. Summary of remaining write-ins for Line 58 from overflow page.	XXX			3,726	0	0	2,899	5,224
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX			3,726	(1,047,946)	5,580,253	68,082	1,442,622

(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.

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



* American Manufacturers Mutual Insurance Company is an affiliated mutual company.
Percentages show common stock ownership as of 6/30/2010.

PART 1 - LOSS EXPERIENCE

Line of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire	(865)	(3,378)	390.5	28,141.2
2. Allied lines		5,580	0.0	(57,733.3)
3. Farmowners multiple peril			0.0	0.0
4. Homeowners multiple peril		78	0.0	(1,437.5)
5. Commercial multiple peril	61,176	(21,552)	(35.2)	(119.3)
6. Mortgage guaranty			0.0	0.0
8. Ocean marine			0.0	0.0
9. Inland marine	28,281	333	1.2	843.1
10. Financial guaranty			0.0	0.0
11.1 Medical professional liability - occurrence		78	0.0	0.0
11.2 Medical professional liability - claims made		12	0.0	0.0
12. Earthquake			0.0	0.0
13. Group accident and health		600,000	0.0	0.0
14. Credit accident and health			0.0	0.0
15. Other accident and health	2,898	2,808	96.9	113.4
16. Workers' compensation	(236,292)	(40,810,751)	17,271.3	185.8
17.1 Other liability occurrence	(2,685)	632,804	(23,568.1)	(17.8)
17.2 Other liability - claims made	24,082	411,348	1,708.1	209.1
17.3 Excess Workers' Compensation		211,770	0.0	
18.1 Products liability - occurrence	4,739	(44,617)	(941.5)	6,025.9
18.2 Products liability - claims made			0.0	0.0
19.1,19.2 Private passenger auto liability		3,252	0.0	0.0
19.3,19.4 Commercial auto liability	12,031	340,644	2,831.4	185.4
21. Auto physical damage	(844)	(2,562)	303.6	(305.7)
22. Aircraft (all perils)		36,870	0.0	(17.3)
23. Fidelity	0	300	0.0	0.0
24. Surety	113,897	372,263	326.8	(932.9)
26. Burglary and theft			0.0	0.0
27. Boiler and machinery			0.0	0.0
28. Credit			0.0	0.0
29. International			0.0	0.0
30. Warranty		197,175	0.0	0.0
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0.0	0.0
35. TOTALS	6,418	(38,067,545)	(593,137.2)	(68.2)
DETAILS OF WRITE-INS				
3401.			0.0	0.0
3402.				
3403.				
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0.0	0.0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0.0	0.0

PART 2 - DIRECT PREMIUMS WRITTEN

Line of Business	1	2	3
	Current Quarter	Current Year to Date	Prior Year Year to Date
1. Fire	0	(872)	0
2. Allied Lines	0		0
3. Farmowners multiple peril	0		0
4. Homeowners multiple peril	0		16
5. Commercial multiple peril	0	61,176	(25,271)
6. Mortgage guaranty	0		0
8. Ocean marine	0		0
9. Inland marine	50	29,240	114
10. Financial guaranty	0		0
11.1 Medical professional liability - occurrence	0		0
11.2 Medical professional liability - claims made	0		0
12. Earthquake	0		0
13. Group accident and health	0		0
14. Credit accident and health	0		0
15. Other accident and health	0	2,898	2,898
16. Workers' compensation	(285,647)	(236,296)	(596,138)
17.1 Other liability occurrence	(1,703)	(2,685)	(3,890,039)
17.2 Other liability - claims made	0		0
17.3 Excess Workers' Compensation	0		
18.1 Products liability - occurrence	(43)	(4,164)	2,896
18.2 Products liability - claims made	0		0
19.1,19.2 Private passenger auto liability	0		0
19.3,19.4 Commercial auto liability	(2,369)	12,031	113,717
21. Auto physical damage	(862)	(844)	669
22. Aircraft (all perils)	0		(140,374)
23. Fidelity	0		0
24. Surety	19,407	41,765	(165,790)
26. Burglary and theft	0		0
27. Boiler and machinery	0		0
28. Credit	0		0
29. International	0		0
30. Warranty	0		0
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0
35. TOTALS	(271,167)	(97,751)	(4,697,302)
DETAILS OF WRITE-INS			
3401.	0		0
3402.			
3403.			
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing on "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory question.

- | | <u>RESPONSE</u> |
|---|-----------------|
| 1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement? |NO..... |
| 2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement? |YES..... |
| 3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement? |NO..... |

Explanation:

1.

3.

Bar Code:



OVERFLOW PAGE FOR WRITE-INS

PQ010 Additional Aggregate Lines for Page 10 Line 58.

*SCT

	1 Active Status	2 Current Year To Date	3 Prior Year To Date	4 Current Year To Date	5 Prior Year To Date	6 Current Year To Date	7 Prior Year To Date
5804. Central & South America.....	.XXX		0		0	656	4,881
5805. Africa.....	.XXX	3,726	6,419		0	190	343
5806. Mexico.....	.XXX		0		0	1,926	0
5807. Caribbean.....	.XXX		0		0	127	0
5897. Summary of remaining write-ins for Line 58 from Page 10	.XXX	3,726	6,419	0	0	2,899	5,224

SCHEDULE A - VERIFICATION

Real Estate

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Current year change in encumbrances	0	0
4. Total gain (loss) on disposals	0	0
5. Deduct amounts received on disposals	0	0
6. Total foreign exchange change in book/adjusted carrying value	0	0
7. Deduct current year's other than temporary impairment recognized	0	0
8. Deduct current year's depreciation	0	0
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8)	0	0
10. Deduct total nonadmitted amounts	0	0
11. Statement value at end of current period (Line 9 minus Line 10)	0	0

SCHEDULE B – VERIFICATION

Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book value/recorded investment excluding accrued interest, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Capitalized deferred interest and other	0	0
4. Accrual of discount	0	0
5. Unrealized valuation increase (decrease)	0	0
6. Total gain (loss) on disposals	0	0
7. Deduct amounts received on disposals	0	0
8. Deduct amortization of premium and mortgage interest points and commitment fees	0	0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest	0	0
10. Deduct current year's other than temporary impairment recognized	0	0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Total valuation allowance	0	0
13. Subtotal (Line 11 plus Line 12)	0	0
14. Deduct total nonadmitted amounts	0	0
15. Statement value at end of current period (Line 13 minus Line 14)	0	0

SCHEDULE BA – VERIFICATION

Other Long-Term Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	5,618,196	5,966,691
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Capitalized deferred interest and other	0	0
4. Accrual of discount	61,058	313,075
5. Unrealized valuation increase (decrease)	0	0
6. Total gain (loss) on disposals	0	24,181
7. Deduct amounts received on disposals	364,033	685,752
8. Deduct amortization of premium and depreciation	0	0
9. Total foreign exchange change in book/adjusted carrying value	0	0
10. Deduct current year's other than temporary impairment recognized	0	0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	5,315,221	5,618,196
12. Deduct total nonadmitted amounts	0	0
13. Statement value at end of current period (Line 11 minus Line 12)	5,315,221	5,618,196

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	866,859,884	1,090,079,364
2. Cost of bonds and stocks acquired	53,230,915	288,263,768
3. Accrual of discount	334,416	1,076,620
4. Unrealized valuation increase (decrease)	779,156	(6,702,552)
5. Total gain (loss) on disposals	2,575,853	2,771,621
6. Deduct consideration for bonds and stocks disposed of	126,819,604	501,690,394
7. Deduct amortization of premium	2,596,771	5,430,708
8. Total foreign exchange change in book/adjusted carrying value	0	0
9. Deduct current year's other than temporary impairment recognized	84,002	1,507,835
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	794,279,847	866,859,884
11. Deduct total nonadmitted amounts	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	794,279,847	866,859,884

STATEMENT AS OF JUNE 30, 2010 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	838,975,229	95,786,116	175,467,988	(1,115,148)	838,975,229	758,178,209	0	851,039,197
2. Class 2 (a)	3,801,749	0	0	(9,567)	3,801,749	3,792,182	0	11,892,597
3. Class 3 (a)	8,039,596	0	0	(189,596)	8,039,596	7,850,000	0	0
4. Class 4 (a)	1,026,012	0	0	(1,026,012)	1,026,012	0	0	1,203,894
5. Class 5 (a)	0	0	197,136	1,017,797	0	820,661	0	0
6. Class 6 (a)	0	0	0	0	0	0	0	0
7. Total Bonds	851,842,586	95,786,116	175,665,124	(1,322,526)	851,842,586	770,641,051	0	864,135,687
PREFERRED STOCK								
8. Class 1	0	0	0	0	0	0	0	0
9. Class 2	0	0	0	0	0	0	0	0
10. Class 3	0	0	0	0	0	0	0	0
11. Class 4	0	0	0	0	0	0	0	0
12. Class 5	0	0	0	0	0	0	0	0
13. Class 6	0	0	0	0	0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds & Preferred Stock	851,842,586	95,786,116	175,665,124	(1,322,526)	851,842,586	770,641,051	0	864,135,687

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$ 0 ; NAIC 2 \$ 0 ; NAIC 3 \$ 0 ; NAIC 4 \$ 0 ; NAIC 5 \$ 0 ; NAIC 6 \$ 0

SCHEDULE DA - PART 1

Short-Term Investments

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
9199999	38,513,509	XXX	38,474,316	10,959	0

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	58,255,553	90,308,150
2. Cost of short-term investments acquired	205,420,808	546,839,029
3. Accrual of discount.....	24,569	92,499
4. Unrealized valuation increase (decrease).....	0	0
5. Total gain (loss) on disposals.....	124	56
6. Deduct consideration received on disposals.....	225,154,017	578,960,608
7. Deduct amortization of premium.....	33,528	23,571
8. Total foreign exchange change in book/adjusted carrying value.....	0	0
9. Deduct current year's other than temporary impairment recognized.....	0	0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	38,513,509	58,255,553
11. Deduct total nonadmitted amounts.....	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	38,513,509	58,255,553

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B- Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

SCHEDULE E-VERIFICATION

(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	.0	.0
2. Cost of cash equivalents acquired.....	.0	1,001,002
3. Accrual of discount.....	.0	.0
4. Unrealized valuation increase (decrease).....	.0	.0
5. Total gain (loss) on disposals.....	.0	.0
6. Deduct consideration received on disposals.....	.0	1,000,000
7. Deduct amortization of premium.....	.0	1,002
8. Total foreign exchange change in book/adjusted carrying value.....	.0	.0
9. Deduct current year's other than temporary impairment recognized.....	.0	.0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	.0	.0
11. Deduct total nonadmitted amounts.....	.0	.0
12. Statement value at end of current period (Line 10 minus Line 11)	0	0

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

STATEMENT AS OF JUNE 30, 2010 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

SCHEDULE BA - PART 3

Showing Other Long-Term Invested Assets DISPOSED, Transferred or Repaid During the Current Quarter

1 CUSIP Identification	2 Name or Description	3 Location		4 State	5 Name of Purchaser or Nature of Disposal	6 Date Originally Acquired	7 Disposal Date	8 Book/Adjusted Carrying Value Less Encumbrances, Prior Year	9 Unrealized Valuation Increase (Decrease)	10 Current Year's (Depreciation) or (Amortization)/ Accretion	11 Current Year's Other Than Temporary Impairment Recognized	12 Capitalized Deferred Interest and Other	13 Total Change in B./A.C.V. (9+10-11+12)	14 Total Foreign Exchange Change in B./A.C.V.	15 Book/Adjusted Carrying Value Less Encumbrances on Disposal	16 Consideration	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Investment Income
0799999-00-0	Community ElderCare Svcs. LLC 5% Mt. 07/31/2010	Tupelo,	MS		Paydown	07/31/2007	06/30/2010	167,204		33,697			33,697		200,901	200,901			0	37,931
4099999	Fixed or Variable Rate - Bonds - Unaffiliated							167,204		33,697			33,697		200,901	200,901			0	37,931
3999999	Subtotals Unaffiliated							167,204	0	33,697	0	0	33,697	0	200,901	200,901	0	0	0	37,931
4199999	Subtotals Affiliated							0	0	0	0	0	0	0	0	0	0	0	0	0
4199999	TOTALS							167,204	0	33,697	0	0	33,697	0	200,901	200,901	0	0	0	37,931

STATEMENT AS OF JUNE 30, 2010 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
43812K-A0-7	HAROT 2010-2 A3		05/12/2010	BARCLAYS CAPITAL		4,999,391	5,000,000	0	XX
3899999	Total - Bonds - Industrial, Misc.					4,999,391	5,000,000	0	XX
8399997	Total - Bonds - Part 3					4,999,391	5,000,000	0	XX
8999999	Total - Preferred Stocks					0	XXX	0	XX
9799999	Total - Common Stocks					0	XXX	0	XX
9899999	Total - Preferred and Common Stocks					0	XXX	0	XX
9999999	Totals					4,999,391	XXX	0	XX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues0

Schedule DB - Part A - Section 1

NONE

Sch. DB - Pt. A - Sn. 1 - Footnote (a)

NONE

Schedule DB - Part B - Section 1

NONE

Sch. DB - Pt. B - Sn. 1 - Footnotes

NONE

Schedule DB - Part D

NONE

Schedule E - Part 2 - Cash Equivalents
NONE



SUPPLEMENT FOR JUNE 30, 2010 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

Designate the type of health care providers reported on this page
Physicians

**SUPPLEMENT "A" TO SCHEDULE T
EXHIBIT OF MEDICAL PROFESSIONAL LIABILITY PREMIUMS WRITTEN
ALLOCATED BY STATES AND TERRITORIES**

States, Etc.	1 Direct Premiums Written	2 Direct Premiums Earned	Direct Losses Paid		5 Direct Losses Incurred	Direct Losses Unpaid		8 Direct Losses Incurred But Not Reported
			3 Amount	4 Number of Claims		6 Amount Reported	7 Number of Claims	
1. Alabama AL								
2. Alaska AK								
3. Arizona AZ								
4. Arkansas AR								
5. California CA								
6. Colorado CO								
7. Connecticut CT								
8. Delaware DE								
9. District of Columbia DC								
10. Florida FL								
11. Georgia GA								
12. Hawaii HI								
13. Idaho ID								
14. Illinois IL								
15. Indiana IN								
16. Iowa IA								
17. Kansas KS								
18. Kentucky KY								
19. Louisiana LA								
20. Maine ME								
21. Maryland MD								
22. Massachusetts MA								
23. Michigan MI								
24. Minnesota MN								
25. Mississippi MS								
26. Missouri MO								
27. Montana MT								
28. Nebraska NE								
29. Nevada NV								
30. New Hampshire NH								
31. New Jersey NJ								
32. New Mexico NM								
33. New York NY								
34. North Carolina NC								
35. North Dakota ND								
36. Ohio OH								
37. Oklahoma OK								
38. Oregon OR								
39. Pennsylvania PA								
40. Rhode Island RI								
41. South Carolina SC								
42. South Dakota SD								
43. Tennessee TN								
44. Texas TX								
45. Utah UT								
46. Vermont VT								
47. Virginia VA								
48. Washington WA								
49. West Virginia WV								
50. Wisconsin WI								
51. Wyoming WY								
52. American Samoa AS								
53. Guam GU								
54. Puerto Rico PR								
55. U.S. Virgin Islands VI								
56. Northern Mariana Islands MP								
57. Canada CN								
58. Aggregate other alien OT	0	0	0	0	0	0	0	0
59. Totals	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS								
5801.								
5802.								
5803.								
5898. Sum. of remaining write-ins for Line 58 from overflow page	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	0	0	0	0	0	0	0	0

NONE



SUPPLEMENT FOR JUNE 30, 2010 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

Designate the type of health care providers reported on this page
Hospitals

**SUPPLEMENT "A" TO SCHEDULE T
EXHIBIT OF MEDICAL PROFESSIONAL LIABILITY PREMIUMS WRITTEN
ALLOCATED BY STATES AND TERRITORIES**

States, Etc.	1 Direct Premiums Written	2 Direct Premiums Earned	Direct Losses Paid		5 Direct Losses Incurred	Direct Losses Unpaid		8 Direct Losses Incurred But Not Reported
			3 Amount	4 Number of Claims		6 Amount Reported	7 Number of Claims	
1. Alabama AL								
2. Alaska AK								
3. Arizona AZ								
4. Arkansas AR								
5. California CA								
6. Colorado CO								
7. Connecticut CT								
8. Delaware DE								
9. District of Columbia DC								
10. Florida FL								
11. Georgia GA								
12. Hawaii HI								
13. Idaho ID								
14. Illinois IL								
15. Indiana IN								
16. Iowa IA								
17. Kansas KS								
18. Kentucky KY								
19. Louisiana LA								
20. Maine ME								
21. Maryland MD								
22. Massachusetts MA								
23. Michigan MI								
24. Minnesota MN								
25. Mississippi MS								
26. Missouri MO								
27. Montana MT								
28. Nebraska NE								
29. Nevada NV								
30. New Hampshire NH								
31. New Jersey NJ								
32. New Mexico NM								
33. New York NY								
34. North Carolina NC								
35. North Dakota ND								
36. Ohio OH								
37. Oklahoma OK								
38. Oregon OR								
39. Pennsylvania PA								
40. Rhode Island RI								
41. South Carolina SC								
42. South Dakota SD								
43. Tennessee TN								
44. Texas TX								
45. Utah UT								
46. Vermont VT								
47. Virginia VA								
48. Washington WA								
49. West Virginia WV								
50. Wisconsin WI								
51. Wyoming WY								
52. American Samoa AS								
53. Guam GU								
54. Puerto Rico PR								
55. U.S. Virgin Islands VI								
56. Northern Mariana Islands MP								
57. Canada CN								
58. Aggregate other alien OT	0	0	0	0	0	0	0	0
59. Totals	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS								
5801.								
5802.								
5803.								
5898. Sum. of remaining write-ins for Line 58 from overflow page	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	0	0	0	0	0	0	0	0

NONE



SUPPLEMENT FOR JUNE 30, 2010 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

Designate the type of health care providers reported on this page
Other Health Care Professionals

**SUPPLEMENT "A" TO SCHEDULE T
EXHIBIT OF MEDICAL PROFESSIONAL LIABILITY PREMIUMS WRITTEN
ALLOCATED BY STATES AND TERRITORIES**

States, Etc.	1 Direct Premiums Written	2 Direct Premiums Earned	Direct Losses Paid		5 Direct Losses Incurred	Direct Losses Unpaid		8 Direct Losses Incurred But Not Reported
			3 Amount	4 Number of Claims		6 Amount Reported	7 Number of Claims	
1. Alabama AL								
2. Alaska AK								
3. Arizona AZ								(3)
4. Arkansas AR								
5. California CA					1			(8)
6. Colorado CO								(2)
7. Connecticut CT								
8. Delaware DE								(1)
9. District of Columbia DC								
10. Florida FL								(4)
11. Georgia GA								(1)
12. Hawaii HI								
13. Idaho ID								(1)
14. Illinois IL					1			(8)
15. Indiana IN								(3)
16. Iowa IA					3			(45)
17. Kansas KS								
18. Kentucky KY								
19. Louisiana LA								
20. Maine ME								
21. Maryland MD								
22. Massachusetts MA								
23. Michigan MI								(2)
24. Minnesota MN								(1)
25. Mississippi MS								
26. Missouri MO								(3)
27. Montana MT								
28. Nebraska NE								
29. Nevada NV								
30. New Hampshire NH								
31. New Jersey NJ								(1)
32. New Mexico NM					78	10	1	(1,483)
33. New York NY					2			(25)
34. North Carolina NC								
35. North Dakota ND								
36. Ohio OH								(1)
37. Oklahoma OK					1			(15)
38. Oregon OR								(7)
39. Pennsylvania PA								(3)
40. Rhode Island RI								
41. South Carolina SC								
42. South Dakota SD								
43. Tennessee TN					1			(13)
44. Texas TX								(1)
45. Utah UT								
46. Vermont VT								
47. Virginia VA								
48. Washington WA					1			(7)
49. West Virginia WV								
50. Wisconsin WI								(1)
51. Wyoming WY								
52. American Samoa AS								
53. Guam GU								
54. Puerto Rico PR								
55. U.S. Virgin Islands VI								
56. Northern Mariana Islands MP								
57. Canada CN								
58. Aggregate other alien OT	0	0	0	0	0	0	0	0
59. Totals	0	0	0	0	88	10	1	(1,639)
DETAILS OF WRITE-INS								
5801.								
5802.								
5803.								
5898. Sum. of remaining write-ins for Line 58 from overflow page	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	0	0	0	0	0	0	0	0



SUPPLEMENT FOR JUNE 30, 2010 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

Designate the type of health care providers reported on this page
Other Health Care Facilities

**SUPPLEMENT "A" TO SCHEDULE T
EXHIBIT OF MEDICAL PROFESSIONAL LIABILITY PREMIUMS WRITTEN
ALLOCATED BY STATES AND TERRITORIES**

States, Etc.	1 Direct Premiums Written	2 Direct Premiums Earned	Direct Losses Paid		5 Direct Losses Incurred	Direct Losses Unpaid		8 Direct Losses Incurred But Not Reported
			3 Amount	4 Number of Claims		6 Amount Reported	7 Number of Claims	
1. Alabama AL								
2. Alaska AK								
3. Arizona AZ								
4. Arkansas AR								
5. California CA								
6. Colorado CO								
7. Connecticut CT								
8. Delaware DE								
9. District of Columbia DC								
10. Florida FL								
11. Georgia GA								
12. Hawaii HI								
13. Idaho ID								
14. Illinois IL								
15. Indiana IN								
16. Iowa IA								
17. Kansas KS								
18. Kentucky KY								
19. Louisiana LA								
20. Maine ME								
21. Maryland MD								
22. Massachusetts MA								
23. Michigan MI								
24. Minnesota MN								
25. Mississippi MS								
26. Missouri MO								
27. Montana MT								
28. Nebraska NE								
29. Nevada NV								
30. New Hampshire NH								
31. New Jersey NJ								
32. New Mexico NM								
33. New York NY								
34. North Carolina NC								
35. North Dakota ND								
36. Ohio OH								
37. Oklahoma OK								
38. Oregon OR								
39. Pennsylvania PA								
40. Rhode Island RI								
41. South Carolina SC								
42. South Dakota SD								
43. Tennessee TN								
44. Texas TX								
45. Utah UT								
46. Vermont VT								
47. Virginia VA								
48. Washington WA								
49. West Virginia WV								
50. Wisconsin WI								
51. Wyoming WY								
52. American Samoa AS								
53. Guam GU								
54. Puerto Rico PR								
55. U.S. Virgin Islands VI								
56. Northern Mariana Islands MP								
57. Canada CN								
58. Aggregate other alien OT	0	0	0	0	0	0	0	0
59. Totals	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS								
5801.								
5802.								
5803.								
5898. Sum. of remaining write-ins for Line 58 from overflow page	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	0	0	0	0	0	0	0	0

NONE