



QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2012
OF THE CONDITION AND AFFAIRS OF THE

LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

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, Suite 200, Long Grove, IL 60049-0001
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 1 Corporate Drive, Suite 200 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, Suite 200, 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, Suite 200 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
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OFFICERS

Name	Title	Name	Title
<u>Fredrick Thomas Griffith #</u>	<u>Senior Vice President and CFO</u>	<u>John Keating Conway</u>	<u>Secretary</u>

OTHER OFFICERS

DIRECTORS OR TRUSTEES

State of Illinois
County of Lake

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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.

Fredrick Thomas Griffith
Senior Vice President and CFO

John Keating Conway
Secretary

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

Subscribed and sworn to before me this
12th day of November, 2012

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

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

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	507,246,456		507,246,456	578,122,405
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks	60,719,222		60,719,222	59,392,833
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 (\$8,473,557), cash equivalents (\$0) and short-term investments (\$45,747,106)	54,220,663		54,220,663	94,417,705
6. Contract loans (including \$ premium notes)			0	0
7. Derivatives			0	0
8. Other invested assets	5,315,221		5,315,221	13,398,852
9. Receivables for securities			0	0
10. Securities lending reinvested collateral assets			0	0
11. Aggregate write-ins for invested assets	85,172	0	85,172	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	627,586,734	0	627,586,734	745,331,795
13. Title plants less \$ charged off (for Title insurers only)			0	0
14. Investment income due and accrued	3,868,314		3,868,314	5,341,075
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	(1,288,907)	893,607	(2,182,514)	(1,813,383)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)	2,613,524	9,885	2,603,639	3,325,493
15.3 Accrued retrospective premiums	4,535,762	123,213	4,412,549	5,291,451
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	20,020,274		20,020,274	18,764,149
16.2 Funds held by or deposited with reinsured companies	12,314,761	5,075,130	7,239,631	17,145,878
16.3 Other amounts receivable under reinsurance contracts			0	0
17. Amounts receivable relating to uninsured plans			0	0
18.1 Current federal and foreign income tax recoverable and interest thereon	247,951		247,951	120,661
18.2 Net deferred tax asset			0	0
19. Guaranty funds receivable or on deposit			0	0
20. Electronic data processing equipment and software			0	889,731
21. Furniture and equipment, including health care delivery assets (\$)			0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
23. Receivables from parent, subsidiaries and affiliates	700,693	700,693	0	459,175
24. Health care (\$) and other amounts receivable			0	0
25. Aggregate write-ins for other than invested assets	33,992,788	23,833,374	10,159,414	61,709,837
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	704,591,894	30,635,902	673,955,992	856,565,862
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
28. Total (Lines 26 and 27)	704,591,894	30,635,902	673,955,992	856,565,862
DETAILS OF WRITE-INS				
1101. OSD administrative deposit	85,172		85,172	0
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above)	85,172	0	85,172	0
2501. Amounts receivable under high deductible policies	(183,407)	299,309	(482,716)	394,374
2502. Advance to claims service provider	3,977,248		3,977,248	6,007,891
2503. Other assets	30,198,947	23,534,065	6,664,882	55,307,572
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	33,992,788	23,833,374	10,159,414	61,709,837

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$282,000)	720,955,936	495,279,683
2. Reinsurance payable on paid losses and loss adjustment expenses	5,514,836	13,984,188
3. Loss adjustment expenses	152,665,821	177,054,887
4. Commissions payable, contingent commissions and other similar charges	(5,535)	38,528
5. Other expenses (excluding taxes, licenses and fees)	2,992,272	4,896,248
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	36,105,285	5,278,658
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 \$641,375 and including warranty reserves of \$70 and accrued accident and health experience rating refunds including \$ for medical loss ratio rebate per the Public Health Service Act).....	1,160,373	1,412,932
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)	917,210	1,405,381
13. Funds held by company under reinsurance treaties	2,142,861	6,487,729
14. Amounts withheld or retained by company for account of others	34,190,117	37,266,395
15. Remittances and items not allocated	2,218,722	1,086,594
16. Provision for reinsurance		0
17. Net adjustments in assets and liabilities due to foreign exchange rates		0
18. Drafts outstanding		0
19. Payable to parent, subsidiaries and affiliates	90,826	0
20. Derivatives		0
21. Payable for securities		0
22. Payable for securities lending		0
23. Liability for amounts held under uninsured plans		0
24. Capital notes \$ and interest thereon \$		0
25. Aggregate write-ins for liabilities	28,780,551	81,242,881
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	987,729,275	825,434,104
27. Protected cell liabilities		0
28. Total liabilities (Lines 26 and 27)	987,729,275	825,434,104
29. Aggregate write-ins for special surplus funds	0	0
30. Common capital stock	0	0
31. Preferred capital stock		0
32. Aggregate write-ins for other than special surplus funds	1,500,000	1,500,000
33. Surplus notes	698,355,598	698,355,598
34. Gross paid in and contributed surplus		0
35. Unassigned funds (surplus)	(1,013,628,881)	(668,723,840)
36. Less treasury stock, at cost:		
36.1 shares common (value included in Line 30 \$)		0
36.2 shares preferred (value included in Line 31 \$)		0
37. Surplus as regards policyholders (Lines 29 to 35, less 36)	(313,773,283)	31,131,758
38. Totals (Page 2, Line 28, Col. 3)	673,955,992	856,565,862
DETAILS OF WRITE-INS		
2501. Accounts payable and other liabilities.....	28,780,551	24,272,583
2502. Deferred credit - prescribed accounting practices.....		56,970,298
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	28,780,551	81,242,881
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0
3201. Guaranty fund.....	1,500,000	1,500,000
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page	0	0
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)	1,500,000	1,500,000

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

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 \$ 391,721)	433,538	661,628	754,423
1.2 Assumed (written \$ 503,852)	777,773	563,070	978,208
1.3 Ceded (written \$ 455,108)	518,287	(359,592)	626,002
1.4 Net (written \$ 440,465)	693,024	1,584,290	1,106,629
DEDUCTIONS:			
2. Losses incurred (current accident year \$ 350,000):			
2.1 Direct	113,535,840	(8,211,530)	33,953,035
2.2 Assumed	222,739,211	8,255,416	1,524,586
2.3 Ceded	17,225,978	(8,341,340)	46,862,401
2.4 Net	319,049,073	8,385,226	(11,384,780)
3. Loss adjustment expenses incurred	7,635,249	2,242,445	46,137,682
4. Other underwriting expenses incurred	(2,314,228)	26,538,593	32,561,983
5. Aggregate write-ins for underwriting deductions	0	0	(189,944)
6. Total underwriting deductions (Lines 2 through 5)	324,370,094	37,166,264	67,124,941
7. Net income of protected cells	0	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(323,677,070)	(35,581,974)	(66,018,312)
INVESTMENT INCOME			
9. Net investment income earned	11,815,053	15,320,578	21,782,775
10. Net realized capital gains (losses) less capital gains tax of \$	1,499,270	2,894,202	4,760,674
11. Net investment gain (loss) (Lines 9 + 10)	13,314,323	18,214,780	26,543,449
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 1,039 amount charged off \$ (4,742,445))	4,743,484	981,810	819,370
13. Finance and service charges not included in premiums	0	0	0
14. Aggregate write-ins for miscellaneous income	453,345	7,878,576	22,611,596
15. Total other income (Lines 12 through 14)	5,196,829	8,860,386	23,430,966
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(305,165,918)	(8,506,808)	(16,043,897)
17. Dividends to policyholders	268,986	745,066	83,258
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)	(305,434,904)	(9,251,874)	(16,127,155)
19. Federal and foreign income taxes incurred	(127,290)	(96,153)	(62,146)
20. Net income (Line 18 minus Line 19)(to Line 22)	(305,307,614)	(9,155,721)	(16,065,009)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	31,131,758	34,864,651	34,864,651
22. Net income (from Line 20)	(305,307,614)	(9,155,721)	(16,065,009)
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 \$	(6,695,031)	1,783,836	(1,382,169)
25. Change in net unrealized foreign exchange capital gain (loss)	0	(6,554)	(6,554)
26. Change in net deferred income tax	0	0	0
27. Change in nonadmitted assets	(28,463,696)	4,963,634	5,100,938
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	(4,438,700)	7,878,426	8,619,901
38. Change in surplus as regards policyholders (Lines 22 through 37)	(344,905,041)	5,463,621	(3,732,893)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	(313,773,283)	40,328,272	31,131,758
DETAILS OF WRITE-INS			
0501. Change in premium deficiency reserve	0	0	(189,944)
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	(189,944)
1401. Other income	453,345	7,878,576	22,611,596
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)	453,345	7,878,576	22,611,596
3701. Provision for uncollectible reinsurance	(4,438,700)	7,878,426	8,619,901
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)	(4,438,700)	7,878,426	8,619,901

**STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN
REHABILITATION**

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.....	1,724,317	344,303	3,074,211
2. Net investment income	15,971,415	20,387,335	26,121,557
3. Miscellaneous income	10,027,946	9,126,282	23,706,948
4. Total (Lines 1 to 3)	27,723,678	29,857,920	52,902,716
5. Benefit and loss related payments	103,098,297	(16,574,928)	(30,625,791)
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	800,699	64,476,106	85,751,703
8. Dividends paid to policyholders	(648,293)	(1,285,482)	(1,580,016)
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses).....	0	(71,862)	(71,863)
10. Total (Lines 5 through 9)	103,250,703	46,543,834	53,474,033
11. Net cash from operations (Line 4 minus Line 10)	(75,527,025)	(16,685,914)	(571,317)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	158,129,462	157,565,632	201,427,251
12.2 Stocks	0	(91,502)	2,157,269
12.3 Mortgage loans	0	0	0
12.4 Real estate	0	0	0
12.5 Other invested assets	0	915,036	915,036
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	32,685	0
12.7 Miscellaneous proceeds	0	0	410,949
12.8 Total investment proceeds (Lines 12.1 to 12.7)	158,129,462	158,421,851	204,910,505
13. Cost of investments acquired (long-term only):			
13.1 Bonds	88,468,643	131,662,928	153,662,136
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	743,340	1,029,240
13.6 Miscellaneous applications	0	601,171	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	88,468,643	133,007,439	154,691,376
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)	69,660,819	25,414,412	50,219,129
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).....	(34,330,836)	(9,456,236)	(615,118)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(34,330,836)	(9,456,236)	(615,118)
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)	(40,197,042)	(727,738)	49,032,694
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	94,417,705	45,385,011	45,385,011
19.2 End of period (Line 18 plus Line 19.1)	54,220,663	44,657,273	94,417,705

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lumbermens Mutual Casualty Company (the "Company") is a mutual property and casualty insurance company domiciled in the State of Illinois. The Company is the lead company of a group of insurers and affiliates which historically operated under the trade names of "Kemper" and the "Kemper Insurance Companies". The Company and its affiliates ceased use of the name "Kemper" and the "Kemper Insurance Companies" in 2011 and continued winding up their operations under the trade name "Lumbermens Mutual Group" ("LMG").

Previously under the administrative supervision of the Illinois Department of Insurance (the "Department"), the Company and LMG had been operating under a run-off plan filed with and approved by the Department in 2004. The Company was also subject to confidential corrective orders (the "Corrective Orders") issued by the Department since early 2003 when the Company went into run-off status.

On July 2, 2012 an Agreed Order of Rehabilitation was entered against the Company and American Manufacturers Mutual Insurance Company ("AMM"), an affiliated mutual insurance company, with the consent of their respective Boards of Directors by the Circuit Court of Cook County, Illinois. On August 16, 2012 an Agreed Order of Rehabilitation was entered against American Motorists Insurance Company ("AMICO") a wholly-owned subsidiary of the Company. AMICO is a stock property and casualty insurance company domiciled in the State of Illinois. AMM and AMICO cede 100% of their premiums, losses, LAE, and underwriting expenses to LMC. Under Illinois law, the Director of the Department (the "Director") is appointed statutory Receiver of the companies and is vested with title to the companies' property, assets, rights of actions or lawsuits, books, records and premises.

The Illinois Insurance Code provides that the Receiver may appoint a Special Deputy and other employees as his agents to assist in the administration of the receivership. Paul A. Miller, Acting Special Deputy, and the Office of the Special Deputy Receiver are assisting the Director in the administration of the receiverships.

The Agreed Order of Rehabilitation terminates the previously issued Corrective Orders (including accounting allowances prescribed under Corrective Orders see Note 1.A.) and the annually updated run-off plan.

Accounting Practices

The accompanying September 30, 2012 statutory financial statements of 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 permitted by the Department. The accompanying comparative December 31, 2011 statutory financial statements were prepared with the Manual and with accounting practices prescribed (including accounting allowances under Corrective Orders) or permitted by the Department.

The Company's reported surplus at September 30, 2012 and December 31, 2011 reflects increases of \$7.7 million and \$336.9 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:

NOTES TO FINANCIAL STATEMENTS

Prescribed or Permitted Practices	September 30, 2012	December 31, 2011	Increase/ (Decrease)
	(In thousands)		
Loss and LAE Reserve Discounting	\$ 0	222,551	(222,551)
Prepaid Expenses	0	13,249	(13,249)
Provision for Uncollectible Reinsurance	0	1,736	(1,736)
Annuity Reinsurance Contracts	0	11,899	(11,899)
Subsidiary Audited Financials	7,693	7,547	146
Funds Held with Reinsured Companies	0	5,089	(5,089)
LBA and GFA	0	29,360	(29,360)
Real Estate Joint Venture	0	8,084	(8,084)
Unallocated Loss Adjustment Expenses	0	4,912	(4,912)
Retroactive Reinsurance Agreements	0	0	0
Structured Settlement Annuities	0	32,511	(32,511)
Direct Loss and ALAE Reserves	0	30,973	(30,973)
Assumed Loss and ALAE Reserves	0	25,997	(25,997)
Deferred Credit	0	(56,970)	56,970
Total	\$ 7,693	336,938	(329,245)

1. Loss and LAE Reserve Discounting. Pursuant to a prescribed accounting practice, the Company discounted its loss and loss adjustment expense ("LAE") reserves at 4.2% in the December 31, 2011 statutory financial statements. The Company currently discounts 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. At September 30, 2012, the total amount of the tabular discount included on the balance sheet and on Schedule P, was \$70.4 million. At December 31, 2011, the total amount of tabular and non tabular discount, included on the balance sheet and on Schedule P, was \$274.8 million. With this prescribed practice, the Company's reported surplus exceeded what its surplus would have been under the tabular discount by \$222.6 million at December 31, 2011.
2. Prepaid Expenses. Pursuant to a prescribed accounting practice, the December 31, 2011 balance sheet of the Company reflects as admitted assets the amounts that the Company has prepaid for claim handling services to two third-party administrators. The prescribed practice further allows the Company to admit its December 31, 2011 prepaid expense assets primarily related to insurance and rent expenses. With this prescribed practice, the Company's reported surplus exceeded what its surplus would have been \$13.2 million at December 31, 2011.
3. Provision for Uncollectible Reinsurance. Pursuant to a prescribed accounting practice, the Company established a general provision for uncollectible reinsurance, net of a 4.2% discount, \$9.3 million at December 31, 2011. The change in the Schedule F penalty otherwise prescribed by the Manual would have approximated the change in the general provision for uncollectible reinsurance during the 3rd quarter of 2012.
4. Annuity Reinsurance Contracts. Pursuant to a prescribed accounting practice, the balance sheet of the Company at December 31, 2011 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 \$13.2 million at December 31, 2011. With this prescribed practice, the Company's reported surplus exceeded what its surplus would have been by \$11.9 million at December 31, 2011.
5. Audited Financial Statements of Certain Subsidiaries. For December 31, 2011, the Department granted a permitted accounting practice, not issued under the Corrective Order, allowing the Company to forego the requirement to obtain audited financial statements for certain of the Company's subsidiaries and the Company has carried forward the permitted practice to September 30, 2012. At September 30, 2012 and December 31, 2011, such subsidiaries had a combined statement value (surplus) of \$7.7 million and \$7.5 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 prepared.
6. Funds Held with Reinsured Companies. Pursuant to a prescribed accounting practice, the balance sheet of the Company at December 31, 2011 reflects as admitted assets funds held with reinsured companies that exceed the liabilities they are intended to secure. With this prescribed practice, the Company's reported surplus exceeded what its surplus would have been by \$5.1 million at December 31, 2011.

NOTES TO FINANCIAL STATEMENTS

7. Loss Based Assessment (“LBA”) and Guaranty Fund Assessment (“GFA”) Liabilities. Pursuant to a prescribed accounting practice, the Company calculates December 31, 2011 LBA liability, net of a 4.2% discount, based on an estimate of LBA payments to be made within two years of the date of the statutory financial statements. Additionally, a prescribed accounting practice allows the Company to forego the requirement to record an estimate of guaranty fund assessments that have been authorized by certain guaranty funds but not called. With this prescribed practice, the Company’s reported surplus exceeded what its surplus would have been by \$29.4 million at December 31, 2011.
8. Real Estate Joint Venture. The balance sheet of the Company reflects as other invested assets a real estate acquisition, development, and construction arrangement (ADC) as a real estate joint venture. This real estate joint venture is valued at \$5.3 million at September 30, 2012 and \$13.4 million at December 31, 2011. Pursuant to a prescribed accounting practice, the Company was allowed to increase the carrying value at December 31, 2011 of the real estate joint venture by 50% of the difference between its cost and the fair value as determined by an external appraisal performed at December 31, 2010. With this prescribed practice, the Company’s reported surplus exceeded what its surplus would have been by \$8.1 million at December 31, 2011.
9. Unallocated Loss Adjustment Expense Reserve. Pursuant to a prescribed accounting practice, the Company established its December 31, 2011 reserve for unallocated loss adjustment expense (“ULAE”) based on an estimate of ULAE payments to be made within two years of the date of the statutory financial statements. The prescribed accounting practice further directs the Company to include in the reserve amounts that the Company has prepaid for claim handling services to two third-party administrators. With this prescribed practice, the Company’s reported surplus exceeded what its surplus would have been by \$4.9 million at December 31, 2011.
10. Retroactive Reinsurance Agreements Treated as Prospective. Certain of the Company’s reinsurance agreements entered into prior to 2003 were not reduced to signed written forms within the nine-month period required by the Manual and thus should have been accounted for as retroactive reinsurance. The Department granted a permitted accounting practice, not issued under the Corrective Order, to the Company for the 2011 and 2010 statutory financial statements to record these reinsurance agreements as prospective contracts. In the absence of the permitted practice, the Company’s restricted surplus would have increased, although its total surplus would not have changed. The Company has not quantified what the increase to restricted surplus would have been absent the permitted practice.
11. Structured Settlement Annuities. The Company has recorded an estimate for amounts due to settling claimants who were named as payees of structured settlement annuities purchased by the Company from Executive Life Insurance Company of New York (“ELNY”). Based upon information received from the New York Liquidation Bureau (“NYLB”) regarding a proposed ELNY liquidation and restructuring agreement, the Company estimates that it has incurred a liability, after reinsurance, of approximately \$33.6 million for the anticipated shortfall of payments due to structured settlement annuity payees. Pursuant to a prescribed accounting practice, the Company discounts this liability at 4.2% in the December 31, 2011 balance sheet. With this prescribed accounting practice the Company’s reported surplus exceeded what it would have been by \$18.3 million at December 31, 2011. The prescribed accounting practice further directed the Company to calculate this liability based on an estimate of anticipated payments to be made within two years of the date of the statutory financial statements. With this prescribed accounting practice the Company’s reported surplus exceeded what it would have been by \$14.2 million at December 31, 2011.
12. Deferred Credit. The Department has prescribed certain accounting practices that do not result in an increase to the December 31, 2011 surplus of the Company.
 - a. Loss and ALAE Reserve Variability. Pursuant to a prescribed accounting practice, at December 31, 2011, the Company had recorded an estimate for unpaid claims, losses, and allocated loss adjustment expense (“ALAE”) related to direct business, less amounts ceded to reinsurers and discount, that was 5% less than management’s best estimate. Under the direction of the Department, the Company had deferred the surplus benefit of this prescribed accounting practice at December 31, 2011 by recording a deferred credit that was summarized within the “Aggregate write-in for liabilities” line item on the Company’s balance sheet. Absent the direction by the Department to defer this prescribed accounting practice, the Company’s reported surplus would have exceeded what its surplus would have been without the prescribed accounting practice by approximately \$31.0 million at December 31, 2011.
 - b. Assumed Loss and ALAE Reserves. Pursuant to a prescribed accounting practice, at December 31, 2011, the Company had recorded an estimate for unpaid claims, losses, and ALAE related to assumed business, less offsets available to reinsurers and discount, based

NOTES TO FINANCIAL STATEMENTS

on an estimate of assumed reinsurance payments to be made within two years of the date of the statutory financial statements. Under the direction of the Department, the Company had deferred the surplus benefit of this prescribed accounting practice at December 31, 2011 by recording a deferred credit that was summarized within the "Aggregate write-in for liabilities" line item on the Company's balance sheet. Absent the direction by the Department to defer this prescribed accounting practice, the Company's reported surplus would have exceeded what its surplus would have been without the prescribed accounting practice by approximately \$26.0 million at December 31, 2011.

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

No change.

3. BUSINESS COMBINATIONS AND GOODWILL

No change.

4. DISCONTINUED OPERATIONS

No change.

5. INVESTMENTS

D. The statement value and fair value of bonds at September 30, 2012 were as follows:

	Statement value	Gross unrealized gains	Gross unrealized losses	Fair value
		(In thousands)		
U.S. governments	\$ 24,296	473	0	24,769
Special revenue and assessment obligations and all non-guaranteed obligations of agencies and authorities of U.S. governments	17,611	433	(168)	17,876
Industrial and miscellaneous	364,399	14,402	(5,213)	373,588
Asset-backed securities	18,762	963	(81)	19,644
Mortgage-backed securities	82,178	1,728	(488)	83,418
Total bonds	<u>\$ 507,246</u>	<u>17,999</u>	<u>(5,950)</u>	<u>519,295</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 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 obligations 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.

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

NOTES TO FINANCIAL STATEMENTS

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 September 30, 2012, 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	1	\$	(168)		2,658
Industrial & miscellaneous ¹	1		(5,209)		44,697
Asset-backed securities	1		(59)		1,936
Mortgage-backed securities	2		(488)		6,222
	5		(5,924)		55,513
Bonds in a loss position less than 12 months:					
Industrial & miscellaneous	1		(4)		1,704
Asset-backed securities	2		(22)		3,941
Mortgage-backed securities	2		0		898
	5		(26)		6,543
Total bonds in a loss position	10	\$	(5,950)		62,056

¹ Comprised of one Berkshire Hathaway Group (Berkshire) (which is rated "Aa2") bonds.

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

No change.

7. INVESTMENT INCOME

No change.

8. DERIVATIVE INSTRUMENTS

No change.

9. INCOME TAXES

No change.

NOTES TO FINANCIAL STATEMENTS

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

On October 1, 2012 the Company sold its wholly owned subsidiary Lumbermens Casualty Insurance Company ("LCIC") to AmFam, Inc. pursuant to the terms of the amended Stock Purchase Agreement dated June 6, 2012 (the "Purchase Agreement"). The Company calculated an estimated purchase price of \$13.9 million. The purchase price is subject to change based upon a final post-closing settlement that is anticipated to occur during the fourth quarter of 2012. As part of the sale, the Company amended and restated its reinsurance agreement with LCIC to reinsure 100% of the legacy policy liabilities. The Amended and Restated Reinsurance Agreement (the "Reinsurance Agreement") further requires the Company to collateralize its reinsurance obligations with a collateral trust totaling \$3.1 million. The Company also entered into an Administrative Services Agreement (the "Services Agreement") with LCIC to provide services with respect to the administration of the legacy policies. An Escrow Fund in the initial amount of \$1.3 million was also established for the Company's performance of its obligations under the Purchase Agreement, the Reinsurance Agreement, and the Services Agreement.

11. DEBT

No change.

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT 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 third quarter of 2012 for which scheduled interest payment dates have not yet arrived, totaled \$603,175,000 as of September 30, 2012. In accordance with statutory accounting principles, this total amount is not reflected as a liability on the Company's statutory balance sheet as of September 30, 2012. On May 15, 2012, the Department disapproved the payments of interest due on June 1, 2012 and July 1, 2012 (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.

The Surplus Notes provide for immediate maturity, without further action by a holder, if any state agency successfully obtains an order for, or grants approval of, the rehabilitation, liquidation or conservation of the Company. In light of the entry of the Agreed Order of Rehabilitation on July 2, 2012 by the Circuit Court of Cook County, Illinois, the Surplus Notes have matured in full. (See Notes 1) Any repayment of principal, however, is expressly subject to the prior approval of the Director, which approval has not been granted.

14. CONTINGENCIES

Following issuance of the Agreed Order of Rehabilitation entered by the Circuit Court of Cook County, Illinois on July 2, 2012, Suspension Orders were issued against the Company in the following states: Alaska, Idaho, Kentucky, Nevada, North Dakota, Oklahoma, Oregon, Tennessee, Washington and Wyoming.

15. LEASES

No change.

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

No change.

NOTES TO FINANCIAL STATEMENTS

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. FAIR VALUE MEASUREMENTS

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 a cost approach.

The statement values and fair values of the Company's financial instruments at September 30, 2012 and December 31, 2011 were as follows:

	2012		2011	
	Statement value	Fair value	Statement value	Fair value
	(In thousands)			
Financial instruments recorded as assets:				
Bonds	\$ 507,246	519,295	578,122	574,481
Cash, cash equivalents, and short-term investments	54,221	54,221	94,418	94,418
Unaffiliated common stocks	815	815	816	816

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

The following table summarizes assets measured at fair value at September 30, 2012:

	Fair value measurement category			Total statement value
	Level 1	Level 2	Level 3	
	(In thousands)			
Bonds (NAIC 3-6)				
Residential mortgage-backed	\$ 0	0	0	0
Total Bonds (NAIC 3-6)	0	0	0	0
Unaffiliated common stock Industrial & Miscellaneous	0	0	815	815
Total common stock (unaffiliated)	0	0	815	815
Total	\$ 0	0	815	815

The fair value of the Company's Level 3 private placement common stock is the present value of the Company's share of the equity value of Facility Ins Hldg Corp's (FIHC) class A common stock per its most recent audited financial statements. The equity value was discounted from the August 1, 2017 Special Dividend date provided for in FIHC's Articles of Incorporation using an 8.25% discount rate.

There were no transfers of assets measured at fair value between any levels during 2012.

The following table reconciles the September 30, 2012 and December 31, 2011 statement values of assets measured at fair value using significant Level 3 inputs:

	Bonds (NAIC 3-6) - residential mortgage-backed	Unaffiliated common stock - industrial & miscellaneous	Total
	(In thousands)		
Statement value at 12/31/2011	\$ 0	816	816
Transfers into Level 3	0	0	0
Transfers out of Level 3	0	0	0
Total gains or losses:			
Realized included in net income	0	0	0
Unrealized included in surplus	0	(1)	(1)
Amortization of premium/discount	0	0	0
Purchases	0	0	0
Issuances	0	0	0
Sales	0	0	0
Settlements	0	0	0
Statement value at 9/30/2012	\$ 0	815	815

The Company's policy is to recognize transfers into and transfers out of the Level 3 category as of the beginning of the reporting period.

NOTES TO FINANCIAL STATEMENTS

21. OTHER ITEMS

No change.

22. EVENTS SUBSEQUENT

On October 1, 2012 the Company sold its wholly owned subsidiary LCIC to AmFam, Inc. pursuant to the terms of the amended Purchase Agreement dated June 6, 2012. The Company calculated an estimated purchase price of \$13.9 million. The purchase price is subject to change based upon a final post-closing settlement that is anticipated to occur during the fourth quarter of 2012. As part of the sale, the Company amended and restated its reinsurance agreement with LCIC to reinsure 100% of the legacy policy liabilities. The Reinsurance Agreement further requires the Company to collateralize its reinsurance obligations with a collateral trust totaling \$3.1 million. The Company also entered into a Services Agreement with LCIC to provide services with respect to the administration of the legacy policies. An Escrow Fund in the initial amount of \$1.3 million was also established for the Company's performance of its obligations under the Purchase Agreement, the Reinsurance Agreement, and the Services Agreement.

23. REINSURANCE

No change.

24. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION

No change.

25. CHANGES IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

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

	2012	2011
	(in thousands)	
Balance as of January 1, net of reinsurance recoverables of \$410,310 in 2012 and \$543,567 in 2011	\$ 672,335	\$ 686,760
Incurred related to:		
Prescribed accounting practices - current accident year	0	(61,882)
Prescribed accounting practices - prior accident years	61,882	64,225
Development - current accident year	455	1,183
Development - prior accident years	264,347	31,227
Total incurred	326,684	34,753
Paid related to:		
Current accident year	(98)	(293)
Prior accident years	(125,299)	(48,885)
Total paid	(125,397)	(49,178)
Balance as of September 30, 2012 and December 31, 2011, net of reinsurance recoverables of \$400,975 in 2012 and \$410,310 in 2011	\$ 873,622	\$ 672,335

NOTES TO FINANCIAL STATEMENTS

2012 Calendar Year

The incurred loss and LAE reserves related to current accident year is comprised of development of \$0.5 million.

The incurred loss and LAE reserves related to prior accident years is comprised of removal of prescribed accounting practices of \$61.9 million and development of \$264.3 million.

The prior accident year incurred in 2012 is due to:

1. The prescribed accounting practices of \$61.9 (nominal \$87.2 million less discount of \$25.3 million) from December 31, 2011 were removed from reserves; and
2. Nominal loss and LAE reserve increase of \$34.5 million was comprised of (a) a \$1.8 million increase arising from development; (b) a \$0.5 million decrease arising from buybacks, commutations, and novations; and (c) a \$33.2 million increase due to Executive Life of New York structured settlements; and
3. A reduction of discount of \$229.8 million comprised of (a) a \$7.3 million decrease for anticipated amortization of tabular discount; and (b) a \$0.6 million increase associated with buybacks, commutations, and novations; and (c) a decrease of \$223.1 million related to the removal of non-tabular discount.

2011 Calendar Year

The incurred loss and LAE reserves related to current accident year is comprised of prescribed accounting practices of \$(61.9) million and development of \$1.2 million.

The current accident year prescribed accounting practices directed by the Department (See Note 1.A.) is comprised of:

1. Nominal favorable loss and LAE reserve development of \$87.2 million comprised primarily of (a) a \$44.5 million decrease arising from a prescribed accounting practice to reduce direct loss and ALE reserves, less amounts ceded to reinsurers, by 5%; and (b) a \$37.2 million decrease arising from a prescribed accounting practice to record a two year estimate for assumed loss and ALE reserves, less offsets available to reinsurers, and; (c) a \$5.5 million decrease arising from a prescribed accounting practice to record a two year estimate for ULAE reserves; and
2. A reduction of discount of \$25.3 million comprised primarily of (a) a \$13.5 million decrease arising from a prescribed accounting practice to reduce direct loss and ALE reserves, less amounts ceded to reinsurers, by 5%; and (b) a \$11.2 million decrease arising from a prescribed accounting practice to record a two year estimate for assumed loss and ALE reserves, less offsets available to reinsurers, and; (c) a \$0.6 million decrease arising from a prescribed accounting practice to record a two year estimate for ULAE reserves.

The incurred loss and LAE reserves related to prior accident years is comprised of prescribed accounting practices of \$64.2 million and development of \$31.2 million.

The prior accident year incurred in 2011 is due to:

1. The prescribed accounting practices of \$64.2 (nominal \$88.3 million less discount of \$24.1 million) from December 31, 2010 was moved to the current accident year.
2. Nominal loss and LAE reserve increase of \$28.2 million was comprised of (a) a \$38.1 million increase arising primarily from deterioration in workers compensation, personal lines, surety, products liability and reinsurance nonproportional, that was partially offset by commercial auto liability, CMP, other liability and special liability and (b) a \$9.9 million decrease arising from buybacks, commutations, and novations; and
3. A reduction of discount of \$3.0 million comprised of (a) a \$27.6 million decrease for anticipated amortization of discount; and (b) a \$3.4 million decrease due to nominal reserve strengthening; and (c) a \$28.0 million increase associated with buybacks, commutations, and novations.

26. INTERCOMPANY POOLING ARRANGEMENTS

No change.

NOTES TO FINANCIAL STATEMENTS

27. STRUCTURED SETTLEMENTS

No change.

28. HEALTH CARE RECEIVABLES

No change.

29. PARTICIPATING POLICIES

No change.

30. PREMIUM DEFICIENCY RESERVES

No change.

31. HIGH DEDUCTIBLES

No change.

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

Due to the removal of the prescribed accounting allowances, the Company does not reflect any non-tabular discount on the September 30, 2012 balance sheet. (See Note 1.A.1.)

33. ASBESTOS/ENVIRONMENTAL RESERVES

No change.

34. SUBSCRIBER SAVINGS ACCOUNTS

No change.

35. MULTIPLE PERIL CROP INSURANCE

No change.

36. FINANCIAL GUARANTY INSURANCE

No change.

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

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 [X] NA []
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. 12/31/2010
- 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 Notes 14.....
- 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 Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

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:\$0
- 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	\$58,576,409		\$59,904,419
14.24 Short-Term Investments	\$		\$
14.25 Mortgage Loans on Real Estate	\$		\$
14.26 All Other	\$13,398,852		\$5,315,221
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$71,975,261		\$65,219,640
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.

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

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 [X] 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 [X]

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

1 Central Registration Depository	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 [X] No []

17.2 If no, list exceptions:

.....

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

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 reporting 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				0			(39,005)	(39,005)
2. Private Passenger Auto Liability.....		4.200				0			(654,186)	(654,186)
3. Commercial Auto Liability.....		4.200				0			(9,425,605)	(9,425,605)
4. Workers' Compensation.....		4.200				0			(168,191,993)	(168,191,993)
5. Commercial Multi Peril.....		4.200				0			(7,668,358)	(7,668,358)
6. Medical Malpractice- Occurrence.....		4.200				0			(11,935)	(11,935)
7. Medical Malpractice- Claims Made.....		4.200				0			(166)	(166)
8. Special Liability.....		4.200				0			(348,172)	(348,172)
9. Other Liability- Occurrence.....		4.200				0			8,831,922	8,831,922
10. Other Liability- Claims Made.....		4.200				0			(5,753,028)	(5,753,028)
11. Special Property.....		4.200				0			(1,417)	(1,417)
12. Auto Physical Damage.....		4.200				0			664	664
13. Fidelity/Surety.....		4.200				0			(1,296,319)	(1,296,319)
14. Other.....		4.200			3,431,700	3,431,700			(540,000)	(540,000)
17. Reinsurance Nonproportional Assumed Liability.....		4.200				0			(1,576,439)	(1,576,439)
19. Products Liability- Occurrence.....		4.200				0			(11,051,582)	(11,051,582)
		TOTAL	0	0	3,431,700	3,431,700	0	0	(197,725,619)	(197,725,619)

5. Operating Percentages:

5.1 A&H loss percent 479,488.6%

5.2 A&H cost containment percent 0.0%

5.3 A&H expense percent excluding cost containment expenses (40,832.1)%

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 the 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 Domiciliary Jurisdiction	5 Is Insurer Authorized? (Yes or No)
		AFFILIATES		
		US INSURERS		
		POOLS AND ASSOCIATIONS		
		ALL OTHER INSURERS		
<div style="font-size: 48px; font-weight: bold; margin: 0 auto;">NONE</div>				

**STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN
REHABILITATION**

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

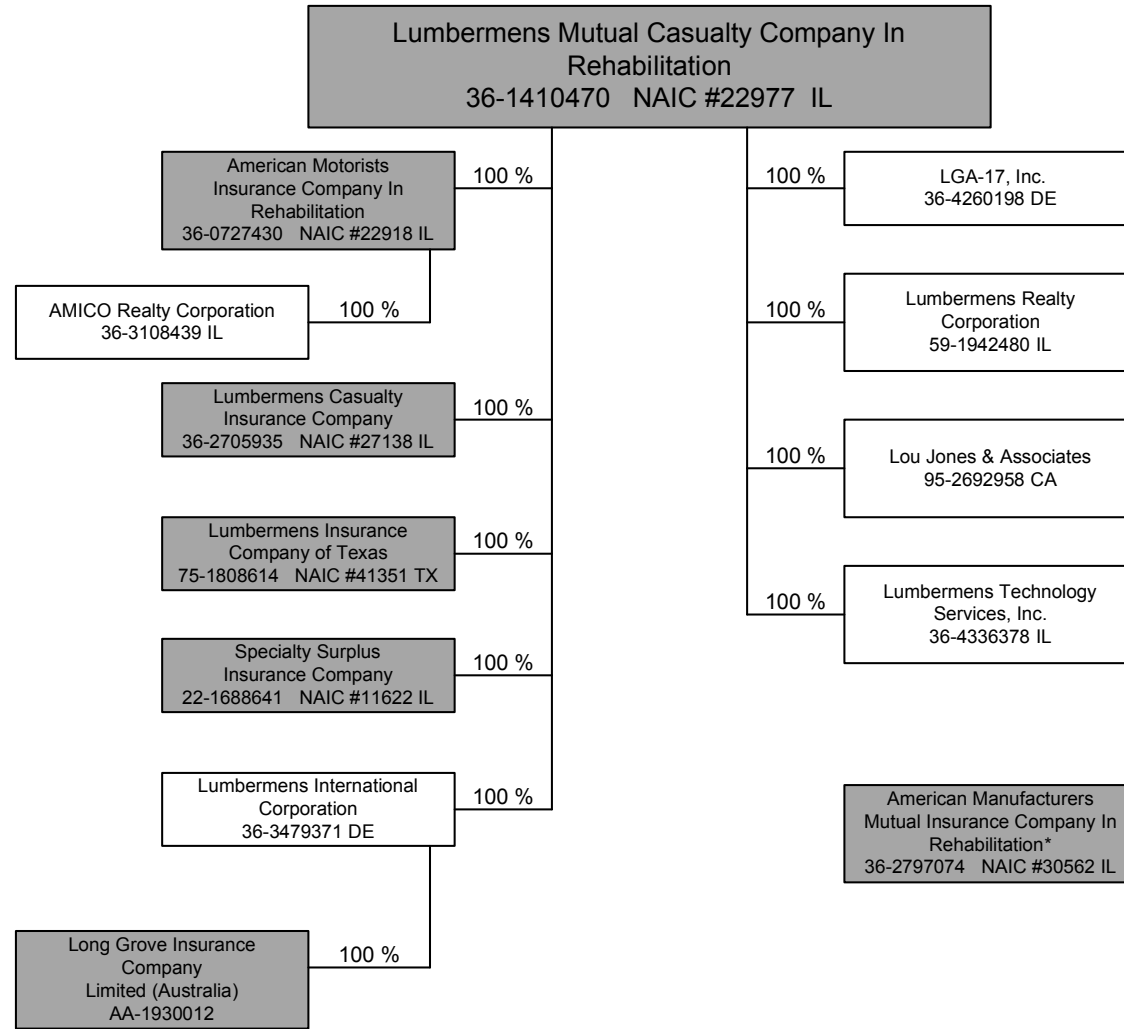
Current Year to Date - Allocated by States and Territories

	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	100	3,537	(76,268)	433,674	4,666,121	3,518,330	
2. Alaska	AK	L		104	107,167	344,795	1,534,495	973,891	
3. Arizona	AZ	L		1,269	463,900	322,230	8,649,198	7,708,811	
4. Arkansas	AR	L		0	478,525	208,338	1,880,192	1,087,480	
5. California	CA	L	(1,258)	251,575	16,446,428	6,404,642	83,686,842	85,117,143	
6. Colorado	CO	L		186	135,247	209,933	654,476	823,919	
7. Connecticut	CT	L		5,082	9,019	660,776	3,208,580	3,362,682	
8. Delaware	DE	L			(34)	302,433	3,589,063	2,572,006	
9. Dist. Columbia	DC	L			194	87,232	659,765	1,291,698	
10. Florida	FL	N		1,978	15,356	1,601,894	1,288,945	9,806,239	3,435,216
11. Georgia	GA	L		323	28,210	30,032	416,044	4,236,520	3,493,495
12. Hawaii	HI	L			17,847	151,226	289,611	1,284,562	959,844
13. Idaho	ID	L			(719)	0	116	582	
14. Illinois	IL	L		7,296	12,875	1,555,911	2,371,340	20,190,529	18,816,844
15. Indiana	IN	L			9,940	874,362	438,572	2,090,539	3,315,249
16. Iowa	IA	L		213	1,153	99,645	111,902	1,405,261	1,487,131
17. Kansas	KS	L			527	3,613	1,790	298,916	192,062
18. Kentucky	KY	L		1,054	0	717,465	1,131,765	10,031,511	8,165,271
19. Louisiana	LA	L		1,710	(1,094)	332,956	27,672	2,023,378	2,021,418
20. Maine	ME	L			487	11,481	11,706	32,173	32,816
21. Maryland	MD	L		1,045	979	913,528	1,138,980	3,742,561	4,168,414
22. Massachusetts	MA	L		5,722	(11,391)	232,580	1,383,011	7,510,424	5,054,320
23. Michigan	MI	L		3,022	38,267	414,272	2,129,919	8,306,834	7,680,353
24. Minnesota	MN	L		7,789	8,943	690,138	561,745	3,540,423	2,743,852
25. Mississippi	MS	L			66	45,126	45,890	284,898	386,231
26. Missouri	MO	L		1,757	1,473	202,887	409,303	1,938,733	1,446,642
27. Montana	MT	L			55	28,534	56,189	568,976	399,412
28. Nebraska	NE	L			(71)	37,669	(466,588)	2,008,406	1,387,545
29. Nevada	NV	L			190	91,560	191,375	932,440	738,474
30. New Hampshire	NH	L		1,618	1,790	100,586	183,044	1,679,808	1,270,938
31. New Jersey	NJ	L		13,482	27,912	4,685,498	4,291,177	38,341,180	24,005,047
32. New Mexico	NM	L		200	(45)	62,325	49,363	546,626	441,326
33. New York	NY	L		77,705	(10,043)	3,918,272	2,549,619	65,766,237	53,286,120
34. No. Carolina	NC	L		712	19,472	586,187	1,142,489	4,238,535	3,558,353
35. No. Dakota	ND	L		1,877	33	0	40	(41)	
36. Ohio	OH	L			8,104	372,493	388,147	3,288,633	4,829,668
37. Oklahoma	OK	L			0	109,107	177,048	898,670	620,788
38. Oregon	OR	L			619	77,300	234,840	2,098,486	3,106,674
39. Pennsylvania	PA	L			0	684,371	764,552	13,202,855	5,842,775
40. Rhode Island	RI	L		1,132	87	59,539	279,876	744,611	1,352,274
41. So. Carolina	SC	L		100	(1,814)	629,382	620,386	7,426,758	5,739,532
42. So. Dakota	SD	L			47	29,148	7,742	123,643	79,372
43. Tennessee	TN	L		37,661	55,410	243,751	525,455	4,739,677	3,962,120
44. Texas	TX	L		(34,030)	0	1,929,055	1,419,865	41,416,806	34,951,710
45. Utah	UT	L			83	3,731	605	33,911	25,274
46. Vermont	VT	L			42	245,585	133,066	971,133	786,046
47. Virginia	VA	L		146,776	100	676,845	1,308,733	4,149,792	3,018,620
48. Washington	WA	L		126	(514)	60,731	67,543	836,481	859,577
49. West Virginia	WV	L			47	6,176	8,960	91,173	106,924
50. Wisconsin	WI	L		108,529	137,270	699,802	616,102	2,745,341	2,072,302
51. Wyoming	WY	L			(575)	8,266	19,483	121,365	126,188
52. American Samoa	AS	N			0	0	0	0	
53. Guam	GU	N			0	0	0	0	
54. Puerto Rico	PR	N			0	40,813	57,377	361,908	421,712
55. U.S. Virgin Islands	VI	N			0	0	0	0	
56. Northern Mariana Islands	MP	N			0	0	0	0	
57. Canada	CN	L			0	0	4,291	3,442	
58. Aggregate Other Alien	OT	XXX		0	(4,132)	2,898	30,445	375,762	(46,474,324)
59. Totals	(a)	50		391,721	622,836	41,872,180	35,872,858	382,965,893	276,373,548
DETAILS OF WRITE-INS									
5801. Mexico	XXX			0	0	0	44	475	
5802. Caribbean	XXX			0	0	0	46	(74)	
5803. Asia	XXX			0	0	0	49	527	
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX			0	(4,132)	2,898	30,445	375,623	(46,475,252)
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX			0	(4,132)	2,898	30,445	375,762	(46,474,324)

(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.
Insurers are identified by shaded boxes. Percentages show common stock ownership as of 9/30/2012.

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STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

SCHEDULE Y PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group Code	Group Name	NAIC Company Code	Federal ID Number	Federal RSSD	CIK	Name of Securities Exchange if Publicly Traded (U.S. or International)	Names of Parent Subsidiaries or Affiliates	Domiciliary Location	Relationship to Reporting Entity	Directly Controlled by (Name of Entity/Person)	Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other)	If Control is Ownership Provide Percentage	Ultimate Controlling Entity(ies)/Person(s)	*
0108	Lumbermens Mutual Group	30562	36-2797074				American Manufacturers Mutual Insurance Company In Rehabilitation	IL	IA	Policyholders	Board		American Manufacturers Mutual Insurance Company In Rehabilitation	
0108	Lumbermens Mutual Group	22918	36-0727430				American Motorists Insurance Company In Rehabilitation	IL	DS	Lumbermens Mutual Casualty Company In Rehabilitation	Ownership	100.0	Lumbermens Mutual Casualty Company In Rehabilitation	
0108	Lumbermens Mutual Group						AMICO Realty Corporation	IL	DS	American Motorists Insurance Company In Rehabilitation	Ownership	100.0	Lumbermens Mutual Casualty Company In Rehabilitation	
0108	Lumbermens Mutual Group						Long Grove Insurance Company Limited	AU	DS	Lumbermens International Corporation	Ownership	100.0	Lumbermens Mutual Casualty Company In Rehabilitation	
0108	Lumbermens Mutual Group						Lou Jones & Associates	CA	DS	Lumbermens Mutual Casualty Company In Rehabilitation	Ownership	100.0	Lumbermens Mutual Casualty Company In Rehabilitation	
0108	Lumbermens Mutual Group						LGA-17, Inc	DE	DS	Lumbermens Mutual Casualty Company In Rehabilitation	Ownership	100.0	Lumbermens Mutual Casualty Company In Rehabilitation	
0108	Lumbermens Mutual Group	27138	36-2705935				Lumbermens Casualty Insurance Company	IL	DS	Lumbermens Mutual Casualty Company In Rehabilitation	Ownership	100.0	Lumbermens Mutual Casualty Company In Rehabilitation	
0108	Lumbermens Mutual Group	41351	75-1808614				Lumbermens Insurance Company of Texas	TX	DS	Lumbermens Mutual Casualty Company In Rehabilitation	Ownership	100.0	Lumbermens Mutual Casualty Company In Rehabilitation	
0108	Lumbermens Mutual Group						Lumbermens International Corporation	DE	DS	Lumbermens Mutual Casualty Company In Rehabilitation	Ownership	100.0	Lumbermens Mutual Casualty Company In Rehabilitation	
0108	Lumbermens Mutual Group	22977	36-1410470				Lumbermens Mutual Casualty Company In Rehabilitation	IL		Policyholders	Board		Lumbermens Mutual Casualty Company In Rehabilitation	
0108	Lumbermens Mutual Group						Lumbermens Realty Corporation	IL	DS	Lumbermens Mutual Casualty Company In Rehabilitation	Ownership	100.0	Lumbermens Mutual Casualty Company In Rehabilitation	
0108	Lumbermens Mutual Group						Lumbermens Technology Services, Inc	IL	DS	Lumbermens Mutual Casualty Company In Rehabilitation	Ownership	100.0	Lumbermens Mutual Casualty Company In Rehabilitation	
0108	Lumbermens Mutual Group	11622	22-1688641				Specialty Surplus Insurance Company	IL	DS	Lumbermens Mutual Casualty Company In Rehabilitation	Ownership	100.0	Lumbermens Mutual Casualty Company In Rehabilitation	

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STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

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		3	0.0	0.0
2. Allied lines			0.0	0.0
3. Farmowners multiple peril			0.0	0.0
4. Homeowners multiple peril		1,608	0.0	0.0
5. Commercial multiple peril		1,489,282	0.0	0.0
6. Mortgage guaranty			0.0	0.0
8. Ocean marine		4	0.0	0.0
9. Inland marine	69	1,461	2,117.4	107.8
10. Financial guaranty			0.0	0.0
11.1 Medical professional liability - occurrence		4,531	0.0	0.0
11.2 Medical professional liability – claims made		166	0.0	0.0
12. Earthquake			0.0	0.0
13. Group accident and health		540,000	0.0	0.0
14. Credit accident and health			0.0	0.0
15. Other accident and health	18,657		0.0	0.0
16. Workers' compensation	302,286	25,912,724	8,572.3	(2,973.2)
17.1 Other liability occurrence	8,250	3,984,075	48,291.8	(1,201.5)
17.2 Other liability – claims made		4,485,238	0.0	0.0
17.3 Excess Workers' Compensation		2,470,138	0.0	0.0
18.1 Products liability - occurrence	13,478	17,618,617	130,721.3	(5,964.8)
18.2 Products liability – claims made		0	0.0	0.0
19.1,19.2 Private passenger auto liability		(714,100)	0.0	0.0
19.3,19.4 Commercial auto liability		10,809,635	0.0	46,305.0
21. Auto physical damage		(664)	0.0	(176.1)
22. Aircraft (all perils)		334,643	0.0	0.0
23. Fidelity		65	0.0	0.0
24. Surety	90,798	101,070	111.3	101.5
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			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	46,497,344	0.0	0.0
35. TOTALS	433,538	113,535,840	26,188.2	(1,241.1)
DETAILS OF WRITE-INS				
3401. Prescribed Accounting Practices		46,497,344	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	46,497,344	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		0
2. Allied lines	0		0
3. Farmowners multiple peril	0		0
4. Homeowners multiple peril	0		0
5. Commercial multiple peril	0		0
6. Mortgage guaranty	0		0
8. Ocean marine	0		0
9. Inland marine	0	100	100
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	18,657	24,125
16. Workers' compensation	0	302,286	463,997
17.1 Other liability-occurrence	0	8,250	5,454
17.2 Other liability – claims made	0		0
17.3 Excess Workers' Compensation	0		0
18.1 Products liability - occurrence	0		3,843
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	0		1,119
21. Auto physical damage	0		2,581
22. Aircraft (all perils)	0		0
23. Fidelity	0		0
24. Surety	61,983	62,428	121,617
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	61,983	391,721	622,836
DETAILS OF WRITE-INS			
3401.			
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

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2012 Loss and LAE Payments on Claims Reported as of Prior Year-End	2012 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2012 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols.7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12)
1. 2009 + Prior	787,288	(65,578)	721,710	110,225	1,366	111,591	732,238	2,497	136,139	870,874	55,175	205,580	260,755
2. 2010	12,969	(1,353)	11,616	12,680	0	12,680	290	(488)	(198)	(198)	1	865	866
3. Subtotals 2010 + prior	800,257	(66,931)	733,326	122,905	1,366	124,271	732,528	2,497	135,651	870,676	55,176	206,445	261,621
4. 2011	1,371	(62,362)	(60,991)	1,051	0	1,051	363		2,238	2,601	43	64,600	64,643
5. Subtotals 2011 + prior	801,628	(129,293)	672,335	123,956	1,366	125,322	732,891	2,497	137,889	873,277	55,219	271,045	326,264
6. 2012	XXX	XXX	XXX	XXX	75	75	XXX	2	343	345	XXX	XXX	XXX
7. Totals	801,628	(129,293)	672,335	123,956	1,441	125,397	732,891	2,499	138,232	873,622	55,219	271,045	326,264
8. Prior Year-End Surplus As Regards Policyholders	31,132										Col. 11, Line 7 As % of Col. 1 Line 7	Col. 12, Line 7 As % of Col. 2 Line 7	Col. 13, Line 7 As % of Col. 3 Line 7
											1. 6.9	2. (209.6)	3. 48.5
													Col. 13, Line 7 As a % of Col. 1 Line 8
													4. 1,048.0

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

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 questions.

	<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.....
4. Will the Director and Officer Supplement be filed with the state of domicile and the NAIC with this statement?YES.....

Explanation:

- 1.
- 3.

Bar Code:



**STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN
REHABILITATION**

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. Australia.....	.XXX.		.0		.0	.3	.36
5805. Europe.....	.XXX.		.0	2,898	30,445	375,622	143,501
5806. Central & South America.....	.XXX.		.0		.0	.6	.60
5807. Africa.....	.XXX.		(4,132)		.0	(8)	.75
Prescribed Accounting							
5808. Practice.....	.XXX.		.0		.0		(46,618,924)
5897. Summary of remaining write-ins for Line 58 from Page 10	.XXX.	0	(4,132)	2,898	30,445	375,623	(46,475,252)

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

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	13,398,852	13,253,905
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	1,029,240
3. Capitalized deferred interest and other	0	0
4. Accrual of discount	0	0
5. Unrealized valuation increase (decrease)	(8,083,631)	144,947
6. Total gain (loss) on disposals	0	(114,204)
7. Deduct amounts received on disposals	0	915,036
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	13,398,852
12. Deduct total nonadmitted amounts	0	0
13. Statement value at end of current period (Line 11 minus Line 12)	5,315,221	13,398,852

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	637,515,238	687,460,661
2. Cost of bonds and stocks acquired	88,468,643	153,662,135
3. Accrual of discount	269,546	540,072
4. Unrealized valuation increase (decrease)	1,326,389	(1,604,726)
5. Total gain (loss) on disposals	1,499,270	4,842,192
6. Deduct consideration for bonds and stocks disposed of	158,129,461	203,584,520
7. Deduct amortization of premium	2,983,947	3,800,576
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)	567,965,678	637,515,238
11. Deduct total nonadmitted amounts	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	567,965,678	637,515,238

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

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 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a).....	587,515,539	51,641,630	88,152,715	(836,867)	624,744,371	587,515,539	550,167,587	662,068,784
2. Class 2 (a).....	2,888,753	0	62,101	(678)	3,052,424	2,888,753	2,825,974	3,246,587
3. Class 3 (a).....	0	0	0	0	0	0	0	0
4. Class 4 (a).....	0	0	0	0	0	0	0	0
5. Class 5 (a).....	0	0	0	0	0	0	0	0
6. Class 6 (a).....	0	0	0	0	0	0	0	0
7. Total Bonds	590,404,292	51,641,630	88,214,816	(837,544)	627,796,796	590,404,292	552,993,562	665,315,371
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	590,404,292	51,641,630	88,214,816	(837,544)	627,796,796	590,404,292	552,993,562	665,315,371

(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

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STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

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	45,747,106	XXX	45,756,571	4,786	3,333

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.....	87,192,967	39,131,099
2. Cost of short-term investments acquired.....	179,472,097	338,811,529
3. Accrual of discount.....	0	9,508
4. Unrealized valuation increase (decrease).....	0	0
5. Total gain (loss) on disposals.....	0	735
6. Deduct consideration received on disposals.....	220,893,379	290,682,597
7. Deduct amortization of premium.....	24,579	77,309
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).....	45,747,106	87,192,967
11. Deduct total nonadmitted amounts.....	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	45,747,106	87,192,967

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

**STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN
REHABILITATION**

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	2,494,550
2. Cost of cash equivalents acquired.....	753,330	0
3. Accrual of discount.....	0	5,450
4. Unrealized valuation increase (decrease).....	0	0
5. Total gain (loss) on disposals.....	0	0
6. Deduct consideration received on disposals.....	750,000	2,500,000
7. Deduct amortization of premium.....	3,330	0
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

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

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)
912828-KT-6	US TREASURY N/B		08/22/2012	CREDIT SUISSE FIRST BOSTON		1,067,152	1,000,000	9,409	1
0599999 - Total	- Bonds - U.S. Governments					1,067,152	1,000,000	9,409	XXX
3137EA-CW-7	FREDDIE MAC		08/22/2012	BNP SECURITIES		2,313,549	2,200,000	21,756	1
3199999 - Total	- Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of ...					2,313,549	2,200,000	21,756	XXX
084670-C@-5	BERKSHIRE HATHAWAY, INC. BOND		07/27/2012	DIRECT		1,708,800	1,708,800	0	1
3899999 - Total	- Bonds - Industrial, Misc.					1,708,800	1,708,800	0	XXX
8399997 - Total	- Bonds - Part 3					5,089,500	4,908,800	31,165	XXX
8399999 - Total	- Bonds					5,089,500	4,908,800	31,165	XXX
8999999 - Total	- Preferred Stocks					0	XXX	0	XXX
9799999 - Total	- Common Stocks					0	XXX	0	XXX
9899999 - Total	- Preferred and Common Stocks					0	XXX	0	XXX
9999999 Totals						5,089,500	XXX	31,165	XXX

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

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STATEMENT AS OF SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22	
										11	12	13	14	15								
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Designation or Market Indicator (a)	
36210Y-LZ-6.	GN 506244		09/01/2012	MBS PAYDOWN		.15	.15	.17	.15	.0	.0	.0	.0	.0	.15	.0	.0	.0	.0	.05/01/2027	.1	
36225A-T9-1.	GN 780576		09/01/2012	MBS PAYDOWN		.353	.353	.377	.355	.0	(.2)	.0	(.2)	.0	.353	.0	.0	.0	.0	.11/01/2021	.1	
38378B-EF-2.	GNR 2012-28 A		09/01/2012	MBS PAYDOWN		44,793	44,793	45,241	.0	.0	(12)	.0	(12)	.0	44,793	.0	.0	.0	.06/01/2019	.1		
912828-AJ-9.	US TREASURY N/B		09/11/2012	VARIOUS		3,003,000	3,003,000	3,212,986	3,019,471	.0	(16,471)	.0	(16,471)	.0	3,003,000	.0	.0	.0	.131,381	.08/15/2012	.1	
912828-NX-4.	US TREASURY N/B		09/30/2012	MATURITY		3,566,300	3,566,300	3,561,618	3,564,547	.0	1,753	.0	1,753	.0	3,566,300	.0	.0	.0	6,687	.09/30/2012	.1	
0599999	- Bonds - U.S. Governments					6,614,461	6,614,461	6,820,239	6,584,388	.0	(14,733)	.0	(14,733)	.0	6,614,461	.0	.0	.0	138,490	XXX	XXX	
31294K-A5-4.	FG E00928		09/01/2012	MBS PAYDOWN		.557	.557	.600	.557	.0	(.2)	.0	(.2)	.0	.557	.0	.0	.0	.0	.08/01/2015	.1	
31297X-S9-6.	FG C40544		09/01/2012	MBS PAYDOWN		.33	.33	.37	.33	.0	.0	.0	.0	.0	.33	.0	.0	.0	.0	.11/01/2028	.1	
31371H-X2-9.	FN 252797		09/01/2012	MBS PAYDOWN		.709	.709	.753	.717	.0	(.9)	.0	(.9)	.0	.709	.0	.0	.0	.0	.07/01/2014	.1	
31384S-BH-1.	FN 532040		09/01/2012	MBS PAYDOWN		.119	.119	.133	.119	.0	.0	.0	.0	.0	.119	.0	.0	.0	.0	.12/01/2027	.1	
31384S-BN-8.	FN 532045		09/01/2012	MBS PAYDOWN		1,335	1,335	1,453	1,363	.0	(.28)	.0	(.28)	.0	1,335	.0	.0	.0	.0	.01/01/2015	.1	
31385E-A8-2.	FN 541931		09/01/2012	MBS PAYDOWN		.9	.9	.10	.9	.0	.0	.0	.0	.0	.9	.0	.0	.0	.0	.12/01/2029	.1	
31386D-7B-0.	FN 560790		09/01/2012	MBS PAYDOWN		.445	.445	.451	.451	.0	.0	.0	.0	.0	.445	.0	.0	.0	.0	.10/01/2014	.1	
31386F-4C-6.	FN 562519		09/01/2012	MBS PAYDOWN		.25	.25	.27	.25	.0	.0	.0	.0	.0	.25	.0	.0	.0	.0	.01/01/2031	.1	
31392W-MR-8.	FHR 2515 GP		09/01/2012	MBS PAYDOWN		40,443	40,443	41,385	40,588	.0	(146)	.0	(146)	.0	40,443	.0	.0	.0	.0	.10/01/2013	.1	
31394E-MS-4.	FNR 2005-62 DB		09/01/2012	MBS PAYDOWN		908,366	908,366	942,713	915,316	.0	(6,951)	.0	(6,951)	.0	908,366	.0	.0	.0	33,933	.03/01/2013	.1	
31394U-MV-1.	FNR 2005-97 HB		09/01/2012	MBS PAYDOWN		1,595,944	1,595,944	1,651,802	1,604,484	.0	(8,520)	.0	(8,520)	.0	1,595,944	.0	.0	.0	51,536	.03/01/2013	.1	
31395F-5J-7.	FHR 2931 QB		07/01/2012	MBS PAYDOWN		.72,217	.72,217	.74,728	.66,077	.0	(1,620)	.0	(1,620)	.0	.72,217	.0	.0	.0	.0	.07/01/2012	.1	
31396Q-ZS-1.	FNR 2009-70 NL		09/01/2012	MBS PAYDOWN		.572,805	.572,805	.577,996	.573,792	.0	(.987)	.0	(.987)	.0	.572,805	.0	.0	.0	.0	.02/01/2019	.1	
31398J-VT-7.	FHR 3578 AN		09/01/2012	MBS PAYDOWN		.554,596	.554,596	.570,099	.558,067	.0	(3,471)	.0	(3,471)	.0	.554,596	.0	.0	.0	.0	.04/01/2016	.1	
3199999	- Total - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of...					3,747,602	3,747,602	3,862,185	3,760,571	.0	(21,734)	.0	(21,734)	.0	3,747,602	.0	.0	.0	113,185	XXX	XXX	
00110A-AB-0.	AEPTC 2006-A A2		07/01/2012	MBS PAYDOWN		1,065,083	1,065,083	1,133,315	1,093,563	.0	(28,481)	.0	(28,481)	.0	1,065,083	.0	.0	.0	53,041	.07/01/2013	.1FE	
126671-2U-9.	CWL 2004-BC1 M1		09/25/2012	MBS PAYDOWN		231,765	231,765	226,981	231,010	.0	.755	.0	.755	.0	231,765	.0	.0	.0	1,648	.12/25/2024	.1FM	
12668X-AA-3.	CWL 2006-S8 A1		08/25/2012	MBS PAYDOWN		.62,101	.62,101	.62,101	.62,101	.0	.0	.0	.0	.0	.62,101	.0	.0	.0	.0	.08/25/2012	.4FE	
22540V-P2-2.	CSFB 2002-CKN2 A3		09/01/2012	MBS PAYDOWN		34,399	34,399	34,139	34,221	.0	.177	.0	.177	.0	34,399	.0	.0	.0	1,262	.03/01/2013	.1FM	
23317F-AA-4.	DDR 2009-DDR1 A		09/01/2012	MBS PAYDOWN		30,964	30,964	32,258	27,138	.0	(.267)	.0	(.267)	.0	30,964	.0	.0	.0	.0	.10/01/2014	.1FM	
40430G-AG-5.	HFCB 2005-3 A1		09/20/2012	MBS PAYDOWN		125,292	125,292	125,292	125,292	.0	.0	.0	.0	.0	125,292	.0	.0	.0	.0	.11/20/2019	.1FM	
43812K-AC-7.	HAROT 2010-2 A3		09/18/2012	MBS PAYDOWN		707,566	707,566	707,480	707,426	.0	.140	.0	.140	.0	707,566	.0	.0	.0	6,303	.05/18/2013	.1FE	
45578V-AC-2.	INDOSUEZ CAP FNDG VI LTD		09/28/2012	ISSUER REPURCHASE		.0	2,917,602	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.10/14/2012	.6	
59022H-JH-6.	MLMT 2005-C1P1 A2		09/01/2012	MBS PAYDOWN		8,203	8,203	8,167	8,180	.0	.23	.0	.23	.0	8,203	.0	.0	.0	.0	.05/01/2014	.1FM	
59217E-BZ-6.	MET LIFE GLOB FUNDING I		09/17/2012	MATURITY		900,000	900,000	910,919	902,848	.0	(2,848)	.0	(2,848)	.0	900,000	.0	.0	.0	25,875	.09/17/2012	.1FE	
65476A-AF-2.	NAROT 2009-A A4		09/15/2012	MBS PAYDOWN		1,943,499	1,943,499	2,088,123	1,984,950	.0	(41,451)	.0	(41,451)	.0	1,943,499	.0	.0	.0	61,295	.04/15/2013	.1FE	
85171U-AA-5.	SLFMT 2011-1A A1		09/01/2012	MBS PAYDOWN		243,238	243,238	243,040	243,215	.0	.22	.0	.22	.0	243,238	.0	.0	.0	6,449	.03/01/2022	.1FM	
94975C-AL-1.	WELLS FARGO FINANCIAL		08/01/2012	MATURITY		10,000,000	10,000,000	10,338,000	10,050,234	.0	(50,234)	.0	(50,234)	.0	10,000,000	.0	.0	.0	550,000	.08/01/2012	.1FE	
046353-AC-2.	ASTRAZENECA PLC		09/15/2012	MATURITY		10,000,000	10,000,000	10,453,400	10,078,144	.0	(78,144)	.0	(78,144)	.0	10,000,000	.0	.0	.0	540,000	.09/15/2012	.1FE	
54269N-30-4.	LONG GROVE CL0 LTD		08/27/2012	RETURN OF CAPITAL		813,476	1,000	.0	.0	.0	.0	.0	.0	.0	.0	.0	813,476	813,476	813,476	1,247,492	XXX	XXX
8399999	- Bonds - Industrial and Miscellaneous					26,165,585	28,270,712	26,363,215	25,548,322	.0	(200,306)	.0	(200,306)	.0	25,352,109	.0	.0	.0	813,476	813,476	1,499,166	XXX
8399997	- Bonds - Part 4					36,527,647	38,632,774	37,045,639	35,893,281	.0	(236,773)	.0	(236,773)	.0	35,714,171	.0	.0	.0	813,476	813,476	1,499,166	XXX
8399999	- Total - Bonds					36,527,647	38,632,774	37,045,639	35,893,281	.0	(236,773)	.0	(236,773)	.0	35,714,171	.0	.0	.0	813,476	813,476	1,499,166	XXX
8999999	- Total - Preferred Stocks					.0	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX
9799999	- Total - Common Stocks					.0	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX
9899999	- Total - Preferred and Common Stocks					.0	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX
9999999	Totals					36,527,647	XXX	37,045,639	35,893,281	.0	(236,773)	.0	(236,773)	.0	35,714,171	.0	.0	.0	813,476	813,476	1,499,166	XXX

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

E05

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 DL - Part 1

NONE

Schedule DL - Part 2

NONE

Schedule E - Part 2 - Cash Equivalents

NONE



SUPPLEMENT FOR SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

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 SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

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 SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

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				34			34
2. Alaska	AK							
3. Arizona	AZ				208			208
4. Arkansas	AR				46			46
5. California	CA				1,101			1,101
6. Colorado	CO				124			124
7. Connecticut	CT				58			58
8. Delaware	DE							0
9. District of Columbia	DC							
10. Florida	FL				22			22
11. Georgia	GA				122			122
12. Hawaii	HI				42			42
13. Idaho	ID				66			66
14. Illinois	IL				300			300
15. Indiana	IN				2,998			2,998
16. Iowa	IA				1,948			1,948
17. Kansas	KS				65			65
18. Kentucky	KY				9			9
19. Louisiana	LA							
20. Maine	ME				19			19
21. Maryland	MD				40			40
22. Massachusetts	MA				25			25
23. Michigan	MI				587			587
24. Minnesota	MN				74			74
25. Mississippi	MS				43			43
26. Missouri	MO				9,833			9,833
27. Montana	MT				1			1
28. Nebraska	NE				14			14
29. Nevada	NV				24			24
30. New Hampshire	NH				65			65
31. New Jersey	NJ				85			85
32. New Mexico	NM				(15,422)	20	1	27
33. New York	NY				166	20	1	0
34. North Carolina	NC				20			20
35. North Dakota	ND							
36. Ohio	OH				129			129
37. Oklahoma	OK				(37)			(37)
38. Oregon	OR				58			58
39. Pennsylvania	PA				572			572
40. Rhode Island	RI							
41. South Carolina	SC				26			26
42. South Dakota	SD				9			9
43. Tennessee	TN				65			65
44. Texas	TX				157			157
45. Utah	UT				152			152
46. Vermont	VT				53			53
47. Virginia	VA				73			73
48. Washington	WA				517			517
49. West Virginia	WV				11			11
50. Wisconsin	WI				195			195
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
59. Totals		0	0	0	0	40	2	19,980
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
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)		0	0	0	0	0	0	0



SUPPLEMENT FOR SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

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



DIRECTORS AND OFFICERS SUPPLEMENT FOR SEPTEMBER 30, 2012 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY IN REHABILITATION

DIRECTOR AND OFFICER INSURANCE COVERAGE SUPPLEMENT

Year To Date For The Period Ended 2012

NAIC Group Code

.....0108

NAIC Company Code

.....22977

If the reporting entity writes any director and officer (D&O) business, please provide the following:

1. Monoline Policies

Table with 3 columns: 1 Direct Written Premium, 2 Direct Earned Premium, 3 Direct Losses Incurred. Each column has a dollar sign (\$) below the header.

2. Commercial Multiple Peril (CMP) Packaged Policies

2.1 Does the reporting entity provide D&O liability coverage as part of a CMP packaged policy?.....Yes [X] No []

2.2 Can the direct premium earned for D&O liability coverage provided as part of a CMP packaged policy be quantified or estimated? Yes [X] No []

2.3 If the answer to question 2.2 is yes, provide the quantified or estimated direct premium earned amount for D&O liability coverage in CMP packaged policies

2.31 Amount quantified:..... \$

2.32 Amount estimated using reasonable assumptions:..... \$

2.4 If the answer to question 2.1 is yes, provide direct losses incurred (losses paid plus change in case reserves) for the D&O liability coverage provided in CMP packaged policies. \$