

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)

LM Property and Casualty Insurance Company)
175 Berkeley Street)
Boston, MA 02116)

Examination of LM Property and Casualty Insurance Company

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of LM Property and Casualty Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 29, 2015, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of LM Property and Casualty Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

Date

7/10/2015



Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0046 0261

STATE OF INDIANA)
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COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
LM Property and Casualty Insurance Company)
175 Berkeley Street)
Boston, MA 02116)

Examination of LM Property and Casualty Insurance Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the LM Property and Casualty Insurance Company (hereinafter "Company") for the time period January 1, 2010 through December 31, 2013.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on May 22, 2015.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 29, 2015 and was received by the Company on June 4, 2015.

The Company did not file any objections.

NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the LM Property and Casualty Insurance Company as of December 31, 2013.
2. That the Examiner's Recommendations are reasonable and necessary in order for the LM Property and Casualty Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed and Sealed this 10th day of
July, 2015.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

Robert A. Hargrave

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION

OF

LM PROPERTY AND CASUALTY INSURANCE COMPANY

NAIC Co. CODE 32352
NAIC GROUP CODE 0111

As of

December 31, 2013



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STATE OF INDIANA

IDOI

MICHAEL R. PENCE, Governor

Indiana Department of Insurance
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787
Telephone: (317) 232-2385
Fax: (317) 232-5251
Stephen W. Robertson, Commissioner

May 22, 2015

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3821, an examination has been made of the affairs and financial condition of:

LM Property and Casualty Insurance Company
175 Berkeley Street
Boston, Massachusetts 02116

hereinafter referred to as the "Company", or "LMPCIC", an Indiana domestic stock, property and casualty insurance company. The examination was conducted at the corporate offices of the Company in Boston, Massachusetts and the offices of Noble Consulting Services, Inc., in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2013, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395
1-800-622-4461

EXAMINATIONS/FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

SECURITIES/COMPANY RECORDS
(317) 232-1991

STATE HEALTH INSURANCE PROGRAM
1-800-332-4674

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2009. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2010 through December 31, 2013, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles, and Annual Statement instructions, when applicable to domestic state regulations.

The examination of the Massachusetts domestic insurance companies of Liberty Mutual Group (LMG) was called by the Massachusetts Division of Insurance (MDOI) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The MDOI served as the lead state on the examination and the Illinois Department of Insurance, INDOI, New Hampshire Insurance Department (NHID), Oregon Insurance Division, and the Wisconsin Office of the Commissioner of Insurance served as participants.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

A predecessor to the Company was originally incorporated on March 9, 1972, under the laws of Illinois as Pruco General Insurance Company. That entity became licensed to commence business on March 31, 1972, and adopted the name of Prudential Property and Casualty Company (PruPac).

The entity that is now the Company was incorporated as Monmouth Property and Casualty Insurance Company (Monmouth) on January 2, 1975, under the laws of the state of New Jersey to act as a vehicle for the redomestication of the Company from Illinois to New Jersey. On December 31, 1975, the Company, as the surviving entity of a merger with Monmouth and PruPac, changed its name to Prudential Property and Casualty Insurance Company. Effective January 1, 1987, the Company re-domesticated from New Jersey to Indiana.

On November 1, 2003, the Company, along with two (2) other affiliates, Prudential Commercial Insurance Company (PruCom) and Prudential General Insurance Company (PruGen), were acquired by LMHC, the parent of Liberty Mutual Insurance Company (LMIC), from Prudential Financial, Inc. (Prudential). Also, on November 1, 2003, LMHC in turn made a capital contribution of the Company, PruCom, and PruGen to LMIC. As a result of the acquisition, Liberty Mutual Holding Company, Inc. (LMHC), a Massachusetts mutual holding company, became the new ultimate parent. LMHC was formed in 2001, as a part of the mutual holding company reorganization of LMIC.

Effective November 1, 2003, the Company entered into a 100% Quota Share Reinsurance Agreement with LMIC. Effective April 13, 2004, the Company adopted its present name of LM Property and Casualty Insurance Company.

CAPITAL AND SURPLUS

LMIC owned 100% of the Company's issued and outstanding stock as of the examination date. The Company had 800 shares of common stock authorized, issued, and outstanding with a stated par value of \$5,500 as of December 31, 2013.

DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends to LMIC during the examination period:

<u>Year</u>	<u>Total</u>	<u>Ordinary Dividends</u>	<u>Extraordinary Dividends</u>
2013	\$ 11,000,000	\$ -	\$ 11,000,000
2012	-	-	-
2011	-	-	-
2010	-	-	-
Total	<u>\$ 11,000,000</u>	<u>\$ -</u>	<u>\$ 11,000,000</u>

In accordance with Indiana Code (IC) 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year's surplus or the net income of such insurer for the prior year. The Company paid one (1) extraordinary dividend during the examination period with the prior approval of the INDOI. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to conduct business in forty-nine (49) states and the District of Columbia, excluding only the state of New Jersey. The Company cedes all business to LMIC, pursuant to the quota share agreement, but premium writings of the Company have been negligible during each year of the examination period. The primary operations of the Company consist of run-off business that began November 1, 2003.

Upon acquisition by LMIC, the Company was put into run-off with the existing book of automobile insurance business being 100% reinsured by LMIC and renewed by existing affiliates. The business that remains is a combination of state pools and facilities for the automobile insurance business and a block of asbestos and environmental reserves which is reinsured by Vantage Casualty Insurance Company, a subsidiary of Prudential.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus and Other Funds</u>	<u>Premiums Earned</u>	<u>Net Income</u>
2013	\$ 64,486,963	\$ 38,600,993	\$ 25,885,970	\$ 742	\$ 337,077
2012	79,072,084	43,557,944	35,514,140	6	954,858
2011	81,973,064	46,436,412	35,536,652	224	580,209
2010	91,584,444	55,737,272	35,847,172	(131)	808,307

Admitted Assets and Surplus and Other Funds decreased in 2013, primarily due to the \$11 million extraordinary dividend payment. Net Income decreased in 2013, primarily due to loss payments made on the asbestos and environmental block of run-off business.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of no less than five (5) and no more than eighteen (18) directors. At least one (1) of the directors must be a resident of Indiana. Directors shall be elected at the first annual shareholders' meeting and at each annual meeting thereafter. A director need not be a shareholder.

The following is a listing of persons serving as directors at December 31, 2013, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Margaret Dillon Norfolk, Massachusetts	Vice President and Chief Financial Officer, Personal Insurance Liberty Mutual Group
John Doyle Southborough, Massachusetts	Vice President and Comptroller Liberty Mutual Group
Paul Ivanovskis Foxboro, Massachusetts	Senior Vice President and Chief Actuary, Personal Insurance Liberty Mutual Group
Kevin Kirschner Indianapolis, Indiana	Director of Marketing Liberty Mutual Group
Dexter Legg Portsmouth, New Hampshire	Vice President and Secretary Liberty Mutual Group
James MacPhee North Easton, Massachusetts	Vice President and Chief Claims Officer Liberty Mutual Group
Elizabeth Morahan Newtonville, Massachusetts	Vice President and General Counsel, Personal Insurance Liberty Mutual Group
Timothy Sweeney Boston, Massachusetts	Executive Vice President and President, Personal Insurance Liberty Mutual Group

Officers

The Bylaws state the officers of the Company shall consist of a President, one (1) or more Vice Presidents, a Secretary, a Comptroller, and a Treasurer.

The following is a list of key officers and their respective titles as of December 31, 2013:

<u>Name</u>	<u>Office</u>
Timothy Sweeney	President and Chief Executive Officer
Dexter Legg	Vice President and Secretary
Laurance Henry Yahia	Vice President and Treasurer
Margaret Dillon	Vice President and Chief Financial Officer
A. Alexander Fontanes	Vice President and Chief Investment Officer
John Doyle	Vice President and Comptroller
Elizabeth Morahan	Vice President and General Counsel
Edward Gramer, III	Vice President
Stephen McAnena	Vice President
Alan Schlosberg	Vice President

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2013.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2013.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company's Bylaws do not specify the date or time the annual meeting of shareholders is to be held. For each year under review, the annual meeting of shareholders was held within five (5) months following the close of each fiscal year.

LMHC committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit, Compensation, Contributions, Executive, Investment, Nominating and Governance, and Risk.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the direct upstream affiliates of the Company and the other Indiana domiciled insurance affiliates as of December 31, 2013:

	<u>NAIC Co. Code</u>	<u>Domiciliary State</u>
Liberty Mutual Holding Company Inc.		MA
LMHC Massachusetts Holdings Inc.		MA
Liberty Mutual Group Inc.		MA
Liberty Mutual Fire Insurance Company	23035	WI
Employers Insurance Company of Wausau	21458	WI
Liberty Mutual Insurance Company	23043	MA
LM Property and Casualty Insurance Company	32352	IN
Liberty Insurance Holdings, Inc.		DE
Liberty Mutual Agency Corporation		DE
Peerless Insurance Company	24198	NH
Liberty – USA Corporation		DE
The National Corporation		IN
National Insurance Association-	27944	IN
Indiana Insurance Company	22659	IN
Consolidated Insurance Company	22640	IN
Safeco Corporation		WA
American States Insurance Company	19704	IN
General Insurance Company of America	24732	NH
Safeco Insurance Company of Indiana	11215	IN
American States Preferred Insurance Company	37214	IN
American Economy Insurance Company	19690	IN
Ohio Casualty Corporation ^A		OH
The Ohio Casualty Insurance Company	24074	OH
West American Insurance Company	44393	IN

^A 78% Owned by Liberty Mutual Insurance Company, 8% Owned by Employers Insurance Company of Wausau, 8% Owned by Peerless Insurance Company, 6% Owned by Liberty Mutual Fire Insurance Company

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Investment Management Agreement

Effective July 1, 2011, LMPCIC entered into an Investment Management Agreement with Liberty Mutual Group Asset Management (LMGAM). The agreement was filed with the INDOI on May 18, 2011, and was not disapproved on June 15, 2011. LMPCIC paid \$49,332 in management fees to LMGAM pursuant to the terms of the Investment Management Agreement in 2013.

Management Services Agreement

The Company is a party to a Management Services Agreement under which LMIC provides services of personnel, office space, supplies, equipment, telephone and wire services, the use of computers and similar machines to the extent necessary or appropriate. There were no fees paid pursuant to the terms of the Management Services Agreement in 2013.

Agent-Company Agreement

LMPCIC is a party to an Agent-Company Agreement under which Helmsman Insurance Agency LLC (formerly known as Helmsman Insurance Agency, Inc.) provides all usual and customary services of an insurance agent on all insurance contracts placed by Helmsman Insurance Agency LLC.

Cash Management Agreement

Effective April 1, 2012, LMPCIC entered into a Cash Management Agreement with LMGAM. The agreement was filed with the INDOI on February 29, 2012, and was not disapproved on March 23, 2012. There were no fees paid to LMGAM pursuant to the terms of the Cash Management Agreement in 2013.

Reinsurance Agreements

See the Reinsurance section of this Report of Examination for further information on intercompany reinsurance agreements.

Federal Tax Sharing Agreement

Effective January 1, 2002, LMPCIC entered into a Federal Tax Sharing Agreement with LMHC and affiliates. The agreement has been amended four (4) times to change language or add additional affiliates to the agreement. Under this agreement, the method of allocation is based upon separate return allocation with credit applied for losses as appropriate. LMPCIC has the enforceable right to recoup prior year payments in the event of future losses. The agreement may be terminated for any party when that entity no longer is a member of the consolidated group for tax filing purposes.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Fidelity & Deposit Company of Maryland. The bond has a single loss coverage limit of \$15,000,000, with a \$50,000,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2013, including but not limited to audit expenses, computer systems fraud, tele-facsimile transfer fraud, trading loss, and voice initiated transfer fraud.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company does not have any direct employees, and therefore does not have any direct obligations for a defined pension, defined contribution pension, postretirement welfare, deferred compensation, compensated absences, or postemployment benefit plans. Services for the operation of the Company are provided under provisions of the Management Services Agreement.

STATUTORY DEPOSITS

The Company reported the following statutory deposits at December 31, 2013:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Florida	\$ 155,247	\$ 156,187
Indiana	2,996,939	3,067,290
North Carolina	350,558	352,681
All Other Special Deposits:		
Arizona	137,457	141,939
California	108,001	119,141
Georgia	378,002	416,994
Massachusetts	108,001	119,141
New Mexico	404,000	400,928
Total Deposits	<u>\$4,638,205</u>	<u>\$4,774,301</u>

REINSURANCE

Since November 1, 2003, the Company has managed two blocks of business in run-off. As of December 31, 2013, the Company recorded reinsurance recoverable amounts from the New Jersey Unsatisfied Claim and Judgment Fund and the Michigan Catastrophic Claims Association totaling approximately \$200 million. The reinsurance recoverable amount from Vantage Casualty Insurance Company on the asbestos and environmental block of business in run-off was \$34 million as of December 31, 2013.

Prior to January 1, 2013, LMIC was organized with two (2) separate and distinct intercompany reinsurance pools: the Liberty Mutual Pool and the Peerless Pool. Each pool was on a different examination cycle, with MDOI as the lead state for the Liberty Mutual Pool and NHID for the Peerless Pool; effective January 1, 2013, the Peerless Pool was terminated and its participants were added into the Liberty Mutual Pool.

Per the terms of the Intercompany Reinsurance Agreement, effective January 1, 2013, each affiliated member company, other than Wausau Business Insurance Company, Wausau General Insurance Company, and Wausau Underwriters Insurance Company, cedes to LMIC and LMIC accepts 100% of each company's risks arising out of its policies. LMIC cedes to each affiliated member company and each of the companies accepts their respective shares of the Liberty Mutual Pool risks. Each company shall reimburse the ceding company for its share of the assessments, expenses, losses, policyholder dividends, and taxes. Also, each company shall maintain reserves for its share of the ceding company's liabilities.

Following is a list of the companies within LMG receiving a share of the Liberty Mutual Pool and their respective contract percentages:

Name of Pool Members	Percentage of Pool	Domiciliary State
Liberty Mutual Insurance Company	50.0%	MA
Peerless Insurance Company	20.0%	NH
Employers Insurance Company of Wausau	8.0%	WI
Liberty Mutual Fire Insurance Company	8.0%	WI
The Ohio Casualty Insurance Company	8.0%	NH
Safeco Insurance Company of America	6.0%	NH
American Economy Insurance Company^A	0.0%	IN
American States Insurance Company^A	0.0%	IN
American States Preferred Insurance Company^A	0.0%	IN
Consolidated Insurance Company Error! Bookmark not defined.	0.0%	IN
Indiana Insurance Company Error! Bookmark not defined.	0.0%	IN
LM Property and Casualty Insurance Company^A	0.0%	IN
National Insurance Association^A	0.0%	IN
Safeco Insurance Company of Indiana^A	0.0%	IN
West American Insurance Company^A	0.0%	IN
Total	100.0%	

^A Indiana domiciled insurers that are party to the Intercompany Reinsurance Agreement, but do not participate in the retrocession of pool business.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2012 and December 31, 2013, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2010 through December 31, 2013, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

LM PROPERTY AND CASUALTY INSURANCE COMPANY

Assets

As of December 31, 2013

	Per Examination*
Bonds	\$ 13,493,253
Cash, cash equivalents and short-term investments	2,489,128
Subtotals, cash and invested assets	15,982,381
Investment income due and accrued	88,730
Reinsurance:	
Amounts recoverable from reinsurers	39,521,221
Funds held by or deposited with reinsured companies	489,988
Current federal and foreign income tax recoverable and interest thereon	597,442
Receivables from parent, subsidiaries and affiliates	7,807,201
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	64,486,963
Totals	\$ 64,486,963

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

LM PROPERTY AND CASUALTY INSURANCE COMPANY
 Liabilities, Surplus and Other Funds
 As of December 31, 2013

	<u>Per Examination*</u>
Losses	\$ 29,285,840
Reinsurance payable on paid losses and loss adjustment expenses	1,618,743
Net deferred tax liability	18,450
Funds held by company under reinsurance treaties	411,484
Provision for reinsurance	808,898
Payable to parent, subsidiaries and affiliates	3,932
Aggregate write-ins for liabilities	6,453,646
Total liabilities	38,600,993
Common capital stock	4,400,000
Gross paid in and contributed surplus	22,539,064
Unassigned funds (surplus)	(1,053,094)
Surplus as regards policyholders	25,885,970
Totals	\$ 64,486,963

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

LM PROPERTY AND CASUALTY INSURANCE COMPANY
Statement of Income
For the Year Ended December 31, 2013

	Per Examination*
UNDERWRITING INCOME	
Premiums earned	\$ 742
DEDUCTIONS	
Losses incurred	569,863
Loss adjustment expenses incurred	160,008
Other underwriting expenses incurred	373,403
Total underwriting deductions	1,103,274
Net underwriting gain (loss)	(1,102,532)
INVESTMENT INCOME	
Net investment income earned	561,713
Net realized capital gains (losses) less capital gains tax	100,001
Net investment gain (loss)	661,714
OTHER INCOME	
Aggregate write-ins for miscellaneous income	48
Total other income	48
Net income, before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(440,770)
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(440,770)
Federal and foreign income taxes incurred	(777,847)
Net income	\$ 337,077

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

LM PROPERTY AND CASUALTY INSURANCE COMPANY
Capital and Surplus Account Reconciliation

	2013	2012	2011	2010
Surplus as regards policyholders, December 31 prior year	\$ 35,514,140	\$ 35,536,652	\$ 35,847,172	\$ 33,480,539
Net income	337,077	954,858	580,209	808,307
Change in net unrealized capital gains or (losses) less capital gains tax				96,819
Change in net deferred income tax	(514,000)	(303,000)	(250,140)	89,593
Change in nonadmitted assets	495,550	207,950	(403,124)	166,784
Change in provision for reinsurance	1,053,203	(882,320)	(84,768)	1,221,713
Surplus adjustments:				
Paid in	(11,000,000)			
Aggregate write-ins for gains and losses in surplus			(152,697)	(16,583)
Change in surplus as regards policyholders for the year	(9,628,170)	(22,512)	(310,520)	2,366,633
Surplus as regards policyholders, December 31 current year	\$ 25,885,970	\$ 35,514,140	\$ 35,536,652	\$ 35,847,172

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2013; based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no significant issues found during the examination period requiring disclosure in this Report of Examination.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork which were considered material events requiring disclosure in this Report of Examination.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., hereinafter collectively referred to as the "Examiners", performed an examination of LM Property and Casualty Insurance Company, as of December 31, 2013.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached report of examination is a true and complete report of condition of LM Property and Casualty Insurance Company as of December 31, 2013, as determined by the undersigned.



James Kattman, CFE
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 22 day of May, 2015, before me personally appeared, James Kattman, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires





Notary Public

