Report

of the

Examination of

General Casualty Company of Wisconsin

Sun Prairie, Wisconsin

As of December 31, 2012

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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March 14, 2014

Honorable Theodore Nickel
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

GENERAL CASUALTY COMPANY OF WISCONSIN
Sun Prairie, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of General Casualty Company of Wisconsin (GC-WI or the company) was conducted in 2009 as of December 31, 2008. The current examination covered the intervening period ending December 31, 2012, and included a review of such 2013 transactions as deemed necessary to complete the examination.

The examination was conducted using a risk-focused approach in accordance with the NAIC <u>Financial Condition Examiners Handbook</u>, which sets forth guidance for planning and performing an examination to evaluate the financial condition and identify prospective risks of an insurer. This approach includes the obtaining of information about the company including corporate governance, the identification and assessment of inherent risks within the company, and the evaluation of system controls and procedures used by the company to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation and management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations.

The examination of the company was conducted concurrently with the examination of insurers that are part of QBE North America. Representatives of the Pennsylvania Insurance Department acted in the capacity as the lead state for the coordinated exams. Work performed by the Pennsylvania Insurance Department was reviewed and relied on where deemed appropriate.

The examination consisted of a review of all major phases of the company's operations and included the following areas:

History
Management and Control
Corporate Records
Conflict of Interest
Fidelity Bonds and Other Insurance
Employees' Welfare and Pension Plans
Territory and Plan of Operations
Affiliated Companies
Growth of Company
Reinsurance
Financial Statements
Accounts and Records
Data Processing

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Pennsylvania Insurance Department. The actuary reviewed the adequacy of the company's loss and loss adjustment expense reserves. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

Investment Review

The independent examination firm was engaged by the Pennsylvania Insurance Department to perform a review of the company's invested assets portfolio as of December 31, 2012. The results of that review were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the findings of the review.

II. HISTORY AND PLAN OF OPERATION

General Casualty Company of Wisconsin was incorporated under its present name pursuant to the laws of the state of Wisconsin on May 12, 1925, and commenced business on May 29, 1925. Of the 1,000 shares of common capital stock originally issued to 15 subscribers, 991 shares were transferred to the Insurance Investment Company, which operated the company under a management contract, and the 9 remaining shares were held by directors as qualifying shares.

On February 18, 1956, the directors surrendered their qualifying shares and Insurance Investment Company sold its entire interest in GC-WI to the Fire Association of Philadelphia. On January 1, 1958, the Fire Association of Philadelphia changed its name to Reliance Insurance Company.

On April 30, 1990, Reliance Insurance Company sold all of the issued and outstanding shares of GC-WI to Winterthur U.S. Holdings, Inc., a subsidiary of Winterthur Swiss Insurance Company. In September 1990, Winterthur U.S. Holdings, Inc., contributed 15% of the shares of GC-WI to Republic Insurance Company, a Texas-domiciled affiliate.

On December 31, 1996, Winterthur Reinsurance Corporation of America (Winterthur Re), another member of the Winterthur Swiss Group, acquired 10% of the shares of GC-WI from Republic Insurance Company. Credit Suisse Group merged with the Winterthur Swiss Group on December 15, 1997. As a result of the merger, GC-WI became an indirect wholly owned subsidiary of the Credit Suisse Group. Effective December 23, 1998, Winterthur Re was sold outside the Winterthur Group, and its shares (10%) of GC-WI were transferred back to Winterthur U.S. Holdings, Inc. On August 31, 1999, Republic Insurance Company's 5% ownership interest was repurchased by GC-WI. As a result, Winterthur U.S. Holdings, Inc., became the sole parent of GC-WI.

Effective December 22, 2006, Credit Suisse Group finalized the sale of Winterthur Swiss Insurance Company to AXA. AXA is a French corporation managed under the oversight of a Management Board and a Supervisory Board. AXA's headquarters are located in Paris, France.

Effective May 31, 2007, AXA finalized the sale of Winterthur U.S. Holdings, Inc., and its consolidated subsidiaries to QBE Holdings, Inc., a subsidiary of Australian-based QBE Insurance Group Limited (QBE Limited). Winterthur U.S. Holdings, Inc., was renamed QBE Regional Companies (N.A.), Inc. (QBE Regional). Currently, GC-WI records paid-up capital of $4,000,000 consisting of 20,000 shares of common stock at a $200.00 par value each. There are 19,250 authorized shares outstanding with 750 shares held as treasury stock. All outstanding shares of GC-WI are currently owned by QBE Regional.

Since 1963, GC-WI has expanded the number of its subsidiaries and effectively heads its own holding company subsystem under QBE Regional, consisting of eight subsidiary insurers. The following time line depicts organizational changes within the subsystem. Further information concerning the QBE Limited holding company group is included in the report under the section titled “Affiliated Companies.”

- Regent Insurance Company (Regent) was organized on January 22, 1963, and commenced business on May 1, 1963. Since its inception, Regent has been a wholly owned subsidiary of GC-WI.

- General Casualty Insurance Company (GCIC) was incorporated under the laws of the state of Illinois on December 14, 1972, and commenced business on January 1, 1973. Since its inception, GCIC has been a wholly owned subsidiary of GC-WI.

- Effective September 30, 1995, Protective Insurance Company, a subsidiary of Baldwin & Lyons, Inc., sold 100% of its shares in Hoosier Insurance Company (Hoosier) to GC-WI.

- Effective April 1, 2001, GC-WI acquired Blue Ridge Insurance Company (BlueIns), a sister company of GC-WI, and its subsidiaries, Blue Ridge Indemnity Company (BlueInd) and MassWest Insurance Company, Inc. (MassWest), through a capital contribution from Winterthur U.S. Holdings, Inc. On July 1, 2001, GC-WI became the immediate parent of BlueInd and MassWest through an upward dividend of 100% of their stock from BlueIns. Effective December 31, 2007, MassWest merged with and into GC-WI.

- Effective December 31, 2005, GC-WI acquired Southern Guaranty Insurance Company (SGty), a sister company, and its subsidiaries, Southern Guaranty Insurance Company of Georgia (SGty-GA), Southern Pilot Insurance Company (SPilot) and Southern Fire & Casualty Company (SFire), through a capital contribution from Winterthur U.S. Holdings, Inc. On January 1, 2006, GC-WI became the immediate parent of SGty-GA, SPilot and SFire through an upward dividend of 100% of their stock by SGty. On May 30, 2007, GC-WI sold SGty-GA to Key Financial Holdings, Inc.

- Effective October 31, 2008, GC-WI purchased National Farmers Union Property and Casualty Company (NFU) and its subsidiary, United Security Insurance Company (USIC), from QBE Reinsurance Corporation, a sister company of QBE Regional.

- Effective January 1, 2009, USIC's stock was transferred from National Farmers Union Property and Casualty Company to GC-WI via an upward stock dividend.

- Effective January 1, 2011 USIC was purchased by Missouri Employers Mutual Insurance Company. Under terms of the purchase agreement, all business previously written by BlueIns was retained by QBE Limited and all existing liabilities were reinsured by GC-WI.

- Effective January 1, 2011, BlueIns was purchased by Catlin, Inc. Under terms of the purchase agreement, all business previously written by BlueIns was retained by QBE Limited and all existing liabilities were reinsured by GC-WI.

GC-WI and all members of QBE Regional as well as all other insurance companies whose parent is QBE Holdings, Inc., are participants in an intercompany pooling arrangement. This arrangement is further described in this report under the section titled "Reinsurance."

QBE Americas, Inc., is the primary employer for its holding company subsystem, with approximately 2,300 employees nationwide at the time of this examination. Subsidiaries of GC-WI have no employees of their own and rely principally on QBE Americas, Inc., and Unigard Insurance Company (UnigardIns) for the staff essential to run day-to-day operations. QBE Management Services Pty Limited manages the companies' investment operations, subject to the supervision of each of the companies' respective boards of directors. All operations of the holding company subsystem are conducted with staff provided by QBE Americas, Inc., UnigardIns and QBE Management Services Pty Limited in accordance with business practices and internal controls established by QBE Limited. Written agreements with affiliates are further described in this report under the section titled "Affiliated Companies."

The companies' operations are coordinated from its home office in Sun Prairie, Wisconsin. Support services are provided through a network of full-service regional offices and claim service centers in the following cities:

Beaverton, Oregon	Indianapolis, Indiana
Bellevue, Washington	Overland Park, Kansas
Brookfield, Wisconsin	Roseville, California
Eden Prairie, Minnesota	Simsbury, Connecticut
Freeport, Illinois	Spokane, Washington
Fresno, California	Sun Prairie, Wisconsin
Greensboro, North Carolina	West Des Moines, Iowa

In 2012, the company wrote direct premium in the following states:

Wisconsin	$ 95,491,854	28.9%
Minnesota	31,956,517	9.7
Connecticut	23,767,192	7.2
Illinois	23,176,806	7.0
New York	21,298,118	6.5
Iowa	20,319,717	6.2
Nebraska	13,894,101	4.2
Missouri	9,678,732	2.9
Massachusetts	9,440,812	2.9
South Dakota	9,044,555	2.7
Indiana	7,588,396	2.3
Kansas	7,583,141	2.3
Pennsylvania	7,483,922	2.3
All others	49,215,277	14.9
Total	$329,939,140	100.0%

The company is licensed in all states and Puerto Rico with major products marketed through 2,903 independent agents. The company provides basic commercial coverages including: commercial property and business income, commercial umbrella, business automobile, commercial inland marine, employment-related practices liability coverage, general liability and worker’s compensation. In addition, the company offers commercial package policies that include: commercial marketplace, contractors package policy and a comprehensive policy that enables the policyholder to build customized insurance protection by combining multiple coverages under one policy. The standard lines focus is on small- to medium-sized commercial short-tail business. The business owners product, Marketplace, has nearly 400 eligible classes designed to provide comprehensive package coverage for small- to medium-size accounts.

In personal lines, the company provides products in the personal automobile and homeowner’s lines of business. FlexAuto is a product that uses multiple rating tiers and a variety of price points to price each risk. The Premier Auto product is a merit-rated product that matches pricing to the driving history of each driver listed for coverage by the policy, the type and usage of the vehicles and the age and marital status of each driver. Another auto product, Generations, is targeted to existing customers who become ineligible for Premier Auto due to driving history. Homeowners offerings include the preferred homeowner product which provides open perils coverage for the dwelling, other structures and loss of use. The Crowne Homeowners product targets new and recently renovated homes meeting a certain threshold of coverage on the dwelling and is a comprehensive insurance package that includes expanded coverages and higher limits.

The following table is a summary of the net insurance premiums written by the company in 2012. The growth of the company is discussed in the "Financial Data" section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Fire	$ 2,228,618	$ 20,844,910	$ (1,196,175)	$ 24,269,703
Allied lines	2,578,154	98,807,137	1,813,733	99,571,518
Farmowners multiple peril		(9,332,112)	(9,393,737)	61,625
Homeowner's multiple peril	33,703,572	(7,302,447)	17,519,381	8,881,744
Commercial multiple peril	104,765,247	19,246,267	81,249,441	42,762,073
Ocean marine		491		491
Inland marine	10,782,785	7,589,732	8,694,822	9,677,695
Medical professional liability – occurrence		30,172		30,172
Medical professional liability – claims made		12		12
Earthquake	73,449	564,543	(114,589)	752,581
Group accident and health		11,871,816		11,871,816
Worker's compensation	53,957,943	2,316,905	42,038,048	14,236,800
Other liability – occurrence	29,317,878	(6,720,494)	22,005,601	591,783
Other liability – claims made	228,471	899,787	601,002	527,256
Excess worker's compensation		27,240		27,240
Products liability – occurrence	866,567	(67,904)	760,610	38,053
Products liability – claims made		57		57
Private passenger auto liability	20,272,171	(17,213,090)	3,905,146	(846,065)
Commercial auto liability	40,548,777	9,325,996	46,792,578	3,082,195
Auto physical damage	30,087,275	(6,374,789)	14,368,459	9,344,027
Aircraft (all perils)		1,331,038		1,331,038
Fidelity	451,700	(97,440)	344,426	9,834
Surety		(36,694)	(29,340)	(7,354)
Burglary and theft	76,532	(677,795)	(9,663)	(591,600)
Boiler and machinery		101,922	91,822	10,100
Credit		28,784,658		28,784,658
International		179		179
Reinsurance – non-proportional assumed property		10,922,413		10,922,413
Reinsurance – non-proportional assumed liability		14,807,468		14,807,468
Reinsurance – non-proportional assumed financial lines		74,584		74,584
Write-ins for other lines of business:				
Landlords rent default coverage program		1,197		1,197
Total All Lines	$329,939,139	$179,725,759	$229,441,605	$280,223,293

III. MANAGEMENT AND CONTROL

Board of Directors

The structure of the board of directors underwent substantial organizational changes during 2012 and 2013 as the company refocused its efforts on profitability. The board of directors consists of 12 members. Directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. The board members are also members of other boards of directors in the holding company group of QBE Holdings, Inc. Executive board members do not receive additional compensation for their service as directors. In addition, for services to QBE Holdings, Inc., outside board members receive compensation inclusive of all board and committee appointments. The compensation varies within a range of $125,000 to $225,000 based on experience and participation or chairing of various committees.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
David B. Duclos # New York, New York	Chief Executive Officer, QBE Holdings, Inc.	2015
Susan S. Harnett New York, New York	Chief Operating Officer, QBE Holdings, Inc.	2015
Harvey J. Bazaar North Caldwell, New Jersey	Retired, former Global and Americas Leader for the Capital Markets Group, PricewaterhouseCoopers International Limited	2015
Gregory J. Deal Deephaven, Minnesota	President and Chief Executive Officer, NAU Country Insurance Company	2015
Richard S. Dziadzio # New York, New York	Chief Financial Officer, QBE Holdings, Inc.	2015
George T. Tate # Oyster Bay, New York	Chief Executive Officer-North American, Australia and New Zealand Banking Group Limited	2015
Marc G. Metcalf San Francisco, California	Retired, former President and General Manager, GE Capital	2015
John G. Langione Allentown, New Jersey	Chief Risk Officer, QBE Holdings, Inc.	2015
Jeffrey S. Grange # Summit, New Jersey	Senior Vice President, QBE Holdings, Inc.	2015

Name and Residence	Principal Occupation	Term Expires
John A. Graff ## Houston, Texas	Chairman, President and CEO, Forethought Financial Group, Inc.	2015
Robert V. James## Chicago, Illinois	Senior Vice President QBE Holdings, Inc.	2015

\# Identifies directors who were appointed during 2013.
\## Identifies directors who were appointed during 2014.

Officers of the Company

Executive compensation is allocated to each insurer based on its participant percentage in the intercompany pooling arrangement. The 2012 Compensation, reported below, represents the total gross compensation paid to each individual on behalf of all companies which are part of QBE North America. Executive officers serving at the time of this examination are as follows:

Name	Office	2012 Compensation
John Rumpler *	Chief Executive Officer	$2,012,212
Susan S. Harnett	Chief Operating Officer	149,831
Domingo A. Cid *	President	386,957
Christopher C. Fish *	Chief Financial Officer	963,454
Nicholas H. Pastor *	Chief Actuary	611,943
Peter T. Maloney	Chief Legal Officer & Assistant Corporate Secretary	787,224
Dean K. Harring *	Chief Claims Officer	620,705
Steven L. Sheinheit *	Chief Strategy & Technology Officer	1,223,685
John G. Langione	Chief Risk Officer	565,882
Jennifer J. Vernon	General Counsel & Corporate Secretary	350,884
Carolyn C. Bartholdson	Chief Human Resources Officer	422,439
Wendall W. Stocker **	Treasurer	414,274
David B. Duclos #	Chief Executive Officer	0
Richard S. Dziadzio #	Chief Financial Officer	0
Andrew J. Doll #	Chief Actuary	0
Paul M. Stachura #	Chief Claims Officer	0
Richard P. Zaloom #	Chief Information Officer	0
Joanna L. Colaneri #	Treasurer	0
Robert V. James ##	President	0

* Identifies officers who are no longer with the company at the date of the report.
** Identifies officers who are still at the company but no longer in that role.
\# Identifies officers who were appointed during 2013 and are current officers in addition to those remaining 2012 officers shown above.
\## Identifies officers who were appointed during 2014 and are current officers in addition to those remaining 2012 and 2013 officers shown above.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. Board committees appointed at the holding company level:

QBE Insurance Group Limited

Risk and Capital Committee
John Green, Chair
William M. Becker
John A. Graf

Audit Committee
Duncan M. Boyle, Chair
Isabel F. Hudson
Margaret Lueng
William M. Becker

Remuneration Committee
Isabel F. Hudson, Chair
Duncan M. Boyle
John Green
William M. Becker
Margaret Lueng

Governance and Nomination Committee
William M. Becker, Chair
Duncan M. Boyle
John A. Graf
John Green
Isabel F. Hudson
Margaret Leung

Investment Committee
John A. Graf, Chair
John Green
William M. Becker

QBE Holdings, Inc.

Executive Committee
John D. Neal, Chair
David B. Duclos
Susan S. Harnett
John G. Langione
Richard S. Dziadzio

ERISA Benefits Committee
Kevin Sweeney, Chair
Vincent Dekker
Immaculada Gonzalez
Steve Solomon
Dick Van Edsigna
Art Lee

Audit Committee
Harvey Bazaar, Chair
Marc G. Metcalf
George T. Tate
John A. Graf

Remuneration Committee
John A. Graf, Chair
Marc G. Metcalf
George T. Tate
Harvey J. Bazaar

Investment Committee
George T. Tate, Chair
David B. Duclos
Susan S. Harnett
John G. Langione
Richard S. Dziadzio

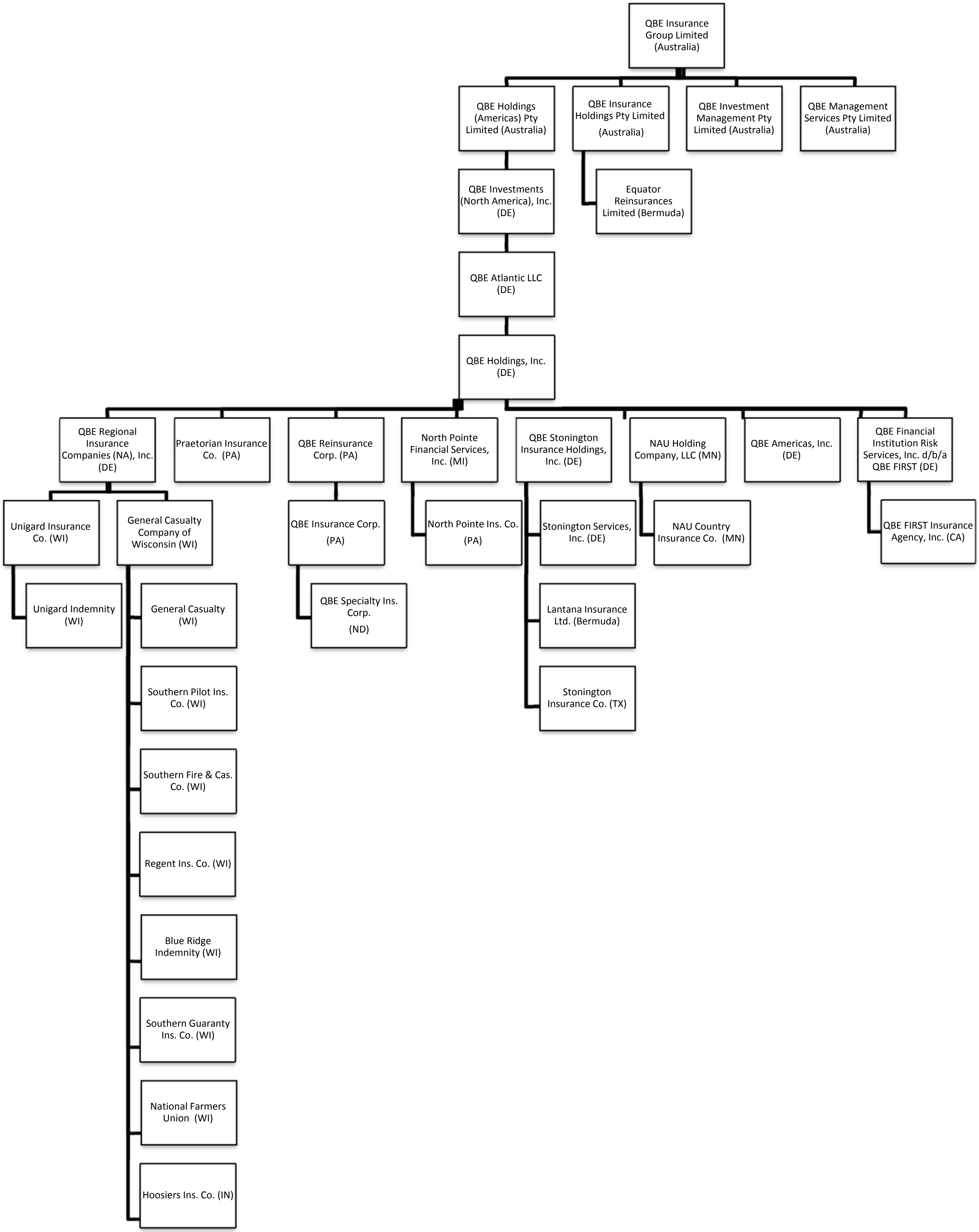
Risk and Capital Committee
Marc G. Metcalf, Chair
David B. Duclos
Susan S. Harnett
John G. Langione
Richard S. Dziadzio

Administrative Committee
David B. Duclos
Susan S. Harnett
John G. Langione
Richard S. Dziadzio

Underwriting Management Committee
David B. Duclos, Chair
John G. Langione
Jeffrey S. Grange
Charles Valinotti

IV. AFFILIATED COMPANIES

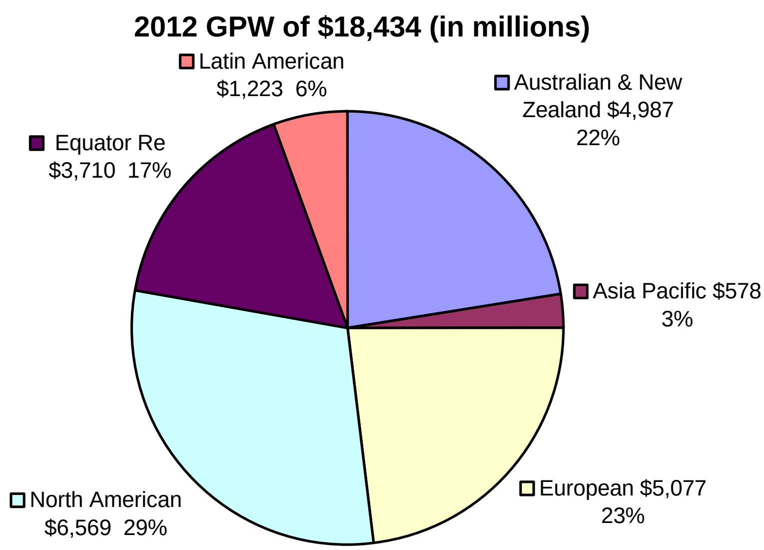
GC-WI is a member of a holding company system in which the ultimate parent is QBE Insurance Group Limited. QBE Limited is a publicly traded company incorporated under the laws of Australia. The principal businesses of the holding company system are conducted through its property and casualty insurance and reinsurance subsidiaries. QBE Limited had 221 subsidiaries in its holding company system at December 31, 2012. The abbreviated organizational chart below identifies the succession of control directly related to the company as well as other significant affiliates within the group. A brief description of these affiliates follows the organizational chart shown on the following page.


QBE Insurance Group Limited (Australia)
QBE Holdings (Americas) Pty Limited (Australia)
QBE Insurance Holdings Pty Limited (Australia)
QBE Investment Management Pty Limited (Australia)
QBE Management Services Pty Limited (Australia)
QBE Investments (North America), Inc. (DE)
Equator Reinsurances Limited (Bermuda)
QBE Atlantic LLC (DE)
QBE Holdings, Inc. (DE)
QBE Regional Insurance Companies (NA), Inc. (DE)
Praetorian Insurance Co. (PA)
QBE Reinsurance Corp. (PA)
North Pointe Financial Services, Inc. (MI)
QBE Stonington Insurance Holdings, Inc. (DE)
NAU Holding Company, LLC (MN)
QBE Americas, Inc. (DE)
QBE Financial Institution Risk Services, Inc. d/b/a QBE FIRST (DE)
Unigard Insurance Co. (WI)
General Casualty Company of Wisconsin (WI)
QBE Insurance Corp. (PA)
North Pointe Ins. Co. (PA)
Stonington Services, Inc. (DE)
NAU Country Insurance Co. (MN)
QBE FIRST Insurance Agency, Inc. (CA)
Unigard Indemnity (WI)
General Casualty (WI)
QBE Specialty Ins. Corp. (ND)
Lantana Insurance Ltd. (Bermuda)
Stonington Insurance Co. (TX)
Southern Pilot Ins. Co. (WI)
Southern Fire & Cas. Co. (WI)
Regent Ins. Co. (WI)
Blue Ridge Indemnity (WI)
Southern Guaranty Ins. Co. (WI)
National Farmers Union (WI)
Hoosiers Ins. Co. (IN)

QBE Insurance Group Limited

QBE Insurance Group Limited was formed in 1886 in Townsville, Australia. Currently, the headquarters of QBE Limited are located in Sydney, Australia. QBE Limited is a publicly held company and is traded on the Australian Stock Exchange. The holding company group has a presence in every key insurance market with operations in over 45 countries.

QBE Limited's organizational chart refers to six insurance segments: Australian & New Zealand, Asia Pacific, European, North American, Latin American and Equator Re. The following chart is a geographical split of QBE Limited's 2012 gross premium written (GPW).



The holding company group also has a segment devoted to investment management of the insurers. The following is a summary of operations of each segment:

Australian & New Zealand
General insurance operations throughout Australia and New Zealand providing all major lines of insurance coverage for personal and commercial risks.

Asia Pacific
General insurance operations in the Asia Pacific region, including 15 countries, providing coverage for personal, commercial and specialty risks, which includes professional and general liability, marine, corporate property and trade credit.

European
This segment consists of the Lloyd's of London (Lloyd's) division and QBE Insurance Europe. The Lloyd's division is the largest manager of capacity and the second largest provider of capital, providing general insurance and reinsurance business. QBE Insurance Europe consists of general insurance operations in the UK, Ireland and other countries in mainland Europe. It also includes reinsurance business in Ireland.

North American
Conducts general insurance and reinsurance operations in the United States through four specialist business units: Financial Partner Services, property & casualty, crop and reinsurance. Headquarters are located in New York. QBE Limited first established a presence in the Americas in 1991.

Latin American
Conducts general insurance in seven countries throughout North, Central and South America focused mainly on commercial classes of business.

Equator Re
This company is QBE Limited's captive reinsurer based in Bermuda. Equator Reinsurances Limited provides reinsurance protection to the majority of the operating entities within the holding company group.

Investments
This segment provides for management of QBE Limited's investment portfolio. Over 99% of the members of the holding company group's investments are managed in-house.

As of December 31, 2012, the audited financial statements of QBE Limited reported (in U.S dollars) assets of $50.7 billion, liabilities of $39.3 billion, and shareholders' equity of $11.4 billion. Operations for 2012 produced comprehensive income of $663 million on revenues of $15.8 billion.

QBE Management Services Pty Limited

QBE Management Services Pty Limited (QBE Management) is an investment management firm incorporated in Australia which manages the assets of the U.S. insurance operations included under the investment segment of QBE Limited's operations. This company became the investment management service provider for the affiliate companies effective December 31, 2012, when it replaced QBE Investment Management Pty Limited. As of December 31, 2012, the financial report of QBE Management provided assets of $417.2 million, liabilities of $390.4 million, and shareholders' equity of $26.8 million. Operations for 2012 produced net income of $10.3 million on revenues of $0.9 million.

QBE Investment Management Pty Limited

QBE Investment Management Pty Limited (QBE Investment) is an investment management firm incorporated in Australia which managed the assets of the U.S. insurance operations included under the investment segment of QBE Limited's operations until December 31, 2012. This company was known as Minster Court Asset Management Pty Limited prior to changing to its current name on March 31, 2011. As of December 31, 2012, the financial report of QBE Investment provided assets of $12.4 million, liabilities of $8.7 million, and shareholders' equity of $3.7 million. Operations for 2012 produced net income of $3.7 million on revenues of $0.3 million.

QBE Holdings (Americas) Pty Limited

QBE Holdings (Americas) Pty Limited is the vehicle whereby QBE Limited contributes capital to its operations in North and Latin America. As of December 31, 2012, the financial report of QBE Holdings (Americas) Pty Limited provided assets of $5.5 billion, liabilities of $69.3 million, and shareholders' equity of $5.4 billion. Operations for 2012 produced net income of $679.9 million on revenues of $682.3 million.

QBE Investments (North America), Inc.

QBE Investments (North America), Inc., is an intermediate holding company for the North American segment. As of December 31, 2012, the financial report of QBE Investments (North America), Inc., provided assets of $6.5 billion, liabilities of $2.6 billion, and shareholders' equity of $3.9 billion. Operations for 2012 produced net income of $41.9 million on revenues of $3.6 million.

QBE Atlantic LLC

QBE Atlantic LLC was incorporated in June 2009 and is an intermediate holding company for the North American segment. QBE Atlantic LLC operates in the United Kingdom and is treated as a United Kingdom entity under United Kingdom tax laws. As of December 31, 2012, the financial report of QBE Atlantic LLC provided assets of $6.5 billion, liabilities of $2.5 billion, and shareholders' equity of $4.0 billion. Operations for 2012 produced net income of $52.9 million on revenues of $192.8 million.

QBE Holdings, Inc.

QBE Holdings, Inc., is an intermediate holding company for the North American segment. As of December 31, 2012, the financial report of QBE Holdings, Inc., provided assets of $6.6 billion, liabilities of $310.2 million, and shareholders' equity of $6.3 billion. Operations for 2012 produced net income of $189.0 million on revenues of $185.9 million.

QBE Americas, Inc.

QBE Americas, Inc., was incorporated in Delaware on September 11, 2009, to become an insurance services company. QBE Americas, Inc., employs substantially all the Americas employees, owns and maintains business assets, and pays all operating expenses (direct expenses charged and shared expenses will be allocated to appropriate business units). As of December 31, 2012, the audited financial statements of QBE Americas, Inc., reported assets of $155.6 million, liabilities of $190.3 million, and shareholders' equity of $(34.6) million. Operations for 2012 produced a net loss of $37.3 million on revenues of $693.3 million. The net loss includes a $24.5 million actuarial loss on retirement benefit obligations.

QBE FIRST Insurance Agency, Inc.

QBE FIRST Insurance Agency, Inc. (QBE FIRST) was incorporated in California to become an insurance agency and services company. QBE FIRST provides these agency and services to members of the QBE North America pool as described further in the agreements below. As of December 31, 2012, the financial report of QBE FIRST provided assets of $1.7 billion, liabilities of $779.1 million, and shareholders' equity of $893.6 million. Operations for 2012 produced a net loss of $34.9 million on revenues of $490.6 million.

QBE Reinsurance Corporation

QBE Reinsurance Corporation's (QBE Re) principal business is underwriting property and casualty reinsurance business which is primarily obtained through reinsurance intermediaries. As of December 31, 2012, the combined audited financial statements of QBE North America reported QBE Re having assets of $1.5 billion, liabilities of $602.4 million, and capital and surplus of $943.1 million. Operations for 2012 produced a net income of $5.0 million on premiums of $365.8 million and net investment income of $8.7 million.

QBE Insurance Corporation

QBE Insurance Corporation (QBEIC) writes primarily property and casualty lines and group accident and health lines of direct insurance business through program managers. As of December 31, 2012, the combined audited financial statements of QBE North America reported QBEIC having assets of $2.2 billion, liabilities of $1.4 billion, and capital and surplus of $802.4 million. Operations for 2012 produced a net loss of $24.3 million on premiums of $833.7 million and net investment income of $14.2 million.

QBE Specialty Insurance Company

QBE Specialty Insurance Company primarily writes property and casualty insurance business through program managers and is eligible to write excess and surplus lines in all 50 states and the District of Columbia. As of December 31, 2012, the combined audited financial statements of QBE North America reported QBE Specialty Insurance Company having assets of $750.8 million, liabilities of $518.2 million, and capital and surplus of $232.6 million. Operations for 2012 produced a net loss of $14.0 million on premiums of $341.2 million and net investment income of $2.6 million.

Equator Reinsurances Limited

Equator Reinsurances Limited (Equator Re) is a captive reinsurer based in Bermuda providing reinsurance protection to the majority of the operating entities in the holding company group. As of December 31, 2012, the audited financial statements of Equator Re reported (in U.S. dollars) assets of $8.0 billion, liabilities of $5.9 billion, and shareholders’ equity of $2.1 billion. Operations for 2012 produced net income of $298.3 million on premiums of $3.4 billion and net investment income of $153.0 million.

QBE Regional Companies (N.A.), Inc.

QBE Regional Companies (N.A.), Inc., is the holding company for GC-WI, UnigardIns and subsidiaries. As of December 31, 2012, the combined audited financial statements of QBE North America reported QBE Regional having assets of $2.1 billion, liabilities of $1.5 billion and capital and surplus of $605.9 million. Operations for 2012 produced net income of $22.6 million on premiums of $879.5 million and net investment income of $58.6 million.

General Casualty Insurance Company

General Casualty Insurance Company provides personal and commercial property and casualty insurance coverages primarily to Midwestern areas of the U.S. As of December 31, 2012, the combined audited financial statements of QBE North America reported GCIC having assets of $108.5 million, liabilities of $80.7 million, and capital and surplus of $27.8 million. Operations for 2012 produced net loss of $1.3 million on premiums of $45.7 million and net investment income of $0.7 million.

Regent Insurance Company

Regent Insurance Company provides personal and commercial property and casualty insurance coverages primarily to Midwestern areas of the U.S. As of December 31, 2012, the combined audited financial statements of QBE North America reported Regent having assets of $161.6 million, liabilities of $123.5 million, and capital and surplus of $38.1 million. Operations for 2012 produced net loss of $2.1 million on premiums of $63.3 million and net investment income of $0.7 million.

Hoosier Insurance Company

Hoosier Insurance Company provides personal and commercial property and casualty insurance coverages in the state of Indiana. As of December 31, 2012, the combined audited financial statements of QBE North America reported Hoosier having assets of $83.7 million, liabilities of $60.0 million, and capital and surplus of $23.7 million. Operations for 2012 produced net loss of $1.6 million on premiums of $38.7 million and net investment income of $0.1 million.

Blue Ridge Indemnity Company

BlueInd provides personal property and casualty insurance coverages in the state of New York. As of December 31, 2012, the combined audited financial statements of QBE North America reported BlueInd having assets of $22.4 million, liabilities of $16.6 million, and capital and surplus of $5.7 million. Operations for 2012 produced net loss of $0.1 million on premiums of $10.6 million and net investment income of $0.1 million.

Southern Guaranty Insurance Company

SGty provides commercial property and casualty insurance coverages to Southeastern areas of the U.S. As of December 31, 2012, the combined audited financial statements of QBE North America reported SGty having assets of $132.4 million, liabilities of $94.5 million, and capital and surplus of $37.9 million. Operations for 2012 produced net loss of $1.6 million on premiums of $59.8 million and net investment income of $1.0 million.

Southern Pilot Insurance Company

SPilot provides personal and commercial property and casualty insurance coverages to Southeastern areas of the U.S. As of December 31, 2012, the combined audited financial statements of QBE North America reported SPilot having assets of $36.6 million, liabilities of $25.8 million, and capital and surplus of $10.8 million. Operations for 2012 produced net income of $0.2 million on premium earned of $14.0 million and net investment income of $0.3 million.

Southern Fire & Casualty Company

SFire provides personal and commercial property and casualty insurance coverages to Southeastern areas of the U.S. As of December 31, 2012, the combined audited financial statements of QBE North America reported SFire having assets of $17.0 million, liabilities of $11.0 million, and capital and surplus of $5.9 million. Operations for 2012 produced net income of $0.1 million on premiums earned of $7.0 million and net investment income of $0.1 million.

National Farmers Union Property and Casualty Company

National Farmers Union Property and Casualty Company (NFU) provides personal and commercial property and casualty insurance coverages to Midwestern areas of the U.S. As of December 31, 2012, the combined audited financial statements of QBE North America reported NFU having assets of $209.6 million, liabilities of $146.9 million, and capital and surplus of $62.7 million. Operations for 2012 produced net loss of $2.7 million on premiums of $95.0 million and net investment income of $1.1 million.

Unigard Insurance Company

UnigardIns provides personal and commercial property and casualty insurance coverages to Western areas of the U.S. As of December 31, 2012, the combined audited financial statements of QBE North America reported UnigardIns having assets of $466.2 million, liabilities of $308.4 million, and capital and surplus of $157.8 million. Operations for 2012 produced net income of $33.1 million on premiums of $179.4 million and net investment income of $38.9 million. The investment income includes capital gains of $31.6 million from the sale of real estate held by the company.

Unigard Indemnity Company

Unigard Indemnity Company (UnigardInd) provides personal and commercial property and casualty insurance coverages to Western areas of the U.S. As of December 31, 2012, the combined audited financial statements of QBE North America reported UnigardInd having assets of $64.0 million, liabilities of $45.8 million, and capital and surplus of $18.2 million. Operations for 2012 produced net loss of $1.1 million on premiums of $28.1 million and net investment income of $0.1 million.

Praetorian Insurance Company

Praetorian Insurance Company (Praetorian) concentrates on writing specialty property and casualty coverage not generally emphasized by standard insurance carriers. As of December 31, 2012, the combined audited financial statements of QBE North America reported Praetorian having assets of $1.1 billion, liabilities of $793.1 million, and capital and surplus of $316.3 million. Operations for 2012 produced net loss of $13.5 million on premiums of $510.1 million and net investment income of $8.2 million.

North Pointe Insurance Company

North Pointe Insurance Company (North Pointe) provides commercial property and casualty insurance coverages to Northeastern areas of the U.S. As of December 31, 2012, the combined audited financial statements of QBE North America reported North Pointe having assets of $83.1 million, liabilities of $57.2 million, and capital and surplus of $25.9 million. Operations for 2012 produced net loss of $1.3 million on premiums of $35.2 million and net investment income of $0.3 million.

Stonington Insurance Company

Stonington Insurance Company (Stonington) provides commercial property and casualty insurance coverages to Southwestern areas of the U.S. As of December 31, 2012, the financial statements of Stonington reported assets of $76.2 million, liabilities of $20.2 million, and capital and surplus of $56.0 million. Operations for 2012 produced net loss of $5.5 million on premiums of $0.1 million and net investment income of $(0.1) million.

NAU Country Insurance Company

NAU Country Insurance Company (NAU) provides property and casualty insurance coverages with specialization in crop insurance. As of December 31, 2012, the combined audited financial statements of QBE North America reported NAU having assets of $1.5 billion, liabilities of $1.1 billion, and capital and surplus of $335.5 million. Operations for 2012 produced net loss of $23.7 million on premiums of $552.3 million and net investment income of $2.3 million.

Agreements with Affiliates

Affiliated reinsurance and trust agreements are discussed in the section of the report titled "Reinsurance."

Internal Investment Management Agreement

Effective June 17, 2010, the company entered into an investment management agreement between Minster Court Asset Management Pty Limited (Minster) and QBE Regional and each of its subsidiaries. As noted previously, on March 31, 2011, Minster changed its name to QBE Investment Management Pty Limited. QBE Investment provides investment management services, including the investment and reinvestment of the company's investment assets. The company provides QBE Investment with investment guidelines, approved by the board of directors, which direct QBE Investment with investment objectives, policies and restrictions. The assets in the investment account are being held in a custodial account. QBE Investment is responsible for providing the company daily investment transactions within two days, monthly reporting within two days of month-end, and quarterly board of director reports two weeks before a board meeting. The company is to reimburse QBE Investment a quarterly management fee for services rendered as follows:

Market Value of Fund	Fee per Annum
Money market, cash and fixed interest	9.5 basis points
Equities	45.0 basis points
Infrastructure loans and unlisted property trusts	12.5 basis points

The agreement may be terminated by the company giving not less than 5 days' written notice to the investment manager or by the investment manager giving not less than 20 business days' written notice to the company. Effective December 31, 2012, QBE Investment was replaced by QBE Management Services Pty Limited as the investment manager. The company paid QBE Management $549,487 for these services in 2012.

Intercompany Cost Allocation and Management Services Agreement

Effective January 1, 2010, the company entered into this service agreement with QBE Americas, Inc., QBE Holdings, Inc., QBE Atlantic LLC, QBE Investments (North America), Inc., Unigard Insurance Company, and QBE Americas, Inc.'s North American affiliates. In accordance with this agreement, QBE Americas and UnigardIns provide actuarial, finance, accounting, legal, marketing, human resources, investment advice, internal audit, risk management, reinsurance, underwriting, claims, senior management and staff, information systems, group insurances, and policy services for the actual cost of the services performed. Within 30 days of the end of each month the provider of service is to bill the receiver and settlement is due within 15 days of receipt. The agreement may be terminated with 90 days' written notice.

Services Agreement

Effective September 17, 2010, Sterling National Insurance Agency, Inc., and QBE Regional Companies (N.A.), Inc., and its subsidiaries, GC-WI, UnigardIns, and their respective subsidiaries, entered into this services agreement. Sterling National Insurance Agency, Inc., changed its name to QBE FIRST Insurance Agency, Inc., effective April 1, 2011. The purpose of the agreement is to allow QBE FIRST to provide the QBE Regional companies with specific policy and claims servicing outlined in Schedule A of the agreement for certain personal lines business. The QBE Regional companies each pay QBE FIRST a service commission of 3% of the net personal lines renewal premium due within 30 days of the receipt of the month-end report. The agreement may be terminated by either party with 90 days' written notice.

Agency Agreement

Effective January 1, 2011, Sterling National Insurance Agency, Inc., and QBE Holdings, Inc., and its subsidiaries, GC-WI, UnigardIns, and their respective subsidiaries, and QBEIC entered into this agency agreement. The purpose of the agreement is to allow QBE FIRST to operate as an agency for the QBE Regional companies in the jurisdictions where QBE FIRST is properly licensed with respect to the personal auto, personal property, and personal umbrella lines of business. The QBE Regional companies each pay QBE FIRST a commission of 10% to 15%, depending on the type of business, and is due within 30 days of the receipt of the month-end report. The agreement may be terminated by mutual written agreement of both parties in accordance with the terms and conditions to which they have agreed.

Tax Sharing Agreement

Effective January 1, 2008, QBE Investments (N.A.), Inc., and listed subsidiaries including QBE Regional and subsidiaries entered into a tax sharing agreement. The agreement has since been amended to include acquired subsidiaries or to terminate former subsidiaries. In accordance with this agreement, the group allocates tax among its members specifically on the basis of the tax a member would be liable for if it filed a separate federal income tax return. Net operating loss and capital carryovers of the members shall be taken into account only to the extent such items were generated in a consolidated return year to which this agreement or a previous tax sharing agreement applied and the member has not previously been and is not otherwise compensated for the use of such tax benefit items.

Estimated tax payments are to be paid to the parent on a quarterly basis with final settlement within 30 days of the filing of the consolidated return. If any adjustments are necessary, the amount differing from the amount previously determined shall be paid within 10 business days after parent receipt of a refund or at least 5 days before the due date for payment of additional tax liability. This agreement applies to all taxable years beginning with the effective date unless it is amended or terminated in writing by mutual agreement of all parties to the agreement.

V. REINSURANCE

The company's reinsurance portfolio and strategy is described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contained the proper insolvency provisions.

Thirteenth Restatement Reinsurance Agreement

Effective January 1, 1976, GC-WI, Regent and GCIC entered into an intercompany pooling arrangement whereby the entire net business in force and produced as of that date was ceded to GC-WI and then redistributed between the participants on a pro rata basis. The Thirteenth Restatement Reinsurance Agreement was designed to reaffirm the basic provisions of the 1976 agreement, as previously modified by the first twelve restatements, and to reflect the current organizational makeup of the participants to accomplish a QBE North America pool for insurance companies domiciled in the United States. As it has since 2012, QBE Insurance Corporation remains the lead company and pool manager.

Pool participants have entered into certain quota share agreements in which cessions are made prior to participation in the pooling arrangement. These reinsurance agreements are discussed below, as applicable to the company. Aside these cessions, participants cede 100% of remaining direct premiums, losses, loss adjustment expenses, and underwriting expenses to QBEIC. QBEIC, as the pool reinsurer, assumes on a severally liable basis and cedes to pool participants on a jointly and severally liable pro rata basis as follows effective January 1, 2014:

Company Name	Percentage
QBE Insurance Corporation	26.5%
NAU Country Insurance Company	15.2
Praetorian Insurance Company	14.8
QBE Specialty Insurance Company	10.5
General Casualty Company of Wisconsin	8.9
QBE Reinsurance Corporation	6.7
Unigard Insurance Company	5.0
National Farmers Union Property and Casualty Company	2.4
Stonington Insurance Company	2.2
Regent Insurance Company	1.7
Southern Guaranty Insurance Company	1.3
General Casualty Insurance Company	1.1
Hoosier Insurance Company	1.1
North Pointe Insurance Company	1.0
Unigard Indemnity Company	0.7
Southern Pilot Insurance Company	0.4
Blue Ridge Indemnity Company	0.3
Southern Fire & Casualty Company	0.2

QBEIC administers all aspects of the pooled business, including the placement of additional reinsurance, as approved by participants. Income and expenses related to investment operations and corporate taxes, including federal income taxes, are not included in the pooling.

Monthly accounting of all activity pursuant to the agreement is to be provided within 30 days after the close of each month. Settlements of any balances due shall be completed within 45 days after the close of each quarter. The agreement may be terminated by any participant at the end of any treaty year, with 90 days' written notice by any party.

Equipment Breakdown Quota Share Reinsurance Agreements

Effective January 1, 2006, GC-WI, GCIC, Regent, Hoosier, BlueIns and BlueInd (cedents) entered into a quota share agreement with The Hartford Steam Boiler Inspection and Insurance Company (Hartford Ins). The agreement was amended to terminate BlueIns and BlueInd effective January 1, 2007, and again amended effective August 1, 2007, to include SGty, SPilot and SFire. Hartford Ins reinsures 100% of the cedents' net liability with respect to direct business classified as equipment breakdown liability subject to certain exclusions. Hartford Ins' liability is limited to $100 million for any one accident, any one policy. Hartford Ins is credited with the cedents' proportionate share of net premiums written. The cedents receive a ceding commission of 35% of direct premium written and a profit-sharing commission. The profit-sharing commission is earned when the sum of incurred losses is less than plan losses based on a calendar year. Plan losses are calculated by multiplying the plan loss ratio by premiums earned; the ratio for policies covering referral risks is 23% and all other policies is 31%. Monthly accounting of activity pursuant to the agreement is to be provided within 45 days after the close of each month. Quarterly reports of ceded unearned premiums and ceded outstanding loss reserves are to be provided within 30 days after the close of each quarter. Settlements of any balances due shall be completed immediately after receipt of monthly accounting reports. The agreement may be terminated with 180 days' written notice by any party.

Equator Re Quota Share Reinsurance Agreement

Effective January 1, 2012, GC-WI, GCIC, Regent, BlueInd, SGty, SPilot, SFire, UnigardIns, UnigardInd, Hoosier Insurance Company, and National Farmers Union Property and Casualty Company (the cedents) entered into a quota share agreement with affiliate, Equator Reinsurances Limited. Equator Re reinsures 40% of the cedents' net liability with respect to all direct and assumed business underwritten except that which is specifically excluded. Should the net combined operating ratio for business classified as "regional" or "middle markets" exceed 100%, the company retains the next 3% of net liability which would otherwise be ceded to Equator Re. Equator Re remains liable for the proportionate share of any amount in excess thereof. Nuclear incident risks for both liability and physical damage are excluded. Equator Re is credited with the cedents' proportionate share of net premiums written for new business. The cedents receive a monthly ceding commission of 40% of net acquisition cost. Quarterly accounting of all activity pursuant to the agreement is to be provided within 60 days after the close of each quarter. Settlements of any balances due shall be completed within 30 days after the receipt of accounting activity. The agreement may be terminated by any participant with 90 days' written notice.

Pursuant to s. Ins 52.05, Wis. Adm. Code, and the Stipulation and Order issued by the Office of the Commissioner of Insurance on May 17, 2012, GC-WI, GCIC, Regent, BlueInd, SGty, SPilot, SFire, UnigardIns, UnigardInd, Hoosier Insurance Company, and National Farmers Union Property and Casualty Company (the beneficiaries) have entered into three trust agreements with Equator Re and Citibank, N.A. (the Trustee), dated as of March 29, 2012.

Equator Re secures payments of amounts due the company under the quota share and loss portfolio reinsurance agreements by transferring assets to the Trustee for deposit into the trust accounts for the sole benefit of the beneficiaries. The amount held in the trust accounts should equal to 102% of Equator Re's obligations attributable to the reinsurance agreement. Equator Re's obligations are defined as the sum of losses and allocated loss expenses paid by the beneficiaries but not recovered from Equator Re; reserves for losses reported and outstanding; reserves for losses incurred but not reported; reserves for allocated loss expenses; and reserves for unearned premium. The agreements may be terminated only after Equator Re or the beneficiaries have given the Trustee a written notice of its intention to terminate the trust accounts. The agreements provide that written notification of termination should be delivered by the Trustee to Equator Re and the beneficiaries at least 45 days, but not more than 60 days, prior to termination of the trust accounts. Equator Re is responsible for reimbursing the Trustee for its expenses under the agreements.

Further discussion pertaining to the quota share agreement, and the related trust agreement the company has with Equator Re, may be found in the "Summary of Examination Results" section of the report.

Excess of Loss and Catastrophe Reinsurance Portfolio

The company's ceded reinsurance portfolio for catastrophic and excess of loss coverages is assigned and placed by QBE North America located in New York City, with the company's approval. QBE North America uses the "group aggregate methodology" in development of their ceded reinsurance portfolio. The catastrophic and excess of loss coverages purchased encompasses all insurance subsidiaries of QBE North America. In determining adequate coverage, various loss scenarios are considered with the intent to protect the participants from a 100/250 year catastrophic event. The "group aggregate methodology" results in more buying power due to the centralization of reinsurance procurement. Exhibit A summarizes the company's ceded reinsurance portfolio for catastrophic and excess of loss coverages. There is an additional property facultative excess of loss agreement between GC-WI, Regent, and UnigardIns. This agreement is described before Exhibit A.

Property Facultative Binding Agreement

Effective January 1, 2011, GC-WI and Regent (the cedents) entered into an agreement with UnigardIns where UnigardIns reinsures 100% of the cedents' net liability with respect to property for each loss and each risk with a total insured value at any one location in excess of $65 million. UnigardIns is credited with the cedents' proportionate share of net premiums written for new business. The cedents receive a monthly ceding commission of 27.5% of net premium written. The cedents have the option to request immediate payment of loss amounts equal to or greater than $150,000 from UnigardIns. Quarterly accounting of all activity pursuant to the agreement is to be provided within 30 days after the close of each month. Settlements of any balances due shall be completed within 30 days after the receipt of accounting activity. The agreement is renewed for each successive 12-month period unless cancelled according to provisions therein. The agreement may be terminated by any participant with 60 days' written notice.

Exhibit A
QBE North America
2013 Excess of Loss and Catastrophe Reinsurance Portfolio

	Primary Reinsurer	Retention	Coverage	Limits	Terrorism Limit	Reinstatement(s)	Premium	Settlement	Intermediary
Casualty Clash **<u>Excess of Loss</u>** Coverages for excess liability classified as casualty business with certain exceptions. Effective: 1/1/2013 Terminate: 12/31/2013	Hannover Rueckversicherungs Aktiengesellschaft - 30%	2,500,000	7,500,000 xs 2,500,000 10 year Sunset Clause	7,500,000 one occurrence	n/a	1	1,150,000	Premium within 60 days after termination; Losses within 30 days of billing	Aon Benfield Inc., or affiliate
Property Catastrophe **<u>Excess of Loss</u>** Coverages for policies classified as property business with certain exceptions. Effective: 1/1/2013 Terminate: 1/1/2014	Equator Re - 100%	150,000,000	50,000,000 xs 150,000,000 Excludes Wind	50,000,000 one occurrence	n/a	1	7,400,000 minimum 9,250,000 deposit premium	Premium within 60 days after termination; Losses within 30 days of billing	None
	Equator Re - 100%	150,000,000	50,000,000 xs 150,000,000	50,000,000 one occurrence	n/a	1	25,000,000 minimum 31,250,000 deposit premium		
	Equator Re - 100%	200,000,000	100,000,000 xs 200,000,000	100,000,000 one occurrence	n/a	0	32,000,000 minimum 40,000,000 deposit premium		
	Equator Re - 100%	100,000,000	50,000,000 xs 100,000,000 2nd Event Wind	50,000,000 one occurrence	n/a	0	10,400,000 minimum 13,000,000 deposit premium		
Property Per Risk **<u>Excess of Loss</u>** Coverages for policies classified as property business with certain exceptions. Effective: 1/1/2013 Terminate: 1/1/2014	Equator Re - 100%	10,000,000	10,000,000 xs 10,000,000	10,000,000 one occurrence $40,000,000 aggregate	n/a	3	0.204% of net premium written 5,500,000 minimum 5,500,000 deposit premium	Premium within 60 days after termination; Losses within 30 days of billing	None
	Equator Re - 100%	20,000,000	30,000,000 xs 20,000,000	30,000,000 one occurrence $120,000,000 aggregate	n/a	3	0.148% of net premium written 4,000,000 minimum 4,000,000 deposit premium		

	Primary Reinsurer	Retention	Coverage	Limits	Terrorism Limit	Reinstate-ment(s)	Premium	Settlement	Intermediary
Terrorism Catastrophe **<u>Excess of Loss</u>** Coverages for acts of terrorism for policies classified as property or casualty with certain exceptions. Effective: 1/1/2012 Terminate: 1/1/2014	Lloyd's Syndicate 2003 - 75%	25,000,000	25,000,000 xs 25,000,000	25,000,000 one occurrence 50,000,000 per year aggregate	n/a	1	1,753,125 minimum 2,062,500 deposit premium	Premium within 60 days after termination; Losses within 30 days of billing	Guy Carpenter & Company, LLC
	Lloyd's Syndicate 2003 - 75%	50,000,000	50,000,000 xs 50,000,000	50,000,000 one occurrence 100,000,000 per year aggregate	n/a	1	2,550,000 minimum 3,000,000 deposit premium	Premium within 60 days after termination; Losses within 30 days of billing	Guy Carpenter & Company, LLC
Umbrella **<u>Excess of Loss</u>** Coverages for excess liability classified as umbrella with certain exceptions. Effective: 1/1/2013 Terminate: 12/31/2013	Transatlantic Reinsurance Company - 29%	2,000,000 each policy after 5,500,000 annual aggregate	8,000,000 xs 2,000,000	8,000,000 one occurrence 16,000,000 for acts of terrorism during term	n/a	free and unlimited	11.89% of net premium earned 6,772,000 minimum 8,465,000 deposit premium	Premium within 60 days after termination; Losses within 30 days of billing	Aon Benfield Inc., or affiliate
	Lloyd's Syndicate 2987 - 22.5%	10,000,000	15,000,000 xs 10,000,000	15,000,000 one occurrence 30,000,000 for acts of terrorism during term	n/a	1	19.53% of net premium earned 1,000,000 minimum 1,250,000 deposit premium	Premium within 60 days after termination; Losses within 30 days of billing	Aon Benfield Inc., or affiliate

Exhibit A
QBE North America
2013 Excess of Loss and Catastrophe Reinsurance Portfolio

	Primary Reinsurer	Retention	Coverage	Limits	Terrorism Limit	Reinstate-ment(s)	Premium	Settlement	Intermediary
Workers' Compensation **<u>Excess of Loss</u>** Coverages for excess liability for policies classified as workers' compensation with certain exceptions. Effective: 1/1/2013 Terminate: 12/31/2013	Lloyd's Syndicate 2003 Catlin Underwriting, Inc. - 30%	5,000,000	5,000,000 xs 5,000,000 10 year Sunset Clause	5,000,000 one occurrence 20,000,000 aggregate	n/a	3	0.603% of net premium earned 2,640,000 minimum 3,300,000 deposit premium	Premium within 60 days after termination; Losses within 30 days of billing	Aon Benfield Inc., or affiliate
Workers' Compensation Catastrophe **<u>Excess of Loss</u>** Coverages for excess liability for policies classified as workers' compensation with certain exceptions. Effective: 1/1/2013 Terminate: 12/31/2013	Lloyd's Syndicate 2987 - 25% Alterra Bermuda Limited - 25%	10,000,000	25,000,000 xs 10,000,000 10 year Sunset Clause	25,000,000 one occurrence 50,000,000 aggregate	n/a	1	0.326% of net premium earned 1,200,000 minimum 1,500,000 deposit premium	Premium within 60 days after termination; Losses within 30 days of billing	Aon Benfield Inc., or affiliate
Worldwide Group Property Per Risk **<u>Excess of Loss</u>** Coverages for policies classified as property business with certain exceptions. Effective: 1/1/2013 Terminate: 12/31/2013	Munich Re America - 40%	50,000,000	200,000,000 xs 50,000,000	200,000,000	n/a	3	1.0% of gross written premiums 111,018,600 minimum 123,354,000 deposit premium	Premium within 90 days after termination; Losses within 30 days of billing	Guy Carpenter & Company, LLC
Worldwide Group Property Catastrophe **<u>Excess of Loss</u>** Coverages for policies classified as property business with certain exceptions. Effective: 1/1/2013 Terminate: 12/31/2013	Swiss Re - 35%	200,000,000	1,300,000,000 xs 200,000,000	1,300,000,000	n/a	n/a	12.884% of net premium earned 350,000,000 minimum 350,000,000 deposit premium	Premium within 90 days after termination; Losses within 30 days of billing	Aon Benfield Inc., or affiliate
	Hannover Re Bermuda Ltd - 36.7%	200,000,000	1,300,000,000 xs 200,000,000	1,300,000,000	n/a	n/a	12.84% of net premium earned 465,000,000 minimum 465,000,000 deposit premium		

	Primary Reinsurer	Retention	Coverage	Limits	Terrorism Limit	Reinstate-ment(s)	Premium	Settlement	Intermediary
Worldwide Group Aggregate Catastrophe <u>Excess of Loss</u> Coverages for policies classified as property business with certain exceptions. Effective: 1/1/2013 Terminate: 12/31/2013	Upsilon Re II Ltd - 4%	800,000,000	200,000,000 xs 800,000,000	200,000,000	n/a	n/a	57,780,000	Premium within 90 days after termination; Losses within 30 days of billing	Aon Benfield Inc., or affiliate
	National Indemnity Company - 75%	800,000,000	400,000,000 xs 800,000,000	400,000,000	n/a	n/a	88,000,000		
	Kane SAC Ltd; IAFM Segregated Account - 4%	1,000,000,000	200,000,000 xs 1,000,000,000	200,000,000	n/a	n/a	30,000,000		
Worldwide Group Aggregate Risk <u>Excess of Loss</u> Coverages for policies classified as property business with certain exceptions. Effective: 1/1/2013 Terminate: 12/31/2013	Munich Re America - 40%	400,000,000	200,000,000 xs 400,000,000	200,000,000	n/a	n/a	0.47% of net premium earned 52,182,900 minimum 57,981,000 deposit premium	Premium within 90 days after termination; Losses within 30 days of billing	Guy Carpenter & Company, LLC
	National Indemnity Company - 40%	400,000,000	200,000,000 xs 400,000,000	200,000,000	n/a	n/a	0.5343% of net premium earned 58,000,000 minimum 65,714,000 deposit premium		

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2012, annual statement. Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination."

General Casualty Company of Wisconsin
Assets
As of December 31, 2012

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 180,562,015	$	$ 180,562,015
Stocks:	6,000,000		6,000,000
Preferred stocks	251,234,286	4,392,909	246,841,377
Common stocks			
Real estate:			
Occupied by the company	31,632,215		31,632,215
Properties held for the production of income			
Properties held for sale			
Cash, cash equivalents, and short-term investments	212,327,343		212,327,343
Other invested assets	245,796		245,796
Investment income due and accrued	497,069		497,069
Uncollected premiums and agents' balances in course of collection	36,593,004	3,140,700	33,452,304
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	61,629,713		61,629,713
Accrued retrospective premiums			
Reinsurance:			
Amounts recoverable from reinsurers	59,752,076		59,752,076
Funds held by or deposited with reinsured companies			
Other amounts receivable under reinsurance contracts	(138,002)		(138,002)
Net deferred tax asset	37,141,344	5,957,539	31,183,805
Guaranty funds receivable or on deposit	21,928		21,928
Receivable from parent, subsidiaries, and affiliates	93,916,687		93,916,687
Write-ins for other than invested assets:			
Amounts billed and receivable deductible plans	6,764		6,764
Equities and deposits	292,505	9,216	283,289
Net receivable federally reinsured multi peril crop insurance	53,521,098		53,521,098
Non-qualified deferred compensation plan	310,919		310,919
Other accounts receivable	1,103,828	757,296	346,533
Prepaid assets	57,993	57,993	0
Miscellaneous assets	459,154		459,154
Net claims receivable	11,045,869		11,045,869
Retroactive reinsurance recoverable	1,052,419		1,052,419
Total Assets	$1,039,266,025	$14,315,653	$1,024,950,372

General Casualty Company of Wisconsin
Liabilities, Surplus, and Other Funds
As of December 31, 2012

Losses		$ 234,587,707
Reinsurance payable on paid loss and loss adjustment expenses		1,306,861
Loss adjustment expenses		44,413,885
Commissions payable, contingent commissions, and other similar charges		13,186,630
Other expenses (excluding taxes, licenses, and fees)		1,212,044
Taxes, licenses, and fees (excluding federal and foreign income taxes)		3,057,220
Unearned premiums		115,272,455
Advance premium		362,620
Ceded reinsurance premiums payable (net of ceding commissions)		88,865,504
Funds held by company under reinsurance treaties		2,665,441
Amounts withheld or retained by company for account of others		3,658,312
Remittances and items not allocated		4,454,661
Provision for reinsurance		697,400
Drafts outstanding		15,742
Payable to parent, subsidiaries, and affiliates		63,843,764
Write-ins for liabilities:		
Additional minimum pension liability		457,455
Escheat reserve		(143,260)
Other liabilities		48,185
Retroactive reinsurance reserve		(1,118,181)
Total liabilities		576,844,447
Write-ins for special surplus funds:		
Special surplus from retroactive reinsurance account	$ 1,118,181	
Common capital stock	4,000,000	
Gross paid in and contributed surplus	277,977,706	
Unassigned funds (surplus)	184,912,177	
Less treasury stock, at cost:		
Common	19,902,138	
Surplus as regards policyholders		448,105,925
Total Liabilities and Surplus		$1,024,950,372

General Casualty Company of Wisconsin
Summary of Operations
For the Year 2012

Underwriting Income		
Premiums earned		$337,734,974
Deductions:		
Losses incurred	$216,847,770	
Loss adjustment expenses incurred	31,443,772	
Other underwriting expenses incurred	102,811,104	
Total underwriting deductions		351,102,646
Net underwriting gain (loss)		(13,367,672)
Investment Income		
Net investment income earned	7,183,604	
Net realized capital gains (losses)	8,144,625	
Net investment gain (loss)		15,328,230
Other Income		
Net gain (loss) from agents' or premium balances charged off	(504,486)	
Finance and service charges not included in premiums	978,118	
Write-ins for miscellaneous income:		
Loss on disposal of fixed assets	(174,165)	
Other miscellaneous income	117,614	
Renewal rights licensing	(672,000)	
Windstorm credits	157,915	
Retroactive reinsurance movement	(105,949)	
Total other income		(202,954)
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		1,757,603
Dividends to policyholders		1,869,706
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		(112,102)
Federal and foreign income taxes incurred		0
Net Loss		$ (112,102)

General Casualty Company of Wisconsin
Cash Flow
For the Year 2012

Premiums collected net of reinsurance			$ 381,429,359
Net investment income			8,814,913
Miscellaneous income			(202,954)
Total			390,041,319
Benefit- and loss-related payments		$374,210,378	
Commissions, expenses paid, and aggregate write-ins for deductions		165,951,463	
Dividends paid to policyholders		1,869,706	
Federal and foreign income taxes paid (recovered)		(714,457)	
Total deductions			541,317,089
Net cash from operations			(151,275,771)
Proceeds from investments sold, matured, or repaid:			
Bonds	$713,064,930		
Stocks	137,006,761		
Other invested assets	89,539		
Net gains (losses) on cash, cash equivalents, and short-term investments	234,502		
Miscellaneous proceeds	95,526		
Total investment proceeds		850,491,258	
Cost of investments acquired (long-term only):			
Bonds	317,251,148		
Stocks	107,140,414		
Real estate	2,019,565		
Other invested assets	1,243,547		
Total investments acquired		427,654,674	
Net cash from investments			422,836,584
Cash from financing and miscellaneous sources:			
Dividends to stockholders		35,000,000	
Other cash provided (applied)		(154,174,729)	
Net cash from financing and miscellaneous sources			(189,174,729)
Reconciliation:			
Net change in cash, cash equivalents, and short-term investments			82,386,084
Cash, cash equivalents, and short-term investments:			
Beginning of year			129,941,259
End of Year			$ 212,327,343

General Casualty Company of Wisconsin
Compulsory and Security Surplus Calculation
December 31, 2012

Assets		$1,024,950,372
Less security surplus of insurance subsidiaries		81,042,430
Less goodwill		440,050,927
Less liabilities		576,844,447
Adjusted surplus		327,012,568
Annual premium:		
Lines other than accident and health	$278,353,587	
Factor	20%	
Compulsory surplus (subject to a minimum of $2 million)		55,670,717
Compulsory Surplus Excess (or Deficit)		$ 271,341,851
Adjusted surplus (from above)		$ 327,012,568
Security surplus: (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum factor of 110%)		73,485,346
Security Surplus Excess (or Deficit)		$ 253,527,222

General Casualty Company of Wisconsin
Analysis of Surplus
For the Five-Year Period Ending December 31, 2012

The following schedule details items affecting surplus during the period under examination as reported by the company in its filed annual statements:

	2012	**2011**	**2010**	**2009**	**2008**
Surplus, beginning of year	$481,508,176	$523,342,222	$556,268,734	$537,875,831	$744,623,742
Net income	(112,102)	(21,887,365)	48,129,900	80,170,732	172,484,581
Change in net unrealized capital gains/losses	(17,373,633)	(35,704,810)	(48,291,654)	(43,410,082)	(108,134,517)
Change in net deferred income tax	(1,921,722)	8,095,540	(23,269,025)	4,438,701	(2,998,749)
Change in nonadmitted assets	19,876,724	9,039,748	38,489,335	7,461,189	(25,595,068)
Change in provision for reinsurance	(49,200)	(199,400)	(224,800)	118,000	51,000
Dividends to stockholders	(35,000,000)		(43,000,000)	(30,500,000)	(234,000,000)
Write-ins for gains and (losses) in surplus:					
Change in defined benefit plan additional liability	1,483,902	668,146	7,215,718	114,363	(8,555,157)
Additional admitted deferred tax assets		9,173,473	(6,819,575)	9,472,389	
Reclassification of additional admitted deferred tax assets to special surplus funds		(9,173,473)	6,819,575	(9,472,389)	
Pension transfer valuation adjustment	(306,218)	(1,737,808)	(11,975,986)		
Non contingent liability		(108,098)			
Surplus, End of Year	$448,105,925	$481,508,176	$523,342,222	$556,268,734	$537,875,831

General Casualty Company of Wisconsin
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2012

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

	Ratio	2012	2011	2010	2009	2008
#1	Gross Premium to Surplus	114%	229%	206%	213%	205%
#2	Net Premium to Surplus	63	93	43	63	69
#3	Change in Net Premiums Written	-37*	97*	-35*	-6	-21
#4	Surplus Aid to Surplus	0	1	0	0	0
#5	Two-Year Overall Operating Ratio	106*	101*	83	61	68
#6	Investment Yield	0.8*	0.8*	3.0*	10.3*	14.0*
#7	Gross Change in Surplus	-7	-8	-6	3	-28*
#8	Change in Adjusted Surplus	-7	-8	-6	3	-28*
#9	Liabilities to Liquid Assets	132*	88	76	89	108*
#10	Agents' Balances to Surplus	7	6	4	4	5
#11	One-Year Reserve Development to Surplus	5	2	0	1	-8
#12	Two-Year Reserve Development to Surplus	4	0	1	-6	-6
#13	Estimated Current Reserve Deficiency to Surplus	19	-2	3	-3	-5

Ratio No. 3 in 2012, relating to net premium written, was exceptional due to a combination of lower overall gross premiums due to soft market and competitive pressure, in addition to a decrease in the company's pooling percentage to 9.6% in 2012 from 38.7% in 2011. The exceptional result in 2011 was primarily due to an increase in the company's pooling percentage to 38.7% from 26.6% in 2010, and the effect of higher group gross premiums written this year. For 2010, the exceptional result was primarily due to a decrease in pooling percentage to 26.6% from 35.0% in 2009, and the effect of lower group gross premiums written this year.

Ratio No. 5 measures the company's profitability over the previous two-year period. The exceptional results in 2012 and 2011 were due to some unusually severe storms from a combination of Hurricane Irene losses in the Northeastern United States and spring and summer storms in the Midwestern United States.

The company's investment yield ratio, No. 6, was exceptional in all years during the examination period. In the years of 2009 and 2008, the exceptional range was higher than the normal range as a result of dividend payments from its subsidiaries. The exceptional ratios were lower than the normal range in years 2010 through 2012 due to the company holding increased short-term investments and lower dividends from subsidiaries compared to prior years.

The exceptional ratios Nos. 7 and 8 for 2008, relating to surplus, are the result of a dividend paid of $234 million or 30.3% of surplus to its parent, QBE Regional. Dividends were received by GC-WI of $111 million from subsidiaries. The company obtained regulatory approval to pay the extraordinary dividend. The dividend was used to facilitate acquisitions, partially fund debt service requirements as well as provide a normal dividend to QBE Regional.

Ratio No. 9 compares the company's liabilities to liquid assets. The exceptional result for 2012 was primarily due to an increase in reinsurance recoverables and affiliated receivables in addition to an overall decrease in liquid invested assets at year-end. The exceptional result in 2008 was a result of the extraordinary dividend paid and due to a large portion of GC-WI's invested assets being invested in subsidiary insurance entities. In 2008, the company purchased 100% interest of NFU and its wholly owned subsidiary, USIC, for $190,073,926. At December 31, 2012, GC-WI reported invested assets of $682,001,655; of this amount $257,234,286 or 37.7% was invested in subsidiaries.

Growth of General Casualty Company of Wisconsin
(In 000s)

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2012	$1,024,950	$576,844	$448,106	$ (112)
2011	1,205,257	723,749	481,508	(21,887)
2010	965,072	441,730	523,342	48,130
2009	1,218,147	661,878	556,269	80,171
2008	1,207,984	670,108	537,876	172,485

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2012	$ 509,665	$280,223	$337,735	73.5%	36.8%	110.3%
2011	1,102,710	447,754	397,125	74.3	31.0	105.3
2010	1,076,920	227,420	267,720	66.4	37.4	103.8
2009	1,187,454	348,987	357,530	65.1	35.4	100.5
2008	1,104,553	370,651	409,572	52.3	32.2	84.5

Effective January 1, 2008, the company entered into a quota share agreement under which the company ceded 25% of business to affiliate, Equator Reinsurances Limited. Effective January 1, 2012, this was replaced by a new quota share agreement with Equator Reinsurances Limited where the company cedes 40% of all business. Gross and net premiums fluctuated during the five-year period due primarily to changes in the company's participation in the pooling agreement which was 39.0%, 35.0%, 26.6%, 38.7%, and 9.6%, in 2008, 2009, 2010, 2011, and 2012, respectively. Gross and net premiums in 2011 and 2012 were also reduced from a combination of lower overall gross premiums due to a soft market and competitive pressure.

The company had net losses from 2011 through 2012 due to a combination of a soft market, growing competition, and increased large event storm activity. The company's low investment yield was not sufficient to offset increased losses during these years which resulted in decreased profits. The company had a net income in 2010, due to both an underwriting gain and the highest investment gains of the five-year period. Surplus decreased each year over the five-year examination period primarily due to a combination of net losses and dividends paid.

Reconciliation of Surplus per Examination

The following schedule is a reconciliation of surplus as regards policyholders between that reported by the company and as determined by this examination:

Surplus December 31, 2012, per annual statement			$448,105,925
	Increase	**Decrease**	
Increase in aggregate losses and LAE	$22,657,000	$	(22,657,000)
Surplus December 31, 2012, Per Examination			$425,448,925

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were nine specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Biographical Information and Jurat Page Reporting—It is recommended that the company file biographical affidavits on all officers who have executive decision-making authority in accordance with s. Ins 6.52 (5), Wis. Adm. Code, and properly identify officers, directors and any other positions in primary policy-making or managerial roles on the jurat page of the annual statement in accordance with the NAIC Annual Statement Instructions – Property and Casualty.

   Action—Noncompliance; see comments in the “Summary of Current Examination Results.”

2. Executive Compensation—It is recommended that the company properly complete the Report on Executive Compensation as required by ss. 601.42 and 611.63 (4), Wis. Stat.

   Action—Compliance.

3. Equator Re Reinsurance Agreements and Trust—It is recommended that the company either amend its quota share and loss portfolio reinsurance agreements with Equator Re to reflect its current accounting practices or adhere to the agreements and account for the reinsurance in accordance with the current contract terms.

   Action—Compliance.

4. Equator Re Reinsurance Agreements and Trust—It is further recommended that the company comply with the NAIC Annual Statement Instructions – Property and Casualty and SSAP No. 62.

   Action—Compliance.

5. Equator Re Reinsurance Agreements and Trust—It is recommended that the company amend its reinsurance trust agreement to include how recoveries are to be allocated among participants in the event that the reinsurer is unable to fulfill its responsibilities.

   Action—Compliance.

6. Affiliated Transactions—It is recommended that the company settle affiliated balances in the timeframe agreed upon in accordance with affiliated agreements and amend agreements to specify a definitive time of settlement.

   Action—Compliance.

7. Reserve Development and Documentation—It is recommended that the company include in their actuarial report a comparison of the actual paid and incurred loss and LAE activity between November 30 and December 31 to the expected paid and incurred loss and LAE activity, for all accident years and for those lines which are analyzed with data valued as of November 30, and that adjustments be made to the estimates to reflect higher or lower than anticipated development.

   Action—Compliance.

8. Reserve Development and Documentation—It is recommended that the company include sufficient documentation in its actuarial report including clear descriptions of sources of data, material assumptions, and methods in accordance with Actuarial Standard of Practice No. 9.

   Action—Noncompliance; see comments in the "Summary of Current Examination Results."

9. Retrospective and Earned but Unbilled Premiums—It is recommended that the company properly report earned but unbilled premiums and retrospective rated contracts in accordance with the NAIC Annual Statement Instructions – Property and Casualty and SSAP Nos. 6, 53 and 66.

   Action—Compliance.

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Biographical Information and Jurat Page Reporting

Section Ins 6.52 (4), Wis. Adm. Code, defines "officer" as the president, one or more vice presidents, secretary, treasurer, chief actuary, general counsel, comptroller and any person, however described, who enjoys in fact the executive authority of any such officers. The company did not file biographical affidavits for certain board-appointed officers who would meet the definition. The following is a listing of these individuals:

- Carolyn C. Bartholdson, Chief Human Resources Officer
- Susan S. Harnett, Chief Operating Officer
- John G. Langione, Chief Risk Officer
- Christopher D. Davies, Director

Section Ins 6.52 (5), Wis. Adm. Code, requires that the company file a biographical report on any new director or officer within 15 days of appointment or election. Furthermore, the National Association of Insurance Commissioners (NAIC) Annual Statement Instructions - Property and Casualty requires the company to identify officers, directors and any other positions in primary policy-making or managerial roles. The company did comply with the latter part of the prior examination recommendation, as the individuals noted above were listed as new officers or directors on the jurat page; however, there was no timely filed biographical affidavit for any of the individuals. It is recommended that the company file biographical affidavits on all officers who have executive decision-making authority in accordance with s. Ins 6.52 (5), Wis. Adm. Code.

Equator Re Reinsurance Agreements and Trust

Pursuant to s. Ins 52.05, Wis. Adm. Code, and the Stipulation and Order issued by the Office of the Commissioner of Insurance on October 15, 2008, GC-WI, GCIC, Regent, BlueIns, BlueInd, SGty, SPilot, SFire and Hoosier Insurance Company (the beneficiaries) entered into a trust agreement with Equator Re and Brown Brothers Harriman Trust Company, N.A. (BBH) dated as of January 1, 2008. Effective September 29, 2009, the beneficiaries entered into a Resignation, Appointment and Acceptance, and Amendment Agreement to change the Trustee from BBH to Citibank, N.A. Effective September 30, 2010, the beneficiaries entered into a Reinsurance Trust Agreement to remove BlueIns from the trust. Equator Re secured payments of amounts due under the quota share and loss portfolio reinsurance agreements by transferring assets to this trustee for deposit into a trust account for the sole benefit of the beneficiaries. However, neither the reinsurance agreements nor the trust agreement documented, in the event that recoveries were to be made from the trust, how such recoveries would be allocated among the participants.

The reinsurance trust agreements between the QBE North America companies and Equator Re were reviewed and a provision was noted in Section 4(c) which was amended as of January 1, 2011. This provision stated "…Trustee, shall pay to each company listed as a Beneficiary in the Agreement such Beneficiary's pro rata share of the Assets in the Account based on the allocation accorded to each such Beneficiary in the Intercompany Allocation Contract in effect at the time of the transfer and as communicated to the Trustee by the Beneficiary." The trust agreement with Equator Re and Citibank, N.A., dated as of March 29, 2012, contains the same provision. However, the Intercompany Allocation Contract was cancelled effective January 1, 2013, as it was viewed as redundant with the 2013 QBE North America Pooling Agreement.

It is recommended that the company amend its reinsurance trust agreement to include how recoveries are to be allocated among participants in the event that the reinsurer is unable to fulfill its responsibilities.

Reserve Development and Documentation

The consulting actuary reviewed the company's appointed actuary's report for compliance with Actuarial Standard of Practice No. 41, as Actuarial Standard of Practice No. 9 was repealed effective May 1, 2011. The latter was referenced in the prior examination report which stated "Documentation should be sufficient for another actuary practicing in the same field to evaluate the work. The documentation should describe clearly the sources of data, material assumptions, and methods." The NAIC Annual Statement Instructions - Property and Casualty include the requirement that the actuarial report comply with Actuarial Standard of Practice No. 41.

The consulting actuary noted some of the necessary details in support of the calculations of ultimate liabilities were not disclosed in the exhibits. Additionally, the accompanying narrative to the exhibits was not very helpful to the reader in understanding the actuarial analysis. Upon request, the company provided the necessary details and additional narrative to understand the actuarial procedures; however, because the narrative and exhibits in the appointed actuary's report generally did not contain sufficient documentation for another actuary practicing in the same field to evaluate the work, the consulting actuary determined that the company was not in compliance with the prior examination. It is recommended that the company include sufficient documentation in its actuarial report including clear descriptions of sources of data, material assumptions, and methods in accordance with Actuarial Standard of Practice No. 41.

The consulting actuary's reserving report showed the pool's December 31, 2012, reserves were 8.1% deficient compared to the consulting actuary's estimated net reserves. An adjustment to surplus was made for each Wisconsin pool member to bring reserves to the level recommended by the consulting actuary as the difference was material. This adjustment is reflected in the section of this report captioned "Reconciliation of Surplus per Examination."

VIII. CONCLUSION

The company was incorporated under Wisconsin laws on May 12, 1925, as a property and casualty insurer. Effective December 22, 2006, Credit Suisse Group finalized the sale of Winterthur Swiss Insurance Company (former upstream parent of the company) to AXA. Effective May 31, 2007, AXA finalized the sale of Winterthur U.S. Holdings, Inc., (former subsidiary of Winterthur Swiss Insurance Company) and its consolidated subsidiaries to QBE Holdings, Inc., a subsidiary of Australian-based QBE Insurance Group Limited. Winterthur U.S. Holdings, Inc., was renamed QBE Regional Companies (N.A.), Inc.

The company markets commercial and personal lines of insurance, primarily conducting business in Wisconsin, Minnesota, Connecticut, Illinois, New York, Iowa, and Nebraska. QBE Insurance Corporation, NAU Country Insurance Company, Praetorian Insurance Company, QBE Specialty Insurance Company, General Casualty Company of Wisconsin, QBE Reinsurance Corporation, Unigard Insurance Company, National Farmers Union Property and Casualty Company, Stonington Insurance Company, Regent Insurance Company, Southern Guaranty Insurance Company, General Casualty Insurance Company, Hoosier Insurance Company, North Pointe Insurance Company, Unigard Indemnity Company, Southern Pilot Insurance Company, Blue Ridge Indemnity Company, and Southern Fire & Casualty Insurance Company are participants in an intercompany pooling arrangement of which General Casualty Company of Wisconsin assumes 8.9% of pooled business.

The examination resulted in three recommendations related to filing biographical information on all directors and officers and reporting them on the jurat page, reinsurance and trust agreements with an affiliate (Equator Re), and reserve development and documentation. Two of the recommendations were repeated from the prior examination.

The company had net losses from 2011 through 2012 due to a combination of a soft market, growing competition, and increased large event storm activity. Investment yield was not sufficient to offset increased losses during these years which resulted in decreased profits. Surplus decreased each year over the five-year examination period primarily due to a combination of net losses and dividends paid.

There was an adjustment to surplus as part of the examination to bring loss and loss adjustment expense reserves up to the level recommended by the consulting actuary in their reserving report. For this reason, the amount of surplus reported by the company as of December 31, 2012, of $448,105,925 is adjusted to $425,448,825.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 49 - Biographical Information and Jurat Page Reporting—It is recommended that the company file biographical affidavits on all officers who have executive decision-making authority in accordance with s. Ins 6.52 (5), Wis. Adm. Code.

2. Page 50 - Equator Re Reinsurance Agreements and Trust—It is recommended that the company amend its reinsurance trust agreement to include how recoveries are to be allocated among participants in the event that the reinsurer is unable to fulfill its responsibilities.

3. Page 51 - Reserve Development and Documentation—It is recommended that the company include sufficient documentation in its actuarial report including clear descriptions of sources of data, material assumptions, and methods in accordance with Actuarial Standard of Practice No. 41.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Jerry DeArmond, CFE	Insurance Financial Examiner, Advanced
Tom Houston, CPA, CFE	Insurance Financial Examiner, Advanced
James Lindell	Insurance Financial Examiner
Dan Schroeder	Insurance Financial Examiner

Respectfully submitted,

Karl K. Albert, CFE
Examiner-in-Charge

XI. APPENDIX—SUBSEQUENT EVENT

As noted earlier, an independent actuarial firm was engaged under a contract with the Pennsylvania Insurance Department to review the adequacy of the company's loss and loss adjustment expense reserves. Loss and LAE reserves were developed through December 31, 2013, based on the adverse development recorded for the prior accident years in their 2012 analysis. The actuary confirmed that the company booked an additional $273.3 million in loss and LAE reserves for the 2012 and prior accident years. The company's share of these reserves post pooling is $26.2 million.