Report of Examination of

Fireman's Fund Insurance Company of Ohio
Columbus, Ohio

As of December 31, 2010

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Columbus, Ohio
May 16, 2012

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Lt. Governor/Director:

In accordance with Section 3901.07 of the Ohio Revised Code ("ORC"), the Ohio Department of Insurance ("Department") conducted an examination of

Fireman's Fund Insurance Company of Ohio

an Ohio domiciled, stock, property and casualty insurance company, hereinafter referred to as the "Company."

Scope of Examination

The Department last examined the Company as of December 31, 2007. The Department's current examination covers the period of January 1, 2008 through December 31, 2010.

Representatives of the California Department of Insurance, as the coordinating state regulator of the insurance company affiliates of Fireman's Fund Insurance Company ("Fireman's Fund"), led the multi-state coordinated examination that included representatives from the states of Illinois, Louisiana, Missouri, New Jersey and Ohio. The examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook ("Handbook"). The Handbook requires that the Department plan and perform the examination to evaluate the Company's financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

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

For all years under examination, the Certified Public Accounting firm of KPMG LLP provided an unqualified opinion on the Company's financial statements based on Statutory Accounting Principles. The audited financial reports were reviewed during the examination.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

Name	Principal Occupation
Jeffery F. Johnson	Vice President and Controller, Fireman's Fund Insurance Company
Michael E. LaRocco	President and Chief Executive Officer, Fireman's Fund Insurance Company
Sally B. Narey	Senior Vice President, General Counsel and Secretary, Fireman's Fund Insurance Company
Stanton L. Olson	Field Vice President and Regional Underwriting Executive, Fireman's Fund Insurance Company
Jill E. Paterson	Executive Vice President, Chief Financial Officer and Treasurer, Fireman's Fund Insurance Company
David M. Zona	Senior Vice President, Fireman's Fund Insurance Company

Officers

As of the examination date, the following officers were serving in the designated position:

Name	Title
Stanton L. Olson	Chairman, President and Chief Executive Officer
Jill E. Paterson	Executive Vice President, Chief Financial Officer and Treasurer
Sally B. Narey	Senior Vice President, General Counsel and Secretary
Jeffery F. Johnson	Vice President and Controller

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in ORC Section 3901.32. The Company is a wholly owned subsidiary of Fireman's Fund, all of whose voting stock is owned by Allianz Global Risks US Insurance Company (formerly Allianz Insurance Company), a subsidiary of Allianz of America, Inc., which in turn is a wholly owned subsidiary of Allianz SE, the ultimate controlling person in the holding company system.

Territory and Plan of Operations

The Company is licensed only in Ohio and is approved to write surplus lines on a non-admitted basis in the District of Columbia and all other states except Maine, New Hampshire and Vermont. During 2010, the largest states in terms of direct premium written were as follows: Illinois, $14.4 million (28.4%); California, $10.5 million (20.6%); Michigan, $3.6 million (7.0%); Washington, $2.8 million (5.4%); and Florida, $2.7 million (5.3%).

Fireman's Fund and certain affiliates ("Pooled Subsidiaries") are parties to an Amended and Restated Intercompany Reinsurance Agreement ("Pooling Agreement") that provides for the pooling of all underwriting operations and insurance business of participating members by means of mutual reinsurance. Under the terms of the Pooling Agreement, all liabilities for policies and contracts of insurance issued by the Pooled Subsidiaries are ceded to and reinsured by Fireman's Fund. Fireman's Fund retains a 75.8% share of the pooled business and retrocedes specific percentages to the Pooled Subsidiaries. The following schedule identifies the Pooled Subsidiaries and their respective participation percentage in the Pooling Agreement as of the examination date:

Company	Domicile	Percentage
Fireman's Fund Insurance Company	CA	75.8%
The American Insurance Company	OH	11.5%
National Surety Corporation	IL	4.0%
Interstate Fire and Casualty Company	IL	3.5%
American Automobile Insurance Company	MO	2.5%
Chicago Insurance Company	IL	1.5%
Associated Indemnity Company	CA	1.0%
Fireman's Insurance Company of Ohio	OH	0.2%

The following schedule illustrates the Company's direct and net premium written in 2010 by line of business, reported in thousands:

Line of Business	Direct	Percent	Net	Percent
Other liability – occurrence	$19,569	38.5%	$1,037	15.2%
Other liability – claims made	10,977	21.6%	323	4.7%
Homeowners multi peril	6,259	12.3%	1,125	16.5%
Commercial multi peril	4,882	9.6%	1,294	18.9%
Earthquake	3,769	7.4%	62	0.9%
Medical professional liability	1,951	3.8%	92	1.3%
Products liability	1,125	2.2%	58	0.8%
Inland marine	753	1.5%	339	5.0%
Allied lines	511	1.0%	1,476	21.6%
All other lines	1,043	2.1%	1,026	15.0%
Total	$50,839	100.0%	$6,832	100.0%

Reinsurance

The Company does not assume or cede reinsurance other than through the Pooling Agreement.

Significant Operating Results

The Company reported the following net underwriting results during the examination period:

	2010	2009	2008
Loss and loss adjustment expenses	78.1	70.8	75.0
Underwriting expenses	33.1	31.1	27.2
Dividends to policyholders	0.1	0.1	0.1
Combined ratio	111.3	102.0	102.3

Financial Statements

The financial condition and the results of its operations for the period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors, are reflected in the following:

Statement of Assets, Liabilities, Capital and Surplus

Statement of Income

Statement of Changes in the Capital and Surplus Account

Statement of Assets, Liabilities, Capital and Surplus
December 31, 2010

Bonds	$47,311,687
Cash, cash equivalents, and short term investments	3,001,523
Receivables for securities	66,947
Subtotal, cash and invested assets	50,380,157
Investment income due and accrued	444,850
Uncollected premiums in course of collection	1,356,904
Deferred premiums and installments booked but not yet due	759,377
Accrued retrospective premiums	2,403
Amounts recoverable from reinsurers	1,027,890
Net deferred tax asset	380,012
Receivable from affiliates	1,590,499
Miscellaneous assets	18,893
Total admitted assets	$55,960,984

Statement of Assets, Liabilities, Capital and Surplus
December 31, 2010

Losses	$10,782,578
Reinsurance payable on paid losses and loss adjustment expenses	382,133
Loss adjustment expenses	1,344,723
Commissions payable, contingent commissions, and other charges	283,867
Other expenses	115,542
Taxes, licenses and fees	47,795
Federal income taxes	1,101,772
Unearned premiums	2,733,003
Advance premium	(298)
Dividends to policyholders	8,783
Ceded reinsurance premiums payable (net of ceding commissions)	2,718,159
Miscellaneous liabilities	1,275
Total liabilities	19,519,333
Special surplus from additional admitted deferred tax assets	
Common capital stock	4,500,000
Gross paid in and contributed surplus	13,000,310
Unassigned funds	18,941,341
Total capital and surplus	36,441,651
Total liabilities, capital and surplus	$55,960,984

Statement of Income
As of December 31, 2010

Premiums earned	$7,238,789
Losses incurred	4,673,834
Loss adjustment expenses incurred	976,262
Other underwriting expenses incurred	2,269,697
Total underwriting deductions	7,919,793
Net underwriting gain (loss)	(681,004)
Net investment income earned	2,040,599
Net realized capital gains	(60,481)
Net investment gain	1,980,118
Net gain (loss) from premium balances charged off	(9,888)
Miscellaneous income (loss)	(34,535)
Total other income (loss)	(44,423)
Net income before federal income taxes and dividends	1,254,692
Dividends to policyholders	9,811
Federal income taxes incurred	288,514
Net income	$ 956,368

Statement of Changes in the Capital and Surplus Account
(in thousands)

	2010	2009	2008
Capital and surplus, beginning of the year	$35,523	$33,892	$32,160
Net income	956	1,620	1,690
Change in net deferred income tax	(99)	(195)	(19)
Change in non-admitted assets	62	205	61
Change in surplus during the year	919	1,630	1,732
Capital and surplus, end of the year	$36,442	$35,523	$33,892

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC Section 3925.08 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Loss and Loss Adjustment Expense Reserves

The Company's Board of Directors appointed David Heyman, Vice President and Appointed Actuary, Fireman's Fund Insurance Company, to render the Company's Statement of Actuarial Opinion ("Opinion"). Mr. Heyman prepared an Actuarial Report supporting the Opinion in connection with the preparation of the Company's December 31, 2010 Annual Statement.

The California Department of Insurance retained Charles Petit, FCAS, of Petit Actuarial Group LLC, to evaluate the loss and loss adjustment expense reserves of the companies participating in the Fireman's Fund Pooling Agreement. Based on his analysis, Mr. Petit states that the reserve estimates were based on commonly employed actuarial methodologies and on reasonable and consistently applied assumptions and judgments. Furthermore, Mr. Petit concluded the carried reserves are reasonable estimates of the unpaid net loss and loss adjustment expense reserves as of December 31, 2010.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2010, and is summarized as follows:

Total Assets	$55,960,984
Liabilities	19,519,333
Capital and Surplus	36,441,651
Total Liabilities, Capital and Surplus	$55,960,984

Subsequent Events

During 2011, Fireman's Fund's Senior Leadership Team underwent several changes. Those changes impacting the Company's Directors and Officers are noted below:

Michael E. LaRocco	Resigned as Director, effective July 3, 2011
Lori D. Fouche´	Elected as Director, effective July 6, 2011
Jill E. Paterson	Resigned as Director and relinquished the offices of Chief Financial Officer and Treasurer, effective September 3, 2011
Kevin E. Walker	Elected as Director, Senior Vice President, Chief Financial Officer and Treasurer, effective September 19, 2011

Fireman's Fund and the Pooled Subsidiaries entered into a Second Amended and Restated Intercompany Reinsurance Agreement ("Amended Pooling Agreement") effective January 1, 2012. Under the Amended Pooling Agreement, each of the Pooled Subsidiaries' will continue to cede 100% of its insurance business to Fireman's Fund; however, the retroceded shares for all Pooled Subsidiaries is reduced to zero and Fireman's Fund's share is increased to 100%.

Effective January 1, 2012, Fireman's Fund and the Pooled Subsidiaries entered into an Intercompany Service Agreement ("Service Agreement") pursuant to which Firemen's Fund is authorized to provide all services necessary to operate the Pooled Subsidiaries insurance business.

The Amended Pooling Agreement and Service Agreement are subject to regulatory approval from the states of California, Illinois, Missouri and Ohio.

Acknowledgement

Appreciation is expressed for the assistance extended by the officers and employees of the Company and its affiliates during the course of this examination.

In addition to the undersigned, Jim Luke, CPA; of the Department, participated in this examination.

Respectfully,

Jeffrey K. Ebert, CFE
Assistant Chief Examiner
Office of Risk Assessment
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2010.

Assistant Chief Examiner — Date 5/18/12

State of Ohio
County of Franklin

Personally appeared before me the above named Jeffrey K. Ebert personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 18 day of May, 2012.

(Notary Public)

ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2017

My Commission Expires