Report of Examination of

Westfield Insurance Company
Westfield Center, Ohio

As of December 31, 2012

Table of Contents

Subject	Page
Salutation	1
Description of Company	1
Scope of Examination	1
Management and Control:	
Board of Directors	2
Officers	3
Insurance Holding Company System	3
Territory and Plan of Operations	3
Significant Operating Results	4
Reinsurance	5
Financial Statements:	
Statement of Assets, Liabilities, Capital and Surplus	7-8
Statement of Income	9
Statement of Changes in the Capital and Surplus Account	10
Notes to Financial Statements:	
Investments	10
Loss and Loss Adjustment Expense Reserves	10
Subsequent Events	10
Conclusion	11
Acknowledgement	11
Verification	12

Columbus, Ohio
December 20, 2013

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

Dear Madam:

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

Westfield Insurance Company

an Ohio domiciled, stock, property and casualty insurance company, hereinafter referred to as the "Company". The Company is 100% owned by Ohio Farmers Insurance Company ("OFIC"). The examination was conducted at OFIC home office, located at One Park Circle, Westfield Center, Ohio.

Scope of Examination

The Company was last examined by the Department as of December 31, 2007. The current examination covers the period of January 1, 2008 through and including December 31, 2012.

The Department conducted the examination in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners 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 years covered by the examination, the certified public accounting firm of KPMG LLP ("KPMG") provided an unqualified opinion based on statutory accounting principles.

Relevant work performed by KPMG during its annual audit of the Company was reviewed during the examination and incorporated into the examination work papers.

In addition, the following items were reviewed during the course of this examination:

1. Company history;
2. fidelity bonds and other insurance;
3. officers' and employees' pension plans;
4. growth of Company;
5. loss experience;
6. pending litigation; and
7. Articles of Incorporation and Bylaws.

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
Michael John Bernaski	Independent Consultant
Cheryl Lila Carlisle	Ernst & Young Retired Audit Partner
James Robert Clay	Westfield Group Chairman and Chief Executive Officer
Fariborz Ghadar	Penn State University Professor and Consultant
Gary Dean Hallman	Medina General Hospital, Retired President and Chief Executive Officer
Susan Jane Insley	Cochran Group, Inc. Retired Executive Vice President & Principal
Edward James Largent	Westfield Insurance President
Deborah Denine Pryce	Attorney and Retired Congresswomen
John Lewis Watson	Brower Insurance Agency, LLC, Managing Principal
Thomas Eldon Workman	Life Insurance Council of New York, President and Chief Executive Officer

Officers

As of the examination date, the following officers were elected and serving in accordance with the Company's Bylaws:

Name	Title
Edward James Largent	Westfield Insurance Leader and President
Joseph Christian Kohmann	Group Finance Leader and Treasurer
Frank Anthony Carrino	Group Legal Leader and Secretary

Insurance Holding Company System

The Company is a member of a holding company system as defined in Section 3901.32 of the ORC. OFIC is the ultimate controlling party of the insurance holding company system.

Territory and Plan of Operations

The Company was licensed to transact business in the District of Columbia and the following states:

Alabama	Alaska	Arizona	Arkansas	Colorado
Connecticut	Delaware	Florida	Georgia	Hawaii
Idaho	Illinois	Indiana	Iowa	Kansas
Kentucky	Louisiana	Maine	Maryland	Massachusetts
Michigan	Minnesota	Mississippi	Missouri	Montana
Nebraska	Nevada	New Jersey	New Mexico	New York
North Carolina	North Dakota	Ohio	Oklahoma	Oregon
Pennsylvania	Rhode Island	South Carolina	South Dakota	Tennessee
Texas	Utah	Vermont	Virginia	Washington
West Virginia	Wisconsin	Wyoming		

The following schedule illustrates the Company's premium written in 2012 by line of business:

	Direct	Assumed	Ceded	Net	Percent
Commercial multiple peril	$ 351,655,311	$ 181,939,370	$ 351,655,311	$ 181,939,370	21.0%
Auto physical damage	129,711,189	111,299,678	129,716,164	111,294,703	12.8%
Homeowners multiple peril	90,540,053	107,610,459	91,233,465	106,917,047	12.3%
Commercial auto liability	183,207,566	98,913,124	183,631,202	98,489,488	11.3%
Private passenger auto liability	85,184,033	94,698,532	85,184,033	94,698,532	10.9%
Workers' compensation	104,119,955	68,226,030	104,754,003	67,591,982	7.8%
Other liability-occurrence	112,750,160	58,638,334	112,751,872	58,636,622	6.8%
Reinsurance-Nonproportional Assumed Property	-	40,165,803	-	40,165,803	4.6%
Inland marine	59,516,513	35,055,446	59,516,513	35,055,446	4.0%
Farmowners multiple peril	53,476,922	27,977,942	53,476,922	27,977,942	3.2%
Surety	26,757,687	25,283,979	26,757,687	25,283,979	2.9%
Fire	13,630,566	7,911,760	13,979,499	7,562,827	0.9%
Allied lines	15,962,355	6,471,171	16,083,404	6,350,122	0.7%
All other lines	16,202,108	5,807,053	16,202,711	5,806,450	0.7%
Totals	$ 1,242,714,418	$ 869,998,681	$ 1,244,942,786	$ 867,770,313	100.0%

Significant Operating Results

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

	2012	2011	2010	2009	2008
Premiums earned	$ 855,000	$ 814,028	$ 943,925	$ 924,065	$ 1,054,420
Losses incurred	455,494	549,116	532,524	496,128	610,819
Loss adjustment expenses incurred	99,073	96,094	95,271	95,712	92,950
Other underwriting expenses incurred	297,779	246,115	312,847	311,062	345,161
Total underwriting deductions	852,346	891,325	940,642	902,902	1,048,930
Net underwriting gain (loss)	$ 2,654	($ 77,297)	$ 3,283	$ 21,163	$ 5,490
Loss ratio	53.3%	67.5%	56.4%	53.7%	57.9%
Loss adjustment expense ratio	11.6%	11.8%	10.1%	10.4%	8.8%
Loss and LAE ratio	64.9%	79.3%	66.5%	64.1%	66.7%
Other underwriting expense ratio	34.3%	32.5%	33.1%	33.7%	32.9%
Policyholders dividend ratio	0.1%	0.1%	0.1%	0.1%	0.1%
Combined ratio	99.3%	111.9%	99.7%	97.9%	99.7%

Reinsurance

The Company participates in a single reinsurance pooling arrangement with its affiliated property and casualty companies. Each participating company shares in all lines and in all types of business.

The following companies are participants:

Westfield Insurance Company	54.0%
Ohio Farmers Insurance Company	19.0%
Westfield National Insurance Company	13.0%
Old Guard Insurance Company	9.0%
American Select Insurance Company	5.0%
	100.0%

The Company cedes insurance primarily to reinsurance contracts known as treaties, under which risks are ceded to a reinsurer on specific blocks of business where the underlying risks meet certain predetermined criteria and on a facultative basis, whereby the reinsurer's prior approval is required for each risk reinsured.

Treaty-basis excess of loss contracts in effect through December 31, 2012 generally protect against individual losses over $3.0 million. These treaties provide a limit above the $3.0 million retention of $12.0 for both property and casualty losses. Property catastrophe coverage is also maintained by the Company. This coverage is in three layers with a total limit of $265 million excess of a $35.0 million retention per event with limited coverage for domestic terrorism.

The Company also assumes insurance through reinsurance contracts whereby coverage is provided to a reinsurer(s) for specific classes of business and geographic territories. The reinsured losses covered under a typical contract may be a proportion of all eligible losses or eligible losses in excess of defined retentions. Assumed reinsurance contracts in effect through December 31, 2012 provide coverage exclusively on a proportional basis. The Company focuses primarily on property catastrophe reinsurance written on a worldwide basis. The Company's most significant exposure is to losses from earthquakes and hurricanes, although the Company is also exposed to other claims, such as those arising from other natural and manmade catastrophes.

All significant contracts contained an insolvency clause, intermediary clause, errors and omission clause, arbitration clause and a service of suit clause applicable to foreign reinsurers, which meet the guidelines of the NAIC.

The examination noted that the Company has policies and procedures in place to comply with SSAP 62R and 63.

Financial Statements

The financial condition and the results of its operations for the five year 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
December 31, 2012

Admitted assets	
Bonds	$ 1,203,970,712
Preferred stocks	35,692,754
Common stocks	482,183,744
Cash and short-term investments	4,418,815
Other invested assets	49,817,028
Total cash and invested assets	1,776,083,053
Investment income due and accrued	18,451,678
Uncollected premiums and agents' balances in the course of collection	42,473,456
Deferred premiums, agents' balances and installments booked but deferred and not yet due	262,165,338
Net deferred tax asset	11,061,215
Receivables from parent, subsidiaries and affiliates	44,002,188
Aggregate write-ins for other than invested assets	
COLI CSV	88,907,746
Total admitted assets	$ 2,243,144,674

Statement of Liabilities, Capital and Surplus
December 31, 2012

Liabilities	
Losses	$ 612,468,557
Loss adjustment expenses	186,758,438
Commissions payable, contingent commissions and other similar charges	54,479,944
Other expenses	29,166,968
Taxes, licenses and fees	12,734,505
Current federal and foreign income taxes	9,566,026
Borrowed money	68,510,428
Unearned premiums	412,674,957
Policyholders dividends declared and unpaid	103,620
Ceded reinsurance premiums payable	3,078,414
Total liabilities	1,389,541,857
Capital and Surplus	
Aggregate write-ins for special surplus funds	
General voluntary reserve	148,767,053
Common capital stock	8,220,000
Gross paid in and contributed surplus	67,267,015
Unassigned funds	629,348,749
Surplus as regards policyholders	853,602,817
Total liabilities, capital and surplus	$ 2,243,144,674

Statement of Income
As of December 31, 2012

Premiums earned	$ 854,999,995
Losses incurred	455,493,962
Loss adjustment expenses	99,072,606
Other underwriting expenses	297,779,074
Net underwriting gain	2,654,353
Net investment income earned	72,937,184
Net realized capital gain less capital gains tax	24,591,701
Net investment gain	97,528,885
Net loss from agents' or premium balances charged off	(1,036,610)
Finance and service charges not included in premiums	3,896,688
Aggregate write-ins for miscellaneous income:	
COLI CSV	8,379,375
Net other interest income	32,568
Total other income	11,272,021
Net income, before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	111,455,259
Dividends to policyholders	1,001,947
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	110,453,312
Federal and foreign income taxes incurred	20,891,117
Net income	$ 89,562,195

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

Capital and Surplus	2012	2011	2010	2009	2008
Capital & surplus, prior year end	$ 774,261	$ 746,339	$ 654,638	$ 586,070	$ 727,275
Net income	89,562	29,465	83,799	72,563	(3,929)
Change in net unrealized capital gains	18,899	(10,487)	7,970	19,749	(68,374)
Change in net deferred income tax	(5,292)	4,880	(3,301)	1,438	652
Change in non-admitted assets	(827)	4,064	3,233	(579)	(19,041)
Change in provision for reinsurance	-	-	-	13	(13)
Change in surplus notes	-	-	-	-	(40,000)
Paid in surplus adjustments	-	-	60,738	-	-
Dividends to stockholders	(23,000)	-	(60,738)	(24,616)	(10,500)
Net change in capital and surplus	79,342	27,922	91,701	68,568	(141,205)
Capital and surplus, current year end	$ 853,603	$ 774,261	$ 746,339	$ 654,638	$ 586,070

Notes to Financial Statements

Investments

The Company's investment portfolio consists of bonds, stocks and alternatives and is in compliance with Section 3925.08 of the ORC. The investments were 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 Scott P. Weinstein, FCAS, MAAA, of KPMG to render a Statement of Actuarial Opinion ("Opinion") on the total reserves. Mr. Weinstein prepared an Actuarial Report supporting the Opinion in conjunction with the preparation of the Company's December 31, 2012 Annual Statement.

Thomas Botsko, ACAS, MAAA, the Department's Chief Property and Casualty Actuary, reviewed the Actuarial Report and performed other procedures as considered necessary to evaluate the loss and loss adjustment expense ("LAE") reserves. Mr. Botsko concluded the reserves fall within a reasonable range of reserve estimates at December 31, 2012.

Subsequent Events

There are no material subsequent events.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2012, and is summarized as follows:

Total Admitted Assets	$ 2,243,144,674
Liabilities	1,389,541,857
Surplus as Regards Policyholders	853,602,817
Total Liabilities and Surplus as Regards Policyholders	$ 2,243,144,674

Acknowledgement

In addition to the aforementioned and undersigned, the following representatives of the Department participated in this examination: Mohammad Arif, AES, CISA, CPA; Edward Nagorny, CFE, CPA; Kim Somogyi, CPA; Bryan Radecky, CPA; Stephen Bishel, CPA and Bradley Schroer.

Respectfully,

Jeffery A. Becker, CFE
Examiner-In-Charge
Office of Risk Assessment
Ohio Department of Insurance

William C. Harrington, CFE
Chief Examiner
Office of Risk Assessment
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the ORC, 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, 2012.

Jeffery A Becker 1/2/14 William C. Harrington 1/2/14

Examiner-In-Charge Date Chief Examiner Date

State of Ohio

County of Franklin

Personally appeared before me the above named, Jeffery A. Becker, 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 knowledge and belief.

Subscribed and sworn to before me this 2ND day of January, 2014.

Elizabeth Chase

(Notary Public)

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

My Commission Expires

State of Ohio

County of Franklin

Personally appeared before me the above named, William C. Harrington, 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 knowledge and belief.

Subscribed and sworn to before me this 2ND day of January, 2014.

Elizabeth Chase

(Notary Public)

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

My Commission Expires