

STATE OF INDIANA
COUNTY OF MARION

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) SS:
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BEFORE THE INDIANA
COMMISSIONER OF INSURANCE

IN THE MATTER OF:

American States Preferred Insurance Company
175 Berkeley Street
Boston, MA 02116

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Examination of American States Preferred Insurance Company

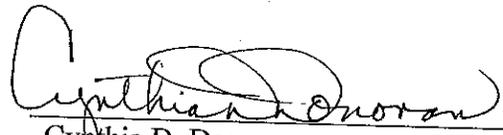
NOTICE OF ENTRY OF ORDER

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

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

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

7/10/2015
Date


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0046 0254

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

IN THE MATTER OF:)
)
American States Preferred Insurance Company)
175 Berkeley Street)
Boston, MA 02116)

Examination of American States Preferred Insurance Company

FINDINGS AND FINAL ORDER

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

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

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

The Company did not file any objections.

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

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

Based on the FINDINGS, the Commissioner does hereby ORDER:

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

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



Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

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

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

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

A handwritten signature in black ink, appearing to read "Michael J. ...". The signature is written in a cursive style and is located in the lower-left quadrant of the page.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION

OF

AMERICAN STATES PREFERRED INSURANCE COMPANY

NAIC Co. CODE 37214
NAIC GROUP CODE 0111

As of

December 31, 2013

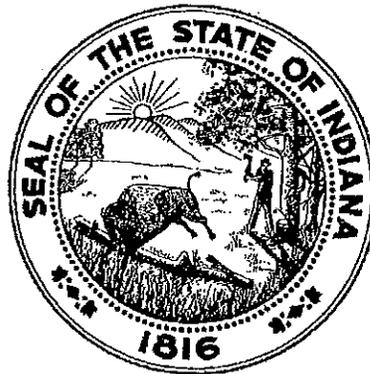


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STATE OF INDIANA

IDOI

MICHAEL R. PENCE, Governor

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

May 22, 2015

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

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3822, an examination has been made of the affairs and financial condition of:

American States Preferred Insurance Company
175 Berkeley Street
Boston, Massachusetts 02116

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

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

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

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

EXAMINATIONS/FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

SECURITIES/COMPANY RECORDS
(317) 232-1991

STATE HEALTH INSURANCE PROGRAM
1-800-332-4674

SCOPE OF EXAMINATION

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

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

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

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

HISTORY

The Company was incorporated under the laws of the state of Indiana on August 9, 1979, and commenced business on September 26, 1979. The Company was a wholly-owned subsidiary of American States Insurance Company (ASIC) and ASIC was owned 100% by American States Financial Corporation (ASFC), an insurance holding company that was controlled through 83% ownership by Lincoln National Corporation until October 1, 1997, when Safeco Corporation (Safeco) completed the acquisition of ASFC. In 2000, ASFC was dissolved, and 100% of the Company's outstanding shares of stock were transferred to Safeco.

On April 23, 2008, Safeco agreed to a merger with an LMG subsidiary. As a result of the merger, Liberty Mutual Holding Company, Inc. (LMHC), a Massachusetts mutual holding company, became the new ultimate parent. LMHC was formed in 2001 as part of the mutual holding company reorganization of Liberty Mutual Insurance Company (LMIC).

Effective January 1, 2009, the Company became part of the Peerless Insurance Pool (Peerless Pool) and entered into the Peerless amended and restated Pooling Agreement with Peerless Insurance Company (PIC) as the lead pool company.

Effective January 1, 2013, the Liberty Mutual Pool and Peerless Pool were merged into one (1) pool with LMIC serving as the lead company. AEIC continues to cede 100% of its direct written premium to the Liberty Mutual Pool and the participation percentage for the Company is 0% at December 31, 2013. The INDOI approved the Liberty Mutual second amended and restated Intercompany Reinsurance Agreement (Intercompany Reinsurance Agreement) on December 27, 2012.

CAPITAL AND SURPLUS

Safeco owned 100% of the Company's issued and outstanding stock as of the examination date. The Company had 1,000 shares authorized, issued, and outstanding with a stated par value of \$5,000 as of December 31, 2013.

DIVIDENDS TO STOCKHOLDERS

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

Year	Total	Ordinary Dividends	Extraordinary Dividends
2013	\$ 11,000,000	\$ -	\$ 11,000,000
2012	12,000,000	2,213,819	9,786,181
2011	-	-	-
2010	14,003,461	8,030,888	5,972,573
Total	<u>\$ 37,003,461</u>	<u>\$ 10,244,707</u>	<u>\$ 26,758,754</u>

In accordance with Indiana Code (IC) 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year's surplus or the net income of such insurer for the prior year. The Company paid three (3) extraordinary dividends during the examination period with the prior approval of the INDOI. Other dividends paid during the examination period were ordinary in nature and did not require prior regulatory approval. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to conduct business in forty (40) states and the District of Columbia, excluding Connecticut, Florida, Hawaii, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont. Operationally, LMG conducts its business through four (4) strategic business units (SBU): Commercial Insurance, Global Specialty, Liberty International, and Personal Insurance. Each business unit operates independently of the others and has dedicated actuarial, claims, financial, information technology, sales, and underwriting resources. On a direct basis, the Company primarily writes commercial auto and private auto business with the two (2) largest states being California and Maryland.

GROWTH OF THE COMPANY

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

Year	Admitted Assets	Liabilities	Surplus and Other Funds	Premiums Earned	Net Income
2013	\$ 31,371,241	\$ 10,344,845	\$ 21,026,396	\$ -	\$ 6,562,444
2012	178,630,879	152,064,753	26,566,126	85,891,428	5,791,656
2011	185,644,832	150,624,261	35,020,571	83,769,925	432,429
2010	187,098,362	151,958,812	35,139,550	82,513,440	6,420,841

Decreases in amounts shown above for 2013 are primarily due to the merging of the Liberty Mutual Pool and the Peerless Pool. As a result, the participation percentage for the Company was decreased to 0% in 2013.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of no less than five (5) and no more than twenty-one (21) directors. At least one (1) of the directors must be a resident of Indiana. Directors shall be elected at the first annual shareholders' meeting and at each annual meeting thereafter. A director need not be a shareholder.

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

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

Officers

The Bylaws state that the elected officers of the Company shall consist of a President, a Treasurer, and a Secretary. Each of the said officers shall be elected by a majority of the Board and shall hold office for one (1) year, or until such time as they might be removed. The President or the Chairman may appoint the number of Vice Presidents, Assistant Secretaries, Assistant Treasurers, or any such officer as the President or the Chairman may determine is required in the best interest of ASPIC.

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

<u>Name</u>	<u>Office</u>
Timothy Sweeney	President and Chief Executive Officer
Dexter Legg	Vice President and Secretary
Laurance Yahia	Vice President and Treasurer
Margaret Dillon	Vice President and Chief Financial Officer
Anthony Fontanes	Vice President and Chief Investment Officer
John Doyle	Vice President and Comptroller
Elizabeth Morahan	Vice President and General Counsel

CONFLICT OF INTEREST

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

OATH OF OFFICE

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

CORPORATE RECORDS

Articles of Incorporation

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

Bylaws

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

Minutes

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

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

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

AFFILIATED COMPANIES

Organizational Structure

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

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

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

Affiliated Agreements

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

Intercompany Short-term Borrowing Agreement

Effective November 1, 2007, American Economy Insurance Company, ASIC, ASPIC, and Safeco Insurance Company of Indiana entered into an Intercompany Short-term Borrowing Agreement with Safeco Insurance Company of America. No funds were distributed under the Intercompany Short-term Borrowing Agreement.

Investment Management Agreement

Effective July 1, 2011, ASPIC entered into an Investment Management Agreement with Liberty Mutual Group Asset Management (LMGAM). The agreement was filed with the INDOI on May 18, 2011, and was not disapproved on July 1, 2011. The Company paid \$83,053 in management fees to LMGAM pursuant to the terms of the Investment Management Agreement in 2013.

Management Services Agreement

Effective January 1, 2013, ASPIC entered into a Management Services Agreement with LMIC under which LMIC provides administration, claims adjustments, claims processing, contract management, policyholder services, risk underwriting, and services determined to be reasonably necessary or desirable. The Management Services Agreement was submitted to the INDOI on November 13, 2012, and was not disapproved on December 27, 2012. There were no fees paid pursuant to the terms of the Management Services Agreement in 2013.

Cash Management Agreement

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

Intercompany Reinsurance Agreement

Effective January 1, 2013, ASPIC entered into the Intercompany Reinsurance Agreement covering all of their direct writings with participation being the percentage indicated within the agreement. The Intercompany Reinsurance Agreement was filed with the INDOI on November 13, 2012, and was not disapproved on December 27, 2012.

Federal Tax Sharing Agreement

Effective September 22, 2008, ASPIC entered into a Federal Tax Sharing Agreement, as amended, with LMHC and affiliates. Under this agreement, the method of allocation is based upon separate return allocation with credit applied for losses as appropriate. ASPIC has the enforceable right to recoup prior year payments in the event of future losses. The agreement may be terminated for any party when that entity no longer is a member of the consolidated group for tax filing purposes.

FIDELITY BOND AND OTHER INSURANCE

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

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

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

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

STATUTORY DEPOSITS

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

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Illinois	\$1,573,664	\$1,778,685
Indiana	2,753,828	2,719,751
All Other Special Deposits:		
Georgia	210,779	221,002
New Mexico	506,815	501,175
North Carolina	352,775	351,890
Oregon	527,396	519,509
Total Deposits	<u>\$5,925,257</u>	<u>\$6,092,012</u>

REINSURANCE

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

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

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

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

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

ACCOUNTS AND RECORDS

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

AMERICAN STATES PREFERRED INSURANCE COMPANY

Assets

As of December 31, 2013

	<u>Per Examination*</u>
Bonds	\$ 17,356,678
Cash, cash equivalents, and short-term investments	3,750
Securities lending reinvested collateral assets	424,116
Subtotals, cash and invested assets	<u>17,784,544</u>
Investment income due and accrued	108,510
Reinsurance:	
Amounts recoverable from reinsurers	6,551,536
Current federal and foreign income tax recoverable and interest thereon	5,142,249
Net deferred tax asset	531,676
Receivables from parent, subsidiaries and affiliates	<u>1,252,726</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>31,371,241</u>
Total	<u>\$ 31,371,241</u>

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

AMERICAN STATES PREFERRED INSURANCE COMPANY
 Liabilities, Surplus and Other Funds
 As of December 31, 2013

	<u>Per Examination*</u>
Dividends declared and unpaid:	
Stockholders	\$ 119,773
Ceded reinsurance premiums payable	7,799,627
Payable to parent, subsidiaries and affiliates	2,001,329
Payable for securities lending	424,116
Total liabilities excluding protected cell liabilities	10,344,845
Total liabilities	10,344,845
Common capital stock	5,000,000
Gross paid in and contributed surplus	13,232,251
Unassigned funds (surplus)	2,794,145
Surplus as regards policyholders	21,026,396
Totals	\$ 31,371,241

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

AMERICAN STATES PREFERRED INSURANCE COMPANY
Statement of Income
For the Year Ended December 31, 2013

	Per Examination*
UNDERWRITING INCOME	
Premiums earned	\$ -
INVESTMENT INCOME	
Net investment income earned	579,736
Net realized capital gains (losses) less capital gains tax	(44,390)
Net investment gain (loss)	535,346
OTHER INCOME	
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	535,346
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	535,346
Federal and foreign income taxes incurred	(6,027,098)
Net income	\$ 6,562,444

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

AMERICAN STATES PREFERRED INSURANCE COMPANY
Capital and Surplus Account Reconciliation

	2013	2012	2011	2010
Surplus as regards policyholders, December 31 prior year	\$ 26,566,126	\$ 35,020,571	\$ 35,139,550	\$ 61,124,827
Net income	6,562,444	5,791,656	432,429	6,420,841
Change in net unrealized capital gains or (losses) less capital gains tax	2,609	66,740	343,560	(358,337)
Change in net deferred income tax	(6,313,595)	(815,063)	53,094	(1,836,451)
Change in nonadmitted assets	5,750,445	(694,254)	(1,115,755)	809,303
Cumulative effect of changes in accounting principles	-	276,498	64,105	-
Surplus adjustments:				
Paid in	(11,000,000)	(1,963,833)	-	(15,996,539)
Dividends to stockholders	-	(9,673,700)	-	(14,003,461)
Aggregate write-ins for gains and losses in surplus	(541,633)	(1,442,489)	103,588	(1,020,633)
Change in surplus as regards policyholders for the year	(5,539,730)	(8,454,445)	(118,979)	(25,985,277)
Surplus as regards policyholders, December 31 current year	\$ 21,026,396	\$ 26,566,126	\$ 35,020,571	\$ 35,139,550

COMMENTS ON THE FINANCIAL STATEMENTS

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

OTHER SIGNIFICANT ISSUES

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

SUBSEQUENT EVENTS

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

AFFIDAVIT

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

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

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

The attached report of examination is a true and complete report of condition of American States Preferred Insurance Company as of December 31, 2013, as determined by the undersigned.

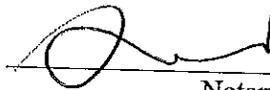
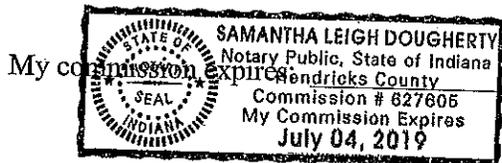


James Kattman, CFE
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

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

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



Notary Public

