Michigan Catastrophic Claims Association

Financial Statements and Supplemental Schedules
Statutory Basis of Accounting
June 30, 2014 and 2013

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June 30, 2014 and 2013

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Report of Independent Auditors

To the Board of Directors of the
Michigan Catastrophic Claims Association

We have audited the accompanying statutory statements of admitted assets, liabilities and accumulated deficit of the Michigan Catastrophic Claims Association (the "Association") as of June 30, 2014 and 2013, and the related statutory statements of operations and accumulated deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the Association prepared these financial statements using accounting practices prescribed or permitted by the State of Michigan Department of Insurance and Financial Services, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Association as of June 30, 2014 and 2013, or the results of its operations or its cash flows for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and accumulated deficit of the Association as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 1.

As discussed in Note 1 to the statutory financial statements, the Association received permission from the State of Michigan Department of Insurance and Financial Services to discount its liabilities for loss and loss adjustment expenses on a nontabular basis. This practice differs from prescribed statutory accounting practices. As of June 30, 2014 and 2013, this permitted practice reduced the Association's accumulated deficit by $51,236,141,000 and $51,483,020,000, respectively, and decreased the Association's net income by $246,879,000 and $2,519,361,000, respectively, as compared to what it would have been had the prescribed statutory accounting practice been followed.

As also discussed in Note 1 to the statutory financial statements, the Association is a private unincorporated nonprofit association formed by the Michigan Legislature of which every insurer that sells automobile or motorcycle coverage in Michigan is required to be a member. Under the applicable statute, the Association is able to assess its member companies for all losses and deficits through adjustments to future assessments.

PricewaterhouseCoopers LLP

November 21, 2014

Michigan Catastrophic Claims Association
Statutory Statements of Admitted Assets, Liabilities and Accumulated Deficit
Statutory Basis of Accounting
June 30, 2014 and 2013

(in thousands of dollars)	2014	2013
Admitted Assets		
Cash and invested assets		
Bonds, at amortized cost	$ 2,255,655	$ 1,914,301
Common stocks, at fair value (cost of $10,590,204 in 2014 and $10,230,987 in 2013)	13,765,080	12,504,303
Cash and short-term investments	506,131	244,980
Other invested assets	387,908	276,010
Securities lending reinvested collateral assets	686,434	586,896
	17,601,208	15,526,490
Premiums and other receivables	13,218	1,696
Accrued investment income	18,814	18,474
Other	859	1,041
	$ 17,634,099	$ 15,547,701
Liabilities and Accumulated Deficit		
Liabilities		
Losses and loss adjustment expenses, less discount of $51,236,141 in 2014 and $51,483,020 in 2013	$ 17,014,639	$ 16,518,117
Unearned premium assessments	325,614	309,009
Premium refunds payable	13,756	2,466
Accrued expenses	4,186	3,534
Payable for securities lending	686,434	586,896
Other	2	1
Total liabilities	18,044,631	17,420,023
Accumulated deficit	(410,532)	(1,872,322)
	$ 17,634,099	$ 15,547,701

The accompanying notes are an integral part of these statutory financial statements.

Michigan Catastrophic Claims Association
Statutory Statements of Operations and Accumulated Deficit
Statutory Basis of Accounting
Years Ended June 30, 2014 and 2013

(in thousands of dollars)	**2014**	**2013**
Premium assessments	$ 1,280,988	$ 1,136,491
Losses and loss adjustment expenses incurred, net of decrease in discount of $246,879 in 2014 and decrease of $2,519,361 in 2013	(1,531,135)	(1,922,069)
Other underwriting expenses	(2,200)	(2,440)
	(1,533,335)	(1,924,509)
Underwriting loss	(252,347)	(788,018)
Investment income, net of expenses	352,683	304,325
Net realized gains on sales of investments	426,138	277,085
Net other (expense) income	(341)	(230)
Net income (loss)	526,133	(206,838)
Accumulated deficit at beginning of year	(1,872,322)	(2,047,889)
Increase in unrealized investments gains, net	935,701	383,041
(Increase) decrease in nonadmitted assets	(44)	(635)
Accumulated deficit at end of year	$ (410,532)	$ (1,872,321)

The accompanying notes are an integral part of these statutory financial statements.

Michigan Catastrophic Claims Association
Statutory Statements of Cash Flows
Statutory Basis of Accounting
Years Ended June 30, 2014 and 2013

(in thousands of dollars)	2014	2013
Premiums collected	$ 1,297,391	$ 1,189,751
Losses and loss adjustment expenses paid	(1,033,834)	(989,973)
Miscellaneous (loss) income	(341)	(230)
Underwriting expenses paid	(2,097)	(2,321)
Cash provided by underwriting	261,119	197,226
Investment income received, net of expenses	365,941	322,925
Cash from operations	627,060	520,151
Proceeds from investments sold, matured or repaid		
Bonds	675,923	1,020,374
Stocks	1,260,807	1,016,351
Other invested assets	40,464	25,843
Net gains on short term investments	(7)	4
Total investment proceeds	1,977,187	2,062,572
Cost of investments acquired		
Bonds	(1,024,476)	(1,208,446)
Stocks	(1,224,549)	(1,275,783)
Other invested assets	(93,310)	(74,785)
Total investments acquired	(2,342,335)	(2,559,014)
Net cash used in investments	(365,148)	(496,442)
Cash from financing and miscellaneous sources		
Other applications	(761)	(239)
Net cash used in financing and miscellaneous sources	(761)	(239)
Net increase (decrease) in cash and short-term investments	261,151	23,470
Cash and short-term investments		
Beginning of year	244,980	221,510
End of year	$ 506,131	$ 244,980

The accompanying notes are an integral part of these statutory financial statements.

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

The Michigan Catastrophic Claims Association (the "Association") was established by Public Act 136 of 1978, which amended the no-fault auto insurance law by adding Section 3104 to the Michigan Insurance Code effective July 1, 1978. The Legislature created the Association because smaller insurance companies had difficulty obtaining reinsurance for Michigan's automobile no-fault policies, which provided for unlimited lifetime medical benefits for people who are catastrophically injured in auto accidents. The Association is a private unincorporated nonprofit association of which every insurer that sells automobile or motorcycle coverage in Michigan is required to be a member.

The Association is governed by a Board of Directors which consists of five members appointed by the Commissioner of the Office of Financial and Insurance Regulation of the State of Michigan. The Commissioner, or his/her representative, serves as an ex-official member of the Board. In addition, the following standing committees provide assistance in the operation of the Association: (1) actuarial, (2) audit, (3) claims, (4) communications, (5) information technology, (6) investment, and (7) personnel.

The Association assesses each member engaged in writing insurance coverages under policies of insurance issued to residents of the State of Michigan, which provide the coverages required (1) for motor vehicles under Section 3101 of the Michigan Insurance Code and (2) for motorcycles under Section 3103 of the Michigan Insurance Code. The Association is required to assess an amount each year that is sufficient to cover the lifetime claims of all persons catastrophically injured in that year and in addition, may adjust future assessments for excesses or deficiencies in prior assessments. These assessments provide funds for the indemnification of those members against ultimate loss sustained under statutory required personal protection insurance coverages in excess of the applicable amount set forth in section 3104(2) of the Michigan Insurance Code. Public Act 3 of 2001 provided for a gradual increase in the member company retention level from the original amount of $250 to $500 on July 1, 2011; and thereafter increasing every two years by 6% or the increase in the consumer prices index, whichever is less, and rounded to the nearest $5. The statute requires this biennial adjustment to be calculated by the Association by January 1 of the year of its July 1 effective date. The calculation must be based on the two year change in the United States Consumer Price Index for all Urban Consumers U.S. city average ("CPI-U") for the 24 months prior to October 1 of the year prior to the July 1 effective date. The change in the CPI-U from September 30, 2010 to September 30, 2012 was 5.94%. Applying the formula to the retention amount of $500, for a motor vehicle accident policy issued or renewed during the period July 1, 2011 through June 30, 2013, results in a new member insurance company retention level, for a motor vehicle accident policy issued or renewed during the period July 1, 2013 through June 30, 2015, of $530. The Association's future operations and form are dependent upon the continuation of its enabling state legislation.

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the basis of statutory accounting practices as prescribed or permitted by the State of Michigan Department of Insurance and Financial Services ("DIFS"). Prescribed statutory accounting practices include the National Association of Insurance Commissioners' ("NAIC") statements of statutory accounting principles, as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The principal differences between statutory accounting practices as applied by the Association and generally accepted accounting principles are (a) bonds are reported principally at amortized cost rather than reporting certain bonds at fair value as required by Statement of Financial Accounting Standards ASC 320 and 825, (b) the statement of cash flows has been prepared in accordance with NAIC guidelines as opposed to ASC 230, (c) comprehensive income is not required and, therefore, is not presented in the accompanying financial statements in accordance with ASC 220, (d) certain assets designated as "nonadmitted assets" (principally overdue receivable balances) are excluded from the balance sheet by direct charges to unassigned surplus, (e) costs related to acquiring business are charged to income when incurred rather than deferred and amortized over the life of the related insurance policy, and (f) liabilities for loss and loss adjustment expenses are discounted on a nontabular basis.

Permitted Practice
The DIFS has permitted the Association a certain practice which differs from those found in the NAIC, *Accounting Practices and Procedures Manual – Effective January 1, 2001* ("NAIC SAP"). Specifically, the Association is permitted to discount its losses and loss adjustment expenses ("Losses and LAE") on a nontabular basis. The Association requested a renewal of the permitted practice, and in January 2013, DIFS approved the renewal for a three-year period that will expire in 2016, at which time the Association will be required to seek approval from the DIFS if it wishes to continue to discount its reserves.

A reconciliation of the Association's net income (loss) and accumulated deficit between NAIC SAP and practices permitted by DIFS is shown below:

(in thousands of dollars)	2014	2013
Net income (loss), State of Michigan basis		
State permitted practice	$ 526,133	$ (206,838)
Decrease in discount on losses and LAE	246,879	2,519,361
Net income, NAIC SAP	$ 773,012	$ 2,312,523
Statutory deficit, State of Michigan basis		
State permitted practice	$ (410,531)	$ (1,872,322)
Discounting of losses and LAE	(51,236,141)	(51,483,020)
Statutory deficit, NAIC SAP	$ (51,646,672)	$ (53,355,342)

Investments
Short-term investments include all investments with maturities, at the time of acquisition, of one year or less and are stated at cost which approximates fair value.

Bonds are generally stated at amortized cost using the scientific method. Stocks are stated at fair value. Fair values were estimated on prices received from an independent pricing source and market comparables, or based on the Association's share of the net asset value for mutual funds which do not actively trade.

Single class mortgage-backed/asset-backed and multi-class mortgage-backed/asset-backed securities are stated at amortized cost using the scientific method including anticipated prepayments at the date of purchase. Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities are obtained from Interactive Data Pricing and

Reference Data, Inc. Fair values were estimated on prices received from an independent pricing source and market comparables. Changes in estimated cash flows from the original purchase assumptions are accounted for using the retrospective adjustment method. There have been no changes from the retrospective to the prospective method of valuing loan-backed securities.

Realized gains or losses on sale, or other-than-temporary impairments of investments are determined on the basis of specific costs of the investments and credited or charged to operations. Unrealized gains or losses resulting from valuations of common stocks are credited or charged directly to surplus.

Other invested assets consist of limited partnerships and are carried at the Association's equity interest in the limited partnership. The Association's private equity investments consist nearly exclusively of limited partnerships positions in a variety of fund-of-funds. In turn, the fund-of-funds partnerships invest directly in underlying venture capital, buyout, and/or other related private equity partnerships that typically specialize within development stage, technological sector, and/or business size. The fund-of-funds provider acts as a limited partner within these partnership investments and acts to diversify the Association's underlying investments across vintage year, economic cycle, and geography relative to available investment opportunities. The funds-of-funds the Association invests in may purchase secondary fund offerings of, or co-invest directly in private equity investments alongside, underlying general partnerships on behalf of the limited partners in their fund, including the Association.

Under the terms of various limited partnership agreements approved by the Association's Board of Directors, the Association is obligated to make periodic payments for advance commitments to limited partnerships. As of June 30, 2014, the Association had committed, but not paid, a total of $435 million in funding for these limited partnerships.

Losses and Loss Adjustment Expense

The Association actuarially computes the provision for unpaid losses and loss adjustment expenses using the present value of disbursements expected to be made in the ultimate settlement of the claims reported. The Association bases the provision for unpaid losses and loss adjustment expenses upon information reported to it by its member insurers with respect to reported claims, giving consideration with respect to each reported claim to past payments of the member company and estimated future payments of personal injury protection insurance benefits, with the future payments (initially estimated at current cost levels) then being adjusted to their expected future levels in light of selected claim cost inflation projections; the resultant estimates are adjusted, based upon actuarial tables that incorporate actual emerged Association mortality and closure experience, to reflect the probabilities of each claimant surviving to incur such costs. The Association also includes a provision for incurred but not reported losses based upon the foregoing data. The methods of estimating unpaid losses and loss adjustment expenses are continually reviewed and updated, and any adjustments resulting there from are reflected in the current operations. Management believes that the provision for unpaid losses and loss adjustment expenses is adequate; however, inasmuch as these estimated amounts are based on member-reported information, present value, investment yield and mortality assumptions (determined by actuarial tables that incorporate actual emerged Association mortality and closure experience) the ultimate settlement of these liabilities may be significantly greater or less than such estimates.

The payment of losses and loss adjustment expenses is necessary over a long period of time; therefore, the Association has elected a permitted practice to discount its unpaid losses and loss adjustment expenses. A significant actuarial assumption is that the investment return rate is equal to the discount rate. At June 30, 2014, the actuarially determined discount rate is 5.6% for the short-tem, gradually progressing to 7.3% in the long-term. At June 30, 2013, the actuarially determined discount rate was 5.6% for the short-tem, gradually progressing to 7.2% in the long-term.

Economic assumptions for claim cost inflation and investment returns are formulated based on forecasts utilizing both a short-term and long-term perspective. Using both current economic data and historical long-term Consumer Price Index data, inflation assumptions are formulated for the general inflation rate and, based on the general inflation rate assumption and the historical relationships between the CPI for all items and various CPI subcomponents, for fifteen different cost component categories. In formulating the discount rate, the Association's portfolio performance and asset mix as well as historical short-term and long-term investment returns are considered.

In 2013, there was a refinement in the methodology used to migrate the economic assumptions from the current environment to the long-term assumptions. In 2014, the same methodology was used which produced slightly different starting points and long-term values and resulted in slightly different economic assumptions.

Inflation and investment assumptions used at June 30, 2014 are: (1) Inflation assumptions: general inflation rate of 2.3% and an annual increase in claim costs for the fifteen different cost component categories, other than for non-inflated costs, that range between 0.1% and 6.0%, for the period July 1, 2014 to June 30, 2015; then gradually increasing until the long-term assumption for general inflation of 3.1% is reached beginning July 1, 2019 and thereafter; then gradually increasing long-term assumptions for the annual increase in the inflation for claim costs for the cost component categories, ranging from 1.9% to 7.1%, beginning July 1, 2024 and thereafter. (2) Investment return assumptions: rate of 5.6% for the period July 1, 2014 to June 30, 2015; then gradually increasing until a long-term rate of 7.3% is reached beginning July 1, 2024 and thereafter.

Inflation and investment assumptions used at June 30, 2013 are: (1) Inflation assumptions: general inflation rate of 2.4% and an annual increase in claim costs for the fifteen different cost component categories, other than for non-inflated costs, that range between 0.03% and 6.2% for the period July 1, 2013 to June 30, 2014; then gradually increasing until the long-term assumption for general inflation of 3.2% is reached beginning July 1, 2022 and thereafter; then gradually increasing long-term assumptions for the annual increase in the inflation for claim costs for the cost component categories, ranging from 1.9% to 7.1%, beginning July 1, 2022 and thereafter, and; (2) Investment return assumptions: rate of 5.6% for the period July 1, 2013 to June 30, 2014; then gradually increasing until a long-term rate of 7.2% is reached beginning July 1, 2020 and thereafter.

At June 30, 2014, the amount of discounted liabilities for losses and loss adjustment expenses using the current inflation and investment assumptions, and excluding the current accident year, is $15.919 billion. Had these discounted liabilities been completed based on the inflation and investment assumptions used at June 30, 2013, the amount of discounted liabilities for losses and loss adjustment expenses would be $16.026 billion. The adoption of the new economic assumptions decreased the estimated discounted reserves. This change caused the liability for losses and loss adjustment expenses to decrease by approximately $107.5 million. As noted on

Note 5 of the financial statements, this positive development was in addition to downward development in reserve estimates and changes in the mortality model,that was updated to better match the actual results of the Association, which decreased incurred losses and loss adjustment expenses related to the prior year. The unwinding of the discount increased incurred losses and loss adjustment expenses related to the prior year.

Revenue Recognition
Member companies have the option of paying premium assessments on a monthly or annual basis.

Premium assessments are levied on a fiscal year June 30 basis (encompassing the period July 1 through June 30) and the basis for calculating each member's annual premium assessment is the member's total written car years of insurance providing the security required by Sections 500.3101 and 500.3103 of the Michigan Insurance Code.

For each assessment period, a preliminary premium assessment is levied based on a member's total written car years during the immediately preceding assessment period. The preliminary assessment is assessed at the end of each month for member companies electing to pay in equal monthly installments and at the end of August for member companies electing to pay in full.

Subsequent to the Association's fiscal year and as soon as is practicable after the end of each assessment period for which the premium is applicable, a final premium assessment is levied for the period just completed based on actual written car years. Adjustments to the estimated preliminary assessments are recognized in the year the assessment adjustment is billed. This is due to the Association being unable to estimate members' individual or direct written car years.

Assessments are earned and recognized as premium assessments ratably over the premium assessment period. Unearned premium assessments represent the portion of premiums written which is applicable to the unexpired portion of the assessment, calculated by the application of monthly pro rata fractions.

Member companies are subject to a triennial premium audit program. The Association recognizes premium adjustments resulting from the audit program in the year the premium adjustment is identified.

A premium deficiency reserve is required to be recorded if the present value of expected future claim payments including administrative expenses for the current accident year related to unearned assessable exposures exceeds the recorded unearned premium reserve. As of June 30, 2014 and 2013, no premium deficiency reserve was required to be recorded.

The Association's revenues are dependent upon assessments, under applicable statute, to member companies operating in the State of Michigan.

Income Tax
The Association has received a determination letter from the Internal Revenue Service indicating that the Association is exempt from income taxes under Internal Revenue Code Section 501(c)(6).

Estimates in Preparation of Financial Statements
The preparation of financial statements in conformity with prescribed or permitted statutory accounting practices requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assessment of Losses and Deficits
The Association is a nonprofit organization and under the applicable statute all losses and deficits are assessable to member companies. Furthermore, excesses or deficiencies from previous periods may be adjusted in subsequent premium assessments to member companies. Recognizing the difficulty and uncertainty in predicting the projected claim payments for long-term claims in which medical benefits are unlimited, any such excesses or deficiencies may be fully adjusted in a single assessment period or may be adjusted over several periods ratably or in such proportion as the Association's Board of Directors may deem advisable. The uncertainty in the estimates of the liabilities is primarily due to difficulty in predicting (a) life expectancies, (b) medical cost inflation, (c) investment returns, and (d) claim frequency.

2. Investment in Bonds, Common Stocks and Other Invested Assets

The estimated fair value of bonds is based on information published by the SVO, market quotations and other sources. The amortized cost, gross unrealized gains, gross unrealized losses, estimated fair value and statement value of bonds, common stocks and other invested assets are as follows at June 30, 2014 and 2013, respectively:

	2014				
(in thousands of dollars)	Amortized Cost	Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Statement Value
Bonds					
U.S. government	$ 548,290	$ 14,913	$ (2,360)	$ 560,843	$ 548,290
Special revenue	898,426	37,201	(2,896)	932,731	898,425
Industrial and miscellaneous	808,940	94,674	(625)	902,989	808,940
	2,255,656	146,788	(5,881)	2,396,563	2,255,655
Common stocks	10,590,204	3,185,437	(10,561)	13,765,080	13,765,080
Other invested assets	308,711	80,096	(899)	387,908	387,908
Total investments	$ 13,154,571	$ 3,412,321	$ (17,341)	$ 16,549,551	$ 16,408,643

	2013				
(in thousands of dollars)	Amortized Cost	Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Statement Value
Bonds					
U.S. government	$ 398,754	$ 10,400	$ (5,401)	$ 403,753	$ 398,754
Special revenue	756,944	31,481	(9,826)	778,600	756,944
Industrial and miscellaneous	758,870	72,677	(6,843)	824,703	758,603
	1,914,568	114,558	(22,070)	2,007,056	1,914,301
Common stocks	10,230,987	2,292,830	(19,513)	12,504,303	12,504,303
Other invested assets	230,689	46,074	(753)	276,010	276,010
Total investments	$ 12,376,244	$ 2,453,462	$ (42,336)	$ 14,787,369	$ 14,694,614

For bonds, the difference between amortized cost and statement value of $1 at June 30, 2014 and $267 at June 30, 2013, is attributable to bonds with an amortized cost and statement value of $1 and $0 at June 30, 2014 and $4,449 and $4,716 at June 30, 2013, respectively; that based on applicable NAIC designations, should be reflected at the lower of amortized cost or fair value.

Common stocks include shares in bond mutual funds that invest primarily in fixed income securities with maturities of 1 to 30 years. The cost and estimated fair value for shares of bond mutual funds were $6,895,322 and $7,719,243 at June 30, 2014 and $6,505,205 and $7,098,593 at June 30, 2013, respectively.

The estimated fair value and gross unrealized losses, by length of time that individual securities have been in a continuous unrealized loss position are as follows at June 30, 2014 and 2013, respectively:

	2014					
	Less Than Twelve Months		Twelve Months or More		Total	
(in thousands of dollars)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Bonds						
U.S. government	$ -	$ -	$ 129,248	$ 1,898	$ 129,248	$ 1,898
Special revenue	128,630	1,075	84,134	1,972	212,764	3,047
Industrial and miscellaneous	2,641	2	80,775	934	83,416	936
	131,271	1,077	294,157	4,804	425,428	5,881
Common stocks	125,673	8,035	11,689	2,526	137,362	10,561
Other invested assets	9,427	241	14,040	658	23,467	899
Total investments	$ 266,371	$ 9,353	$ 319,886	$ 7,988	$ 586,257	$ 17,341

	2013					
	Less Than Twelve Months		Twelve Months or More		Total	
(in thousands of dollars)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Bonds						
U.S. government	$ 283,469	$ 4,100	$ -	$ -	$ 283,469	$ 4,100
Special revenue	328,586	9,369	12,217	457	340,803	9,826
Industrial and miscellaneous	220,712	7,873	8,002	271	228,714	8,144
	832,767	21,342	20,219	728	852,986	22,070
Common stocks	163,260	12,950	36,386	6,563	199,646	19,513
Other invested assets	469	210	14,752	543	15,221	753
Total investments	$ 996,496	$ 34,502	$ 71,357	$ 7,834	$ 1,067,853	$ 42,336

Realized gains and losses are determined on a specific identification basis and are credited or charged to income. Unrealized capital gains and losses resulting from the valuation of investments at fair value are credited or charged directly to the accumulated deficit. A decline in the market value of any investment security below cost, that is deemed to be other than temporary, results in a reduction in the carrying amount to fair value. Fair value is generally the market value at the balance sheet date. The impairment is charged to earnings and a new cost basis is established.

Factors considered in evaluating whether a decline in value is other than temporary are: (1) whether the decline is substantial, (2) the Association's ability and intent to retain the investment for a period of time sufficient to allow for anticipated recovery in value, (3) the duration and extent to which market value has been less than cost, (4) the financial condition and near term prospects of the issuer, (5) impact on market values due to the level of interest rates, (6) changes in rating quality, and (7) the NAIC designation. Based on this review, for the less than twelve months category the gross unrealized losses decreased from the prior period by $25,149 and for the twelve months or more category, the gross unrealized losses increased from the prior period by $146. This is primarily attributable to portfolio turnover and the impact of the current market environment on market values. The amount of other than temporary losses that were written down in 2014 was $8,303, of which $607 relates to securities that were sold during the year and $7,696 relates to securities that the Association continued to hold at June 30, 2014. The amount of other than temporary losses that were written down in 2013 was $39,707, of which $35,464 relates to securities that were sold during the year and $4,243 relates to securities that the Association continued to hold at June 30, 2013.

The amortized cost and estimated fair value of bonds at June 30, 2014, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(in thousands of dollars)	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 10,668	$ 12,536
Due after one year through five years	550,420	582,188
Due after five years through ten years	529,222	551,155
Due after ten years	264,975	332,686
Asset-backed securities	660,167	673,234
Mortgage-backed securities	240,204	244,764
	$ 2,255,656	$ 2,396,563

Proceeds from sales of investments in bonds and common stocks were $1,931,025 in 2014 and $2,036,184 in 2013 of which gross realized gains and losses were $440,581 and $31,309 in 2014 and $356,332 and $39,544 in 2013, respectively.

(in thousands of dollars)	2014	2013
Investment income		
Interest		
Fixed maturities	$ 77,095	$ 65,105
Short-term investments	48	45
Dividends on common stock	290,138	251,893
Other	3,545	2,723
Gross investment income	370,826	319,766
Investment expenses	18,143	15,441
Net investment income	$ 352,683	$ 304,325

Securities Lending Program

The Association participates in a custodian bank securities lending program, whereby securities have been lent to various brokers. The collateral provided as security is required, at the inception of the loan, to equal at least 102% of the market value of the loaned securities plus accrued interest. The loaned securities and collateral are required to be marked to market on a daily basis; and if the market value of the collateral is less than the required value, additional collateral must be posted subject to the custodian's deminimis rule for maintenance margins. The total amount of securities to be lent cannot exceed 10% of the Association's total portfolio. Securities loaned at June 30, 2014 and 2013 had fair values as follows:

(in thousands of dollars)	2014	2013
U.S. government bonds	$ 400,402	$ 245,544
Other government bonds	-	-
Corporate bonds	19,154	46,268
Common stocks	233,907	281,404
Fair values of securities loaned	$ 653,463	$ 573,216

The cash collateral received by the custodian bank was $666,672 and $585,959 as of June 30, 2014 and 2013, respectively. This collateral was reinvested in primarily government and corporate fixed income securities with a maximum duration of approximately 24 months. The Association did not recognize an impairment loss during 2014 and 2013. To further minimize risks related to the lending program, the custodian bank monitors both the (1) borrower risk, which includes reviews of borrowers and exposure limits, and (2) credit risk, which includes risk reviews and oversight of cash pools and investments.

Statement of Statutory Accounting Principles No. 91R (SSAP 91R) defines *Accounting for transfers and servicing of Financial Assets and Extinguishment of Liabilities*. As per the provisions of SSAP 91R, the Association has reported the June 30, 2014 and 2013 security lending collateral received as a separate line in the statutory statements of admitted assets, liabilities, and accumulated deficit as of June 30, 2014 and 2013 (Securities Lending Reinvested Collateral Assets). In addition, the Association has reported a corresponding liability (Payable for Securities Lending). The fair value of the reinvested collateral was $686,428 and $586,955 at June 30, 2014 and 2013, respectively.

A breakdown of the reinvested collateral at June 30, 2014 by maturity is as follows:

(in thousands of dollars)	**Amortized Cost**	**Fair Value**
Open	$ -	$ -
30 Days or Less	155,588	155,589
31 to 60 Days	100,547	100,552
61 to 90 Days	109,548	109,555
91 to 120 Days	50,474	50,474
121 to 180 Days	58,085	58,085
181 to 365 Days	65,691	65,663
1 to 2 Years	22,580	22,589
2 to 3 Years	1,638	1,638
Greater Than 3 Years	122,283	122,283
	686,434	686,428
Securities received		
Total collateral reinvested	$ 686,434	$ 686,428

The securities lending reinvested collateral assets amortized cost included in the above schedule by NAIC designation is as follows:

(in thousands of dollars)	
NAIC - 1	$ 674,628
NAIC - 2	11,806
NAIC - 3	-
NAIC - 4	-
NAIC - 5	-
NAIC - 6	-

3. Fair Value Measurements

SSAP 100 defines fair value as the price that would be received upon selling an investment in a timely transaction to an independent buyer in the principle or most advantageous market of the investment. The Association's financial assets have been classified, for disclosure purposes, based on a hierarchy defined by SSAP 100 which prioritizes the inputs to valuation techniques used to measure fair value. A financial instrument's level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are summarized below:

Level 1 Observable inputs that reflect unadjusted quoted prices for identical securities in active markets.

Level 2 Observable inputs other than quoted prices included in Level 1 such as quoted prices for similar securities, interest rates, prepayment schedules, and credit risk for fixed income securities; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs including the Association's own assumptions in determining the fair value of investments.

Included in various investment related line items in the financial statements are certain instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain bonds when carried at lower of amortized cost or market.

Assets measured at fair value on a recurring basis are summarized below at June 30, 2014 and 2013, respectively:

	Fair Value Measurements at June 30, 2014			
(in thousands of dollars)	**Total**	**Level 1**	**Level 2**	**Level 3**
Description				
Stocks	$ 13,765,080	$ 4,569,264	$ 9,195,816	$ -
Short-term investments, money market funds	516,961	516,961	-	-
Other invested assets	387,908	-	-	387,908
	$ 14,669,949	$ 5,086,225	$ 9,195,816	$ 387,908

	Fair Value Measurements at June 30, 2013			
(in thousands of dollars)	**Total**	**Level 1**	**Level 2**	**Level 3**
Description				
Stocks	$ 12,504,303	$ 4,250,064	$ 8,254,239	$ -
Short-term investments, money market funds	252,929	252,929	-	-
Other invested assets	276,010	-	-	276,010
	$ 13,033,242	$ 4,502,993	$ 8,254,239	$ 276,010

Investments in other investments whose fair value is estimated using the net asset value are described below:

(in thousands of dollars)	As of June 30, 2014			
Investment Fund	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Federated Institutional Fixed Income Fund[1]	$ 2,317,501	None	On Demand	1 Day
Mondrian Intl Equity Fund LP[2]	1,476,573	None	Monthly	15 Days
Prudential Institutional Core Conservative Bond Fund[3]	3,900,977	None	On Demand	3 Days
Northern Trust Common US TIPS Index Fund[4]	1,500,765	None	On Demand	Same Day

[1] The Association has a noncontrolling equity interest in the Federated Institutional Fixed Income Fund, which the objective of the fund is to outperform the Barclays Aggregate Bond Index. The fair value has been determined using the net asset value of the holdings of the fund.

[2] The Association has a noncontrolling equity interest in the Mondrian International Equity Fund, which the objective of the fund is to outperform the MSCI-EAFE Index. The fair value has been determined using the net asset value of the holdings of the fund.

[3] The Association has a noncontrolling equity interest in the Prudential Institutional Core Conservative Bond Fund, which the objective of the fund is to outperform the Barclays Aggregate Bond Index. The fair value has been determined using the net asset value of the holdings of the fund.

[4] The Association has a noncontrolling equity interest in the Northern Trust Common US TIPS Index Fund, which the objective of the fund is to parallel the performance of the Barclays US TIPS Index. The fair value has been determined using the net asset value of the holdings of the fund.

Assets measured at fair value on a nonrecurring basis are summarized below at June 30, 2014 and 2013, respectively:

	Fair Value Measurements at June 30, 2014			
(in thousands of dollars)	**Total**	**Level 1**	**Level 2**	**Level 3**
Description				
Bonds	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -

	Fair Value Measurements at June 30, 2013			
(in thousands of dollars)	**Total**	**Level 1**	**Level 2**	**Level 3**
Description				
Bonds	$ 4,450	$ -	$ 4,450	$ -
	$ 4,450	$ -	$ 4,450	$ -

SSAP 100 requires disclosure by hierarchy of all financial instruments including items that are disclosed with a fair value measurement but not reported at fair value in the statutory statements of admitted assets, liabilities, and accumulated deficit at June 30, 2014 and 2013.

Assets not measured at fair value in the statutory statements of admitted assets, liabilities and accumulated deficit are summarized below at June 30, 2014 and 2013, respectively:

	Fair Value Measurements at June 30, 2014			
(in thousands of dollars)	**Total**	**Level 1**	**Level 2**	**Level 3**
Description				
Bonds				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 518,093	$ 476,068	$ 42,025	$ -
Obligations of state and local governments	132,981	-	132,981	-
Corporate securities	796,773	-	796,773	-
Asset-backed securities	703,952	-	703,952	-
Mortgage-backed securities	244,764	-	244,764	-
	$ 2,396,563	$ 476,068	$ 1,920,495	$ -

	Fair Value Measurements at June 30, 2013			
(in thousands of dollars)	**Total**	**Level 1**	**Level 2**	**Level 3**
Description				
Bonds				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 361,680	$ 328,260	$ 33,419	$ -
Obligations of state and local governments	123,059	-	123,059	-
Corporate securities	746,018	-	746,018	-
Asset-backed securities	610,573	-	610,573	-
Mortgage-backed securities	161,276	-	161,276	-
	$ 2,002,606	$ 328,260	$ 1,674,345	$ -

Level 1 Measurements

Level 1 – Quoted, active market prices for identical assets. Assets include actively-traded exchange-listed equity securities, mutual funds, short-term money market mutual funds, and U.S Treasury Securities. Valuations for equity and Treasury securities are based upon values from independent pricing services or unadjusted quoted exchange market prices for identical assets in active markets. The valuations for actively-traded mutual funds and money-market funds are based on the quoted net value.

Level 2 Measurements
Level 2 – Observable inputs other than level 1 prices, such as quoted active market prices for similar assets, quoted prices for identical or similar assets in inactive markets and model-derived valuations in which all significant inputs are observable in active markets. Assets include equity funds, bond index funds, U.S. government agencies, municipal bonds, corporate bonds, asset-backed securities, and mortgage-backed securities. Valuations for equity and bond index funds are based upon an evaluated net asset value price provided by a pricing vendor using observable data. The valuations of the fixed maturity assets are based upon independent pricing services or the values are modeled using expected future cash flows, current market yields and prepayment expectations by independent pricing services.

Level 3 Measurements
Level 3 – Valuation techniques in which one or more significant inputs are unobservable in the market-place. Assets include investments in private equity limited partnerships. Valuations represent management's estimation of the price the assets would sell for in the open market.

The following is a summary of changes for the twelve months ended June 30, 2014 and 2013, respectively, in the fair value of Level 3 assets which are carried at fair value on a recurring basis:

2014

(in thousands of dollars)	**Other Invested Assets**
Balance at June 30, 2013	$ 276,010
Total gains (losses) (realized/unrealized)	
Included in net income	26,162
Included in surplus	33,876
Purchases, issuances and settlements	51,860
Transfers in and/or out of level 3	
Balance at June 30, 2014	$ 387,908

	2013
(in thousands of dollars)	**Other Invested Assets**
Balance at June 30, 2012	$ 211,906
Total gains (losses) (realized/unrealized)	
Included in net income	
Included in surplus	15,162
Purchases, issuances and settlements	48,942
Transfers in and/or out of level 3	
Balance at June 30, 2013	$ 276,010

4. **Additional Fair Value of Financial Information**

The following methods and assumptions were used to estimate the fair value of each significant class of financial instruments for which it is practicable to estimate that value:

	2014		2013	
(in thousands of dollars)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Bonds	$ 2,255,655	$ 2,396,563	$ 1,914,301	$ 2,007,056
Preferred stocks	-	-	-	-
Common stocks	13,765,080	13,765,080	12,504,304	12,504,304
Cash and short-term investments	506,131	506,131	244,980	244,980
Other invested assets	387,908	387,908	276,010	276,010
Premiums and other receivables	13,218	13,218	1,696	1,696
Accrued investment income	18,814	18,814	18,474	18,474

Bonds and Stocks
Fair values were estimated based on prices received from an independent pricing source and market comparables, or based on the Association's share of the net asset value for mutual funds which do not actively trade

Cash and Short-Term Investments, Premiums Receivable and Accrued Investment Income
The carrying amount of these assets approximates their fair value.

Other Invested Assets
Fair values represent the ownership equity of each limited partnership. Due to the timing of the receipt of statements from each limited partnership, the Association reflects changes in equity value on a three months in arrears basis. As these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed.

5. Liability for Losses and Loss Adjustment Expenses

Activity in the discounted liability for losses and loss adjustment expenses is summarized as follows:

(in thousands of dollars)	2014	2013
Net balances at beginning of year		
Incurred related to	$ 16,518,117	$ 15,586,788
Current year	1,105,678	1,106,011
Prior years	425,457	816,058
Total incurred	1,531,135	1,922,069
Paid related to		
Current year	10,469	12,261
Prior years	1,024,144	978,479
Total paid	1,034,613	990,740
Net balance, end of year	$ 17,014,639	$ 16,518,117

Each year a re-estimation of unpaid losses and loss adjustment expenses is made based on an ongoing analysis of many factors, including (1) recent loss development trends, (2) continued review of individual claims as additional information is received, (3) frequency and severity trends, and (4) economic assumptions for investment returns and claim cost inflation. In addition, refinements in (1) the underlying actuarial methodology and (2) the mortality and claim closure models are done as warranted.

Unfavorable development relating to prior years incurred in both 2014 and 2013.

For 2014, unfavorable development was primarily the result of the difference in timing of the underlying discounted reserves at different valuation dates (unwinding of the discount). This unfavorable development was offset by (1) the effects of the changes in the economic assumptions for claim cost inflation and investment returns, (2) unanticipated downward development in reserve estimates, and (3) changes in the mortality model, which was updated to better match the actual results of the Association. The unwinding of the discount increased incurred losses and loss adjustment expense related to prior years by approximately $896,729. The changes in the economic assumptions, downward development in reserve estimates, and revisions to the mortality model, decreased incurred losses and loss adjustment expense related to prior years by approximately $107,500, $112,900, and $249,500 respectively.

For 2013, unfavorable development was primarily the result of (1) the difference in timing of the underlying discounted reserves at different valuation dates (unwinding of the discount), and (2) an increase in the length of time loss development factor selections are applied. This unfavorable development was offset by (1) the effects of the changes in the economic assumptions for claim cost inflation and investment returns, (2) unanticipated downward development in reserve estimates, and (3) revisions to the historical discount rates used to calculate loss development factors. The unwinding of the discount and the increase in the length of time loss development factor selections are applied, increased incurred losses and loss adjustment expense related to prior years by approximately $830,725 and $1,400,500 respectively. The changes in the economic assumptions, downward development in reserve estimates, and revisions to the historical discount rates, decreased incurred losses and loss adjustment expense related to prior years by approximately $717,600, $249,900, and $450,100 respectively.

6. Employee Retirement Plan

The Association, as an employer, participates in the Pension Plan for Insurance Organizations. Substantially all of the Association's employees are covered by this noncontributory qualified defined benefit pension plan. Benefits are based on years of service and the employee's compensation during the last ten years of employment.

A summary of assets, obligations and assumptions of the Association's pension plan are as follows at June 30, 2014 and 2013:

(in thousands of dollars)	Pension Benefits 2014	Pension Benefits 2013
Benefit obligation at year end	$ 4,474	$ 3,834
Fair value of plan assets at year end	3,397	2,778
Underfunded status of plan	$ 1,077	$ 1,056
Accrued benefit cost recognized in the statement of admitted assets, liabilities and accumulated deficit	$ -	$ -
Weighted-Average Assumptions as of June 30:		
Discount rate	4.50 %	5.00 %
Expected return on plan assets	6.50 %	6.50 %
Rate of compensation increase	4.00 %	4.00 %

	Pension Benefits 2014	Pension Benefits 2013
Benefit cost	$ 658	$ 113
Employer contributions	236	267
Benefits paid	61	57

Breakdown of the Percentage of Plan Assets by Asset Category as of June 30:

	2014	2013
Equity securities	56.0 %	57.9 %
Debt securities	43.6	40.4
Real estate	0.0	0.0
Other	0.4	1.7
	100.0 %	100.0 %

The expected long-term rate of return on assets assumption for the year beginning July 1, 2014 is 6.25%. This assumption represents the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide the benefits included in the benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class. The target asset allocation is 60.0% equity securities and 40.0% debt securities.

Expected Benefit Payments are as Follows During Each Fiscal Year Ending June 30:

(in thousands of dollars)		
2015	$	69
2016		84
2017		102
2018		132
2019		154
2020-2024		1,396

7. Litigation and Claims

Various legal actions and other claims are pending or may be instituted or asserted in the future against the Association. Some of these matters involve or may involve claims in large amounts or other relief which, if granted, would require very significant expenditures. Management believes that all liabilities on pending legal actions have been adequately included in its established loss reserves.

Litigation is subject to many uncertainties, the outcome of individual litigated matters is not predictable with assurance and it is reasonably possible that some of the foregoing matters could be decided unfavorably to the Association. Although the amount of liability at June 30, 2014, with respect to these matters cannot be ascertained, management believes that any resulting liability would not materially affect the financial position or results of operations of the Association.

8. Accumulated Deficit

The portion of accumulated deficit represented by (or reduced by) each item is as follows as of June 30, 2014 and 2013:

(in thousands of dollars)	**2014**	**2013**
Net unrealized gains	$ (3,259,748)	$ (2,324,047)
Nonadmitted asset		
Premiums receivable	1,265	1,294
Furniture and equipment	92	16
Prepaid expenses	36	38

9. Subsequent Events

We evaluated the effects of subsequent events from June 30, 2014 through the date the financial statements were available to be issued. There were no subsequent events noted which require accounting recognition or disclosure in the financial statements as of June 30, 2014.

Supplemental Schedules

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Report of Independent Auditors on Supplementary Information

To the Board of Directors of the
Michigan Catastrophic Claims Association:

We have audited the statutory basis financial statements (the "financial statements") of the Michigan Catastrophic Claims Association (the "Association") as of June 30, 2014 and for the year then ended and our report thereon appears on pages 1 - 2 of this document. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules listed in the attached index of the Association as of June 30, 2014 and for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The effects on the supplemental schedules listed in the attached index of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. As a consequence, the supplemental schedules listed in the attached index do not present fairly, in conformity with accounting principles generally accepted in the United States of America, such information of the Association as of June 30, 2014 and for the year then ended. The supplemental schedules listed in the attached index have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

November 21, 2014

Michigan Catastrophic Claims Association
Supplemental Summary Investment Schedule
Prepared on a Statutory Basis of Accounting
June 30, 2014

(in thousands of dollars)	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	Amount	Percent	Amount	Percent
1. Bonds				
1.1 U.S. treasury securities	$ 472,735	2.686%	$ 472,735	2.686%
1.2 U.S. Government agency obligations				
1.21 Issued by U.S. government agencies	25,054	0.142%	25,054	0.142%
1.22 Issued by U.S. government-sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.				
1.41 U.S. states and territories general obligations	54,067	0.307%	54,067	0.307%
1.42 Political subdivisions of U.S. states, territories and possessions general obligations	36,364	0.207%	36,364	0.207%
1.43 Revenue and assessment obligations	18,000	0.102%	18,000	0.102%
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS)				
1.51 Pass-through securities				
1.511 Guaranteed by GNMA				
1.512 Issued by FNMA and FHLMC	660,167	3.751%	660,167	3.751%
1.513 Other pass-through securities				
1.52 Other mortgage-backed securities				
1.521 Issued by FNMA, FHLMC or GNMA	180,328	1.025%	180,328	1.025%
1.522 Other mortgage-backed securities collateralized by MBS issued or guaranteed by FNMA, FHLMC or GNMA				
1.523 All other mortgage-backed securities	18,925	0.108%	18,925	0.108%
2. Other debt securities (excluding short-term)				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	716,992	4.074%	716,992	4.074%
2.2 Unaffiliated foreign securities	73,023	0.415%	73,023	0.415%
2.3 Affiliated securities				
3. Equity interests				
3.1 Investments in mutual funds				
3.2 Preferred stocks				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks)				
3.31 Affiliated				
3.32 Unaffiliated	13,765,080	78.205%	13,765,080	78.205%
3.4 Other equity securities				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Tangible personal property under leases				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
5. Real estate investments				
5.1 Property occupied by the company				
5.2 Property held for production of income				
5.3 Property held for sale				
6. Policy loans				
7. Receivables for securities				
8. Securities Lending (Line 10, Asset Page reinvested collateral)	686,434	3.900%	686,434	3.900%
9. Cash and short-term investments	506,131	2.876%	506,131	2.876%
10. Other invested assets	387,908	2.204%	387,908	2.204%
11. Total invested assets	$ 17,601,208	100.000%	$17,601,208	100.000%

See Report of Independent Auditors on Supplementary Information.

Answer the following interrogatories by stating the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments as shown on the Summary Investment Schedule. All reporting entities must answer interrogatories 1, 2, 3, 4, 11 and, if applicable 20 and 24. Answer each of the interrogatories 5 through 19 (except 11) only if the reporting entity's aggregate holding in the gross investment category addressed in that interrogatory equals or exceeds 2.5% of the reporting entity's total admitted assets. For Life, Health and Fraternal blanks, responses are to exclude Separate Accounts.

1. State the reporting entity's total admitted assets as reported on page two of the NAIC Annual Statement. $17,634,099,000

2. State by investment category the 10 largest exposures to a single issuer/borrower/investment, excluding (i) U.S. government, U.S. government agency securities and those U.S. government money market funds listed in the Appendix to the SVO Purposes and Procedures Manual as exempt, (ii) property occupied by the company and (iii) policy loans.

	1	2	3
	Investment category	**Amount** *(in thousands of dollars)*	**Percentage of Total Admitted Assets**
2.01	Publicly Traded Equity Securities - Prudential Inst Index Fund	$ 3,900,977	22.1%
2.02	Publicly Traded Equity Securities - Vanguard Inst. Index Fund	3,014,534	17.1%
2.03	Publicly Traded Equity Securities - Federated Inst Fund	2,317,501	13.1%
2.04	Publicly Traded Equity Securities - Mondrian Int'l Equity Fund	1,476,573	8.4%
2.05	Industrial & Miscellaneous - Benchmark Diversified	516,961	2.9%
2.06	Publicly Traded Equity Securities - Vanguard Mid Cap Index Fund	338,781	1.9%
2.07	Publicly Traded Equity Securities - Vanguard Small Cap Index Fund	248,167	1.4%
2.08	Special Revenue Obligations - FHLMC Gold Pool C9-1386	38,202	0.2%
2.09	Special Revenue Obligations - FNMA Pass-Thru Pool AL4165	35,710	0.2%
2.10	Special Revenue Obligations - FNMA Pass-Thru Adj Libor	28,890	0.2%

3. State the amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

	Bonds	**1** *(in thousands of dollars)*	**2**		**Preferred Stocks**	**1** *(in thousands of dollars)*	**2**
3.01	NAIC - 1	$ 1,982,192	11.2%	3.07	P/PSF - 1	$ -	0.0%
3.02	NAIC - 2	226,397	1.3%	3.08	P/PSF - 2		0.0%
3.03	NAIC - 3	45,612	0.3%	3.09	P/PSF - 3		0.0%
3.04	NAIC - 4	-	0.0%	3.10	P/PSF - 4		0.0%
3.05	NAIC - 5	-	0.0%	3.11	P/PSF - 5		0.0%
3.06	NAIC - 6	1,454	0.0%	3.12	P/PSF - 6		0.0%

4. State the amounts and percentages of the reporting entity's total admitted assets held in foreign investments (regardless of whether there is any foreign currency exposure) and unhedged foreign currency exposure (defined as the statement value of investments denominated in foreign currencies which are not hedged by financial instruments qualifying for hedge accounting as specified in SSAP No. 31 – Derivative Instruments), including (i) foreign-currency-denominated investments of $0 (ii) supporting insurance liabilities in that same foreign currency of $0 and excluding (iii) Canadian investments and currency exposure of $0:

   Assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets, detail not required for interrogatories 5-10. Yes [X] No [ ]

5. Aggregate foreign investment exposure by NAIC sovereign rating.

   Not applicable

6. Two largest foreign investment exposures to a single country, categorized by NAIC sovereign rating.

   Not applicable

7. Aggregate unhedged foreign currency exposure.

   Not applicable

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign rating.

   Not applicable

9. Two largest unhedged currency exposures to a single country, categorized by NAIC sovereign rating.

   Not applicable

10. List the 10 largest sovereign (i.e. nongovernmental) foreign issues.

    Not applicable

11. State the amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure, including Canadian-currency-denominated investments of $0 supporting Canadian-denominated insurance liabilities of $0.

    Assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 12. Yes [X] No [ ]

12. Aggregate Canadian investment exposure.

13. State the amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions (defined as investments having restrictions that prevent investments from being sold within 90 days).

    Assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 13. Yes [X] No [ ]

See Report of Independent Auditors on Supplementary Information.

14. State the amounts and percentages of admitted assets held in the largest 10 equity interests (including investments in the shares of mutual funds, preferred stocks, publicly traded securities, and other equity securities, and excluding money market and bond mutual funds listed in the Appendix to the SVO Practices and Procedures Manual as exempt or Class 1).

    Assets held in equity interests less than 2.5% of the reporting entity's total admitted assets, detail not required Yes [ ] No [X]

	1 **Investment Category**	2 *(in thousands of dollars)*	3
14.01	Publicly traded equity securities - Prudential Inst Index Fund	$ 3,900,977	22.1%
14.02	Publicly traded equity securities - Vanguard Inst. Index Fund	3,014,534	17.1%
14.03	Publicly traded equity securities - Federated Inst Fund	2,317,501	13.1%
14.04	Publicly traded equity securities - U.S. Tips Index Fund	1,500,765	8.5%
14.05	Publicly traded equity securities - Mondrian Intl. Equity Fund	1,476,573	8.4%
14.06	Publicly traded equity securities - Benchmark Diversified	516,961	2.9%
14.07	Publicly traded equity securities - Vanguard Mid Cap Index Fund	338,781	1.9%
14.08	Publicly traded equity securities - Vanguard Small Cap Index Fund	248,166	1.4%
14.09	Publicly traded equity securities - Emcor Group Inc	20,636	0.1%
14.10	Publicly traded equity securities - World Fuel Services Corp	17,282	0.1%

15. State the amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated privately placed equities (included in other equity securities) and excluding securities eligible for sale under (i) Securities and Exchange Commission (SEC) Rule 144a or (ii) SEC Rule 144 without volume restrictions.

    Assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entities total admitted assets, detail not required. Yes [X] No [ ]

16. State the amounts and percentages of the reporting entity's total admitted assets held in general partnership interests (included in other equity securities).

    Assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets, detail not required. Yes [X] No [ ]

17. With respects to mortgage loans reported in Schedule B, state the amounts and percentages of the reporting entities total admitted assets held.

    Mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets, detail not required for interrogatories 17 and 18. Yes [X] No [ ]

18. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date.

19. State the amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate reported in Schedule A, excluding property occupied by the company.

    Assets held in each of the five largest investments in one parcel of real estate reported in Schedule A less than 2.5% of the reporting entity's total admitted assets, detail not required.
    Yes [X] No [ ]

20. State the amount and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-End		At End of Each Quarter (Unaudited)		
			1st Qtr	2nd Qtr	3rd Qtr
(in thousands of dollars)	1	2	3	4	5
20.01 Securities lending (do not include assets held as collateral for such transactions)	$ 653,463	3.7%	$ 676,222	$ 676,541	$ 696,253
20.02 Repurchase agreements					
20.03 Reverse repurchase agreements					
20.04 Dollar repurchase agreements					
20.05 Dollar reverse repurchase agreements					

21. State the amounts and percentages indicated below for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
	1	2	3	4
21.01 Hedging	$ -	0 %	$ -	0 %
21.02 Income generation		0 %		0 %
21.03 Other		0 %		0 %

22. State the amounts and percentages indicated below of potential exposure (defined as the amount determined in accordance with the NAIC Annual Statement Instructions) for collars, swaps, and forwards:

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
22.01 Hedging	$ -	0 %	$ -	$ -	$ -
22.02 Income generation		0 %			
22.03 Replications		0 %			
22.04 Other		0 %			

See Report of Independent Auditors on Supplementary Information.

Michigan Catastrophic Claims Association
Supplemental Investment Risks Interrogatories
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23. State the amounts and percentages indicated below of potential exposure (defined as the amount determined in accordance with the NAIC Annual Statement Instructions) for futures contracts:

		At Year-End		At End of Each Quarter 1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
23.01	Hedging	$ -	0 %	$ -	$ -	$ -
23.02	Income generation		0 %			
23.03	Replications		0 %			
23.04	Other		0 %			

24. State the amounts and percentages of 10 largest investments included in the Write-ins for Invested Assets category included on the Summary Investment Schedule:

		At Year-End		At End of Each Quarter 1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
23.01	Hedging	$ -	0 %	$ -	$ -	$ -
23.02	Income generation		0 %			
23.03	Replications		0 %			
23.04	Other		0 %			

See Report of Independent Auditors on Supplementary Information.