

# SUMMARY OF COMBINED ASSETS

Auto-Owners is unwavering in its commitment toward maintaining a high-quality investment portfolio. The Company remains loyal to the proven investment principles that have guided it along a steady path throughout the years.

Depicted is a breakdown of the combined assets of Auto-Owners Insurance as of Dec. 31, 2013. The combination of U.S. government bonds and investment-grade bonds represents 79.84% of assets. Non-investment-grade bonds represent only 0.19% of assets.

*"It has been said that change is the only constant. Unfortunately, not all change is good, as unfavorable events can strike at any time. Auto-Owners has maintained its strength during these difficult times of the past. Our adherence to a Safe.Sound.Secure.® investment portfolio helps assure that when you need us most, Auto-Owners will be there."*

Comments from J. F. Harrold,  
Chairman & CEO, Auto-Owners Insurance

## Auto-Owners Insurance

Combined Assets as of December 31, 2013

Cash & Short-Term Investments

U.S. Government Bonds

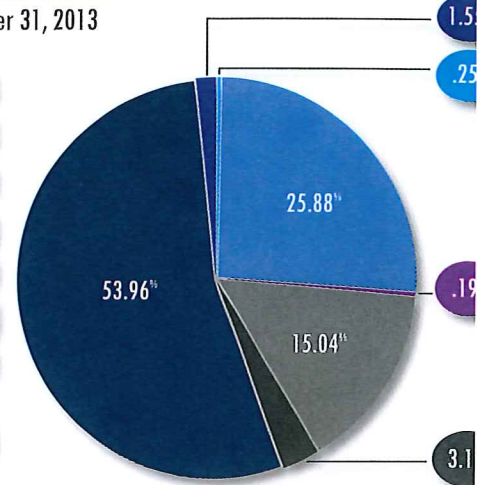
Non-Investment-Grade Bonds

Stocks

Real Estate Owned & Mortgages

Investment-Grade Bonds

Miscellaneous Assets



100%

# PROFIT & LOSS STATEMENT

## REVENUE

	Life Company	Property & Casualty Companies
Net Premiums Earned	248,399,225	5,163,041,647
Net Investment Income	126,126,626	488,067,967
<b>Total Income Earned</b>	<b>\$ 374,525,851</b>	<b>\$ 5,651,109,614</b>

## EXPENSES

Claims- and Policy-Related Expenses	304,927,161	3,357,103,468
Service and Administrative Expenses	38,935,967	1,555,442,794
<b>Total Expenses</b>	<b>\$ 343,863,128</b>	<b>\$ 4,912,546,262</b>
Net Income Before Income Taxes	30,662,723	738,563,352
Income Tax Expense	7,933,356	181,539,087
<b>NET INCOME</b>	<b>\$ 22,729,367</b>	<b>\$ 557,024,265</b>

Annual Report

STABILITY & CONSISTENCY | 2013

Auto-Owners Insurance



# COMMENTS FROM J. F. Harrold, Chairman & CEO, AUTO-OWNERS INSURANCE



2013 will be remembered as a very positive year for Auto-Owners Insurance. Not only did we continue in our efforts toward profitability (earning our second consecutive underwriting profit after four straight years without one), but we improved efficiency in almost every division of the company.

While the majority of the challenges may seem to be behind us, a commitment to improvement is a never-ending pursuit. With many programs underway, our goal remains to deliver top-quality products and services to all we serve.

We are pleased our agency partners continue to favor us with their good, quality business. Total net premium increased 5.7%, or almost \$300 million, to bring our total net premium and casualty premium to \$5.28 billion. Our Life Company had another strong year and an additional \$250 million in premium, bringing total group writings to over \$5.5 billion. Surplus grew 14%, bringing us to a new high of \$7.5 billion. This places us in a very good position to assist you with all the good business you entrust us with.

A.M. Best once again recognized the financial strength and stability of our group of companies and affirmed our A++ (Superior) rating. This is our 42nd consecutive year to receive their highest rating. In addition, we have once again been recognized as a Fortune 500 company for our 11th consecutive year, being ranked at No. 443.

In closing, I would be remiss not to recognize the support and contributions of our 6,200 agency partners, and the 4,200 associates who work together to provide protection and security for the millions of policyholders we jointly serve. It is a trust we take seriously and a privilege we do not take lightly. We remain committed to the independent agency system and strive to serve them with a relentless pursuit of excellence. You have our word on that.

Jeffrey F. Harrold, Chairman & CEO

*"A commitment to improvement is a never-ending pursuit. Our goal remains to deliver top-quality products and services to all we serve."*

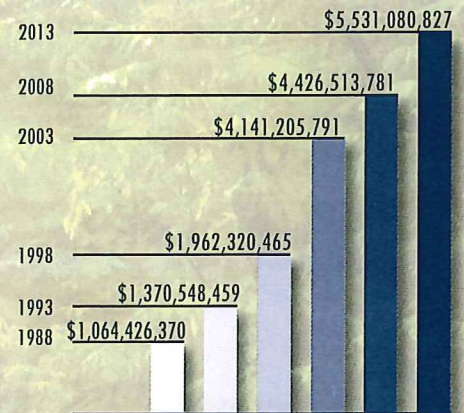
## FINANCIAL REPORT

ASSETS	Life Company	Property & Casualty Consolidated
Bonds	\$2,914,210,218	\$10,519,962,108
Stocks	157,824,178	2,690,648,414
Mortgages	171,547,550	61,725,356
Real Estate Owned	139,441,401	140,174,188
Premiums Receivable	39,961,351	941,438,434
Other Assets	86,228,409	691,401,985
<b>Total Assets</b>	<b>\$3,509,213,107</b>	<b>\$15,045,350,485</b>

LIABILITIES		
Claim and Policy Reserves	3,095,523,681	3,394,727,775
Unearned Premiums		2,437,655,991
Other Liabilities	85,199,650	1,701,811,701

CAPITAL		
Funds for the protection of policyholders	328,489,776	7,511,155,018
<b>Total Liabilities and Capital</b>	<b>\$3,509,213,107</b>	<b>\$15,045,350,485</b>

### NET WRITTEN PREMIUM (SALES)



### COMBINED ASSETS



## Auto-Owners Companies Earn A.M. Best Superior Ratings

Auto-Owners property and casualty companies are rated A++ (Superior) by A.M. Best Company, a nationally recognized independent insurance company rating organization. Auto-Owners Life Insurance Company is rated A+ (Superior) by A.M. Best. According to A.M. Best Company, the rating is based on Auto-Owners Insurance Group's "superior capitalization, historical trend of solid operating income,



experienced management team, blend of personal and commercial product offerings and long-standing agency relationships. In

addition, the group has strong risk management techniques and a well-established market position." A.M. Best also praised the Life Company: "The ratings of Auto-Owners Life Insurance Company reflect its integral role as the provider of life, health and annuity products for AIG, more-than-sufficient level of risk-adjusted capitalization and positive trend of operating gains in recent years." In A.M. Best's opinion, companies in the A++ and A+ classifications — their highest classifications — have a superior ability to meet ongoing obligations to policyholders. Auto-Owners Group has been rated A++ since 1992, and the Life Company has been rated A+ since 1976.

## Auto-Owners Companies Earn Top Ratings from Weiss Ratings

Auto-Owners Insurance Company, Auto-Owners Life Insurance Company, Owners Insurance Company and Property-Owners Insurance Company were all rated A Excellent by Weiss Ratings, Inc. Home-Owners Insurance Company and Southern-Owners Insurance Company were both rated A- Excellent. According to Weiss, companies in these categories offer "excellent financial security." Auto-Owners Insurance Company and Owners Insurance Company both earned "A" ratings and ranked among the top 10 companies in the nation for auto insurance, and among the top five in the nation for business insurance. Auto-Owners Insurance Company and Owners Insurance Company also earned "A" ratings and ranked among the top nine companies in the nation for homeowners insurance. Home-Owners Insurance Company earned "A-" ratings in auto, business and homeowners insurance. Auto-Owners Life Insurance Company was ranked in the top 15 in the country for life, annuity and health insurance.

## Auto-Owners Insurance's Property & Casualty Companies Earn Top Marks from Demotech, Inc.

Auto-Owners Insurance Company, Owners Insurance Company, Property-Owners Insurance Company, Home-Owners Insurance Company and Southern-Owners Insurance Company all earned Demotech's Financial Stability Rating® "A" (Unsurpassed) for 2013. The "A" rating recognizes unsurpassed financial stability, achieved by only the top companies evaluated. Demotech, Inc. is a financial analysis firm and has a proven track record of predicting financial stability in the insurance industry.

## Ward Financial Group Ranks Auto-Owners Life Insurance Company Among Its Top 50

Auto-Owners Life Insurance Company was named to the 2013 Ward's 50 Benchmark Group for achieving outstanding financial results over the past five years (2008 - 2012). This marks the 12th straight year Auto-Owners Life Insurance Company has been ranked among Ward's top life and health companies. The objectives of the analysis are to recognize the 50 companies that have excelled at balancing safety, consistency and performance over five years, and to then benchmark their performance with the industry overall.

Ward Financial Group is a Cincinnati-based management consulting and investment banking firm specializing in the insurance industry, and is recognized by *Fortune* magazine, *The New York Times*, *Reuters* news service and others as an authoritative source for insurance industry financial analysis.



## Auto-Owners Life Insurance Company Introduces New Products

Auto-Owners Life Insurance Company introduced two life products in 2013, a Single Pay Whole Life as well as a Ten Pay Whole Life product. The new Single Pay Whole Life product offers individuals the opportunity to purchase permanent life insurance with a one-time payment, which will provide financial protection for a lifetime.

The Ten Pay Whole Life product is ideal for clients who want to make a limited number of premium payment and receive lifetime coverage. These new products further enhance the Company's portfolio of products available to take care of the life, health and annuity needs of its clients.

## New Facilities Opened, Relocated in 2013

### New Offices

Auto-Owners Insurance opened three new branch offices in 2013: a claims-only branch in Conyers, Georgia; a personal injury protection claims office in Tallahassee, Florida; and a workers compensation claims branch was added to the office in Draper, Utah.

### Relocations

The Georgia workers compensation claims branch and the Duluth, Georgia, claims branch both moved to new location in Lawrenceville, Georgia, occupying 7,750 square feet. Also, several departments moved across the street to the Moulton Building from Auto-Owners Insurance Company's headquarters in Delta Township.

### Construction/Renovations

The training rooms at the home office in Delta Township were renovated, and the home office facade was updated with energy-efficient windows.



## COMPANY REPORTS

**Auto-Owners Insurance** saw its premium grow in 2013 and continues to be recognized for exceptional financial strength and stability among the nation's largest insurers. Comprising five property and casualty companies and one life/health/annuity insurer, the Companies had combined assets of \$18,223,242,831 at year-end 2013. Net written premiums totaled \$5,531,080,827, up by \$283 million from the previous year. More than 4.7 million personal and commercial insurance policies were in force at year-end. Associates in 122 underwriting, claims and marketing offices serve customers in the Companies' 26-state marketing territories.

**Auto-Owners Insurance Company** (established 1916) is represented by approximately 38,000 agents in more than 6,200 agencies, and is the group's largest insurer. This mutual insurance company ranks among the leading property and casualty insurers in the U.S. with recorded net written premiums of \$2,325,432,735 in 2013, an increase of 4.3% over the previous year.

**Auto-Owners Life Insurance Company** (established 1966) experienced another great year in 2013; applications received exceeded 42,000. The Company recorded \$31,628,582,095 of life insurance in force at year-end, an increase of 4.5% over the previous year. In addition, assets were up 6.4% to \$3,509,213,107, keeping this stock company among the top 100 life insurers in the U.S.

**Owners Insurance Company** (established 1975) recorded another strong year with written premiums of \$1,617,030,002 in 2013, an increase of 6.5% over the previous year. This stock company is the second-largest property and casualty insurer in the Auto-Owners Insurance group and operates in 25 of the 26 states that make up Auto-Owners' regional market.

**Home-Owners Insurance Company** (established 1973) recorded written premiums of \$1,045,263,117 in 2013, an increase of 6.6% over the previous year. This property and casualty stock company writes business primarily in Michigan and Ohio.

**Property-Owners Insurance Company** (established 1911) recorded written premiums of \$70,026,943 in 2013, an increase of 10.2% over the previous year. This stock insurer writes property and casualty products in Indiana, Michigan and Georgia.

**Southern-Owners Insurance Company** (established 1911) recorded written premiums of \$224,928,805 in 2013, an increase of 10.1% over the previous year. This stock insurer writes property and casualty products in Florida.