



85 7th Place East, Suite 500  
St. Paul, Minnesota 55101-2198  
[www.commerce.state.mn.us](http://www.commerce.state.mn.us)  
651.296.4026 FAX 651.297.1959  
An equal opportunity employer

March 26, 2013

Christopher M. Kaisershot  
Assistant Attorney General  
Suite 1800  
445 Minnesota Street  
St. Paul, MN 55101-2134

Dear Mr. Kaisershot:

Attached is the Liquidator's Quarterly Report in the Matter of the Liquidation of Minnesota Surety and Trust Company, signed March 26, 2013. We are requesting that you file this with the court on behalf of the Minnesota Department of Commerce.

Please let me know if you have any questions. Thank you for your assistance with this filing.

Sincerely,

Rick Theisen  
Chief Examiner  
Minnesota Department of Commerce  
[Rick.Theisen@state.mn.us](mailto:Rick.Theisen@state.mn.us)  
(651)297-4297

cc: Emily Johnson Piper  
Wayne Johnson

**State of Minnesota**

**District Court**

**County of Ramsey**

**Second Judicial District**

**62-CV-11-9400**

**In Re: The Matter of the Liquidation of  
Minnesota Surety and Trust Company**

**QUARTERLY REPORT  
MINN. STAT. § 60B.25**

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**REPORT ON PROGRESS OF LIQUIDATION PROCEEDINGS**

**April 1, 2013**

NOW COMES Mike Rothman, Commissioner of Commerce of the State of Minnesota, in his capacity as the statutory and court-appointed liquidator of Minnesota Surety and Trust Company, ("MSTC") and for his summary of progress and current status of the MSTC liquidation proceedings, states as follows:

1. The court placed MSTC in liquidation on November 22, 2011.
2. The court appointed the Commissioner of the Minnesota Department of Commerce (hereinafter "Commerce") as liquidator of MSTC.
3. MSTC, a Minnesota insurance company, was also licensed as a trust company and actively administered a number of trusts.

**REPORT**

**I. Financial Statements**

4. The Liquidator attaches hereto as Exhibit A the financial statement for MTSC as of December 31, 2012.

**II. Notice and Claims**

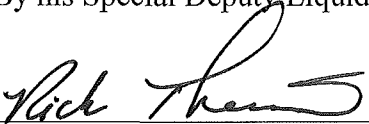
5. The Liquidator is in the process of evaluating completed proof-of-claim forms submitted prior to the November 1, 2012 claims filing deadline.

6. The Liquidator is reviewing information submitted by some of the former agents of MSTC for the release of the agent's build-up-fund accounts.

Respectfully submitted,

MIKE ROTHMAN  
Commissioner  
Minnesota Department of Commerce

By his Special Deputy Liquidator

  
Rick Theisen

3/26/2013

Date

Property and Casualty Companies

**Annual Statement**  
FOR THE YEAR ENDED DECEMBER 31, 2012  
OF THE CONDITION AND AFFAIRS OF THE

**MINNESOTA SURETY AND TRUST COMPANY**

NAIC Group Code                      NAIC Co. Code                      30996 Employer's ID Number 41-0665921

Organized under the Laws of Minnesota                      State of Domicile Minnesota

Country of domicile United States

Incorporated/Organized: August 28, 1945                      Commenced Business: August 28, 1945

Statutory Home Office                      85 7th Place East, Suite 500, St. Paul, MN 55101-2198

Main Administrative Office                      85 7th Place East, Suite 500, St. Paul, MN 55101-2198

Mail Address                      P.O. Box 133, Farmington, CT 06034

Primary Location of Books and Records                      85 7th Place East, Suite 500, St. Paul, MN 55101-2198

Internet Web Site Address                      <http://mn.gov/commerce/topics/enforcement/liquidations.jsp>

Statutory Statement Contact                      Rick Theisen (651) 297-4297

**OFFICERS**  
(None-Company in Liquidation)

**OTHER OFFICERS**  
None - Company in Liquidation)

**DIRECTORS OR TRUSTEES**  
None - Company in Liquidation)

State of Minnesota                      } SS  
County of Ramsey

The officers of this reporting entity being duly sworn, each depose and say that they are the described officer of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions there from for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

3/26/2013

Rick Theisen

Rick Theisen  
Chief Examiner, Special Deputy Liquidator

## ASSETS

	Current Year			December 31 Prior Year Net Admitted Assets
	Assets	Nonadmitted Assets	Net Admitted Assets (Column 1 minus Column 2)	
1 Bonds	1,107,197		1,107,197	1,600,717
2 Stocks:				
2.1 Preferred stocks				
2.2 Common Stocks				
3 Mortgage loans on real estate:				
3.1 First Liens				
3.2 Other than first liens				
4 Real estate				
4.1 Properties occupied by the company				
4.2 Properties held for the production of income (less \$ encumbrances)				
4.3 Properties held for sale (less \$ encumbrances)				
5 Cash (\$245,218, Schedule E-Part 1), cash equivalents (\$, Schedule E-Part 2)	245,218		245,218	343,118
6 Contract loans:				
7 Derivates				
8 Other invested assets				
9 Receivable for securities				
10 Securities lending reinvested collateral assets (Schedule DL)				
11 Aggregate write-ins for invested assets				
12 Subtotals, cash and invested assets (Line 1 through Line 11)	1,352,415	0	1,352,415	1,943,835
13 Title plants less \$ charged off (for Title Insurers only)				
14 Investment income due and accrued	8,573		8,573	14,854
15 Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	26,950	26,950	0	0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)				
16 Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Accrued retrospective premiums				
17 Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset	76,000	76,000	0	0
19 Guaranty funds receivable or on deposit				
20 Electronic data processing equipment and software				
21 Furniture and equipment, including health care delivery assets (\$ )				
22 Net adjustment in assets and liabilities due to foreign exchange rates				
23 Receivables from parent, subsidiaries and affiliates				
24 Health care (\$ ) and other amounts receivable				
25 Aggregate write-ins for other than invested assets	2,593		2,593	7,156
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell				
26 Accounts (Line 12 to Line 25)	1,466,531	102,950	1,363,581	1,965,851
27 From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28 Total (Line 26 and Line 27)	1,466,531	102,950	1,363,581	1,965,851
DETAILS OF WRITE-INS				
1101				
1102				
1103				
1198 Summary of remaining write-ins for Line 11 from overflow page				
1199 Totals (Lines 1101 through 1103 plus 1198)(Line 11 above)				
2501 Cash Surrender Value Life Insurance	2493		2,493	7,162
2502 Assets Reserved for the Account of Others	100		100	0
2503				
2598 Summary of remaining write-ins for Line 25 from over flow page				
2599 Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	2,593		2,593	7,162

## ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1 Losses	90,537	90,537
2 Reinsurance payable on paid losses and loss adjustment expenses		
3 Loss adjustment expenses	15,843	15,843
4 Commissions payable, contingent commissions and other similar charges	1,630	1,630
5 Other expenses (excluding taxes, licenses and fees)	172,639	200,851
6 Taxes, licenses and fees (excluding federal and foreign income taxes)	25,050	25,050
7 1 Current federal and foreign income taxes (including \$ on realized capital gains (losses))		
7 2 Net deferred tax liability		
8 Borrowed money		195,091
9 Unearned premiums	30,875	30,875
10 Advanced premium		
11 Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12 Ceded reinsurance premiums payable (net of ceding commissions)		
13 Funds held by company under reinsurance treaties		
14 Amounts withheld or retained by company for account of others	179,101	329,038
15 Remittances and items not allocated		
16 Provision for reinsurance		
17 Net adjustments in assets and liabilities due to foreign exchange rates		
18 Drafts outstanding		
19 Payable to parent, subsidiaries and affiliates	303,784	112,151
20 Derivatives		
21 Payable for securities		
22 Payable for securities lending		
23 Liability for amounts held under uninsured plans		
24 Capital notes \$ and interest thereon \$		
25 Aggregate write-ins for liabilities		
26 Total liabilities excluding protected cell liabilities (Line 1 through Line 25)	819,459	1,001,066
27 Protected cell liabilities		
28 Total liabilities (Line 26 and Line 27)	819,459	1,001,066
29 Aggregate write-ins for special surplus funds		
30 Common capital stock	500,000	500,000
31 Preferred capital stock		
32 Aggregate write-ins for other than special surplus funds		
33 Surplus notes	1,212,000	1,212,000
34 Gross paid in and contributed surplus	100,000	100,000
35 Unassigned funds (surplus)	(1,267,849)	(847,215)
36 Less treasury stock, at cost:		
36.1 Shares common (value included in Line 30 \$		
36.2 Shares preferred (value included in Line 31 \$		
37 Surplus as regards policyholders (Line 29 to Line 35, less Line 36) Page 4, Line 39	544,151	964,785
38 Totals (Page 2, Line 28, Column 3)	1,363,610	1,965,851
DETAILS OF WRITE-INS		
2501		
2502		
2503		
2598 Summary of remaining write-ins for Line 25 from overflow page		
2599 Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)		
2901		
2902		
2903		
2998 Summary of remaining write-ins for Line 29 from overflow page		
2999 Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		
3201		
3202		
3203		
3298 Summary of remaining write-ins for Line 32 from overflow page		
3299 Totals (Line 3201 through 3203 plus 3298) (Line 32 above)		

## STATEMENT OF INCOME

	1 Current Year to Date	Prior Year Ended December 31
<b>UNDERWRITING INCOME</b>		
1 Premiums earned (Part 1, Line 35, Column 4)		464,571
<b>DEDUCTIONS:</b>		
2 Losses Incurred (Current accident year \$ ):		110,320
3 Loss adjustment expenses incurred	300	(16,580)
4 Other underwriting expenses incurred	470,022	995,887
5 Aggregate write-ins for underwriting deductions		
6 Total underwriting deductions (Lines 2 through 5)	470,322	1,089,627
7 Net income of protected cells		
8 Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(470,322)	(625,056)
<b>INVESTMENT INCOME</b>		
9 Net investment income earned	30,261	66,282
10 Net realized capital gains (losses) less capital gains tax of \$	4,008	20,377
11 Net investment gain (loss) (Lines 9 + 10)	34,269	86,659
<b>OTHER INCOME</b>		
12 Net gain or (loss) from agents' or premium balances charged off (amount received \$ amount charged off \$ )		
13 Finance and service charges not included in premiums		
14 Aggregate write-ins for miscellaneous income	11,410	5,710
15 Total other income (Lines 12 through 14)	11,410	5,710
16 Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 plus Line 11 + 15)	(424,643)	(532,687)
17 Dividends to policyholders		
18 Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(424,643)	(532,687)
19 Federal and foreign income taxes incurred		
20 Net income (Line 18 minus Line 19) (to Line 22)	(424,643)	(532,687)
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21 Surplus as regards policyholders, December 31 prior year	964,785	1,399,076
22 Net income (from Line 20)	(424,643)	(532,687)
23 Net transfers (to) from Protected Cell accounts		
24 Change in net unrealized capital gains or (losses) less capital gains tax of \$		
25 Change in net unrealized foreign exchange capital gain (loss)		
26 Change in net deferred income tax		(1,000)
27 Change in nonadmitted assets	3,980	96,679
28 Change in provision for reinsurance		
29 Change in surplus notes		
30 Surplus (contributed to) withdrawn from protected cells		
31 Cumulative effect of changes in accounting principles		
32 Capital Changes		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33 Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock dividend)		
33.3 Transferred from capital		
34 Net remittances from or (to) Home Office		
35 Dividends to stockholders		
36 Change in treasury stock (Page 3, Line 36.1 and Line 36.2, Column 2 minus Column 1)		
37 Aggregate write-ins for gains and losses in surplus		2,817
38 Change in surplus as regards policyholders for the year (Line 22 through Line 37)	(420,663)	(434,291)
39 Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	544,122	964,785
<b>DETAILS OF WRITE-INS</b>		
501		
502		
503		
508 Summary of remaining write-ins for Line 5 from overflow page		
509 Totals (Line 0501 through Line 0503 plus Line 0508) (Line 5 above)	-	96,478
1401 Fiduciary Fees	1,468	
1402 Auction Proceeds	9,855	
1402a Fiduciary Expenses		
1403 Other Miscellaneous Income	87	
1498 Summary of remaining write-ins for Line 14 from overflow page		
1499 Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)	11,410	-
3701 Prior Year Adjustments		2,817
3702 Nonadmitted Fiduciary Assets		
3703 Miscellaneous		
3798 Summary of remaining write-ins for Line 37 from overflow page		
3799 Totals (line 3701 through Line 3703 plus Line 3798) (Line 37 above)	-	2,817

## ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

**CASH FLOW**

	1 Current Year to Date	3 Prior Year Ended December 31
1 Premiums collected net of reinsurance	0	402,930
2 Net investment income	34,269	52,255
3 Miscellaneous income	11,410	5,710
4 Total (Lines 1 to 3)	45,679	460,895
5 Benefit and loss related payments	(961)	4,744
6 Net transfers to Separate Account, Segregated Accounts and Protected Cell Accounts		
7 Commissions, expenses paid and aggregate write-ins for deductions	640,541	479,541
8 Dividends paid to policyholders		
9 Federal and foreign income taxes paid (recovered net of \$..... tax on capital gains (losses))		
10 Total (Lines 5 through 9)	639,580	484,285
11 Net cash from operations (Line 4 minus Line 10)	(593,901)	(23,390)
12 Proceeds from investments sold, matured or repaid:		
12.1 Bonds	496,000	204,495
12.2 Stocks		27,144
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12 to 12.7)	496,000	231,639
13 Cost of investment acquired (long-term only):		
13.1 Bonds		245,892
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous application		
13.7 Total investment acquired (Lines 13.1 to 13.6)	0	245,892
14 Net increase (or decrease) in contract loans and premium notes		
15 Net cash from investments (Line 12, 8 minus Line 13.7 and Line 14)	496,000	(14,253)
<b>Cash from Financing and Miscellaneous Sources</b>		
16 Cash provide (applied)		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		329,038
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	3,980	
17 Net cash from financing and miscellaneous sources (Lines 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	3,980	329,038
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18 Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(93,921)	291,395
19 Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	343,118	51,723
19.2 End of period (Line 18 plus Line 19.1)	249,197	343,118



## ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

## UNDERWRITING AND INVESTMENT EXHIBIT

## PART 1 - PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums 31-Dec Prior Year per Column 3, Last Year's Part 1	3 Unearned Premiums 31-Dec Current Year- per Column 5 Part 1A	4 Premiums Earned During Year (Columns 1 plus 2 minus 3)
1 Fire				
2 Allied lines				
3 Farmowners multiple peril				
4 Homeowners multiple peril				
5 Commercial multiple peril				
6 Mortgage guaranty				
8 Ocean Marine				
9 Inland marine				
10 Financial guaranty				
11.1 Medical professional liability - occurrence				
11.2 Medical professional liability - claims made				
12 Earthquake				
13 Group accident and health				
14 Credit accident and health (group and individual)				
15 Other accident and health				
16 Workers' compensation				
17.1 Other liability - occurrence				
17.2 Other liability - claims made				
17.3 Excess workers' compensation				
18.1 Products liability - occurrence				
18.2 Products liability - claims made				
19.1 19.2 Pirate passenger auto liability				
19.3 19.4 Commercial auto liability				
21 Auto physical damage				
22 Aircraft (all perils)				
23 Fidelity				
24 Surety	0	0	0	0
25 Burglary and theft				
27 Boiler and machinery				
28 Credit				
29 International				
30 Warranty				
31 Reinsurance-Nonproportional Assumed Property				
32 Reinsurance-Nonproportional Assumed Liability				
33 Reinsurance-Nonproportional Assumed Financial Lines				
34 Aggregate write-ins for other lines of business				
35 TOTALS	0	0	0	0
DETAILS OF WRITE-INS				
3401				
3402				
3403				
3498				
3499				

## ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

## UNDERWRITING AND INVESTMENT EXHIBIT

## PART 1 A- RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running 1 year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premiums	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Columns 1+2+3+4
1 Fire					
2 Allied lines					
3 Farmowners multiple peril					
4 Homeowners multiple peril					
5 Commercial multiple peril					
6 Mortgage guaranty					
8 Ocean Marine					
9 Inland marine					
10 Financial guaranty					
11.1 Medical professional liability - occurrence					
11.2 Medical professional liability - claims made					
12 Earthquake					
13 Group accident and health					
14 Credit accident and health (group and individual)					
15 Other accident and health					
16 Workers' compensation					
17.1 Other liability - occurrence					
17.2 Other liability - claims made					
17.3 Excess workers' compensation					
18.1 Products liability - occurrence					
18.2 Products liability - claims made					
19.1 19.2 Pirate passenger auto liability					
19.3 19.4 Commercial auto liability					
21 Auto physical damage					
22 Aircraft (all perils)					
23 Fidelity					
24 Surety	0	0	0	0	0
25 Burglary and theft					
27 Boiler and machinery					
28 Credit					
29 International					
30 Warranty					
31 Reinsurance-Nonproportional Assumed Property					
32 Reinsurance-Nonproportional Assumed Liability					
33 Reinsurance-Nonproportional Assumed Financial Lines					
34 Aggregate write-ins for other lines of business					
35 TOTALS	0	0	0	0	0
DETAILS OF WRITE-INS					
3401					
3402					
3403					
3498 Summary of remaining write-ins for Line 34 from overflow page					
3499 Totals (Line 3401 through Line 3403 plus Line 3498)					

(a) State here basis of computation used in each case

## ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

## UNDERWRITING AND INVESTMENT EXHIBIT

## PART 1B-PREMIUMS WRITTE

Line of Business	1 Direct Busienss (a)	Reinsurance Assumed		Reinsurance Ceded		5 Net Premiums Written Cloumns 1+2+3-4-5
		2 From Affiliates	3 From NonAffiliates	4 To Affiliates	5 Tp Non-Affiliates	
1 Fire						
2 Allied lines						
3 Farmowners multiple peril						
4 Homeowners multiple peril						
5 Commercial multiple peril						
6 Mortgage guaranty						
8 Ocean Marine						
9 Inland marine						
10 Financial guaranty						
11.1 Medical professional liability - occurrence						
11.2 Medical professional liability - claims made						
12 Earthquake						
13 Group accident and health						
14 Credit accident and health (group and individual)						
15 Other accident and health						
16 Workers' compensation						
17.1 Other liability - occurrence						
17.2 Other liability - claims made						
17.3 Excess workers' compensation						
18.1 Products liability - occurrence						
18.2 Products liability - claims made						
19.1 19.2 Pirate passenger auto liability						
19.3 19.4 Commercial auto liability						
21 Auto physical damage						
22 Aircraft (all perils)						
23 Fidelity						
24 Surety	0	0	0	0	0	0
25 Burglary and theft						
27 Boiler and machinery						
28 Credit						
29 International						
30 Warranty						
31 Reinsurance-Nonproportional Assumed Property						
32 Reinsurance-Nonproportional Assumed Liability						
33 Reinsurance-Nonproportional Assumed Financial Lines						
34 Aggregate write-ins for other lines of business						
35 TOTALS	0	0	0	0	0	0
DETAILS OF WRITE-INS						
3401						
3402						
3403						
3498 Summary of remaining write-in for Line 34 from overflow page						
3499 Totals						

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes ( ) No (x)

## ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

	Losses Paid Less Salvage				5	6	7	8
	1	2	3	4	Net Losses Unpaid Current year Part 2A	Net Losses Unpaid Prior Year	Losses Incurred Current Year Columns 4+5-6	% of Losses Incurred
	Direct Business	Reinsurance Assumed	Reinsurance Recovered	Net Payments (Columns 1 plus 2 minus 3)				
1 Fire								
2 Allied lines								
3 Farmowners multiple peril								
4 Homeowners multiple peril								
5 Commercial multiple peril								
6 Mortgage guaranty								
8 Ocean Marine								
9 Inland marine								
10 Financial guaranty								
11.1 Medical professional liability - occurrence								
11.2 Medical professional liability - claims made								
12 Earthquake								
13 Group accident and health								
14 Credit accident and health (group and individual)								
15 Other accident and health								
16 Workers' compensation								
17.1 Other liability - occurrence								
17.2 Other liability - claims made								
17.3 Excess workers' compensation								
18.1 Products liability - occurrence								
18.2 Products liability - claims made								
19.1 19.2 Pirate passenger auto liability								
19.3 19.4 Commercial auto liability								
21 Auto physical damage								
22 Aircraft (all perils)								
23 Fidelity								
24 Surety				0	90537	90537	0	0
25 Burglary and theft								
27 Boiler and machinery								
28 Credit								
29 International								
30 Warranty								
31 Reinsurance-Nonproportional Assumed Property								
32 Reinsurance-Nonproportional Assumed Liability								
33 Reinsurance-Nonproportional Assumed Financial Lines								
34 Aggregate write-ins for other lines of business								
35 TOTALS	0	0	0	0	90,537	90,537	0	0
DETAILS OF WRITE-INS								
3401								
3402								
3403								
3498 Summary of remaining write-in for Line 34 from overflow page								
3499 Totals								

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

Organization

Minnesota Surety and Trust Company (the Company) was incorporated and commenced operations on August 28, 1945, under the Statutes of the State of Minnesota. The Company was a licensed property and casualty insurer under Minnesota Statutes Section 60A.06. Effective November 17, 2011, the Company's Minnesota Certificate of Authority to operate as an insurer was revoked. Effective November 22, 2011, the Company was ordered into liquidation.

The Company is a majority owned subsidiary of First Heartland Surety and Casualty Services Company (First Heartland). The Company was engaged in underwriting surety and bail bonds in the states of Minnesota, North Dakota, Montana, Utah, South Dakota and Colorado. The coverage on the surety and bail bonds was marketed to customers through a network of independent insurance agents and brokers. The Company also provided trust services primarily to individuals in Minnesota.

The financial statements have been prepared in conformity with the accounting practices prescribed or permitted by the National Association of Insurance Commissioners and the Minnesota Department of Commerce.

B. Use of estimates in the Preparation of the Financial statements & Accounting Policy

The Company records bail bond premiums on the net remittances method. As such, the difference between the fee, generally 10% of the bond, and the premium has not been recorded in these financial statements.

Premiums written are recorded on an annual basis to match the billing to the policyholder. Premiums on other than bail bonds are earned on a pro rata basis over the life of the insurance policy. Audit adjustments to premiums are recognized in the period that the adjustment becomes known. Unearned premium reserves are established for the portion of premiums billed applicable to the unexpired term of the premium.

Certain costs of acquiring new business, principally commissions premium taxes and other variable policy issuance and underwriting expenses, are expensed when due.

Unpaid claim and settlement expenses are based on estimates of reported and unreported claims and related settlement expenses. The Company does not discount the reserve liability for future policy claims settlement expenses.

Investments in fixed maturity bonds are recorded at amortized cost under the valuation standards of the National Association of Insurance Commissioners. No provision is made for temporary declines in market values below amortized cost as the Company generally intends to hold these investments until maturity and does not expect to realize an significant losses. If, however, a permanent impairment occurs in a security, the Company writes the security down to the new value. Short-term investments are recorded at cost, which approximates market. Investments in common and preferred stocks are carried at estimated market values based on published market quotations.

Realized gains and losses are computed based on specific identification of the cost of the securities sold. Unrealized gains and losses of common and preferred stock are included in surplus.

Cash and short-term investments include demand and savings deposits at several financial institutions. At times cash on deposit may exceed federally insured limits. For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of one year or less, when purchased, to be cash equivalents.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO  
**NOTES TO FINANCIAL STATEMENTS**

**2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS**

There were no material accounting changes or corrections of errors during the period covered by these financial statements.

**3. BUSINESS COMBINATIONS AND GOODWILL**

The Company was not involved in any business combinations during the period covered by these financial statements.

**4. DISCONTINUED OPERATIONS**

The Company was ordered into liquidation by the State of Minnesota on November 22, 2011.

**5. INVESTMENTS**

During the period covered by these financial statements, the Company had no mortgage loans, real estate loans, debt restructuring, reverse mortgages, loan backed securities or repurchase agreements.

**6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES**

The Company had no investments in joint ventures, partnerships or limited liability companies that exceeded 10% of its admitted assets, during the period covered by these financial statements.

**7. INVESTMENT INCOME**

The Company did not exclude any investment income due and accrued as of December 31, 2012.

**8. DERIVATIVE INSTRUMENTS**

The Company had no derivative financial instruments during the period covered by these financial statements.

**9. INCOME TAXES**

There were no income taxes incurred and all deferred tax assets were non-admitted as of December 31, 2012.

**10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES**

First Heartland owns 380,099 of the 500,000 issued and outstanding shares of Company capital common stock. First Heartland also holds surplus notes in the Company in the amount of \$215,000. The Company paid First Heartland \$4,550 in 2012 for rents and services provided. The Company had no written agreement for rental of office space or the services provided. The Company no longer rents office space from First Heartland.

The Company made payments of \$690 to Plunkett & Associates, an affiliated law firm, for services rendered to the Company during the first quarter of 2012.

**11. DEBT**

As of December 31, 2012, the Company had the following secured and unsecured notes payable:

- 1) Promissory note payable to First Heartland in the amount of \$191,633.
- 2) Demand note payable to Warren Plunkett in the amount of \$112,151.

**12. RETIREMENT, DEFERRED COMPENSATION AND POST RETIREMENT BENEFIT PLANS**

The Company was not a party to any retirement, deferred compensation or post retirement benefit plans at year end 2012.

**13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTION AND QUAI-REORGANIZATION**

The Company had 500,000 issued and outstanding shares of \$1 par value capital common stock. The Company has no authorized capital preferred stock.

The Company has \$1,212,000 of outstanding surplus notes payable only with the written approval of the Minnesota Commissioner of Commerce.

**14. CONTINGENCIES**

The Company had no known contingent commitments, outside the normal course of business, as of year end 2012 except potential contingencies arising from the liquidation proceeding of the Company.

**15. LEASES**

The Company is not a party to any leases.

**16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK**

The Company had no financial instruments with off-balance sheet risk as of December 31, 2012.

**17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES**

The Company repaid a secured loan to a local financial institution in the amount of \$3,191 during the first quarter of 2012.

**18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS**

The Company has no interests in uninsured plans.

**19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/ADMINISTRATORS**

No premiums were written in 2012.

**20. FAIR VALUE MEASUREMENTS**

Not Applicable.

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE MINNESOTA SURETY AND TRUST COMPANY  
**NOTES TO FINANCIAL STATEMENTS**

21. OTHER ITEMS

None.

22. EVENTS SUBSEQUENT

None

23. REINSURANCE

None

24. RETROSPECTIVELY RATED CONTRACTS

Not applicable

25. CHANGES IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

No change.

26. INTERCOMPANY POOLING ARRANGEMENTS

Not applicable

27. STRUCTURED SETTLEMENTS

Not applicable

28. HEALTH CARE RECEIVABLES

Not applicable

29. PARTICIPATING POLICIES

Not applicable

30. PREMIUM DEFICIENCY RESERVES

Not applicable

31. HIGH DEDUCTIBLES

Not applicable

32. DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES

Not applicable

33. ASBESTOS/ENVIRONMENTAL RESERVE

Not applicable

34. SUBSCRIBER SAVINGS ACCOUNTS

Not applicable

35. MULTIPLE PERIL CROP INSURANCE

Not applicable

36. FINANCIAL GUARANTEE INSURANCE

Not applicable

## ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

**GENERAL INTERROGATORIES****Part 1 - COMMON INTERROGATORIES****GENERAL**

1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?	Yes ( )	No (X)
1.2 If yes, has the report been filed with the domiciliary state?	Yes ( )	No ( )
2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?	Yes ( )	No (X)
2.2 If yes, date of change:		
3 Have there been any substantial changes in the organizational chart since the prior quarter end? If yes, complete the Schedule Y- Part 1- organization al chart	Yes ( )	No (X)
4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?	Yes ( )	No (X)
4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as result of the merger or consolidation.		
5 If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement of principals involved?	Yes ( )	No ( ) NA (X)
6.1 State as of what date the latest financial examination of the reporting entity was made or is being made.		12/31/2009
6.2 State the as of date that the latest financial examination report become available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released		12/31/2009
6.3 State as of what the latest financial examination report become available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).		07/15/2010
6.4 By what department or departments? Minnesota Department of Commerce		
6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?	Yes ( )	No ( ) NA (X)
6.6 Have all of the recommendations within the latest financial examination report been complied with	Yes ( )	No ( ) NA (X)
7.1 Has the reporting entity had any Certificate of Authority, licenses or registration (including corporate registration, if applicable) suspended	Yes (X)	No ( )
7.2 If yes, give full information: The Company is in liquidation and no longer writing business in any state.		
8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?	Yes ( )	No (X)
8.2 If response to 8.1 is yes, please identify the name of the bank holding company.		
8.3 Is the Company affiliated with one or more banks, thrifts or securities firms?	Yes ( )	No (X)
8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency (i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.]		
9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing: (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity; (c) Compliance with applicable governmental law, rules and regulations; (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and (e) Accountability for adherence to the code.	Yes (X)	No ( )
9.11 If the response to 9.1 is No, please explain:		
9.2 Has the code of ethics for senior management been amended?	Yes ( )	No (X)
9.21 If the response to 9.2 is Yes, provide the nature of any waiver(s).		
<b>FINANCIAL</b>		
10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?	Yes ( )	No (X)
10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount		



ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO  
**GENERAL INTERROGATORIES**

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes ☐ No ☒

11.2 If yes, give full and complete information relating thereto:

12 Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$0

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes ☐ No ☒

14.2 If yes please complete the following:

14.21 Bonds

14.22 Preferred Stock

14.23 Common Stock

14.24 Short-Term Investments

14.25 Mortgage Loans on Real Estate

14.26 All Other

14.27 Total Investment in Parent, Subsidiaries and Affiliates

14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes ☐ No ☒

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes ☐ No ☐

16 Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1.III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Exam Yes ☒ No ☐

16.1 For all agreement that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

Name of Custodian(s)

Custodian Address

Wells Fargo Bank NA

US Bank NA

16.2 For all agreement that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

Name of Custodian(s)

Custodian Address

16.3 Has there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current Yes ☐ No ☒

16.4 If yes, give full and complete information relating thereto:

16.5 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office Yes ☒ No ☐

17.2 If no, list exceptions:

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

**GENERAL INTERROGATORIES**

( Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise note.)

**Part 2**

**PROPERTY & CASUALTY INTERROGATORIES**

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change Yes ( ) No ( ) NA (X)  
If yes, attach an explanation.
2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part from any loss that may occur on the risk, or portion thereof, reinsured? Yes ( ) No (X)  
If yes, attach an explanation.
- 3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes ( ) No (X)
- 3.2 If yes, give full and complete information thereto
- 4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves,") discounted at a rate of interest greater than zero? Yes ( ) No (X)

4.2 If yes complete the following schedule:

			Total Discount				Discount taken During Period			
1	2	3	4	5	6	7	8	9	10	11
Line of Business	Maximum Interest	Discount Rate	Unpaid Losses	Unpaid LAE	IBNR	TOTAL	Unpaid Losses	Unpaid LAE	IBNR	TOTAL

5. Operating Percentages
- 5.1 A&H loss percent %
- 5.2 A&H cost containment percent %
- 5.3 A&H expense percent excluding cost containment expense %
- 6.1 Do you act as a custodian for health savings accounts? Yes ( ) No (X)
- 6.2 If yes, please provide the amount of custodial funds held as of the reporting date \$
- 6.3 Do you act as an administrator for health savings accounts? Yes ( ) No (X)
- 6.4 If yes, please provide the balance of the funds administered as of the reporting date. \$

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

SCHEDULE F-CEDED REINSURANCE

**NONE**

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

**NONE**

PART - 2 DIRECT PREMIUMS WRITTEN

**NONE**

SCHEDULE A - VERIFICATION

**NONE**

SCHEDULE B - VERIFICATION

**NONE**

SCHEDULE BA- VERIFICAQTION

**NONE**

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

Schedule DA - Part 1
<b>NONE</b>
Schedule DA - Verification
<b>NONE</b>
Schedule DB - Part A Verification
<b>NONE</b>
Schedule DB - Part B Verification
<b>NONE</b>
Schedule DB - Part C - Section 1
<b>NONE</b>
Schedule DB - Part C - Section 2
<b>NONE</b>
Schedule DB -Verification
<b>NONE</b>
Schedule E -Verification
<b>NONE</b>
Schedule A -Part 2
<b>NONE</b>
Schedule A - Part 3
<b>NONE</b>
Schedule B -Part 2
<b>NONE</b>
Schedule BA - Part 2
<b>NONE</b>

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

Schedule BA - Part 3
<b>NONE</b>

Schedule DB - Part A - Section 1
<b>NONE</b>

Schedule DB - Pt. A - Sn. 1 - Footnote (a)
<b>NONE</b>

Schedule DB - Pt. B - Section 1
<b>NONE</b>

Schedule DB - Pt. B - Sn. 1 - Footnotes
<b>NONE</b>

Schedule DB - Part D
<b>NONE</b>

Schedule DL - Part 1
<b>NONE</b>

Schedule DL - Part 2
<b>NONE</b>

Schedule E - Part 2
<b>NONE</b>

**ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO**  
**SCHEDULE D - PART 1A-SECTION 1**

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations  
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

[illegible]

# SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Dividends Received During the Year	Stated Maturity Date	Interest Stock Designation	N/A/C or Market Indicator	
912828HC7	US Treasury Note	06/01/2012	US Treasury		120,000	120,000	1,000	120,000					120,000		0	0	4,950	06/01/2012		1	
912828HC4	US Treasury Note	07/12/2012	US Treasury		120,294	120,000	1,000	124,380					124,380		4,008	4,008	1,091	10/01/2015		1	
912828HC5	US Treasury Note	01/15/2012	US Treasury		125,022	125,000	1,000	125,000					125,000				703	01/15/2012		1	
912828HC4	US Treasury Note	03/15/2012	US Treasury		126,020	126,000	1,000	126,000					126,000				938	03/15/2012		1	
058000	Bonds - U.S. Governments				489,284	487,000		485,385					485,385		4,008	4,008	7,682	var		var	
310000	Total - bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of ...																				
309000	Bonds - Industrial and Miscellaneous																				
809907	Total - bonds - Part 4.				489,284	487,000	0	485,385	0	0	0	0	485,385	0	4,008	4,008	7,682	var		var	
838006	Total - Bonds				489,284	487,000	0	485,385	0	0	0	0	485,385	0	4,008	4,008	7,682	var		var	
909959	Total - Preferred Stocks																				
979959	Total - Common Stocks																				
989959	Total - Preferred and Common Stocks																				
989959	Total				489,284	487,000	0	485,385	0	0	0	0	485,385	0	4,008	4,008	7,682	var		var	

## ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

## SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in Annual Statement			
	1	2	3	4	5	6
	Amount	Percentage	Amount	Securities Lending Reinvested Collateral Amount	Total Amount Col 3 + Col 4	Percentage
1 Bonds:						
1.1 US treasury securities	1,107,197	100%	1,107,197		0	0
1.2 US government agency obligations(excluding mortgage-back securities):						
1.21 Issued by U.S. government agencies						
1.22 Issued by U.S. government sponsored agencies						
1.3 Non U.S. government (including Canada, excluding mortgage-back securities)						
1.4 Securities issued by states, territories, and possessions and political subdivisions in the US						
1.41 States, territories and possessions general obligations						
1.42 Political subdivisions of states, territories and possessions and political subdivision general obligation						
1.43 Revenue and assessment obligations						
1.44 Industrial development and similar obligations						
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.521 Issued or guaranteed by GNMA, FNA, FHLMC or VA						
1.522 Issued or guaranteed by FMMA, FHLMIC						
1.523 All other						
1.52 CMOs and REMIC						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA						
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-back securities issued or guaranteed by agencies show in Line 1.521						
1.523 All other						
2 Other debt and other fixed income securities (excluding short term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)						
2.2 Unaffiliated non-U.S. securities (including Canada)						
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 Publically traded equity securities (excluding preferred stocks):						
3.31 Affiliated						
3.32 Unaffiliated						
3.4 Other equity securities:						
3.41 Affiliated						
3.42 Unaffiliated						
3.5 Other equity interests including tangible personal property under lease:						
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						
4.6 Mezzanine real estate loans						
5 Real estate investments:						
5.1 Property occupied by company						
Property held for production of income (including \$..... Of property						
5.2 acquired in satisfaction of debt						
Property held for sale (including \$.....property acquired in satisfaction of						
5.3 debt						
6 Contract loans						
7 Derivatives						
8 Receivables for securities						
9 Securities Lending (Line 10, Asset page reinvested collateral)						
10 Cash, cash equivalents and short-term investments						
11 Other invested assets						
12 Total invested assets	1,107,197	1	1,107,197	0	0	0



ANNUAL STATEMENT OF THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

SCHEDULE BA-VERIFICATION BETWEEN YEARS

NONE

SCHEDULE D - VERIFICATION BETWEEN YEARS

1 Book/adjusted carrying value, December 31 of prior year	1,600,717
2 Cost of bonds and stocks acquired Part 3, Column 7	0
3 Accrual of discount	1959
4 Unrealized valuation increase (decrease)	
4.1 Part 1 Column 12	
4.2 Part 2, Section 1 Column 15	
4.3 Part 2, Section 2 Column 13	
4.4 Part 4, Column 11	
5 Total gain (loss) on disposals, Part 4 Column 19	4,008
6 Deduction consideration for bonds and stocks disposed of, Part 4, Column 7	499,394
7 Deduct amortization of premium	93
8 Total foreign exchange change in book/adjusted carrying value	
8.1 Part 1, Column 15	
8.2 Part 2, Section 1, Column 19	
8.3 Part 2, Section 2, Column 16	
8.4 Part 4 Column 13	
9 Deduct current year's other than temporary impairment recognized:	0
9.1 Part 1, Column 14	
9.2 Part 2, Section 1, Column 17	
9.3 Part 2, Section 2, Column 14	
9.4 Part 4, Column 13	
10 Book/adjusted carrying value at end of current period (line 1 plus Line 2 plus Line 3 plus Line 4 plus Line 5 minus Line 6 minus Line 7 plus Line 8 minus Line 9)	1,107,197
11 Deduct total nonadmitted amounts	
12 Statement value at end of current period (line 10 minus Line 11)	1107197

## ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

**SCHEDULE D - SUMMARY BY COUNTRY**

Long-Term Bonds and Stocks OWNED December 31 of Current Year

		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS	1. United States	1,107,197	1,243,675	979,091	1,137,000
Governments	2. Canada				
(Including all obligations guaranteed by governments)	3 Other Countries				
	4 Totals	1,107,197	1,243,675	979,091	1,137,000
U.S. States, Territories and Possessions (Direct and guaranteed)	5. Totals				
U.S. Political subdivisions of States, Territories and Possessions (Direct and guaranteed)	6. Totals				
U.S. Special revenue and special assessment, obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	7. Totals				
Industrial and Miscellaneous and Hybred Securities(unaffiliated)	8. United States				
	9. Canada				
	10. Other Countries				
	11. Totals				
Parent, Subsidiaries and Affiliates	12. Totals				
	13. Total Bonds				
PREFERRED STOCKS	14. United States				
Industrial and Miscellaneous (unaffiliated)	15. Canada				
	16 Other Countries				
	17. Totals				
Parent, Subsidiaries and Affiliates	18 Totals				
	19. total Preferred Stocks				
COMMON STOCKS	20. United States				
Industrial and Miscellaneous (unaffiliated)	21. Canada				
	22. Other Countries				
	23. Totals				
Parent, Subsidiaries and Affiliates	24. Totals				
	25. Total Common Stocks				
	26. Total Stocks				
	27. Total Bonds and Stocks	1,107,197	1,243,675	979,091	

## ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

**SCHEDULE D - PART 1**

Showing all Long-Term Bonds Owned December 31 of Current Year

Showing all Long Term Bonds Owned December 31 of Current Year																					
1	2	Codes			6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
		3	4	5																	
CUSIP						Rate Used		Par	Book/ Adjusted	Unrealized	Current	Current Year's	Total					Admitted	Amount		
Identification	Description	Code	Foreign	CHAR	NAIC	Cost	Fair Value	Fair Value	Value	Value	Increase/ (Decrease)	Amortization Accretion	Other than Temporary Impairment Recognized	Foreign Exchange Change B./A.C.V.	Rate of	Effective Rate of	When Paid	Due and Accrued	During Year	Acquired	Maturity
912828AU4	US Treasury Note				1	119,494	100.453	120,544	120,000	120,000			64				3.721	FA	1,550	4,650	
912828DM9	US Treasury Note				1	2,892	107.844	3,235	3,000	2,969			15				3.601	FA	40	120	
912828HR4	US Treasury Note				1	5,033	113.867	5,693	5,000	5,000			0				3.070	FA	58	175	
912828JW1	US Treasury Note				1	124,623	101.301	126,626	125,000	124,831			57				1.463	DJ	0	1,875	
912828KT6	US Treasury Note				1	122,461	106.313	132,891	125,000	125,000			387				2.218	MS	742	2,969	
912828KD1	US Treasury Note				1	115,703	110.727	138,409	125,000	118,630			398				2.511	FA	1,146	3,438	
912828JZ4	US Treasury Note				1	16,019	101.668	16,267	16,000	16,005			-5				1.698	JJ	117	280	
912828KN9	US Treasury Note				1	125,185	102.191	127,739	125,000	125,046			-46				1.809	AO	391	2,344	
912828QA9	US Treasury Note				1	60,140	113.047	80,263	71,000	61,288			374				3.111	FA	828	2,485	
912828KQ2	US Treasury Note				1	68,293	113.250	79,275	70,000	68,867			189				2.788	MN	182	2,188	
912828PW2	US Treasury Note				1	68,625	129.750	93,420	72,000	68,891			124				3.385	FA	1,050	3,150	
912828PW2	US Treasury Note				1	21,919	129.750	29,843	23,000	21,999			40				1.059	FA	335	1,006	
912810QB7	US Treasury Bond				1	26,316	127.578	34,446	27,000	26,364			24				3.342	MN	96	1,148	
912828RC6	US Treasre Note				1	100,188	105.125	105,125	100,000	100,169			-19				2.072	FA	708	2,125	
912810EN4	US Treasury Bond				1	4,980.00	113.42	5,671	5,000	5000			0				6.723	MN	32	381	
912828JW1	US Treasury Note				1	20,212.50	101.315	20,263	20,000	20024			-24				1.462	JD	0	300	
912810PW2	US Treasury Bond				1	24,701.29	130.812	32,703	25,000	24730			11				3.398	FA	365	1,094	
912810QA9	US Treasury Bond				1	71,800.00	114.078	91,262	80,000	72384			305				3.128	FA	933	2,800	
						1,098,585	2,022	1,243,675	1,137,000	1,107,197			1,894								

## ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

**SCHEDULE P - PART 1 SUMMARY**

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premium Earned			Loss and Loss Expense Payments								12 Number of Claims Reported - Direct and Assumed
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	
	Direct and Assumed	Ceded	Net	4	5	6	7	8	9	Salvage and Subrogation Received	Total Net Paid	
				Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	xxx	xxx	xxx									xxx
2. 2003	343	7	336					21		3	21	xxx
3. 2004	483	22	461			4		10		9	14	xxx
4. 2005	423	27	396	8		9		(3)			14	xxx
5. 2006	619	27	592	54		16		45		11	115	xxx
6. 2007	652	53	599	357	111	72		133			451	xxx
7. 2008	602	45	557	83		31		16			130	xxx
8. 2009	522	22	500			6		28			34	xxx
9. 2010	663	13	650	2							2	xxx
10. 2011	464		464	5				10			15	xxx
11. 2012	0	0	0								0	xxx
12 Totals	xxx	xxx	xxx	509	111	138	0	260	0	23	796	xxx

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23  Subrogation Anticipated	24  Expenses Unpaid	25  # of Claims Outstanding - Direct & Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21  Direct and Assumed	22  Ceded			
	13  Direct and Assumed	14  Ceded	15  Direct and Assumed	16  Ceded	17  Direct and Assumed	18  Ceded	19  Direct and Assumed	20  Ceded					
1													xxx
2													xxx
3													xxx
4													xxx
5													xxx
6													xxx
7													xxx
8													xxx
9													xxx
10	30		60						16		39	106	xxx
11	30		60						16		39	106	xxx
12	30		60						16		39	106	xxx

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter	Net Balance Sheet Reserves After Discount	
	26	27	28	29	30	31	32	33	Company Pooling	35	36
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense	Participation Percentage	Losses Unpaid	Loss Expenses Unpaid
1	xxx	xxx	xxx	xxx	xxx	xxx			xxx		
2	21		21	6.1		6.3					
3	14		14	2.9		3.0					
4	14		14	3.3		3.5					
5	115		115	18.6		19.4					
6	562	111	451	86.2	209.4	75.3					
7	130		130	21.5		23.3					
8	34		34	6.5		6.8					
9	2		2	0.3		0.3					
10	121		121	26.1		26.1					
11										90	16
12	xxx	xxx	xxx	xxx	xxx	xxx			xxx	90	16

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1.

The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

**SCHEDULE P - PART 2 - SUMMARY**[illegible]

**SCHEDULE P - PART 3 - SUMMARY**

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed with Loss Payment	Number of Claims Closed Without Loss Payment
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
1. Prior	33	33	31	31	31	31	31	31	30		xxx	xxx
2. 2003									0		xxx	xxx
3. 2004	xxx	3	4	4	4	4	4	4	4		xxx	xxx
4. 2005	xxx	xxx	9	21	22	14	17	17	17		xxx	xxx
5. 2006	xxx	xxx	xxx	45	63	64	55	70	70		xxx	xxx
6. 2007	xxx	xxx	xxx	xxx	192	232	328	318	318		xxx	xxx
7. 2008	xxx	xxx	xxx	xxx	xxx	4	59	114	114		xxx	xxx
8. 2009	xxx	xxx	xxx	xxx	xxx	xxx	5	6	6		xxx	xxx
9. 2010	xxx	xxx	xxx	xxx	xxx	xxx	xxx	2	2		xxx	xxx
10. 2011	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	15		xxx	xxx
11. 2012	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	15	xxx	xxx

**SCHEDULE P - PART 4 - SUMMARY**[illegible]

## ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

**SCHEDULE P - PART 1K - FIDELITY / SURETY**

Years in Which Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported - Direct and Assumed
	1	2		Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	
	Direct and Assumed	Ceded	Net	4	5	6	7	8	9	Salvage and Subrogation Received	Total Net Paid	
				Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	xxx	xxx	xxx	536	111	136		294		23	855	xxx
2. 2011	464		464	5				10			15	xxx
3. 2012												xxx
4. Totals	464	0	464	541	111	136	0	304	0	23	870	xxx

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22		Total Net	Number of
	13	14	15	16	17	18	19	20	Direct and Assumed	Ceded	Salvage and Subrogation Anticipated	Losses and Expenses Unpaid	Claims Outstanding
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded					Direct and Assumed
1	(41)		26				12		30		103	27	
2													
3													
4													

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet	
	26	27	28	29	30	31	32	33	Inter-Company Pooling Participation Percentage	Reserve After Discount	36
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss Experience	xxx	Losses Unpaid	Loss Expenses Unpaid	
1	xxx	xxx	xxx	xxx	xxx	xxx				(15)	42
2	15		15	3.2		3.2					
3											
4	15	0	15	3.2	0	3.2				(15)	42

## ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

## 10 YEAR BREAKOUT FOR

SCHEDULE P- PART 1K - FIDELITY / SURETY

(\$000 Omitted)

Years in which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12  Number of claims Reported- Direct and Assumed
	1  Direct and Assumed	2  Ceded	3  Net	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10  Slavage and Subrogation Received	11  Total Net Paid (Cloumns 4-5 6-7+8-9)	
				4	5	6	7	8	9			
				Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior Years	xxx	xxx	xxx									xxx
2. 2003												xxx
3. 2004												xxx
4. 2005												xxx
5. 2006												xxx
6. 2007												xxx
7. 2008												xxx
8. 2009												xxx
9. 2010	663	13	650	2							2	xxx
10. 2011	464		464	5				10			15	xxx
11. 2012												xxx
12. Totals	xxx	xxx	xxx	541	111	136		304		23	870	xxx

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23  Slavage and Subrogation Received	24  Total Net Losses and Expenses Unpaid	25  Number of Claims Outstanding  Direct & Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21  Direct and Assumed	22  Ceded			
	13	14	15	16	17	18	19	20					
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded					
1													
2													
3													
4													
5													
6													
7													
8													
9											31	1	
10	(41)		26				12		30		103		
11	90.0		90				10		6		103		
12	90		90				10		6			96	

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34  Inter-Co Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26	27	28	29	30	31	32	33		35	36
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense		Losses Unpaid	Loss Expense Unpaid
1											
2											
3											
4											
5											
6											
7											
8											
9	3		3	0.5			0.5				
10	15		15	3.2			3.2				
11										15.8	90.5
12	xxx	xxx	xxx	xxx	xxx	xxx					

**SCHEDULE P - PART 21 - SPECIAL PROPERTY (FIRE,  
ALLIED LINES, INLAND MARINE, EARTHQUAKE,  
BURGLARY, AND THEFT)**

	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$'000 OMITTED)										DEVELOPMENT	
Year Losses	1	2	3	4	5	6	7	8	9	10	11	12
Incurred	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior												
2. 2011												
3. 2012												

**SCHEDULE P - PART 2J - AUTO PHYSICAL DAMAGE**

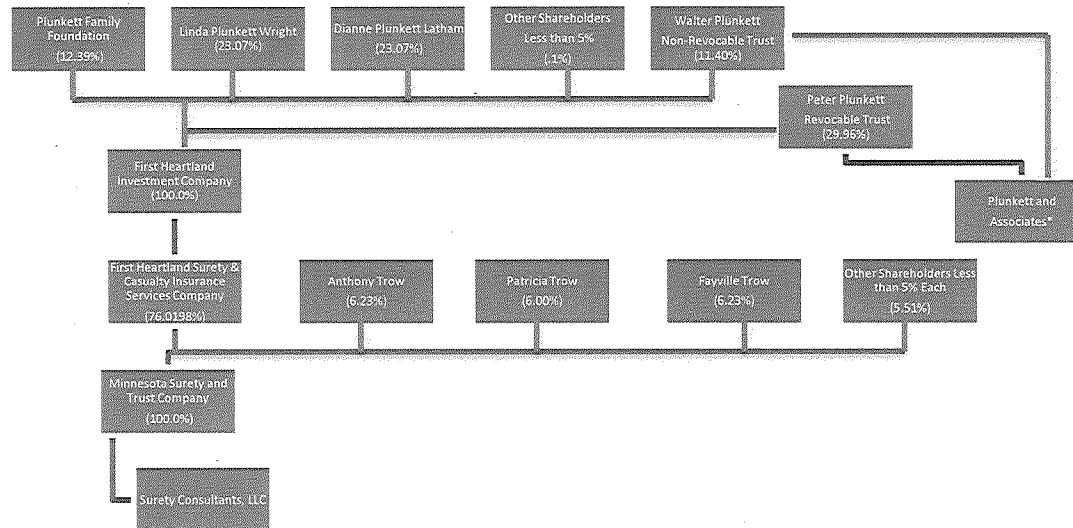
[illegible]

**SCHEDULE L P - PART 2K - FIDELITY, SURETY**

INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)											DEVELOPMENT	
Year Losses	1	2	3	4	5	6	7	8	9	10	11	12
Incurred	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior								555	121		(555)	(535)
2. 2011								(3)			0	(555)
3. 2012									0	0	0	
										4. Totals	0	(555)



## Schedule Y



\* Plunkett and Associates is owned by Peter Plunkett (75%) and Walter Plunkett (25%)

## ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

**SCHEDULE P INTERROGATORIES**

1 The following question relate to yet-to-be issued Extended Reporting Endorsements (ERE's) arising from Death, Disability, or Retirement (DDR) protection in Medical Profession Liability Claims Made Insurance policies. EREs provided for reasons other than DDR are not to be included.

1.1 Does the company issue Medical Professional Liability Claims Made Insurance policies that provide tail (also known as an extended reporting endorsement, or "ERE") benefits in the event of Death, Disability, or Retirement (DDR) at a reduced charge or at not additional costs.

Yes ( ) No (X)

1.2 What is the total amount of the reserve for that provision (DDR Reserve), as reported, explicitly or not, elsewhere in this statement (in dollars)?

\$ \_\_\_\_\_

1.3 Does the company report and DDR reserve as Unearned Premium Reserve per SSAP#657?

Yes ( ) No ( )

1.4 Does the company report any DDR reserve as loss or loss adjustment expense reserve?

Yes ( ) No ( )

1.5 If the company report DDR reserve as Unearned Premium Reserve, does that amount match the figure on the Underwriting and Investment Exhibit, Part 1 - Recapitulation

1.6 If the company reports DDR reserve as loss or loss adjustment expense reserve, please complete the following table corresponding to where these reserves are reported in Schedule P.

Years In Which Premiums Were Earned and Losses Were Incurred	DDR Reserve Included in Schedule P, Part 1F, Medical Professional Liability Column 24: Total Net Losses and Expenses Unpaid	
	1 Section 1: Occurrence	2 Section 2: Claims Made
1.601 Prior		
1.602 2003		
1.603 2004		
1.604 2005		
1.605 2006		
1.606 2007		
1.607 2008		
1.608 2009		
1.609 2010		
1.6010 2011		
1.6011 2012		
1.6012 Totals		

2 The definition of allocated loss adjustment expenses (ALAE) and, therefore, unallocated loss adjustment expenses (ULAE) was changed effective January 1, 1998. This change in definition applies to both paid and unpaid expenses. Are these expenses (now reported as "Defense and Cost Containment" and Adjusting and Other") reported in compliance with these definitions in the statement?

Yes (X) No ( )

3 The adjusting and Other expense payments and reserves should be allocated to the years in which the losses were incurred based on the number of claims reported, closed and outstanding in those years. When allocating Adjusting and Other expense between companies in a group or a pool, the Adjusting and Other expense should be allocated in the same percentage used for the loss amounts and the claims counts. For reinsurers, Adjusting and Other expense assumed should be reported according to the reinsurance contract. For Adjusting and Other expense incurred by reinsurer, or in those situations where suitable claim count information is not available, Adjusting and Other expenses should be allocated by a reasonable method determined by the company and described in Interrogatory 7, below. Are they so reported in this Statement?

Yes (X) No ( )

4 do any lines in Schedule P include reserves that are reported gross of any discount to present value of future payments, and that are reported net of such discounts on Page 10?

Yes ( ) No (X)

If yes, proper disclosure must be made in the Notes to Financial Statement, as specified in the Instructions. Also, the discounts must be reported in Schedule P-Part 1.

Schedule P must be completed gross of non-tabular discounting. Work papers relating to discount calculations must be available for examination upon request.

Discount is allowed only if expressly permitted by the state insurance departments to which the Annual Statement is be filed.

5 What was the net premiums in force at the end of the year for.

5.1 Fidelity \$

5.2 Surety \$

6 Claim count information is reported per claim or per claimant. (Indicate which) per Claim

7.1 The information provided in Schedule P will be used by many persons to estimate the adequacy of the current loss and expense reserves, among other things.

Are there any especially significant events, coverages, retention or accounting changes that have occurred that must be considered when making such analyses?

Yes ( ) No (X)

7.1 An extended statement may be attached:

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE MINNESOTA SURETY AND TRUST CO

**SCHEDULE Y**

PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATED

1	2	3	4	5	6	7	8	9	10	11	12	13
NAIC Company Code	Federal ID Number	Names of Insurers and Parent, Subsidiaries of Affiliates	Shareholder Dividends	Capital Contributions	Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments	Income/ Disbursements Incurred in Connection with Guarantees or Underwriting for the Benefit of Any Affiliates(s)	Management Agreements and Service Contracts	Income Disbursements Incurred Under Reinsurance Agreements	*	Any Other Material Activity Not in the Ordinary Course of the Insurer's Business	Totals	Reinsurance Recoverable / Payable on Losses and / or Reserve Credit Taken/ Liability
		First Heartland Surety & Casualty Company					\$4,550		*		\$4,550	
		Plunkett and Associates					\$690		*		\$690	

\* If the nature of the transaction reported in Part 2 requires explanation, report such in the following explanatory note:

The Company paid First Heartland \$4,550 in 2012 for rent and services provided. The Company had no written agreement for rental of office space or services provided. The Company no longer rents office space from First Heartland.