

ANNUAL STATEMENT

OF THE

LIBERTY MUTUAL INSURANCE COMPANY

of **BOSTON**

in the state of **MASSACHUSETTS**

TO THE

Insurance Department

OF THE

STATE OF

**FOR THE YEAR ENDED
December 31, 2005**

PROPERTY AND CASUALTY

2005



23043200520100100

ANNUAL STATEMENT

For the Year Ended December 31, 2005

OF THE CONDITION AND AFFAIRS OF THE

Liberty Mutual Insurance Company

NAIC Group Code 0111 0111 NAIC Company Code 23043 Employer's ID Number 04-1543470

Organized under the Laws of Massachusetts, State of Domicile or Port of Entry Massachusetts

Country of Domicile United States of America

Incorporated/Organized: January 1, 1912 Commenced Business: July 1, 1912

Statutory Home Office: 175 Berkeley Street Boston, MA 02117

Main Administrative Office: 175 Berkeley Street Boston, MA 02117 617-357-9500

Mail Address: 175 Berkeley Street Boston, MA 02117

Primary Location of Books and Records: 175 Berkeley Street Boston, MA 02117 617-357-9500

Internet Website Address: www.LibertyMutual.com

Statutory Statement Contact: Douglas Link 617-357-9500 45668
Douglas.Link@LibertyMutual.com 617-574-5955
(E-Mail Address) (Fax Number)

Policyowner Relations Contact: 175 Berkeley Street Boston, MA 02117 617-357-9500 41015

OFFICERS

Table with 2 columns: Name, Title. Rows include Edmund Francis Kelly (Chairman of the Board, President & CEO), Dexter Robert Legg (Vice President & Secretary), Laurance Henry Soyer Yahia (Senior Vice President & Treasurer).

Vice-Presidents

Table with 4 columns: Name, Title, Name, Title. Lists various Vice Presidents such as James Paul Condrin, III, Stuart Michael McGuigan, etc.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Lists Directors or Trustees such as Edmund Francis Kelly, James Paul Condrin, III, etc.

State of Massachusetts
County of Suffolk ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property 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 therefrom 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.

(Signature) Edmund Francis Kelly (Printed Name) 1. Chairman of the Board, President & CEO (Title)
(Signature) Dexter Robert Legg (Printed Name) 2. Vice President & Secretary (Title)
(Signature) Laurance Henry Soyer Yahia (Printed Name) 3. Senior Vice President & Treasurer (Title)

Subscribed and sworn to before me this day of January, 2006

a. Is this an original filing? YES [X] NO []
b. If no: 1. State the amendment number
2. Date filed
3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	12,556,562,894		12,556,562,894	11,780,170,508
2. Stocks (Schedule D):				
2.1 Preferred stocks	59,716,967		59,716,967	100,083,886
2.2 Common stocks	5,205,385,252		5,205,385,252	4,971,839,607
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	39,500,000		39,500,000	
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	311,128,829		311,128,829	243,801,947
4.2 Properties held for the production of income (less \$ 0 encumbrances)	1,199,491		1,199,491	1,137,939
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 184,133,952, Schedule E-Part 1), cash equivalents (\$ 215,895,295, Schedule E-Part 2) and short-term investments (\$ 682,143,260, Schedule DA)	1,082,172,507		1,082,172,507	684,443,263
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	2,216,280,424	2,667,944	2,213,612,480	2,168,663,950
8. Receivables for securities	31,385,363		31,385,363	37,646,647
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	21,503,331,727	2,667,944	21,500,663,783	19,987,787,747
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	155,675,613		155,675,613	147,367,617
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	655,364,742	19,085,084	636,279,658	609,392,140
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	1,376,405,401		1,376,405,401	1,273,321,091
13.3 Accrued retrospective premiums	520,880,782	52,653,830	468,226,952	509,941,443
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	399,753,189		399,753,189	344,030,984
14.2 Funds held by or deposited with reinsured companies	24,877,116		24,877,116	23,934,810
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans	2,347,430	2,347,430		
16.1 Current federal and foreign income tax recoverable and interest thereon	58,065,885		58,065,885	30,908,631
16.2 Net deferred tax asset	684,071,000	98,803,423	585,267,577	532,138,539
17. Guaranty funds receivable or on deposit	37,653,992		37,653,992	37,427,058
18. Electronic data processing equipment and software	211,571,028	167,239,087	44,331,941	41,671,930
19. Furniture and equipment, including health care delivery assets (\$ 0)	19,944,330	19,944,330		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	284,222,350		284,222,350	
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	523,773,517	83,588,685	440,184,832	419,042,678
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	26,457,938,102	446,329,813	26,011,608,289	23,956,964,668
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	26,457,938,102	446,329,813	26,011,608,289	23,956,964,668

DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)				
2301. Other assets	187,237,669	77,401,882	109,835,787	118,949,374
2302. Cash surrender value life insurance	143,031,210		143,031,210	125,957,107
2303. Equities and deposits in pools and associations	20,932,222		20,932,222	20,076,819
2398. Summary of remaining write-ins for Line 23 from overflow page	172,572,416	6,186,803	166,385,613	154,059,378
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	523,773,517	83,588,685	440,184,832	419,042,678

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	9,447,746,191	8,904,510,525
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	51,399,570	38,306,568
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	1,934,981,136	1,698,423,690
4. Commissions payable, contingent commissions and other similar charges	93,935,574	90,474,680
5. Other expenses (excluding taxes, licenses and fees)	313,866,523	326,334,460
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	199,306,654	201,866,428
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ 102,110,830 and interest thereon \$ 662,834	102,773,665	28,054,545
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 2,248,043,792 and including warranty reserves of \$ 0)	2,792,535,119	2,682,556,143
10. Advance premium	34,208,895	24,938,687
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	2,321,401	2,386,953
12. Ceded reinsurance premiums payable (net of ceding commissions)	617,616,942	501,805,061
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	2,150,116,995	2,187,584,513
14. Amounts withheld or retained by company for account of others	518,474,229	170,375,043
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)	149,117,360	131,753,865
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	313,708,632	244,683,699
19. Payable to parent, subsidiaries and affiliates		42,362,549
20. Payable for securities	106,507,786	128,000,354
21. Liability for amounts held under uninsured accident and health plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	(741,705,215)	(702,803,013)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	18,086,911,457	16,701,614,750
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	18,086,911,457	16,701,614,750
27. Aggregate write-ins for special surplus funds	781,222,479	757,681,198
28. Common capital stock	10,000,000	10,000,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds	1,250,000	1,250,000
31. Surplus notes	1,012,986,455	1,012,850,926
32. Gross paid in and contributed surplus	2,269,796,957	2,004,071,957
33. Unassigned funds (surplus)	3,849,440,941	3,469,495,837
34. Less treasury stock, at cost:		
34.1 0 shares common (value included in Line 28 \$ 0)		
34.2 0 shares preferred (value included in Line 29 \$ 0)		
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	7,924,696,832	7,255,349,918
36. TOTALS (Page 2, Line 26, Col. 3)	26,011,608,289	23,956,964,668

DETAILS OF WRITE-INS		
2301. Other liabilities	182,160,071	185,142,261
2302. Retroactive reinsurance reserve - ceded	(1,501,122,223)	(1,469,760,174)
2303. Amounts held under uninsured plans	473,271,904	447,633,169
2398. Summary of remaining write-ins for Line 23 from overflow page	103,985,033	134,181,731
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(741,705,215)	(702,803,013)
2701. Special surplus from retroactive reinsurance	781,222,479	757,681,198
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	781,222,479	757,681,198
3001. Guaranty funds	1,250,000	1,250,000
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	1,250,000	1,250,000

STATEMENT OF INCOME		1	2
		Current Year	Prior Year
UNDERWRITING INCOME			
1. Premiums earned (Part 1, Line 34, Column 4)		6,889,135,285	6,451,473,219
DEDUCTIONS			
2. Losses incurred (Part 2, Line 34, Column 7)		4,393,736,457	4,289,072,685
3. Loss expenses incurred (Part 3, Line 25, Column 1)		1,298,534,817	1,052,596,261
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		1,716,888,935	1,605,663,162
5. Aggregate write-ins for underwriting deductions			1,244,734
6. Total underwriting deductions (Lines 2 through 5)		7,409,160,209	6,948,576,842
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		(520,024,924)	(497,103,623)
INVESTMENT INCOME			
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)		895,504,361	622,787,370
10. Net realized capital gains (losses) less capital gains tax of \$ 106,302,103 (Exhibit of Capital Gains (Losses))		197,386,668	199,729,891
11. Net investment gain (loss) (Lines 9 + 10)		1,092,891,029	822,517,261
OTHER INCOME			
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 1,123,419 amount charged off \$ 25,088,606)		(23,965,187)	(31,060,945)
13. Finance and service charges not included in premiums		37,700,320	39,542,359
14. Aggregate write-ins for miscellaneous income		(92,544,278)	(129,124,269)
15. Total other income (Lines 12 through 14)		(78,809,145)	(120,642,855)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)		494,056,960	204,770,783
17. Dividends to policyholders		24,011,749	26,222,615
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)		470,045,211	178,548,168
19. Federal and foreign income taxes incurred		(114,095,184)	(38,311,422)
20. Net income (Line 18 minus Line 19) (to Line 22)		584,140,395	216,859,590
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)		7,255,349,918	6,123,094,334
GAINS AND (LOSSES) IN SURPLUS			
22. Net income (from Line 20)		584,140,395	216,859,590
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 16,569,454		(253,467,664)	373,180,256
25. Change in net unrealized foreign exchange capital gain (loss)		(2,170,484)	
26. Change in net deferred income tax		(231,988,509)	(4,234,421)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)		251,015,191	68,545,751
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		(18,425,356)	11,244,916
29. Change in surplus notes		135,529	(128,495,533)
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles		156,763,001	
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		265,725,000	574,433,074
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders		(100,000,000)	
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)			
37. Aggregate write-ins for gains and losses in surplus		17,619,811	20,721,951
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)		669,346,914	1,132,255,584
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)		7,924,696,832	7,255,349,918
DETAILS OF WRITE-INS			
0501. North Carolina 2004 private passenger auto escrow			1,244,734
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page			
0599. Totals (Lines 0501 through 0503 plus Line 0598) (Line 5 above)			1,244,734
1401. Other income/(expense)		(113,177,282)	(144,836,996)
1402. Retroactive reinsurance gain/(loss)		20,633,004	15,712,727
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus Line 1498) (Line 14 above)		(92,544,278)	(129,124,269)
3701. Other surplus items		17,619,811	20,721,951
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page			
3799. Totals (Lines 3701 through 3703 plus Line 3798) (Line 37 above)		17,619,811	20,721,951

CASH FLOW	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	7,034,949,097	6,413,678,126
2. Net investment income	1,029,152,783	719,978,291
3. Miscellaneous income	157,221,802	555,456,320
4. Total (Lines 1 through 3)	8,221,323,682	7,689,112,737
5. Benefit and loss related payments	3,820,269,774	3,744,112,282
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	2,781,472,136	2,588,846,582
8. Dividends paid to policyholders	24,077,301	21,117,151
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	(655,851)	31,111,220
10. Total (Lines 5 through 9)	6,625,163,360	6,385,187,235
11. Net cash from operations (Line 4 minus Line 10)	1,596,160,322	1,303,925,502
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	5,927,806,265	6,469,118,462
12.2 Stocks	1,167,507,534	2,544,732,907
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	617,775,976	123,629,311
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(768,681)	103,797
12.7 Miscellaneous proceeds	30,660,614	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	7,742,981,708	9,137,584,477
13. Cost of investments acquired (long-term only):		
13.1 Bonds	6,651,853,743	7,941,094,633
13.2 Stocks	961,319,878	1,700,900,115
13.3 Mortgage loans	39,500,000	
13.4 Real estate	79,673,484	38,790,593
13.5 Other invested assets	905,897,048	1,474,480,045
13.6 Miscellaneous applications		15,243,992
13.7 Total investments acquired (Lines 13.1 to 13.6)	8,638,244,153	11,170,509,378
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(895,262,445)	(2,032,924,901)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	135,529	(128,495,533)
16.2 Capital and paid in surplus, less treasury stock	265,725,000	574,433,074
16.3 Borrowed funds	74,719,119	(10,774,237)
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	100,000,000	
16.6 Other cash provided (applied)	(543,748,281)	555,061,639
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(303,168,633)	990,224,943
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	397,729,244	261,225,544
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	684,443,263	423,217,719
19.2 End of year (Line 18 plus Line 19.1)	1,082,172,507	684,443,263

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001.		
20.0002.		
20.0003.		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1- PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	146,423,672	62,030,634	83,262,428	125,191,878
2. Allied lines	47,093,438	22,683,790	26,946,438	42,830,790
3. Farmowners multiple peril	4,922			4,922
4. Homeowners multiple peril	847,578,793	458,873,921	493,356,781	813,095,933
5. Commercial multiple peril	101,791,677	56,332,002	70,225,264	87,898,415
6. Mortgage guaranty				
8. Ocean marine	16,616,531	27,931,959	8,504,892	36,043,598
9. Inland marine	105,393,826	23,914,418	22,203,846	107,104,398
10. Financial guaranty				
11.1 Medical malpractice - occurrence	2,444	643		3,087
11.2 Medical malpractice - claims-made				
12. Earthquake	16,772,055	9,380,022	8,120,133	18,031,944
13. Group accident and health	43			43
14. Credit accident and health (group and individual)				
15. Other accident and health	131,427	5,824	43,561	93,690
16. Workers' compensation	2,343,138,312	(173,138,061)	(81,509,324)	2,251,509,575
17.1 Other liability - occurrence	336,653,318	102,354,600	115,498,648	323,509,270
17.2 Other liability - claims-made	120,260,078	43,702,837	52,922,377	111,040,538
18.1 Products liability - occurrence	77,208,372	5,860,629	30,499,966	52,569,035
18.2 Products liability - claims-made	2,316,952		1,743	2,315,209
19.1, 19.2 Private passenger auto liability	1,465,511,307	775,977,286	742,556,477	1,498,932,116
19.3, 19.4 Commercial auto liability	301,706,112	91,088,698	86,249,883	306,544,927
21. Auto physical damage	883,400,071	521,411,638	516,864,593	887,947,116
22. Aircraft (all perils)	44,150,647	12,429,889	11,038,049	45,542,487
23. Fidelity	3,021,649	1,224,547	1,444,181	2,802,015
24. Surety	129,627,240	66,028,338	74,947,115	120,708,463
26. Burglary and theft	455,654	194,952	213,637	436,969
27. Boiler and machinery	2,573,585	734,561	1,110,945	2,197,201
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property	18,462,081	1,738,481	3,279,078	16,921,484
31. Reinsurance-Nonproportional Assumed Liability	36,103,165	4,760,950	3,873,616	36,990,499
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	7,046,397,371	2,115,522,558	2,271,654,327	6,890,265,602

DETAILS OF WRITE-INS				
3301.				
3302.				
3303.				
3398. Summary of remaining write-ins for Line 33 from overflow page				
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)				

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1A - RECAPITULATION OF ALL PREMIUMS

(a) Gross premiums (less reinsurance) and unearned premiums on all unexpired risks and reserve for return premiums under rate credit or retrospective rating plans based upon experience.

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (b)	2 Amount Unearned (Running More Than One Year from Date of Policy) (b)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	75,422,027	7,840,401			83,262,428
2. Allied lines	25,114,181	1,832,257			26,946,438
3. Farmowners multiple peril					
4. Homeowners multiple peril	491,092,029	2,264,752			493,356,781
5. Commercial multiple peril	69,955,364	269,900			70,225,264
6. Mortgage guaranty					
8. Ocean marine	7,897,968	606,924			8,504,892
9. Inland marine	20,873,627	1,330,219			22,203,846
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	7,722,014	398,119			8,120,133
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	43,561				43,561
16. Workers' compensation	337,072,110	20,374,122		(438,955,556)	(81,509,324)
17.1 Other liability - occurrence	119,401,129	27,569,716		(31,472,197)	115,498,648
17.2 Other liability - claims-made	44,689,284	8,233,093			52,922,377
18.1 Products liability - occurrence	22,704,481	20,192,154		(12,396,668)	30,499,967
18.2 Products liability - claims-made	1,743				1,743
19.1, 19.2 Private passenger auto liability	740,472,258	2,084,219			742,556,477
19.3, 19.4 Commercial auto liability	125,361,559	106,262		(39,217,938)	86,249,883
21. Auto physical damage	514,492,536	2,373,378		(1,321)	516,864,593
22. Aircraft (all perils)	11,493,973	(455,924)			11,038,049
23. Fidelity	1,351,558	92,623			1,444,181
24. Surety	42,552,726	31,231,501		1,162,888	74,947,115
26. Burglary and theft	213,637				213,637
27. Boiler and machinery	1,109,241	1,704			1,110,945
28. Credit	(49,588)	49,588			
29. International					
30. Reinsurance-Nonproportional Assumed Property	3,276,915	2,163			3,279,078
31. Reinsurance-Nonproportional Assumed Liability	3,815,824	57,792			3,873,616
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	2,666,080,157	126,454,963		(520,880,792)	2,271,654,328
35. Accrued retrospective premiums based on experience					520,880,792
36. Earned but unbilled premiums					
37. Balance (Sum of Line 34 through 36)					2,792,535,120

DETAILS OF WRITE-INS					
3301.					
3302.					
3303.					
3398. Summary of remaining write-ins for Line 33 from overflow page					
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)					

- (a) By gross premiums is meant the aggregate of all the premiums written in the policies or renewals in force.
 Are they so returned in this statement? Yes [X] No []
- (b) State here basis of computation used in each case Daily pro rata

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Gross Premiums (Less Return Premiums), Including Policy and Membership Fees
Written and Renewed During Year

Line of Business	1	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
	Direct Business (a)	2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	25,155,201	251,585,594	3,531,917	88,537,920	45,311,120	146,423,672
2. Allied lines	2,920,237	110,860,074	1,420,147	29,128,475	38,978,545	47,093,438
3. Farmowners multiple peril		7,402		2,480		4,922
4. Homeowners multiple peril	6,588,125	1,433,578,207	1,203,103	463,722,542	130,068,100	847,578,793
5. Commercial multiple peril	81,001,307	157,199,440	22,120,499	56,242,235	102,287,334	101,791,677
6. Mortgage guaranty						
8. Ocean marine	20,425,417	8,353,100	6,484,682	8,375,881	10,270,787	16,616,531
9. Inland marine	197,120,926	43,150,254	27,709,934	53,240,608	109,346,680	105,393,826
10. Financial guaranty						
11.1 Medical malpractice - occurrence		3,478	197	1,231		2,444
11.2 Medical malpractice - claims-made						
12. Earthquake	44,199	29,894,310	165	10,070,379	3,096,240	16,772,055
13. Group accident and health	1,403		65	1,425		43
14. Credit accident and health (group and individual)						
15. Other accident and health	255,967		1,660	66,158	60,042	131,427
16. Workers' compensation	402,371,959	3,951,305,730	169,750,282	1,203,832,484	976,457,169	2,343,138,318
17.1 Other liability - occurrence	200,302,442	478,230,044	4,840,454	171,048,069	175,671,559	336,653,312
17.2 Other liability - claims-made	182,215,119	120,059,016	3,397,966	57,410,034	128,001,989	120,260,078
18.1 Products liability - occurrence	84,512,749	105,246,036	(1,203,552)	82,966,369	28,380,492	77,208,372
18.2 Products liability - claims-made	3,364,370	119,769		1,167,187		2,316,952
19.1, 19.2 Private passenger auto liability	291,461,544	1,963,135,961	33,534,436	738,265,095	84,355,539	1,465,511,307
19.3, 19.4 Commercial auto liability	166,924,061	426,023,093	10,479,435	156,803,678	144,916,799	301,706,112
21. Auto physical damage	183,761,733	1,408,102,452	12,716,120	671,354,706	49,825,528	883,400,071
22. Aircraft (all perils)	84,642,286	302,149	24,001,076	22,261,086	42,533,778	44,150,647
23. Fidelity	9,343,030	262,876	268,606	1,528,899	5,323,964	3,021,649
24. Surety	204,802,290	9,896,383	1,984,330	65,300,933	21,754,830	129,627,240
26. Burglary and theft	608,228	76,562	2,115	229,540	1,711	455,654
27. Boiler and machinery	2,616	3,904,965	(218)	1,298,178	35,600	2,573,585
28. Credit				1,152	(1,152)	
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X		44,118,070	9,300,286	16,355,703	18,462,081
31. Reinsurance-Nonproportional Assumed Liability	X X X	(79,830)	54,370,303	18,187,308		36,103,165
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	2,147,825,209	10,501,217,065	420,731,792	3,910,344,338	2,113,032,357	7,046,397,371

DETAILS OF WRITE-INS						
3301.						
3302.						
3303.						
3398. Summary of remaining write-ins for Line 33 from overflow page						
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)						

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

If yes: 1. The amount of such installment premiums \$ 389,632,526

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 366,219,659

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - LOSSES PAID AND INCURRED**

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	4,047,148	81,056,636	32,495,756	52,608,028	73,488,384	47,783,509	78,312,903	62.554
2. Allied lines	1,982,185	102,633,120	51,032,593	53,582,712	40,470,612	27,209,005	66,844,319	156.066
3. Farmowners multiple peril								
4. Homeowners multiple peril	2,046,259	882,989,827	351,522,908	533,513,178	169,800,875	205,625,072	497,688,981	61.209
5. Commercial multiple peril	28,698,297	118,273,907	64,960,762	82,011,442	154,627,108	169,810,228	66,828,322	76.029
6. Mortgage guaranty								
8. Ocean marine	16,637,470	11,132,846	17,783,538	9,986,778	29,568,222	42,570,917	(3,015,917)	(8.367)
9. Inland marine	79,053,047	31,074,776	56,001,744	54,126,079	62,009,313	28,508,290	87,627,102	81.815
10. Financial guaranty								
11.1 Medical malpractice - occurrence		135,171	45,282	89,889	(43,139)	73,268	(26,518)	(859.022)
11.2 Medical malpractice - claims - made								
12. Earthquake	684	624,195	214,415	410,464	435,639	855,340	(9,237)	(0.051)
13. Group accident and health	327,840	790,378	603,314	514,904	2,468,618	2,580,822	402,700	936,511.628
14. Credit accident and health (group and individual)								
15. Other accident and health	641,524	46,954	231,053	457,425	2,286,956	2,402,434	341,947	364.977
16. Workers' compensation	323,153,234	2,109,260,908	1,318,495,438	1,113,918,704	5,212,900,948	4,670,664,833	1,656,154,819	73.558
17.1 Other liability - occurrence	226,022,826	283,382,146	253,640,605	255,764,367	1,155,238,633	1,140,770,768	270,232,232	83.532
17.2 Other liability - claims - made	66,108,473	40,129,879	104,874,873	1,363,479	190,808,299	141,084,128	51,087,650	46.008
18.1 Products liability - occurrence	39,970,333	31,835,961	30,374,008	41,432,286	275,542,008	371,809,757	(54,835,463)	(104.311)
18.2 Products liability - claims - made	547,000	169,235	271,194	445,041	4,918,589	3,593,095	1,770,535	76.474
19.1, 19.2 Private passenger auto liability	182,988,573	1,263,126,828	528,986,642	917,128,759	1,294,392,759	1,326,444,875	885,076,643	59.047
19.3, 19.4 Commercial auto liability	110,466,115	233,155,594	188,619,571	155,002,138	432,692,312	399,930,395	187,764,055	61.252
21. Auto physical damage	106,042,262	741,571,342	396,903,638	450,709,966	(25,749,636)	(32,612,479)	457,572,809	51.532
22. Aircraft (all perils)	30,698,184	2,476,340	17,558,644	15,615,880	44,220,365	42,060,289	17,775,956	39.032
23. Fidelity	721,482	(86,301)	617,843	17,338	6,748,571	4,934,770	1,831,139	65.351
24. Surety	32,317,377	6,355,308	4,311,039	34,361,646	39,468,385	43,692,901	30,137,130	24.967
26. Burglary and theft	118,009	13,063	44,423	86,649	1,340,566	1,274,958	152,257	34.844
27. Boiler and machinery	1,262	122,964	(234,089)	358,315	(333,023)	69,220	(43,928)	(1.999)
28. Credit					9,337	9,962	(625)	
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X	59,561,449	32,149,377	27,412,072	93,402,236	78,958,266	41,856,042	247.354
31. Reinsurance-Nonproportional Assumed Liability	X X X	67,963,930	22,767,917	45,196,013	185,481,523	183,164,298	47,513,238	128.447
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	94,455	31,642	62,813	1,551,732	1,241,605	372,940	
33. Aggregate write-ins for other lines of business								
34. TOTALS	1,252,589,584	6,067,890,911	3,474,304,130	3,846,176,365	9,447,746,192	8,904,510,526	4,389,412,031	63.705

DETAILS OF WRITE-INS

3301.								
3302.								
3303.								
3398. Summary of remaining write-ins for Line 33 from overflow page								
3399. Totals (Lines 3301 through 3303 + 3398) (Line 33 above)								

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	9,510,984	130,774,366	89,849,008	50,436,342	(9,582,114)	49,567,742	16,933,586	73,488,384	6,795,375
2. Allied lines	5,133,738	211,405,794	179,768,743	36,770,789	2,435,161	15,602,546	14,337,885	40,470,611	4,422,348
3. Farmowners multiple peril									58,812
4. Homeowners multiple peril	2,251,942	261,593,761	205,479,916	58,365,787	1,080,766	294,460,797	184,106,476	169,800,874	47,520,764
5. Commercial multiple peril	152,494,522	219,771,715	237,913,614	134,352,623	98,199,378	41,430,377	119,355,269	154,627,109	56,709,216
6. Mortgage guaranty									
8. Ocean marine	30,036,547	27,454,413	35,378,883	22,112,077	8,003,241	5,435,340	5,982,436	29,568,222	6,696,352
9. Inland marine	85,855,894	33,782,317	97,380,411	22,257,800	74,255,020	26,820,903	61,324,410	62,009,313	6,001,550
10. Financial guaranty									
11.1 Medical malpractice - occurrence		265,523	88,950	176,573	101	(330,469)	(110,657)	(43,138)	3,664
11.2 Medical malpractice - claims - made									
12. Earthquake	16,587	227,300	84,733	159,154	(17,514)	469,113	175,114	435,639	65,574
13. Group accident and health		4,412,549	3,193,780	1,218,769	2,559,448	(679,976)	629,623	(a) 2,468,618	190,473
14. Credit accident and health (group and individual)									
15. Other accident and health	12,234	824,038	280,151	556,121	233,211	2,369,548	871,924	(a) 2,286,956	76,669
16. Workers' compensation	1,524,729,863	5,706,810,591	3,736,322,618	3,495,217,836	615,254,378	3,822,388,214	2,719,959,483	5,212,900,945	613,871,419
17.1 Other liability - occurrence	714,579,699	502,138,033	527,734,805	688,982,927	541,208,083	758,899,747	833,852,123	1,155,238,634	513,425,180
17.2 Other liability - claims - made	249,052,438	35,928,307	220,235,742	64,745,003	290,102,994	104,327,208	268,366,907	190,808,298	57,713,723
18.1 Products liability - occurrence	150,325,557	66,402,525	122,819,710	93,908,372	330,171,698	121,749,683	270,287,744	275,542,009	163,436,650
18.2 Products liability - claims - made	1,621,900	1,690,924	1,109,795	2,203,029	3,390,844	651,843	1,327,127	4,918,589	3,109,555
19.1, 19.2 Private passenger auto liability	158,029,063	1,247,142,195	548,043,659	857,127,599	185,980,777	501,470,829	250,186,447	1,294,392,758	309,575,639
19.3, 19.4 Commercial auto liability	156,613,864	278,118,577	228,907,839	205,824,602	149,951,700	397,828,112	320,912,101	432,692,313	65,071,974
21. Auto physical damage	461,967	(80,117)	626,220	(244,370)	14,368,117	(48,781,142)	(8,907,759)	(25,749,636)	47,226,166
22. Aircraft (all perils)	94,358,843	9,506,783	76,765,314	27,100,312	14,709,834	20,534,708	18,124,489	44,220,365	7,922,083
23. Fidelity	882,626	81,728	356,616	607,738	13,397,928	1,809,604	9,066,700	6,748,570	1,538,082
24. Surety	49,757,802	1,488,545	42,998,652	8,247,695	53,426,115	1,245,619	23,451,043	39,468,386	15,732,262
26. Burglary and theft	54,745	214,341	90,144	178,942	839,481	966,126	643,983	1,340,566	149,782
27. Boiler and machinery		7,349	2,668	4,681	(39,644)	(49,716)	248,344	(333,023)	311,488
28. Credit						14,041	4,704	9,337	492
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X	110,095,411	51,168,672	58,926,739	X X X	56,411,092	21,935,594	93,402,237	1,585,452
31. Reinsurance-Nonproportional Assumed Liability	X X X	214,053,265	71,707,844	142,345,421	X X X	64,866,319	21,730,217	185,481,523	5,741,826
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	2,375,253	795,710	1,579,543	X X X	(41,821)	(14,010)	1,551,732	28,566
33. Aggregate write-ins for other lines of business									
34. TOTALS	3,385,780,815	9,066,485,486	6,479,104,197	5,973,162,104	2,389,929,003	6,239,436,387	5,154,781,303	9,447,746,191	1,934,981,136

DETAILS OF WRITE-INS									
3301.									
3302.									
3303.									
3398. Summary of remaining write-ins for Line 33 from overflow page									
3399. Totals (Lines 3301 through 3303 + 3398) (Line 33 above)									

(a) Including \$ 0 for present value of life indemnity claims.

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - EXPENSES**

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	637,246,265			637,246,265
1.2 Reinsurance assumed	675,105,574			675,105,574
1.3 Reinsurance ceded	596,864,263			596,864,263
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	715,487,576			715,487,576
2. Commission and brokerage:				
2.1 Direct, excluding contingent		139,959,774		139,959,774
2.2 Reinsurance assumed, excluding contingent		575,185,689		575,185,689
2.3 Reinsurance ceded, excluding contingent		608,196,697		608,196,697
2.4 Contingent-direct		25,143,590		25,143,590
2.5 Contingent-reinsurance assumed		63,842,819		63,842,819
2.6 Contingent-reinsurance ceded		29,956,284		29,956,284
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)		165,978,891		165,978,891
3. Allowances to manager and agents		109		109
4. Advertising	6,336,727	60,265,217	260,277	66,862,221
5. Boards, bureaus and associations	1,491,139	15,961,299	5,278	17,457,716
6. Surveys and underwriting reports	4,104	15,542,424	26	15,546,554
7. Audit of assureds' records	3,375	475	7	3,857
8. Salary and related items:				
8.1 Salaries	351,829,275	657,176,018	111,298,962	1,120,304,255
8.2 Payroll taxes	17,076,331	46,536,813	4,653,419	68,266,563
9. Employee relations and welfare	56,992,242	154,069,166	3,050,319	214,111,727
10. Insurance	59,372,057	4,954,014	64,816	64,390,887
11. Directors' fees	2,055	146,501	86	148,642
12. Travel and travel items	23,452,936	51,166,255	862,952	75,482,143
13. Rent and rent items	21,334,912	56,832,176	927,345	79,094,433
14. Equipment	17,955,214	46,500,242	1,034,226	65,489,682
15. Cost or depreciation of EDP equipment and software	3,651,823	19,585,923	629,860	23,867,606
16. Printing and stationery	5,522,812	13,671,380	137,881	19,332,073
17. Postage, telephone and telegraph, exchange and express	14,456,138	41,466,855	(1,266,616)	54,656,377
18. Legal and auditing	2,449,610	13,265,890	5,345,517	21,061,017
19. Totals (Lines 3 to 18)	581,930,750	1,197,140,757	127,004,355	1,906,075,862
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 7,247,463		256,992,414		256,992,414
20.2 Insurance department licenses and fees		5,993,156		5,993,156
20.3 Gross guaranty association assessments		17,121,904		17,121,904
20.4 All other (excluding federal and foreign income and real estate)		18,799,211		18,799,211
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		298,906,685		298,906,685
21. Real estate expenses			26,669,682	26,669,682
22. Real estate taxes			4,641,904	4,641,904
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses	1,116,490	54,862,603	8,344,894	64,323,987
25. Total expenses incurred	1,298,534,816	1,716,888,936	166,660,835	(a) 3,182,084,587
26. Less unpaid expenses-current year	1,934,981,136	558,637,070	48,471,681	2,542,089,887
27. Add unpaid expenses-prior year	1,698,423,690	601,806,849	16,868,719	2,317,099,258
28. Amounts receivable relating to uninsured accident and health plans, prior year				
29. Amounts receivable relating to uninsured accident and health plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	1,061,977,370	1,760,058,715	135,057,873	2,957,093,958

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	(45,619,897)			(45,619,897)
2402. Other expenses	46,736,387	54,862,603	8,344,894	109,943,884
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	1,116,490	54,862,603	8,344,894	64,323,987

(a) Includes management fees of \$ 494,961 to affiliates and \$ 2,665,697 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 126,533,145	130,287,512
1.1 Bonds exempt from U.S. tax	(a) 24,265,777	37,645,472
1.2 Other bonds (unaffiliated)	(a) 517,625,597	510,020,225
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 3,206,149	3,203,513
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	54,350,609	51,614,444
2.21 Common stocks of affiliates	11,068,366	11,418,366
3. Mortgage loans	(c) 645,126	1,202,704
4. Real estate	(d) 54,316,854	54,316,854
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 19,908,201	20,304,236
7. Derivative instruments	(f)	
8. Other invested assets	329,480,725	329,480,725
9. Aggregate write-ins for investment income	9,397,663	9,397,663
10. Total gross investment income	1,150,798,212	1,158,891,714
11. Investment expenses		(g) 166,660,835
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 84,441,467
14. Depreciation on real estate and other invested assets		(i) 12,285,051
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		263,387,353
17. Net investment income (Line 10 minus Line 16)		895,504,361

DETAILS OF WRITE-INS			
0901. Miscellaneous Income / (Expense)		9,397,663	9,397,663
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page			
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)		9,397,663	9,397,663
1501.			
1502.			
1503.			
1598. Summary of remaining write-ins for Line 15 from overflow page			
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15, above)			

- (a) Includes \$ 16,225,709 accrual of discount less \$ 35,218,692 amortization of premium and less \$ 33,343,799 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 51,637,646 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 4,097,609 accrual of discount less \$ (401,418) amortization of premium and less \$ 1,458,377 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 80,874,102 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 12,285,051 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds	15,391,848			15,391,848
1.1 Bonds exempt from U.S. tax	138,073			138,073
1.2 Other bonds (unaffiliated)	66,953,827	(1,082,699)	(15,257,397)	50,613,731
1.3 Bonds of affiliates	(31,523)			(31,523)
2.1 Preferred stocks (unaffiliated)	125,560,676	(9,701,135)	846,814	116,706,355
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)	44,625,611	(9,054,204)	32,968,263	68,539,670
2.21 Common stocks of affiliates			213,417,761	213,417,761
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments	(768,681)			(768,681)
7. Derivative instruments				
8. Other invested assets	92,039,813	(20,382,834)	(312,110,652)	(240,453,673)
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)	343,909,644	(40,220,872)	(80,135,211)	223,553,561

DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)					

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)	2,667,944		(2,667,944)
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)	2,667,944		(2,667,944)
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	19,085,084	18,816,975	(268,109)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums	52,653,830	57,036,114	4,382,284
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans	2,347,430	2,521,073	173,643
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	98,803,423	400,482,461	301,679,038
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software	167,239,087	86,812,225	(80,426,862)
19. Furniture and equipment, including health care delivery assets	19,944,330	16,206,912	(3,737,418)
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivable from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	83,588,685	110,401,356	26,812,671
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	446,329,813	692,277,116	245,947,303
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	446,329,813	692,277,116	245,947,303

DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets	77,401,882	106,222,578	28,820,696
2302. Amounts billed and receivable under high deductible policies	6,186,803	4,178,778	(2,008,025)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	83,588,685	110,401,356	26,812,671

NOTES TO FINANCIAL STATEMENTS

Note 1- Summary of Significant Accounting Policies

A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the Massachusetts Insurance Commissioner, the accompanying financial statements of Liberty Mutual Insurance Company (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. It also requires estimates in the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

C. Accounting Policies

Premiums are earned over the terms of the related policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro-rata methods for direct business and are based on reports received from ceding companies for reinsurance assumed. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

In addition, the Company uses the following accounting policies:

1. Investment grade short-term investments are carried at cost adjusted where appropriate for amortization of premium or discount, or market as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Investment grade bonds are carried at cost adjusted where appropriate for amortization of premium or discount, or market as specified by the SVO Manual.
3. Common stocks are carried at market value except that investments in stocks of subsidiaries and affiliates are carried according to Note 1 C(7).
4. Preferred stocks are carried at cost or market in accordance with the SVO Manual.
5. Mortgage loans are reported at unpaid principal balances, less allowance for impairment.
6. Mortgage-backed/asset backed securities are stated at amortized value. Prepayment assumptions for single class mortgage-backed/asset backed securities and multi-class securities were obtained from internal estimates. These assumptions are consistent with the current interest rate and economic environment. The retrospective adjustment method is used to value all single class mortgage-backed/asset-backed securities and multi-class securities. Non-investment grade mortgage-backed/asset backed securities are stated at the lower of amortized value or fair value.
7. The Company carries its investments in subsidiaries, controlled, and affiliated (SCA) companies in accordance with SSAP No. 88, *Investment in Subsidiaries, Controlled Entities and Affiliates*, and the SVO Manual. Schedule D Part 6-Section 1 illustrates the valuation method used for each SCA company.
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
9. Derivative Instruments, refer to note 8.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property-Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2005.

Note 2- Accounting Changes and Correction of Errors

- A. The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the state of Massachusetts. Effective January 1, 2005, the Company adopted SSAP No. 88, *Investment in Subsidiary, Controlled and Affiliate Entities, a Replacement of SSAP No. 46*. The cumulative effect of the accounting change from adopting SSAP No. 88 is reported as an adjustment in unassigned funds in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if SSAP No. 88 had been applied retroactively for all prior periods. As a result of adopting SSAP No. 88, the Company experienced an increase in the carrying value of its foreign subsidiaries of \$156,763,001 and a corresponding increase in unassigned funds.

NOTES TO FINANCIAL STATEMENTS

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method:

<u>Acquired Company</u>	<u>Date of Acquisition</u>	<u>% Ownership</u>	<u>Cost</u>	<u>Unamortized Goodwill December 31, 2005</u>	<u>Goodwill Amortization Current Year</u>
Liberty Personal Insurance Company	July 1, 1998	100.00%	\$49,434,445	\$4,732,995	\$1,893,198
Liberty Insurance Holdings Inc.	May 10, 1999	100.00%	\$1,472,492,028	\$22,773,926	\$6,832,178
Colorado Casualty Insurance Company	September 29, 1998	100.00%	\$46,319,965	\$10,862,500	\$3,950,000
Summit Holding Southeast Inc.	September 30, 1998	100.00%	\$229,350,130	\$50,137,039	\$18,378,260

B. Statutory Mergers

The Company did not enter into any statutory mergers during the year.

C. Impairment Loss

The Company did not recognize an impairment loss during the period.

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company holds a \$39,500,000 mortgage from its subsidiary, Liberty Sanibel II Limited Partnership. The loan, maturing on June 17, 2010, is fully secured. The interest rate charged is 5.62%, payable on a quarterly basis. There was no uncollected interest at December 31, 2005.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

- The Company has elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date, where historical cash flows are not readily available
- Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were based upon 1-month historical constant prepayment rates.
- The Company used IDSI, Bloomberg, and Lehman Index data in determining the market value of the vast majority of its loan-backed securities. A small number of securities are priced in other ways, such as contacting brokers.
- The Company had no negative yield situations requiring a change from the retrospective to prospective method.

E. Repurchase Agreements

The Company did not enter into any repurchase agreements during the year.

F. Real Estate

- The Company did not incur any impairments on real estate during the year.
- The Company does not engage in retail land sale operations

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

A. The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of its admitted assets.

B. The Company invests in various limited partnerships that are reported in accordance with SSAP No. 48. The partnerships are valued using traditional private equity valuation metrics. Interim poor performance within the partnerships may lead to impairment losses being recognized by management. The Company realized impairment losses of \$20,382,834 during the year.

NOTES TO FINANCIAL STATEMENTS

Note 7- Investment Income

A. Accrued Investment Income

All investment income due and accrued over 90 days past due is excluded from Surplus.

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2005.

Note 8- Derivative Instruments

A. Liberty Mutual Insurance Company had its Derivative Use Policy (DUP) approved in the fourth quarter of 2004 by the New York Department of Insurance. Since that time the Company has entered into one forward sell contract in June of 2005 that the Company subsequently closed in July 2005. As of 2005 year-end the Company has no open derivative contracts.

B. The use of the forward contract allowed LMIC to reduce its exposure to market risk; specifically foreign currency. Foreign currency forward contracts are utilized to hedge the currency risk associated with securities owned and denominated in foreign currency as well as payments and payables that expose the Company to currency risk.

C. Foreign currency forward contracts are reported in Schedule DB Part C and receive hedge accounting. The final delivery of foreign currency hedges are reflected in the book value of the hedged item at purchase, or it is reflected in the proceeds from the sale of the hedged item.

D. The transaction hedged the currency exposure risk for a future cash flow (expected dividend payment). Because the change in fair value of a forward contract offsets the gains and losses on the underlying cash flow, the hedge was considered highly effective under the "EZ Pass Method". The value of the underlying cash flow and the forward contract were both directly sensitive to the change in spot rates.

E. The Company did not have any net gain or loss in unrealized gains or losses that resulted from derivatives that no longer require hedge accounting.

F. The Company did not have any derivatives accounted for as cash flow hedges of a forecasted transaction in 2005.

Note 9 - Income Taxes

A. The components of the net deferred tax assets and liabilities recognized in the Company's Assets, Liabilities, Surplus and Other Funds are as follows:

	December 31, 2005	December 31, 2004	Change
Total of gross deferred tax assets	1,187,040,000	1,236,152,541	(49,112,541)
Total of deferred tax liabilities	(502,969,000)	(303,523,578)	(199,445,422)
Net deferred tax asset	684,071,000	932,628,963	(248,557,963)
Net deferred tax asset non-admitted	(98,803,423)	(400,490,424)	301,687,001
Net admitted deferred tax asset	585,267,577	532,138,539	53,129,038

B. The Company has not provided for deferred taxes on unremitted earnings of subsidiaries outside the United States where such earnings are permanently reinvested. At December 31, 2005, unremitted earnings of foreign subsidiaries were \$422,871,098. If these earnings were distributed in the form of dividends or otherwise, the Company would be subject to U.S. income taxes less an adjustment for applicable foreign tax credits.

The American Jobs Creation Act of 2004 ("the AJC Act") introduced a special 85% dividends received deduction on the repatriation of certain foreign earnings to a United States taxpayer, provided certain criteria are met. The maximum amount of foreign earnings eligible for the deduction is limited to the greater of \$500,000,000 or the amount shown in the Company's most recent audited financial statements filed prior to June 30, 2003 as earnings permanently reinvested outside of the United States. In 2005, the company repatriated a total of \$161,143,679 from its foreign subsidiaries and recorded a related tax expense of \$18,180,581.

C. The provisions for incurred taxes on earnings for the years ended December 31 are:

	2005	2004
Federal tax on operations	132,864,979	44,023,576
Net operating loss benefit	0	180,994,100
Foreign tax on operations	18,769,795	28,753,640
Income tax incurred on operations	114,095,184	108,216,884
Tax on capital gains	106,302,103	69,905,462
Total income tax incurred	(7,793,081)	(38,311,422)

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, deferred compensation deductions, investment impairments, unrealized gains, statutory non-admitted assets, and tax credit carryforwards.

NOTES TO FINANCIAL STATEMENTS

The change in deferred income taxes is comprised of the following:

	2005
Change in net deferred income tax (without unrealized gain or loss)	(231,988,509)
Tax effect of unrealized (gains) losses	(16,569,454)
Total change in net deferred income tax	(248,557,963)

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, excludible dividend income, foreign operations, intercompany transactions, revisions to prior year estimates, and changes in deferred taxes related to non-admitted assets.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$12,126,000 from the current year and \$94,641,000 from the preceding year.

The Company has no remaining net loss carryforward available to offset future net income subject to Federal income taxes.

The Company has an alternative minimum tax credit available of \$27,050,000 which does not expire.

The Company has a foreign tax credit available of \$35,579,000, which was generated in 2003 and 2004 and expires in 2013 and 2014.

- F. The Company's Federal income tax return is consolidated with the following entities:

Access Insurance Services, Co.	Liberty International Holdings, Inc.
Ambco Capital Corporation	Liberty Life Assurance Company of Boston
America First Insurance Company	Liberty Life Holdings, Inc.
America First Lloyds Insurance Company	Liberty Lloyds of Texas Insurance Company
American Ambassador Casualty Company	Liberty Management Services, Inc.
Berkeley Holding Company Associates, Inc.	Liberty Mexico Holdings, Inc.
Berkeley Management Corporation	Liberty Mutual Fire Insurance Company
Bridgefield Casualty Insurance Company	Liberty Mutual Group Inc.
Bridgefield Employers Insurance Company	Liberty Mutual Holding Company, Inc.
Capitol Agency, Inc. (Arizona corporation)	Liberty Mutual Insurance Company
Capitol Agency, Inc. (Ohio corporation)	Liberty Mutual Managed Care, Inc.
Capitol Agency, Inc. (Tennessee corporation)	Liberty Northwest Insurance Corporation
Cascade Disability Management, Inc.	Liberty Personal Insurance Company
Colorado Casualty Insurance Company	Liberty RE (Bermuda) Limited
Companies Agency Insurance Services of California	Liberty Real Estate Corporation
Companies Agency of Alabama, Inc.	Liberty Sponsored Insurance (Vermont) Inc.
Companies Agency of Georgia, Inc.	Liberty Surplus Insurance Corporation
Companies Agency of Kentucky, Inc.	Liberty-USA Corporation
Companies Agency of Massachusetts, Inc.	LIH-Re of America Corporation
Companies Agency of Michigan, Inc.	LIH U.S. P&C Corporation
Companies Agency of New York, Inc.	LIIA Insurance Agency, Inc.
Companies Agency of Pennsylvania, Inc.	LIU Specialty Agency, Inc.
Companies Agency of Phoenix, Inc.	LLS Insurance Agency of Nevada, Inc.
Companies Agency, Inc.	LM Insurance Corporation
Companies Annuity Agency of Texas, Inc.	LMHC Massachusetts Holding, Inc.
Consolidated Insurance Company	LRE Properties, Inc.
Copley Venture Capital, Inc.	Mid-American Agency, Inc.
Countrywide Services Corporation	Mid-American Fire and Casualty Company
Diversified Settlements, Inc.	Missouri Agency, Inc.
Employers Insurance Company of Wausau	North Pacific Insurance Company
Excelsior Insurance Company	Oregon Automobile Insurance Company
First State Agency, Inc.	Peerless Indemnity Insurance Company
Florida State Agency, Inc.	Peerless Insurance Company
Globe American Casualty Company	LM Personal Insurance Company
Golden Eagle Insurance Corporation	LM General Insurance Company
Gulf States AIF, Inc.	LM Property and Casualty Insurance Company
Hawkeye-Security Insurance Company	San Diego Insurance Company
Helmsman Insurance Agency of Illinois, Inc.	State Agency, Inc. (Indiana corporation)
Helmsman Insurance Agency of Texas, Inc.	State Agency, Inc. (Wisconsin corporation)
Heritage-Summit Healthcare of Florida, Inc.	St. James Insurance Company
Indiana Insurance Company	Summit Consulting, Inc.
LEXCO Limited	Summit Consulting, Inc. of Louisiana
Liberty Assignment Corporation	Summit Holding Southeast, Inc.
Liberty Energy Corporation	The First Liberty Insurance Corporation
Liberty Financial Services, Inc.	The Midwestern Indemnity Company
Liberty Hospitality Group, Inc.	The National Corporation
Liberty Insurance Company of America	The Netherlands Insurance Company
Liberty Insurance Corporation	Wausau Business Insurance Company
Liberty Insurance Holdings, Inc.	Wausau General Insurance Company
Liberty Insurance Underwriters, Inc.	Wausau Service Corporation
Liberty International Asia Pacific Holdings, Inc.	Wausau Underwriters Insurance Company

NOTES TO FINANCIAL STATEMENTS

The method of federal income tax allocation is subject to a written agreement. Allocation is based upon separate return calculations with credit applied for losses as appropriate. The Company has the enforceable right to recoup prior year payments in the event of future losses.

Note 10- Information concerning Parent, Subsidiaries and Affiliates

A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Group Inc. ("LMGI"). LMGI is owned 100% by LMHC Massachusetts Holdings Inc. ("LMHC MHI") and LMHC MHI is owned 100% by Liberty Mutual Holding Company, Inc. ("LMHCI").

B. Transactions between the Company and its affiliates are described in Schedule Y Part 2

During 2005, the Company received capital contributions from its parent, LMGI, amounting to \$265,725,000.

A. There were no material changes in the terms of any intercompany arrangements.

B. At December 31, 2005, the Company reported \$284,222,350 due from affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.

E. The Company guarantees, jointly and severally with Liberty Mutual Fire Insurance Company, \$27,000,000 of the medium term notes payable which are obligations of its parent company, LMGI.

The Company guarantees the performance of LMGI under a \$600,000,000 commercial paper program. The amount outstanding as of December 31, 2005 was \$100,000,000.

The Company guarantees the performance of the obligations of LMGI under a \$750,000,000 five-year revolving credit agreement that LMGI entered into on July 25, 2005 to replace its previous \$450,000,000 revolving credit agreement. The revolving line of credit serves as a back-up facility for the commercial paper program. The amount outstanding at December 31, 2005 was \$0.

The Company guarantees the performance of Inversora Segucar, C.A. under a \$25,000,000 liquidity program. The amount outstanding as of December 31, 2005 was \$11,113,491.

The Company is contingently liable for the performance of Liberty Corporate Capital Limited's obligations under standby letters of credit in the aggregate amount of \$818,425,000 of which \$663,355,000 has been collateralized. As of December 31, 2005, there have been no drawings under the standby letters of credit.

The Company guarantees the performance of Liberty International Iberia, S.L., S.C.S. under a credit agreement in the amount of the greater of €85,000,000 or \$100,000,000. As of December 31, 2005, there have been no drawings under the credit agreement.

The Company guarantees that, if America First Insurance Company should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any "qualifying Louisiana investment" as defined in Louisiana Revised Statutes 22.1068, the Company shall pay America First Insurance Company a sufficient amount to reimburse it for such reduction. As of December 31, 2005, \$4,518,687 in "qualifying Louisiana investment" was held.

The Company guarantees the obligations of Liberty Information Technology Ltd. under a \$43,075,000 real estate lease located in Belfast, Northern Ireland.

The Company guarantees obligations of Liberty Life Assurance Company of Boston and Liberty Mutual Insurance Europe Ltd. on policies and contracts issued.

The Company guarantees obligations of Liberty Re (Bermuda) Limited under certain reinsurance policies issued.

F. There are service agreements (the "Agreements") between the Company and the following subsidiaries or affiliated (SCA) companies:

America First Insurance Company
 America First Lloyds Insurance Company
 American Ambassador Insurance Company
 Bridgefield Casualty Insurance Company
 Bridgefield Employers Insurance Company
 Cascade Disability Management, Inc.
 Colorado Casualty Insurance Company
 Companies Agency, Inc.
 Companies Agency of Alabama, Inc.
 Companies Agency of Georgia, Inc.
 Companies Agency of Kentucky, Inc.
 Companies Agency of Massachusetts, Inc.
 Companies Agency of Michigan, Inc.
 Companies Agency of New York, Inc.
 Companies Agency of Pennsylvania, Inc.
 Consolidated Insurance Company
 Employers Insurance Company of Wausau
 Excelsior Insurance Company
 Globe American Casualty Company
 Golden Eagle Insurance Corporation

NOTES TO FINANCIAL STATEMENTS

Hawkeye-Security Insurance Company
 Helmsman Insurance Agency LLC
 Helmsman Management Services LLC
 Indiana Insurance Company
 Liberty Energy Holdings LLC
 Liberty Insurance Company of America
 Liberty Insurance Corporation
 Liberty Insurance Underwriters Inc.
 Liberty Life Assurance Company of Boston
 Liberty Lloyd's of Texas Insurance Company
 Liberty Mutual Equity LLC
 Liberty Mutual Group Inc.
 Liberty Mutual Managed Care, Inc.
 Liberty Personal Insurance Company
 Liberty Surplus Insurance Corporation
 LIU Specialty Agency, Inc.
 LM General Insurance Company
 LM Insurance Corporation
 LM Personal Insurance Company
 LM Property and Casualty Insurance Company
 Merchants and Business Men's Mutual Insurance Company
 Mid-American Fire and Casualty Company
 Montgomery Mutual Insurance Company
 National Insurance Association
 Peerless Indemnity Insurance Company
 Peerless Insurance Company
 San Diego Insurance Company
 The First Liberty Insurance Corporation
 The Midwestern Indemnity Company
 The Netherlands Insurance Company
 Wausau Business Insurance Company
 Wausau General Insurance Company
 Wausau Signature Agency, Inc.
 Wausau Underwriters Insurance Company

Under the agreements, the Company may provide the SCA companies with office space, supplies, equipment, telephone and wire services, the use of computers and similar machines and services of personnel employed by the Company. Services include but are not limited to the following: claims handling, credit and collections, sales policy production, underwriting, investment management, and a variety of computer activities. The Company is reimbursed for the costs of all services which it provides under these agreements.

Pursuant to an Employee Benefit Plans Cost-Sharing Agreement, the Company has agreed to reimburse LMGI for certain costs related to one or more employee benefit or welfare plans covering current or past employees of LMIC or its affiliates which have been transferred to LMGI or which may be transferred to LMGI in the future. The amount of the reimbursement is: (a) the required contributions to the pension plans and (b) with respect to other plans, the benefits incurred on the Company's behalf.

- E. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of an upstream company, either directly or indirectly.
- I. The Company has no investments in subsidiary, controlled or affiliated companies greater than 10% of admitted assets.
- J. The Company did not recognize any impairment write down for its subsidiary, controlled, or affiliated companies during the statement period.

Note 11- Debt

Debt consists of the following obligation as of December 31, 2005:

The Company maintains \$600,000,000 revolving line of credit with LMGI. Outstanding borrowings as of December 31, 2005 totaled \$102,110,830. Interest is paid quarterly in arrears based on average borrowings at a variable interest rate. \$1,910,644 of interest was paid in 2005.

Note 12- Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

- A. The U.S. Liberty Mutual Retirement Benefit Plan and Supplemental Income at Retirement Plan (SIRP) defined benefit pension plans are sponsored by the Holding Company, LMGI. Accordingly, the plan assets and obligations are not included in the Company's summary of assets and obligations as of December 2005 and December 2004. The Employees' Thrift-Incentive plan and Supplemental Income at Retirement Plan (SIRP) defined contribution pension plans are also sponsored by LMGI.

NOTES TO FINANCIAL STATEMENTS

The Company continues to sponsor non-contributory defined benefit and contributory defined contribution pension plans covering substantially all Canadian and certain U.S. employees. The benefits and eligibility are based on age, years of service and the employee's compensation, as more fully defined in the Plan. As of December 31, 2005, the company accrued pension cost in accordance with the actuarially determined amounts, with an offset for the incremental asset amortization.

The Company's U.S. postretirement health and life benefit obligations are also sponsored by LMGI. Accordingly, the plan assets and obligations are not included in the Company's summary of assets and obligations as of December 2005 and December 2004. However, the Company continues to provide certain health care and life insurance benefits for retired Canadian employees. Substantially all Canadian employees may become eligible for these benefits if they reach retirement age and have ten years of service working for the Company, as more fully defined in the Plan.

A summary of assets, obligations, and assumptions of the Pension Plans and Postretirement Benefit Plans are as follows at December 31, 2005 and 2004:

	<u>Pension Plans</u>		<u>Postretirement</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Change in benefit obligations				
a. Benefit obligations, beginning of year	\$ 106,830,484	\$ 86,455,596	\$ 1,898,208	\$ 2,082,934
b. Service costs	3,647,426	2,879,843		
c. Interest costs	6,681,222	6,014,342	120,583	130,603
d. Eligibility costs	-	-	29,436	97,418
e. Amendments	-	201,544	-	-
f. Actuarial (gains)/losses	17,403,553	19,020,630	149,158	98,979
g. Currency exchange rate change	1,287,130	2,794,157	65,105	160,343
h. Acquisition / (Divestiture)	-	(5,394,399)	-	(551,652)
i. Benefits paid	(4,268,570)	(5,141,229)	(138,571)	(120,417)
j. Benefit obligations, end of year	<u>\$ 131,581,245</u>	<u>\$ 106,830,484</u>	<u>\$ 2,123,919</u>	<u>\$ 1,898,208</u>
Change in plan assets				
a. Fair value of plan assets at beginning of year	\$ 32,340,033	\$ 27,603,570	\$ -	\$ -
b. Actual return on plan assets	3,314,042	4,344,183	-	-
c. Currency exchange rate changes	1,108,585	1,802,990	-	-
d. Employer contributions	3,600,339	3,730,519	138,571	120,417
e. Benefits paid	(4,268,570)	(5,141,229)	(138,571)	(120,417)
f. Fair value of plan assets at end of the year	<u>\$ 36,094,429</u>	<u>\$ 32,340,033</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Funding Status				
a. Funded status of the plan	\$ (95,486,816)	\$ (74,490,451)	\$ (2,123,919)	\$ (1,898,208)
b. Unrecognized net (gain)/loss	49,746,686	34,505,361	(149,821)	(310,419)
c. Unrecognized prior service costs	677,685	758,597	-	-
d. Unrecognized net transition (asset)/obligation	2,492,028	2,780,896	1,052,278	1,113,299
e. Net amount recognized	<u>\$ (42,570,417)</u>	<u>\$ (36,445,596)</u>	<u>\$ (1,221,462)</u>	<u>\$ (1,095,328)</u>
Non-vested Projected Benefit Obligation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 841,186</u>	<u>\$ 563,347</u>
Components of net periodic costs				
a. Service costs	\$ 3,647,426	\$ 2,879,843	\$ -	\$ -
b. Eligibility costs			29,436	97,418
c. Interest costs	6,681,222	6,014,342	120,583	130,603
d. Expected return on plan assets	(2,831,251)	(2,936,278)	-	-
e. Amortization of unrecognized:				
Net (gain)/Loss	2,040,294	1,480,419	(22,120)	(20,042)
Prior service cost	80,912	17,915	-	-
Net transition (asset)/obligation	79,437	133,574	99,238	101,854
Total net periodic benefit cost	<u>\$ 9,698,040</u>	<u>\$ 7,589,816</u>	<u>\$ 227,137</u>	<u>\$ 309,833</u>
Settlement / Curtailment loss	-	1,897,341	-	(257,837)
Total net periodic benefit costs	<u>\$ 9,698,040</u>	<u>\$ 9,487,156</u>	<u>\$ 227,137</u>	<u>\$ 51,996</u>
Amounts recognized in the statutory financial statements consist of				
Prepaid Benefit Cost	\$ 3,615,510	\$ 1,995,246	\$ -	\$ -
Accrued benefit liability	(57,464,992)	(54,236,021)	(1,221,462)	(1,095,328)
Minimum pension liability	2,128,647	5,991,407	-	-
Intangible asset	9,150,418	9,803,772	-	-
Net amount recognized	<u>\$ (42,570,417)</u>	<u>\$ (36,445,596)</u>	<u>\$ (1,221,462)</u>	<u>\$ (1,095,328)</u>

NOTES TO FINANCIAL STATEMENTS

Weighted-average assumptions

Discount rate	6.25%	6.50%	6.25%	6.50%
Expected return on plan assets	8.00%	8.50%	-	-
Rate of compensation increase	4.70%	5.10%	-	-

The discount rate used in determining the year-end pension and postretirement benefit obligation was 5.50% in 2005 and 6.25% in 2004.

The weighted average healthcare cost trend rate assumed for 2006 is 8% graded to 5% for 2009. Assumed healthcare cost rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in the assumed healthcare cost trends rate would have the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on postretirement benefit obligation:	\$ 222,968	\$ (118,670)
Effect on total of service cost and interest cost:	\$ 39,155	\$ (14,632)

- B. The Company continues to sponsor various defined contribution savings plans for Canadian and certain U.S. employees. The Company's expense charged to operations amounted to approximately \$911,261 and \$1,300,000 in 2005 and 2004 respectively. The Company's contribution to the defined contribution plans is based on the employee contribution amounts and profitability.
- C. Multi-employer Plans
Not applicable
- D. The Company's U.S. employees participate in non contributory defined benefit pension plans and contributory defined contribution pension plans sponsored by LMGI, a holding company. The company has no legal obligation for benefits under these plans subsequent to September 24, 2003. LMGI allocates defined benefit pension amounts to the Company based on paid amounts. LMGI allocates defined contribution pension and postretirement amounts to the Company based on Statutory incurred amounts.
- LMGI allocated \$165,417,352 and \$158,079,146 of defined benefit pension expense to the Company in 2005 and 2004, respectively. LMGI allocated \$74,350,973 and \$66,347,673 of defined contribution pension expense to the Company in 2005 and 2004, respectively. LMGI allocated \$40,297,427 and \$45,044,823 of postretirement expense to the Company in 2005 and 2004, respectively.
- E. The Company has no obligations to current or former employees for benefits after their employment but before their retirement other than for compensation related to earned vacation. The liability for earned but untaken vacation has been accrued.

Note 13- Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

1. Common Stock

The Company has 100,000 shares authorized, issued, and outstanding as of December 31, 2005. All shares have a stated par value of \$100.

2. Preferred Stock

Not applicable

3. Dividend Restrictions

There are no dividend restrictions.

4. The maximum amount of dividends which can be paid by Massachusetts-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, or (b) net income. Additionally, as a result of a Keepwell agreement with certain of its affiliates, the Company may be effectively limited from paying any dividend to shareholders when the Company's surplus is below 300% of Authorized Control Level risk based capital. Subject to the preceding sentence, the maximum dividend payout which may be made without prior approval in 2006 is \$692,469,683.

5. As of December 31, 2005, the Company has restricted surplus of \$781,222,479 resulting from retroactive reinsurance contracts.

6. The Company had no advances to surplus.

7. The Company did not hold stock for special purposes.

8. The Company had changes in special surplus funds resulting from retroactive reinsurance contracts during 2005.

9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$127,226,777.

NOTES TO FINANCIAL STATEMENTS

10. Surplus Notes

(1) Date Issued	(2) Interest Rate	(3) Amount of Note(s)	(4) Carrying Value	(5) Interest Paid Current Year	(6) Total Interest Paid	(7) Unapproved Interest	(8) Date of Maturity
May 18, 1995	8.500%	\$150,000,000	\$149,800,441	\$12,750,000	\$133,875,000	\$0	5/15/2025
May 04, 1995	8.200%	121,361,000	121,238,630	9,951,602	198,782,779	0	5/04/2007
Oct. 21, 1996	7.875%	250,000,000	249,709,495	19,687,500	177,187,500	0	10/15/2026
Oct. 15, 1997	7.697%	500,000,000	492,237,889	38,485,000	307,880,000	0	10/15/2097
Total		\$1,021,361,000	\$1,012,986,455	\$80,874,102	\$817,725,279	\$0	

The surplus debenture, in the amount of \$150,000,000 listed under 13.10.1 was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by Merrill Lynch & Co., Goldman Sachs & Co. and Salomon Bothers Inc. and is administered by JPMorgan Chase Bank as registrar/paying agent. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

The surplus debenture in the amount of \$121,361,000, listed under 13.10.2 was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by Merrill Lynch & Co., Goldman Sachs & Co. and Salomon Bothers Inc. and is administered by JPMorgan Chase Bank as registrar/paying agent. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

The surplus debenture in the amount of \$250,000,000, listed under 13.10.3 was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by CS First Boston, Morgan Stanley & Co. and Salomon Bothers Inc. and is administered by JPMorgan Chase Bank as registrar/paying agent. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

The surplus debenture in the amount of \$500,000,000, listed under 13.10.4 was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by CS First Boston, Goldman Sachs & Co. and Merrill Lynch & Co. and is administered by JPMorgan Chase Bank as registrar/paying agent. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

11. Quasi re-organization (dollar impact)

Not applicable

12. Quasi re-organization (effective date)

Not applicable

Note 14- Contingencies

A. Contingent Commitments

The Company has made no commitments, contingent commitments or guarantees on behalf of affiliates or other entities except as indicated in Note 10E.

B. Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments are accrued at the time of insolvencies. Other assessments are accrued either at the time of assessments or in the case of premium based assessments, at the time the premiums are written, or, in the case of loss based assessments, at the time the losses are incurred.

The Company has accrued a liability for guaranty fund and other assessments of \$197,042,447 that is offset by future premium tax credits of \$37,690,071. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next ten years.

During 2005 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

C. Gain Contingencies

Not applicable

D. All other Contingencies

Lawsuits arise against the Company in the normal course of business. Contingent liabilities arising from litigation, income taxes, and other matters are not considered material in relation to the financial position of the Company

NOTES TO FINANCIAL STATEMENTS**Note 15- Leases**

- A. Aside from certain sale-leaseback transactions disclosed below, the Company is not involved in material lease arrangements.

The Company has entered into sale-leaseback arrangements with unrelated parties on certain property, furniture and fixtures. The transactions have been accounted for in accordance with SSAP No. 22. The Company has a purchase option for all PP&E at the end of each respective lease. The following is a schedule of the Company's minimum lease obligations:

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2006	\$34,423,426	\$70,566,868
2007	21,461,179	56,275,587
2008	19,784,161	41,569,848
2009	16,382,762	30,683,696
2010	10,433,425	21,811,484
2011 & thereafter	0	105,859,102
Total	<u>\$102,484,953</u>	<u>\$326,766,585</u>

On January 9, 2006, the Company, along with two affiliates, acquired a commercial office building adjacent to the Company's headquarters for \$481,500,000. The Company has a 92% ownership interest in the building. The Company currently occupies approximately 16% of the office space. Previous lease obligations for this office space have been terminated and are no longer included above.

- B. Leasing as a significant part of lessor's business activities

Not applicable

Note 16- Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

The Company is not exposed to financial instruments with off-balance sheet risk and concentrations of credit risk.

Note 17- Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

- A. Transfers of Receivables reported as sales:

The Company did not have any transfers of receivables reported as sales.

- B. Transfers and servicing of financial assets:

The Company participates in a securities lending program to generate additional income, whereby certain fixed income securities are loaned for a short period of time from the Company's portfolio to qualifying third parties, via a lending agent. Borrowers of these securities provide collateral equal to or in excess of, 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 100% of the market value of the loaned securities. Under the terms of the securities lending program, the lending agent indemnifies the Company against borrower defaults. The loaned securities remain a recorded asset of the Company, however, the Company records a liability for the amount of collateral held, representing its obligation to return the collateral related to the loaned securities. At December 31, 2005, the total market value of fixed maturities loaned was \$2,282,024, with corresponding collateral value at \$2,327,665.

- C. Wash Sales

1. In the course of the Company's asset management, securities are sold and reacquired within 30 days of the sale date. The details by NAIC designation 3 or below of securities sold during the year, and reacquired within 30 days of the sale date are:

	Number of Transactions	Book Value of Securities Sold	Cost of Securities Repurchased	Gains / (Loss)
Bonds:				
A. NAIC 3	7	\$2,965,666	\$2,789,541	\$176,125

Note 18-Gain or Loss from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

- A. Administrative Services Only (ASO) Plans

Net reimbursement for administrative expenses over actual expenses on uninsured plans and net gain was \$313,930. Claim payment volume was \$19,840,754.

- B. Administrative Services Contract (ASC) Plans

Not applicable

- C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 19- Direct Premium Written/Produced by Managing General Agents/ Third Party Administrators

The Company has no direct premiums written through managing general agents or third party administrators.

Note 20 – September 11 Events

The Company has material exposure to losses arising from the World Trade Center disaster of September 11, 2001. The exposure arises from the property, workers' compensation, auto, and surety policies and reinsurance contracts written by member companies of the Liberty Mutual Group. The Company shares in the losses via the inter-company pooling agreement. Although uncertainty about the final loss amount still exists, the losses are reasonably estimable and such estimate has been recorded. The Company believes that its reinsurers are financially sound and that reinsurance collectibility is not a significant issue or concern. The amounts recorded by the Company to date are as follows:

	Direct	Assumed	Gross	Ceded	Net
Paid Loss and ALAE	\$ 175,731,212	\$ 72,726,926	\$ 248,458,138	\$216,043,125	\$ 32,413,013
Loss and ALAE Reserves	90,650,889	13,780,084	104,430,973	74,770,845	29,660,128
Incurred Loss and ALAE	\$ 266,382,101	\$ 86,507,010	\$ 352,889,111	\$ 290,813,970	\$ 62,075,141

Note 21- Other Items

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

1) Florida Special Disability Trust Fund

- a) The amount of credit taken by the Company in determination of its loss reserves was \$0 in 2005 and 2004.
- b) The Company received payments from the Special Disability Trust Fund of \$3,904,593 in 2005 and \$2,880,627 in 2004.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$960,908 in 2005 and \$1,236,693 in 2004.

2) Assets in the amount of \$2,609,010,382 and \$2,932,337,702 as of December 31, 2005 and 2004, respectively, were on deposit with government authorities or trustees as required by law. Assets valued at \$817,847,425 and \$888,013,824 at December 31, 2005 and 2004, respectively, were maintained as compensating balances or pledged as collateral for bank loans and other financing arrangements.

D. The Company routinely assesses the collectibility of its premium receivable. Based upon Company experience, amounts in excess of non-admitted amounts are not believed to be material.

E. Business Interruption Insurance Recoveries

The Company does not purchase Business Interruption coverage.

F. Additional Pension and Postretirement Disclosure Requirements

1. Vested accumulated benefit obligation amounts

The pension plans accumulated benefit obligation is \$93,559,423 at 12/31/2005. The postretirement plan accumulated benefit obligation is \$2,123,919 at 12/31/2005.

2. Projected pension obligation and accumulated benefit obligation for non vested employees

The non vested projected benefit obligation is disclosed in Note 12.

3. Measurement date

The measurement date used to measure the pension and other postretirement measurements is December 31, 2005.

NOTES TO FINANCIAL STATEMENTS

4. Pension Asset Mix

The pension plan's weighted-average asset allocation by asset category is as follows:

Asset Category	2005	2004
Equity Investments	76%	100%
Debt Investments	20%	0%
Other	4%	0%
Total	100%	100%

5. Narrative description of investment policy

The Company recognizes that, based on historical data, the asset classes most likely to produce the greatest return in excess of inflation over time are also likely to exhibit the most volatility. Conversely, the asset classes likely to be the least volatile are likely to produce the lowest return over time. Therefore, the investment philosophies and strategies must take into account both return and risk objectives.

Based on the following considerations, the Company can tolerate a moderate amount of risk while striving to maximize investment returns:

- i. The Company is responsible for financing any unfunded liabilities emerging because of poor investment returns. Therefore, the Company has a direct exposure to risk. While it is important to avoid excessive volatility in investment returns, the Company can tolerate some volatility risk;
- ii. The Company contributes to the Plan in compliance with regulatory requirements and at a level sufficient to finance the defined benefits. The Company will establish these contributions based on the advice of an actuary. However, periodic increases in pension contributions, to finance unfunded liabilities emerging from poorer than expected investment performance, should not significantly affect the Company's overall cash flow. Therefore, the Company can tolerate some volatility of investment returns; and,
- iii. The Plan is managed on a going concern basis, including management of the assets. In the foreseeable future, it is unlikely that there will be any special liquidity demands on the Plan. Thus, shorter-term fluctuations in security values will not have a significant adverse impact on the financial stability of the Plan. Therefore, the Company can tolerate some volatility of investment returns.

Taking into consideration the investment risk and philosophy of the Plan, the following asset mix has been established, effective May 2005. Previously, the Plan was allowed to invest 100% in equities.

Assets	Minimum %	Target Mix %	Maximum %
Cash and Cash Equivalents	0	0	10
Fixed Income	15	30	40
Equities	45	70	85

6. Narrative description of expected long term rate of return assumption

The expected long-term rate of return assumption is primarily driven by two factors:

(1) the asset allocation targets; and (2) the expected long-run returns associated with each asset class. The starting point for generating long-run expected asset class returns for large-cap equities, small-cap equities, private equities and high yield bonds is an analysis of historic asset class returns and risk premiums relative to the 5-year U.S. Treasury. Investment grade bonds and cash are expected to earn returns that are generally consistent with prevailing market yields.

This approach is not entirely formulaic as professional judgment is used to make modest adjustments to these numbers in cases where the Company believes that certain data are at abnormal levels relative to long-run averages. For example, the spread between Treasury yields and inflation appeared low relative to long-run averages at the end of 2004. The 5-year U.S. Treasury was approximately 3.6% and inflation (as measured by the CPI-U) was 3.3%, resulting in a difference of 0.3%. Over the past ten and twenty years, this difference has averaged approximately 2.5% and 3.2%, respectively. Based on this information, the Company assumed a modest increase in future 5-year Treasury yields in generating its expected long-run return estimates.

7. Disclosure of additional asset categories

Not applicable

NOTES TO FINANCIAL STATEMENTS

8. Expected Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate are expected to be paid:

Year	Pension	Supplemental Pension	Postretirement Benefits
2006	\$ 1,564,000	\$ 2,235,226	\$ 131,406
2007	1,593,000	2,175,296	136,225
2008	1,609,000	2,115,986	142,679
2009	1,653,000	2,057,223	149,391
2010	1,705,000	1,993,014	154,210
2011-2015	9,702,000	8,961,049	845,316

9. Expected Company Contributions

The Company expects to contribute \$1,374,437 to the qualified plan, and directly fund \$2,235,226 to retirees in the supplemental pension plan in 2006. In addition, the Company expects to directly fund \$131,406 to the postretirement plan in 2006.

Note 22- Events Subsequent

There were no events subsequent to December 31, 2005 that would require disclosure.

Note 23- Reinsurance

- A. Excluding amounts arising pursuant to the intercompany pooling agreement, as described in Note 26, the unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus are listed below.

Reinsurer	Naic No.	Federal ID No.	Recoverable Amount
National Workers' Compensation Reins Pool		AA-9992118	\$2,287,827,000
Swiss Re Group			
Facility Insurance Corporation	10818	74-1194354	
Swiss Reinsurance Company		AA-1460146	
Facility Insurance Corporation	10818	74-1194354	
Swiss Reinsurance Life and Health America	82627	06-0839705	
Swiss Reinsurance Life and Health Canada		AA-1560016	
Swiss Reinsurance America Corporation	25364	13-1675535	
North American Elite Insurance Company	29700	13-3440360	
North American Specialty Insurance	29874	02-0311919	
Swiss Reinsurance Co Canada		AA-1560160	
Swiss Reinsurance Australia Ltd.		AA-1934100	
Swiss Reinsurance Italiana Spa		AA-1360240	
Swiss Reinsurance Co. U.K. Ltd.		AA-1121400	
Total Swiss Re Group			975,673,000
National Indemnity Company	20087	47-0355979	310,782,000

- B. There are no reinsurance recoverables in dispute from an individual reinsurer which exceeds 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.
- C. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2005.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$4,074,170,316	\$265,487,133	\$1,435,475,812	\$93,540,605	\$2,638,694,504	\$171,946,528
All Other	114,756,691	32,131,873	812,567,980	178,704,955	(697,811,289)	146,573,082)
Total	\$4,188,927,007	\$297,619,006	\$2,248,043,792	\$272,245,560	\$1,940,883,215	\$25,373,446

Direct Unearned Premium Reserve: \$851,651,904

NOTES TO FINANCIAL STATEMENTS

Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2005 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$14,237,705	\$52,754,088	\$22,442,251	\$44,549,542
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	0	129,675,000	(129,675,000)
Totals	\$14,237,705	\$52,754,088	\$152,117,251	\$(85,125,458)

The Company does not use protected cells as an alternative to traditional reinsurance.

- D. During the current year, the Company wrote off reinsurance balances of \$6,526,381. This amount is shown below by Income Statement classification and by reinsurer.

Income Statement Classification	Amount
Losses Incurred	\$6,395,461
Loss Adjustment Expenses Incurred	130,920
Premiums Earned	0
Other Expenses	0
Total	\$6,526,381
Reinsurer	
	Amount
New England Reinsurance Corp, 41629	\$5,237,458
Other Reinsurers	1,288,923
Total	\$6,526,381

- E. The Company commuted several ceded reinsurance treaties in the current year with the reinsurers listed below. The net effect of all commutations was an increase in loss and loss adjustment expense of \$2,215,886. This amount is shown below by Income Statement classification and by reinsurer.

Income Statement Classification	Amount
Losses Incurred	\$2,064,201
Loss Adjustment Expenses Incurred	151,685
Premiums Earned	0
Other	0
Total	\$2,215,886
Reinsurer	
	Amount
Liberty Mutual (Bermuda) LTD, AA-3190194	\$3,389,874
Converium Reinsurance North America, 39136	(1,668,553)
Other Reinsurers	\$494,565
Total	\$2,215,886

- F. The Company has two assumed and seventeen ceded retroactive contracts that transferred liabilities for losses that had already occurred. The impact of the intercompany pooling arrangement is also shown.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	126,714,434	1,585,495,971
	2. Adjustment – Prior Year(s)	(119,502,313)	(202,180,011)
	3. Adjustment – Current Year	(3,164,645)	(7,821,262)
	4. Total	\$4,047,476	1,375,494,698
b.	Consideration Paid or Received:		
	1. Initial Reserves	130,474,413	768,243,044
	2. Adjustment – Prior Year(s)	(38,936,843)	(13,036,477)
	3. Adjustment – Current Year	(23,165,000)	6,875,131
	4. Total	68,372,570	762,081,698
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	(3,477,101)	14,027,058
	2. Adjustment – Prior Year(s)	69,291,414	133,364,558
	3. Adjustment – Current Year	(18,658,421)	10,593,309
	4. Total	47,155,892	157,984,925

NOTES TO FINANCIAL STATEMENTS

d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	(1,839,164)	(834,320,527)
	2. Adjustment – Prior Year(s)	11,274,056	55,778,976
	3. Adjustment – Current Year	(3,310,269)	3,443,691
	4. Total	6,124,623	(775,097,860)
	5. Cumulative Total Transferred to Unassigned Funds	11,044,579	3,699,935
e.	Other insurers included in the above transactions:		
	Allianz Cornhill International, AA-1120140	\$10,997,000	\$0
	Employers Insurance Company of Wausau, 21458	(7,543,723)	0
	Wettereau Insurance Co. Ltd., AA-33191047	594,199	0
	National Indemnity Insurance Company, 20087		826,950,410
	North American Specialty Insurance Company, 29874		705,400,000
	Partner Re Co LTD, AA-3190686		240,054,000
	ACE INA Overseas Insurance Company, AA-1560515		126,645,000
	Federal Insurance Company, 20281		116,904,570
	American Re-Insurance Company, 10227		30,648,213
	Everest Reinsurance Company, 26921		10,238,597
	Other		3,547,333
	Arlington Insurance Company, 98-0405213		2,185,540
	Ashmont Insurance Company Ltd., 10438		2,037,917
	North European Financial Re, 1995 2210 680		1,731,174
	AAACWJ Insurance Company, 21-0581060		31,373
	Employers Insurance Company of Wausau, 21458		(329,972,264)
	Liberty Mutual Fire Insurance Company, 23035		(206,232,665)
	Liberty Insurance Corporation, 42404		(123,739,599)
	Wausau Business Insurance Company, 26069		(8,249,307)
	Wausau General Insurance Company, 26425		(8,249,307)
	Wausau Underwriters Insurance Company, 26042		(8,249,307)
	LM Insurance Corporation, 33600		(4,124,653)
	The First Liberty Insurance Corporation, 33588		(2,062,327)
	Total	\$4,047,476	\$1,375,494,698

There are no reinsurance contracts covering losses that have occurred prior to the inception of the contract that have not been accounted for in conformity with the NAIC Accounting Practices and Procedures Manual.

- G. At December 31, 2005, the deposit balance for reinsurance contracts accounted for under the deposit method was \$20,453,000.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

- A. Accrued retrospective premiums reported in Line 13.3 of the assets have been determined based upon loss experience on business subject to such experience rating adjustment. Accrued retrospectively rated premiums, including all of those relating to bulk IBNR, have been determined by or allocated to individual policyholder accounts.
- B. The Company records accrued retrospective premium as an adjustment to earned premium.
- C. For detail of net premium written subject to retrospective rating features see Schedule P – Part 7A.
- D. Ten percent of the amount not offset by retrospective return premiums or collateral has been designated non-admitted and charged to surplus.

Total accrued retro premium	\$520,880,782
Less: Non-admitted amount	52,653,830
Admitted amount	<u>\$468,226,952</u>

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Reserves for incurred loss and loss adjustment expenses attributed to insured events of prior years has increased during 2005, primarily as a result of rising loss development trends in workers' compensation and general liability. The increase also reflects the completion of the Company's biennial ground-up asbestos reserve study in the third quarter (refer to Note 33). A portion of the increase in incurred loss and loss adjustment expenses attributed to insured events of prior years was offset by a corresponding increase in premiums earned. Original estimates are revised as additional information becomes known regarding individual claims.

NOTES TO FINANCIAL STATEMENTS

Note 26- Intercompany Pooling Arrangements

The Company is the lead company of the Liberty Mutual Inter-Company Reinsurance Agreement consisting of the following affiliated companies:

		NAIC Co. #	Pooling %	Lines of Business
Lead Company:	Liberty Mutual Insurance Company (LMIC)	23043	66.5%	All Lines
Affiliated Pool Companies:	Employers Insurance Company of Wausau (EICOW)	21458	16.00%	All Lines
	Liberty Mutual Fire Insurance Company (LMFIC)	23035	10.00%	All Lines
	Liberty Insurance Corporation (LIC)	42404	6.00%	All Lines
	Wausau Business Insurance Company (WBIC)	26069	0.40%	All Lines
	Wausau General Insurance Company (WGIC)	26425	0.40%	All Lines
	Wausau Underwriters Insurance Company (WUIC)	26042	0.40%	All Lines
	LM Insurance Corporation (LM Ins Corp)	33600	0.20%	All Lines
	The First Liberty Insurance Corporation (FLIC)	33588	0.10%	All Lines
	Liberty Personal Insurance Company (LPIC)	11746	0.00%	All Lines
	Liberty Insurance Company of America (LICA)	10337	0.00%	All Lines
	Liberty Surplus Insurance Corporation (LSIC)	10725	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Liberty Lloyd's of Texas Insurance Company (Lloyds)	11041	0.00%	All Lines
	Liberty County Mutual Insurance Company (LCMIC)	19544	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. (LIU)	19917	0.00%	All Lines
	Bridgefield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
	Bridgefield Casualty Insurance Company (BCIC)	10335	0.00%	All Lines
	LM Property and Casualty Insurance Company (LMPAC)	32352	0.00%	All Lines
	LM General Insurance Company (LMGIC)	36447	0.00%	All Lines
	LM Personal Insurance Company (LMPIC)	36439	0.00%	All Lines

Under the terms of the Reinsurance Agreements, the sequence of transactions is as follows:

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the lead company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (b) With the exception of LMGIC and LMPIC, each 100% Quota Share Affiliated company cedes its net underwriting activity to the lead company. LMGIC and LMPIC cede its net underwriting activity to LMPAC.
- (c) After recording the assumed affiliate transactions noted above, the lead company records 100% of its external assumed and ceded reinsurance activity.
- (d) The lead company's remaining underwriting activity, after processing all internal and external reinsurance, is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- (e) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- (f) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the lead company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- (g) The write-off of uncollectible reinsurance is pooled and the provision for reinsurance is recognized by the entity placing the outbound external reinsurance.

Note 27- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of \$884,717,229 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$884,717,229 as of December 31, 2005.

NOTES TO FINANCIAL STATEMENTS

- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the company has not obtained a release of liability from the claimant is as follows:

Life Insurance Company & Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$361,361,233
The Prudential Insurance Company of America Newark, New Jersey	Yes	\$356,549,841
Nationwide Life Insurance Company Columbus, Ohio	Yes	\$110,053,567

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 – Premium Deficiency Reserves

As of December 31, 2005, the Company had no liabilities related to premium deficiency reserves. The Company considers anticipated investment income when calculating its premium deficiency reserves.

Note 31- High Dollar Deductible Policies

As of December 31, 2005, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$2,785,532,169 and the amount billed and recoverable on paid claims was \$172,572,416.

Note 32- Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. Asbestos structured settlements are discounted at 4.5%. The December 31, 2005, liabilities include \$2,273,201,493 of liabilities carried at a discounted value of \$1,396,194,744 representing a discount of \$877,006,749.

For all other lines, the Company does not discount its reserves for unpaid losses and loss adjustment expenses.

Note 33 - Asbestos/Environmental Reserves

The Company has exposure to asbestos and environmental claims which emanate principally from general liability policies written prior to the mid-1980's. In establishing the Company's asbestos and environmental reserves, the Company estimates case basis reserves for anticipated losses and bulk reserves for loss adjustment expenses and incurred but not reported losses. The Company maintained casualty excess of loss reinsurance during the relevant periods. The reserves are reported net of expected recoveries from reinsurers and include any reserves reported by ceding reinsurers on assumed reinsurance contracts.

Upon their de-affiliation from the Nationwide Group and re-affiliation with the Company, EICOW, Wausau Business Insurance Company ("WBIC"), Wausau General Insurance Company ("WGIC"), and Wausau Underwriters Insurance Company ("WUIC") entered into ceded reinsurance contracts whereby Nationwide Indemnity Company assumed full responsibility for obligations on certain policies with effective dates prior to January 1, 1986, including all asbestos and environmental exposures.

Factors Contributing to Uncertainty in Establishing Adequate Reserves

The process of establishing reserves for asbestos and environmental claims is subject to greater uncertainty than the establishment of reserves for liabilities relating to other types of insurance claims. A number of factors contribute to this greater uncertainty surrounding the establishment of asbestos and environmental reserves, including, without limitation: (i) the lack of available and reliable historical claims data as an indicator of future loss development, (ii) the long waiting periods between exposure and manifestation of any bodily injury or property damage, (iii) the difficulty in identifying the source of asbestos or environmental contamination, (iv) the difficulty in properly allocating liability for asbestos or environmental damage, (v) the uncertainty as to the number and identity of insureds with potential exposure, (vi) the cost to resolve claims, and (vii) the collectibility of reinsurance.

The uncertainties associated with establishing reserves for asbestos and environmental losses and loss adjustment expenses are compounded by the differing, and at times inconsistent, court rulings on environmental and asbestos coverage issues involving: (i) the differing interpretations of various insurance policy provisions and whether asbestos and environmental losses are or were ever intended to be covered, (ii) when the loss occurred and what policies provide coverage, (iii) whether there is an insured obligation to defend, (iv) whether a compensable loss or injury has occurred, (v) how policy limits are determined, (vi) how policy exclusions are applied and interpreted, (vii) the impact of entities seeking bankruptcy protection as a result of asbestos-related liabilities, (viii) whether clean-up costs are covered as insured property damage, and (ix) applicable coverage defenses or determinations, if any, including the determination as to whether or not an asbestos claim is a products/completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim.

NOTES TO FINANCIAL STATEMENTS

In recent years the Company, as well as the industry generally, has witnessed a significant increase in the number of asbestos claims being filed, due to a number of variables, including more intensive advertising by lawyers seeking asbestos claimants, and the increasing focus by plaintiffs on new and previously peripheral defendants, attempts to broaden the interpretation of compensable loss, and courts expanding the scope of the coverage.

Uncertainty Regarding Reserving Methodologies

As a result of the significant uncertainty inherent in determining a company's asbestos and environmental liabilities and establishing related reserves, the amount of reserves required to adequately fund the Company's asbestos and environmental claims cannot be accurately estimated using conventional reserving methodologies based upon historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment.

During the third quarter of 2005, the Company completed its biennial ground-up asbestos reserve study. As part of that review, a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel completed their comprehensive review of the Company's asbestos exposure on a direct, assumed, and ceded basis including potential exposures of large policyholders that were individually evaluated using the company's proprietary stochastic model, which is consistent with the latest published actuarial paper on asbestos reserving. Among the factors reviewed in depth by the team specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, types of injury, state jurisdictions, legal defenses, and reinsurance potential. Small policyholders were evaluated using aggregate methods that utilized information developed from the large policyholders. Additionally, a provision of pure IBNR was established for the potential emergence of first-time filers of future asbestos claims. Based on this internal study, the Company increased its asbestos reserves by \$135,401,000.

Effect of Uncertainty in Reserving For Asbestos and Environmental Claims on Company's Financial Condition

The methods of determining estimates for reported and unreported losses and establishing resulting reserves and related reinsurance recoverables are periodically reviewed and updated, and adjustments resulting from this review are reflected in income currently.

As a direct result of the significant uncertainties associated with estimating its asbestos and environmental exposures and establishing appropriate levels of reserves, the ultimate liability of the Company for asbestos and environmental exposures may vary materially from the reserves currently recorded. The Company and other industry members have and will continue to litigate the broadening judicial interpretation of policy coverage and the liability issues. If the courts continue to expand the scope of the coverage provided, additional liabilities could emerge for amounts in excess of reserves held. This emergence, as well as the other uncertainties noted above, cannot now be reasonably estimated, but could have a material impact on the Company's future operating results, and financial condition.

The table below summarizes reserve and loss activity for the Company's asbestos and environmental loss and loss adjustment expenses for each of the five most recent calendar years.

Asbestos:

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Direct Basis					
Beginning Reserves	877,542,761	901,970,408	983,576,237	1,049,655,346	1,132,137,549
Incurred losses and LAE	170,236,916	274,863,233	283,965,584	274,028,987	368,568,831
Calendar year payments	145,809,269	193,257,404	217,886,475	191,546,784	171,870,028
Ending Reserves	<u>901,970,408</u>	<u>983,576,237</u>	<u>1,049,655,346</u>	<u>1,132,137,549</u>	<u>1,328,836,352</u>
Assumed Reinsurance Basis					
Beginning Reserves	49,957,344	72,476,036	124,326,398	174,402,174	325,577,910
Incurred losses and LAE	23,104,272	53,841,901	76,634,656	174,256,718	36,205,517
Calendar year payments	585,580	1,991,539	26,558,880	23,080,982	20,053,343
Ending Reserves	<u>72,476,036</u>	<u>124,326,398</u>	<u>174,402,174</u>	<u>325,577,910</u>	<u>341,730,084</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	518,028,350	560,570,395	638,409,310	747,851,685	632,726,271
Incurred losses and LAE	118,273,575	193,068,120	208,146,995	2,348,739	145,880,226
Calendar year payments	75,731,530	115,229,205	98,704,620	117,474,153	85,439,816
Ending Reserves	<u>560,570,395</u>	<u>638,409,310</u>	<u>747,851,685</u>	<u>632,726,271</u>	<u>693,166,681</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					696,461,562
Assumed Reinsurance Basis					259,625,730
Net of Ceded Reinsurance Basis					295,926,863
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					490,394,532
Assumed Reinsurance Basis					3,029,315
Net of Ceded Reinsurance Basis					211,032,676

Environmental:

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Direct Basis					
Beginning Reserves	477,409,998	379,227,654	296,925,161	213,934,073	472,269,947
Incurred losses and LAE	(52,688)	29,324,407	(36,492,934)	305,982,080	105,446,455
Calendar year payments	98,129,656	111,626,900	46,498,154	47,646,206	121,528,201
Ending Reserves	<u>379,227,654</u>	<u>296,925,161</u>	<u>213,934,073</u>	<u>472,269,947</u>	<u>456,188,201</u>
Assumed Reinsurance Basis					
Beginning Reserves	74,188,882	73,787,636	78,381,553	37,184,556	47,138,514
Incurred losses and LAE	(7,151)	5,744,245	(37,454,401)	13,524,600	(8,133,130)
Calendar year payments	394,095	1,150,328	3,742,596	3,570,642	4,213,055
Ending Reserves	<u>73,787,636</u>	<u>78,381,553</u>	<u>37,184,556</u>	<u>47,138,514</u>	<u>34,792,329</u>

NOTES TO FINANCIAL STATEMENTS

Net of Ceded Reinsurance Basis					
Beginning Reserves	297,550,260	282,886,345	203,795,235	171,395,770	350,264,436
Incurring losses and LAE	59,544,765	(7,241,185)	(5,320,000)	210,130,624	338,726
Calendar year payments	74,208,680	71,849,925	27,079,465	31,261,958	66,766,882
Ending Reserves	282,886,345	203,795,235	171,395,770	350,264,436	283,836,280

Ending Reserves for Bulk + IBNR included above (Loss & LAE)

Direct Basis					326,126,617
Assumed Reinsurance Basis					20,750,314
Net of Ceded Reinsurance Basis					181,385,621

Ending Reserves for LAE included above (Case, Bulk & IBNR)

Direct Basis					181,385,351
Assumed Reinsurance Basis					708,494
Net of Ceded Reinsurance Basis					105,263,911

Note 34- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	1,240,415,636	5.768	1,240,415,636	5.769
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	777,425,246	3.615	777,425,246	3.616
1.22 Issued by U.S. government sponsored agencies	433,810,743	2.017	433,810,743	2.018
1.3 Foreign government (including Canada, excluding mortgage-backed securities)	482,212,903	2.243	482,212,903	2.243
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	450,316,108	2.094	450,316,108	2.094
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	264,988,643	1.232	264,988,643	1.232
1.43 Revenue and assessment obligations	1,006,920,940	4.683	1,006,920,940	4.683
1.44 Industrial development and similar obligations	35,432,761	0.165	35,432,761	0.165
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	485,528,243	2.258	485,528,243	2.258
1.512 Issued or guaranteed by FNMA and FHLMC	1,992,984,772	9.268	1,992,984,772	9.269
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	1,226,947,017	5.706	1,226,947,017	5.707
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	1,381,265	0.006	1,381,265	0.006
1.523 All other	328,385,861	1.527	328,385,861	1.527
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	3,437,111,471	15.984	3,437,111,471	15.986
2.2 Unaffiliated foreign securities	392,701,285	1.826	392,701,285	1.826
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	24,834,261	0.115	24,834,261	0.116
3.2 Preferred stocks:				
3.21 Affiliated	131,322	0.001	131,322	0.001
3.22 Unaffiliated	59,585,645	0.277	59,585,645	0.277
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated	1,163,752,331	5.412	1,163,752,331	5.413
3.4 Other equity securities:				
3.41 Affiliated	4,016,798,660	18.680	4,016,798,660	18.682
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	39,500,000	0.184	39,500,000	0.184
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company	311,128,829	1.447	311,128,829	1.447
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)	1,199,491	0.006	1,199,491	0.006
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities	31,385,363	0.146	31,385,363	0.146
8. Cash, cash equivalents and short-term investments	1,082,172,507	5.033	1,082,172,507	5.033
9. Other invested assets	2,216,280,424	10.307	2,213,612,480	10.296
10. Total invested assets	21,503,331,727	100.000	21,500,663,783	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes No
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes No N/A
- 1.3 State Regulating? Massachusetts
- 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
- 2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended. _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004
- 3.2 State the as of date that the latest financial examination report became 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. 12/31/1999
- 3.3 State as of what date the latest financial examination report became 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). 08/15/2001
- 3.4 By what department or departments? Massachusetts Division of Insurance
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes No
- 4.12 renewals? Yes No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes No
- 4.22 renewals? Yes No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1
Name of Entity | 2
NAIC Company Code | 3
State of Domicile |
|---------------------|------------------------|------------------------|
| | | |
| | | |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement.) Yes No
- 6.2 If yes, give full information _____
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes No
- 7.2 If yes,
- 7.21 State the percentage of foreign control 0 %
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).
- | 1
Nationality | 2
Type of Entity |
|------------------|---------------------|
| | |
| | |
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes No
- 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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young, LLP
200 Clarendon Street, Boston MA 02116

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? Robert T. Muleski
175 Berkeley St. Boston, MA 02117
Officer of Liberty Mutual Insurance Company

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes No
 11.11 Name of real estate holding company Liberty Mutual Equity LLC
 11.12 Number of parcels involved 2
 11.13 Total book/adjusted carrying value \$ 89,996,138

11.2 If yes, provide explanation LMIC Directly owns 100% of Liberty Mutual Equity LLC

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes No
 12.3 Have there been any changes made to any of the trust indentures during the year? Yes No
 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes No N/A

BOARD OF DIRECTORS

13. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes No
 14. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes No
 15. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes No

FINANCIAL

16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
 16.11 To directors or other officers \$ _____
 16.12 To stockholders not officers \$ _____
 16.13 Trustees, supreme or grand (Fraternal only) \$ _____

16.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
 16.21 To directors or other officers \$ _____
 16.22 To stockholders not officers \$ _____
 16.23 Trustees, supreme or grand (Fraternal only) \$ _____

17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes No

17.2 If yes, state the amount thereof at December 31 of the current year:
 17.21 Rented from others \$ _____
 17.22 Borrowed from others \$ _____
 17.23 Leased from others \$ _____
 17.24 Other \$ _____

18.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes No
 18.2 If answer is yes:
 18.21 Amount paid as losses or risk adjustment \$ _____

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

18.22 Amount paid as expenses \$ _____
 18.23 Other amounts paid \$ _____

19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes No
 19.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ _____

INVESTMENT

20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes No

20.2 If no, give full and complete information, relating thereto _____

21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1). Yes No

21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Loaned to others	\$ 2,282,024
21.22 Subject to repurchase agreements	\$ _____
21.23 Subject to reverse repurchase agreements	\$ _____
21.24 Subject to dollar repurchase agreements	\$ _____
21.25 Subject to reverse dollar repurchase agreements	\$ _____
21.26 Pledged as collateral	\$ 817,847,425
21.27 Placed under option agreements	\$ _____
21.28 Letter stock or securities restricted as to sale	\$ _____
21.29 Other	\$ _____

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

22.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes No
 22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes No N/A
 If no, attach a description with this statement.

23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes No
 23.2 If yes, state the amount thereof at December 31 of the current year. \$ _____

24. Excluding items in Schedule E, 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 Part 1-General, Section IV.H-Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes No

24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
JP MORGAN CHASE	3 Chase Metro Tech Center, Brooklyn, NY 11245
ROYAL TRUST / RBC	77 King Street West, Toronto, Ontario 1P9
BANK OF JAPAN	2-1-1 Nihonbashi, Hongokucho, Chuo-ku, Tokyo, Japan
JP MORGAN CHASE	259 George Street, Sydney, Australia

24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year? Yes No
 24.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

1 Central Registration Depository Number(s)	2 Name	3 Address

25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes No

25.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
530158104	LIBERTY ALL-STAR EQUITY FUND	24,834,262
25.2999 Total		24,834,262

25.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
LIBERTY ALL-STAR EQUITY F	BOEING COMPANY	501,569	12/31/2005
LIBERTY ALL-STAR EQUITY F	MORGAN STANLEY	500,256	12/31/2005
LIBERTY ALL-STAR EQUITY F	GENENTECH INC.	424,849	12/31/2005
LIBERTY ALL-STAR EQUITY F	CITIGROUP INC.	421,171	12/31/2005
LIBERTY ALL-STAR EQUITY F	NETWORK APPLIANCE INC.	396,211	12/31/2005

26. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds	13,454,601,450	13,492,246,172	37,644,722
26.2 Preferred stocks	59,716,967	66,095,190	6,378,223
26.3 Totals	13,514,318,417	13,558,341,362	44,022,945

26.4 Describe the sources or methods utilized in determining the fair values: IDC, Bloomberg, NAIC, SVO, Broker Quotes, Analytically Determined

27.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securities Valuation Office been followed? Yes No

27.2 If no, list exceptions: _____

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 34,005,170

28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
	\$
	\$
	\$

29.1 Amount of payments for legal expenses, if any? \$ 30,051,362

29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
	\$
	\$

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

1 Name	2 Amount Paid
	\$

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ _____

30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
	\$
	\$
	\$
	\$

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? YES [] NO [X]
 1.2 If yes, indicate premium earned on U. S. business only. \$ _____
 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ _____
 1.31 Reason for excluding _____

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ _____
 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ _____

1.6 Individual policies:
 Most current three years:
 1.61 Total premium earned \$ _____
 1.62 Total incurred claims \$ _____
 1.63 Number of covered lives \$ _____
 All years prior to most current three years:
 1.64 Total premium earned \$ 9,913
 1.65 Total incurred claims \$ 13,870
 1.66 Number of covered lives \$ 2

1.7 Group policies:
 Most current three years:
 1.71 Total premium earned \$ _____
 1.72 Total incurred claims \$ _____
 1.73 Number of covered lives \$ _____
 All years prior to most current three years:
 1.74 Total premium earned \$ _____
 1.75 Total incurred claims \$ _____
 1.76 Number of covered lives \$ _____

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ 93,984	\$ (4,581,225)
2.2 Premium Denominator	\$ 6,889,135,285	\$ 6,451,473,219
2.3 Premium Ratio (2.1/2.2)		
2.4 Reserve Numerator	\$ 5,066,276	\$ 5,281,268
2.5 Reserve Denominator	\$ 14,226,662,016	\$ 13,323,796,927
2.6 Reserve Ratio (2.4/2.5)		

3.1 Does the reporting entity issue both participating and non-participating policies? YES [X] NO []
 3.2 If yes, state the amount of calendar year premiums written on:
 3.21 Participating policies \$ 2,132,932,972
 3.22 Non-participating policies \$ 14,892,231

4. For Mutual Reporting Entities and Reciprocal Exchange only:
 4.1 Does the reporting entity issue assessable policies? YES [] NO [X]
 4.2 Does the reporting entity issue non-assessable policies? YES [] NO [X]
 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? _____ %
 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ _____

5. For Reciprocal Exchanges Only:
 5.1 Does the exchange appoint local agents? YES [] NO [X]
 5.2 If yes, is the commission paid:
 5.21 Out of Attorney's-in-fact compensation YES [] NO [] N/A [X]
 5.22 As a direct expense of the exchange YES [] NO [] N/A [X]

5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact? _____
 5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? YES [] NO [X]
 5.5 If yes, give full information _____

GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss: In 2005, the Company purchased a Workers' Compensation Catastrophe Treaty with limits of \$450M part of \$600M xs \$100M.
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: For its North American exposures, the Company employs industry recognized catastrophe modeling software to estimate the PML. For property exposures, we employ RiskLink v5.0 from RMS and AIR Classic/2 v7.0 from AIR. For WC, the Company utilizes RiskLink v5.0 from RMS.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss? In 2005, the Company purchased a Property Catastrophe Treaty with limits of \$860M part of \$1.15B xs \$250M.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? YES NO
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? YES NO
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 7
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? YES NO
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? YES NO
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 3% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 3% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
- (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 - (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 - (c) Aggregate stop loss reinsurance coverage;
 - (d) An unconditional or unilateral right by either party to commute the reinsurance contract except for such provisions which are only triggered by a decline in the credit status of the other party;
 - (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 - (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.
- YES NO
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
- (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 - (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates.
- YES NO
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
- (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 - (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 - (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
- (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 - (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?
- YES NO
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? YES NO N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: YES NO
- 11.2 If yes, give full information The company guarantees policies issued by Liberty Life Assurance Company of Boston and Liberty Mutual Insurance Europe Ltd.

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | |
|---|------------------|
| 12.11 Unpaid losses | \$ 1,116,938,994 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ 174,746,759 |
- 12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 279,963,459
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? YES NO N/A
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- | | |
|------------|---------|
| 12.41 From | 5.500 % |
| 12.42 To | 6.000 % |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? YES NO
- 12.6 If yes, state the amount thereof at December 31 of current year:
- | | |
|----------------------------------|------------------|
| 12.61 Letters of Credit | \$ 4,909,771,931 |
| 12.62 Collateral and other funds | \$ 383,026,254 |
- 13.1 What amount of installment notes is owned and now held by the reporting entity? \$
- 13.2 Have any of these notes been hypothecated, sold or used in any manner as security for money loaned within the past year? YES NO
- 13.3 If yes, what amount? \$
- 14.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 67,536,442
- 14.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? YES NO
- 14.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 2
- 15.1 Is the company a cedant in a multiple cedant reinsurance contract? YES NO
- 15.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
 Premiums were allocated based on exposures; recoverables were based on losses incurred.
- 15.3 If the answer to 15.1 is yes, are the methods described in item 15.2 entirely contained in the respective multiple cedant reinsurance contracts? YES NO
- 15.4 If the answer to 15.3 is no, are all the methods described in 15.2 entirely contained in written agreements? YES NO
- 15.5 If the answer to 15.4 is no, please explain:
 Premiums were allocated at the inception of the treaties based on exposures. Recoveries were based on actual losses incurred after an event.
- 16.1 Has the reporting entity guaranteed any financed premium accounts? YES NO
- 16.2 If yes, give full information
- 17.1 Does the reporting entity write any warranty business? YES NO
 If yes, disclose the following information for each of the following types of warranty coverage:

	1	2	3	4	5
	Direct Losses Incurred	Direct Losses Unpaid	Direct Written Premium	Direct Premium Unearned	Direct Premium Earned
17.11 Home	\$	\$	\$	\$	\$
17.12 Products	\$	\$	\$	\$	\$
17.13 Automobile	\$	\$	\$	\$	\$
17.14 Other*	\$	\$	\$	\$	\$

* Disclose type of coverage: _____

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

18.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5. YES NO

Incurred but not reported losses on contracts not in force on July 1, 1984 or subsequently renewed are exempt from inclusion in Schedule F - Part 5. Provide the following information for this exemption:

18.11	Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$ <u>4,279,000</u>
18.12	Unfunded portion of Interrogatory 18.11	\$ <u>3,942,000</u>
18.13	Paid losses and loss adjustment expenses portion of Interrogatory 18.11	\$ _____
18.14	Case reserves portion of Interrogatory 18.11	\$ _____
18.15	Incurred but not reported portion of Interrogatory 18.11	\$ <u>4,279,000</u>
18.16	Unearned premium portion of Interrogatory 18.11	\$ _____
18.17	Contingent commission portion of Interrogatory 18.11	\$ _____

Provide the following information for all other amounts included in Schedule F - Part 3 and excluded from Schedule F - Part 5, not included above.

18.18	Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$ _____
18.19	Unfunded portion of Interrogatory 18.18	\$ _____
18.20	Paid losses and loss adjustment expenses portion of Interrogatory 18.18	\$ _____
18.21	Case reserves portion of Interrogatory 18.18	\$ _____
18.22	Incurred but not reported portion of Interrogatory 18.18	\$ _____
18.23	Unearned premium portion of Interrogatory 18.18	\$ _____
18.24	Contingent commission portion of Interrogatory 18.18	\$ _____

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e., 17.6.

	1 2005	2 2004	3 2003	4 2002	5 2001
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	8,596,074,589	8,556,639,474	7,684,489,319	6,715,251,623	5,492,432,307
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,298,660,168	2,106,544,565	1,904,646,200	1,669,625,530	1,524,814,830
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,849,814,156	1,684,367,521	1,698,258,022	1,411,525,856	1,170,448,698
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	226,816,610	423,297,509	527,055,474	629,273,817	643,042,904
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	98,408,543	126,957,992	238,081,809	162,609,082	113,226,197
6. Total (Line 34)	13,069,774,066	12,897,807,061	12,052,530,824	10,588,285,908	8,943,964,936
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	4,646,796,895	4,383,902,397	3,641,666,075	3,165,529,803	2,755,171,042
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,199,538,716	1,193,878,941	1,032,128,554	963,879,268	888,491,180
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,012,716,155	945,591,093	912,147,358	742,715,587	644,327,569
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	132,780,359	94,175,379	111,968,371	338,971,669	344,413,129
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	54,565,246	80,931,381	139,970,917	91,698,693	28,598,258
12. Total (Line 34)	7,046,397,371	6,698,479,191	5,837,881,275	5,302,795,020	4,661,001,178
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(520,024,924)	(497,103,623)	(552,743,624)	(436,569,273)	(1,480,404,871)
14. Net investment gain (loss) (Line 11)	1,092,891,029	822,517,261	784,044,296	861,384,872	729,203,163
15. Total other income (Line 15)	(78,809,145)	(120,642,855)	(149,310,470)	(80,469,896)	418,530,655
16. Dividends to policyholders (Line 17)	24,011,749	26,222,615	(1,517,657)	40,871,676	48,673,975
17. Federal and foreign income taxes incurred (Line 19)	(114,095,184)	(38,311,422)	(10,157,457)	(40,318,928)	(68,438,344)
18. Net income (Line 20)	584,140,395	216,859,590	93,665,316	343,792,955	(312,906,684)
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	26,011,608,289	23,956,964,668	22,145,151,648	19,296,498,887	19,151,797,502
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	636,279,658	609,392,140	673,579,903	622,435,981	562,502,633
20.2 Deferred and not yet due (Line 13.2)	1,376,405,401	1,273,321,091	973,405,672	816,117,738	657,176,364
20.3 Accrued retrospective premiums (Line 13.3)	468,226,952	509,941,443	503,447,580	440,666,485	454,262,065
21. Total liabilities excluding protected cell business (Page 3, Line 24)	18,086,911,457	16,701,614,750	16,022,057,314	15,288,749,667	14,675,590,384
22. Losses (Page 3, Lines 1 and 2)	9,499,145,761	8,942,817,093	8,363,851,842	7,855,730,763	8,155,366,845
23. Loss adjustment expenses (Page 3, Line 3)	1,934,981,136	1,698,423,690	1,648,044,862	1,494,942,432	1,578,720,778
24. Unearned premiums (Page 3, Line 9)	2,792,535,119	2,682,556,143	2,423,884,665	2,032,173,547	1,736,409,621
25. Capital paid up (Page 3, Lines 28 & 29)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
26. Surplus as regards policyholders (Page 3, Line 35)	7,924,696,832	7,255,349,918	6,123,094,334	4,007,749,220	4,476,207,118
Risk-Based Capital Analysis					
27. Total adjusted capital	7,976,676,447	7,297,299,791	6,154,213,257	4,032,000,824	4,498,205,707
28. Authorized control level risk-based capital	1,612,464,662	1,590,667,365	1,708,635,780	1,417,595,875	1,250,085,742
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
29. Bonds (Line 1)	58.4	58.9	59.4	55.3	50.8
30. Stocks (Lines 2.1 & 2.2)	24.5	25.4	31.1	31.4	37.9
31. Mortgage loans on real estate (Lines 3.1 and 3.2)	0.2				
32. Real estate (Lines 4.1, 4.2 & 4.3)	1.5	1.2	1.3	1.2	1.0
33. Cash, cash equivalents and short-term investments (Line 5)	5.0	3.4	2.5	7.2	5.8
34. Contract loans (Line 6)				XXX	XXX
35. Other invested assets (Line 7)	10.3	10.9	5.7	4.8	4.4
36. Receivables for securities (Line 8)	0.1	0.2	0.1	0.1	
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)		2			
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)	131,322	3,797,881	11,152,881	11,152,881	10,229,189
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)	4,016,798,661	3,691,777,264	4,176,578,575	3,848,727,170	4,044,842,479
42. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)					
43. Affiliated mortgage loans on real estate	39,500,000				
44. All other affiliated	1,533,031,957	1,595,066,199	492,125,527	378,440,833	289,801,227
45. Total of above Lines 39 to 44	5,589,461,940	5,290,641,346	4,679,856,983	4,238,320,884	4,344,872,895
46. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 45 above divided by Page 3, Col. 1, Line 35 x 100.0)	70.5	50.9	68.4	96.3	97.0

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2005	2 2004	3 2003	4 2002	5 2001
Capital and Surplus Accounts (Page 4)					
47. Net unrealized capital gains (losses) (Line 24)	(253,467,664)	373,180,256	568,313,452	(807,003,240)	(809,356,199)
48. Dividends to stockholders (Line 35)	(100,000,000)			2,210,000	(2,210,000)
49. Change in surplus as regards policyholders for the year (Line 38)	669,346,914	1,132,255,584	2,115,345,114	(468,457,898)	(1,041,501,911)
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
50. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	4,910,452,276	5,259,538,361	4,272,433,449	4,591,838,985	4,891,252,109
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,148,216,467	965,040,593	905,262,632	848,160,867	955,618,279
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,093,077,356	1,002,156,124	667,265,848	701,337,181	824,881,014
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	41,114,562	951,457,166	337,627,913	500,744,014	443,882,276
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)	127,619,834	87,681,215	107,004,255	125,321,904	84,101,085
55. Total (Line 34)	7,320,480,495	8,265,873,459	6,289,594,097	6,767,402,951	7,199,734,763
Net Losses Paid (Page 9, Part 2, Col. 4)					
56. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	2,485,144,663	2,324,106,243	2,129,589,960	2,473,619,850	2,434,118,074
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	611,523,898	513,192,188	481,588,572	481,489,450	552,050,076
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	641,485,593	569,510,755	374,092,504	420,799,538	493,615,620
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	35,351,313	319,505,288	185,208,608	273,401,770	235,171,560
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)	72,670,898	(3,815,981)	64,067,666	66,538,469	45,384,638
61. Total (Line 34)	3,846,176,365	3,722,498,493	3,234,547,310	3,715,849,077	3,760,339,968
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
62. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
63. Losses incurred (Line 2)	63.8	66.5	66.4	68.6	89.1
64. Loss expenses incurred (Line 3)	18.8	16.3	19.1	16.4	17.0
65. Other underwriting expenses incurred (Line 4)	24.9	24.9	24.4	100.2	25.9
66. Net underwriting gain (loss) (Line 8)	(7.5)	(7.7)	(10.0)	(8.8)	(32.0)
Other Percentages					
67. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)	25.5	25.8	25.7	23.8	16.7
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	82.6	82.8	85.5	85.1	106.1
69. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)	88.9	92.3	95.3	132.3	104.1
One Year Loss Development (000 omitted)					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	340,224	228,846	463,785	385,224	761,529
71. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 70 above divided by Page 4, Line 21, Col. 1 x 100.0)	4.7	3.7	11.5	8.6	17.0
Two Year Loss Development (000 omitted)					
72. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	889,237	1,096,707	973,675	1,458,294	1,000,130
73. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 72 above divided by Page 4, Line 21, Col. 2 x 100.0)	14.5	27.4	21.7	26.4	18.0

SCHEDULE D - SUMMARY BY COUNTRY
Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description	1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds	
BONDS					
Governments (Including all obligations guaranteed by governments)	1. United States	2,573,768,063	2,569,860,420	2,585,530,954	2,526,561,423
	2. Canada	418,865,375	421,978,650	352,150,211	404,757,616
	3. Other Countries	23,009,836	34,868,370	29,778,871	27,919,680
	4. Totals	3,015,643,274	3,026,707,440	2,967,460,036	2,959,238,719
States, Territories and Possessions (Direct and guaranteed)	5. United States	802,386,216	805,195,732	802,182,910	803,620,000
	6. Canada	6,283,766	6,300,000	5,721,573	6,023,836
	7. Other Countries				
8. Totals	808,669,982	811,495,732	807,904,483	809,643,836	
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	782,872,163	790,356,127	782,363,830	787,660,000
	10. Canada				
	11. Other Countries				
12. Totals	782,872,163	790,356,127	782,363,830	787,660,000	
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	3,747,166,122	3,709,915,427	3,749,856,437	3,752,428,641
	14. Canada	28,319,678	28,986,114	22,328,587	27,953,350
	15. Other Countries				
16. Totals	3,775,485,800	3,738,901,541	3,772,185,024	3,780,381,991	
Public Utilities (unaffiliated)	17. United States	349,505,409	350,302,832	354,105,954	343,652,000
	18. Canada	9,902,090	10,219,515	9,971,000	9,650,000
	19. Other Countries	4,115,146	5,612,450	4,207,002	4,030,400
20. Totals	363,522,645	366,134,797	368,283,956	357,332,400	
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	3,381,005,076	3,396,508,279	3,403,495,053	3,358,352,478
	22. Canada	161,207,865	163,536,449	143,696,276	160,225,772
	23. Other Countries	268,156,089	300,567,251	264,930,815	268,885,969
24. Totals	3,810,369,030	3,860,611,979	3,812,122,144	3,787,464,219	
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	12,556,562,894	12,594,207,616	12,510,319,473	12,481,721,165
PREFERRED STOCKS					
Public Utilities (unaffiliated)	27. United States	2,364,573	2,496,278	2,026,105	
	28. Canada				
	29. Other Countries				
30. Totals	2,364,573	2,496,278	2,026,105		
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
34. Totals					
Industrial and Miscellaneous (unaffiliated)	35. United States	57,221,072	63,467,590	58,469,352	
	36. Canada				
	37. Other Countries				
38. Totals	57,221,072	63,467,590	58,469,352		
Parent, Subsidiaries and Affiliates	39. Totals	131,322	131,322	131,322	
	40. Total Preferred Stocks	59,716,967	66,095,190	60,626,779	
COMMON STOCKS					
Public Utilities (unaffiliated)	41. United States	38,429,318	38,429,318	20,768,399	
	42. Canada				
	43. Other Countries	9,273,218	9,273,218	7,378,370	
44. Totals	47,702,536	47,702,536	28,146,769		
Banks, Trust and Insurance Companies (unaffiliated)	45. United States	80,581,960	80,581,960	37,709,062	
	46. Canada	1,215,690	1,215,690	644,424	
	47. Other Countries	13,063,036	13,063,036	10,961,298	
48. Totals	94,860,686	94,860,686	49,314,784		
Industrial and Miscellaneous (unaffiliated)	49. United States	819,597,105	819,597,105	367,122,841	
	50. Canada	4	4	4	
	51. Other Countries	226,426,261	226,426,261	175,544,146	
52. Totals	1,046,023,370	1,046,023,370	542,666,991		
Parent, Subsidiaries and Affiliates	53. Totals	4,016,798,661	4,016,798,661	3,911,723,883	
	54. Total Common Stocks	5,205,385,253	5,205,385,253	4,531,852,427	
	55. Total Stocks	5,265,102,220	5,271,480,443	4,592,479,206	
	56. Total Bonds and Stocks	17,821,665,114	17,865,688,059	17,102,798,679	

SCHEDULE D - VERIFICATION BETWEEN YEARS
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	16,852,094,001	7. Amortization of premium	35,249,852
2. Cost of bonds and stocks acquired, Column 7, Part 3	7,613,173,621	8. Foreign Exchange Adjustment:	
3. Accrual of discount	16,224,231	8.1 Column 15, Part 1	8,271,408
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1	
4.1 Columns 12 - 14, Part 1	(15,404,087)	8.3 Column 16, Part 2, Section 2	(107,001)
4.2 Column 15 - 17, Part 2, Section 1	(4,861,697)	8.4 Column 15, Part 4	(3,013,006)
4.3 Column 15, Part 2, Section 2	285,560,752	9. Book/adjusted carrying value at end of current period	17,821,665,114
4.4 Column 11 - 13, Part 4	(52,347,968)	10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	252,638,511	11. Subtotal (Lines 9 plus 10)	17,821,665,114
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	7,095,313,799	12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	17,821,665,114

SCHEDULE P-ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P-PART 1-SUMMARY

(\$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 (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	484,762	155,664	201,810	80,089	42,939	12,820	5,690	480,938	X X X
2. 1996	5,768,695	856,179	4,912,516	4,163,417	586,961	318,373	25,939	440,745	(3,081)	142,282	4,312,716	X X X
3. 1997	5,625,097	700,401	4,924,696	4,203,530	553,644	376,097	38,375	456,139	2,490	140,996	4,441,257	X X X
4. 1998	5,931,043	714,568	5,216,475	4,776,466	594,940	381,818	35,726	508,503	4,874	162,882	5,031,247	X X X
5. 1999	5,887,967	847,002	5,040,965	4,772,980	649,990	396,201	49,212	515,932	8,195	156,873	4,977,716	X X X
6. 2000	6,209,422	1,003,542	5,205,880	4,680,388	784,137	366,890	49,724	491,556	6,302	119,318	4,698,671	X X X
7. 2001	6,448,861	1,038,399	5,410,462	4,440,273	967,964	308,711	47,694	465,046	4,629	139,592	4,193,743	X X X
8. 2002	7,363,091	1,391,015	5,972,076	3,944,923	608,986	246,513	26,549	524,517	3,865	217,659	4,076,553	X X X
9. 2003	8,199,626	1,862,448	6,337,178	3,435,108	685,026	201,156	11,677	543,033	3,767	212,990	3,478,827	X X X
10. 2004	8,529,744	2,078,958	6,450,786	2,895,770	689,963	121,392	13,998	524,144	26,389	189,568	2,810,956	X X X
11. 2005	8,784,603	1,895,463	6,889,140	1,995,396	286,868	46,277	5,480	432,651	25,467	115,525	2,156,509	X X X
12. Totals	X X X	X X X	X X X	39,793,013	6,564,143	2,965,238	384,463	4,945,205	95,717	1,603,375	40,659,133	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and 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. Prior	3,313,430	982,488	1,487,355	1,088,855	180,302	150,418	782,379	331,340	95,559	(1)	12,978	3,305,925	X X X
2. 1996	176,595	30,452	39,215	27,288	2,570	217	12,469	2,254	2,933		879	173,571	X X X
3. 1997	229,608	33,652	43,746	22,029	18,552	12,337	18,597	3,989	4,175		1,307	242,671	X X X
4. 1998	319,126	46,339	51,319	37,150	5,311	571	29,273	6,084	20,532		2,100	335,417	X X X
5. 1999	358,897	85,048	80,782	47,774	9,065	1,989	36,346	11,780	12,009		3,538	350,508	X X X
6. 2000	399,519	120,362	117,739	81,570	9,958	2,322	35,880	11,406	6,954		5,128	354,390	X X X
7. 2001	549,072	287,237	180,387	103,437	19,594	10,901	59,759	22,950	16,664		9,746	400,951	X X X
8. 2002	627,686	320,447	324,001	227,082	16,564	4,845	91,992	18,829	23,173		14,746	512,213	X X X
9. 2003	664,136	171,038	572,969	378,885	21,859	5,485	165,964	33,895	32,696		25,357	868,321	X X X
10. 2004	843,354	250,730	1,327,786	480,988	26,056	6,764	287,288	61,193	69,470	3	51,564	1,754,276	X X X
11. 2005	1,456,382	636,850	2,586,825	842,480	25,910	5,301	429,715	65,614	153,496	17,607	145,404	3,084,476	X X X
12. Totals	8,937,805	2,964,643	6,812,124	3,337,538	335,741	201,150	1,949,662	569,334	437,661	17,609	272,747	11,382,719	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,729,442	576,483
2. 1996	5,156,317	670,030	4,486,287	89.384	78.258	91.324			66.500	158,070	15,501
3. 1997	5,350,444	666,516	4,683,928	95.117	95.162	95.111			66.500	217,673	24,998
4. 1998	6,092,348	725,684	5,366,664	102.720	101.556	102.879			66.500	286,956	48,461
5. 1999	6,182,212	853,988	5,328,224	104.997	100.825	105.698			66.500	306,857	43,651
6. 2000	6,108,884	1,055,823	5,053,061	98.381	105.210	97.064			66.500	315,326	39,064
7. 2001	6,039,506	1,444,812	4,594,694	93.652	139.138	84.922			66.500	338,785	62,166
8. 2002	5,799,369	1,210,603	4,588,766	78.763	87.030	76.837			66.500	404,158	108,055
9. 2003	5,636,921	1,289,773	4,347,148	68.746	69.251	68.598			66.500	687,182	181,139
10. 2004	6,095,260	1,530,028	4,565,232	71.459	73.596	70.770			66.500	1,439,422	314,854
11. 2005	7,126,652	1,885,667	5,240,985	81.127	99.483	76.076			66.500	2,563,877	520,599
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	9,447,748	1,934,971

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

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	One Year	Two Year
1. Prior	8,964,008	9,012,012	8,801,770	8,421,642	8,251,343	8,678,636	8,989,655	9,314,298	9,726,257	10,072,013	345,756	757,715
2. 1996	4,106,445	3,924,889	3,937,213	3,961,708	4,008,055	3,998,258	3,997,156	3,996,639	4,040,986	4,076,253	35,267	79,614
3. 1997	X X X	3,908,065	3,889,292	4,033,854	4,099,279	4,177,132	4,181,253	4,188,198	4,237,542	4,272,427	34,885	84,229
4. 1998	X X X	X X X	4,298,438	4,448,047	4,556,709	4,699,857	4,748,974	4,785,449	4,840,096	4,900,722	60,626	115,273
5. 1999	X X X	X X X	X X X	4,230,578	4,362,921	4,527,970	4,644,555	4,728,608	4,766,061	4,856,027	89,966	127,419
6. 2000	X X X	X X X	X X X	X X X	4,069,204	4,257,078	4,284,641	4,428,980	4,547,587	4,593,132	45,545	164,152
7. 2001	X X X	X X X	X X X	X X X	X X X	4,192,274	4,084,383	4,156,813	4,096,886	4,135,241	38,355	(21,572)
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	4,158,258	3,925,125	3,930,168	4,056,978	126,810	131,853
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	4,346,850	3,914,224	3,797,404	(116,820)	(549,446)
10. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	4,364,337	4,044,171	(320,166)	X X X
11. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	4,758,224	X X X	X X X
12. Totals											340,224	889,237

SCHEDULE P-PART 3-SUMMARY

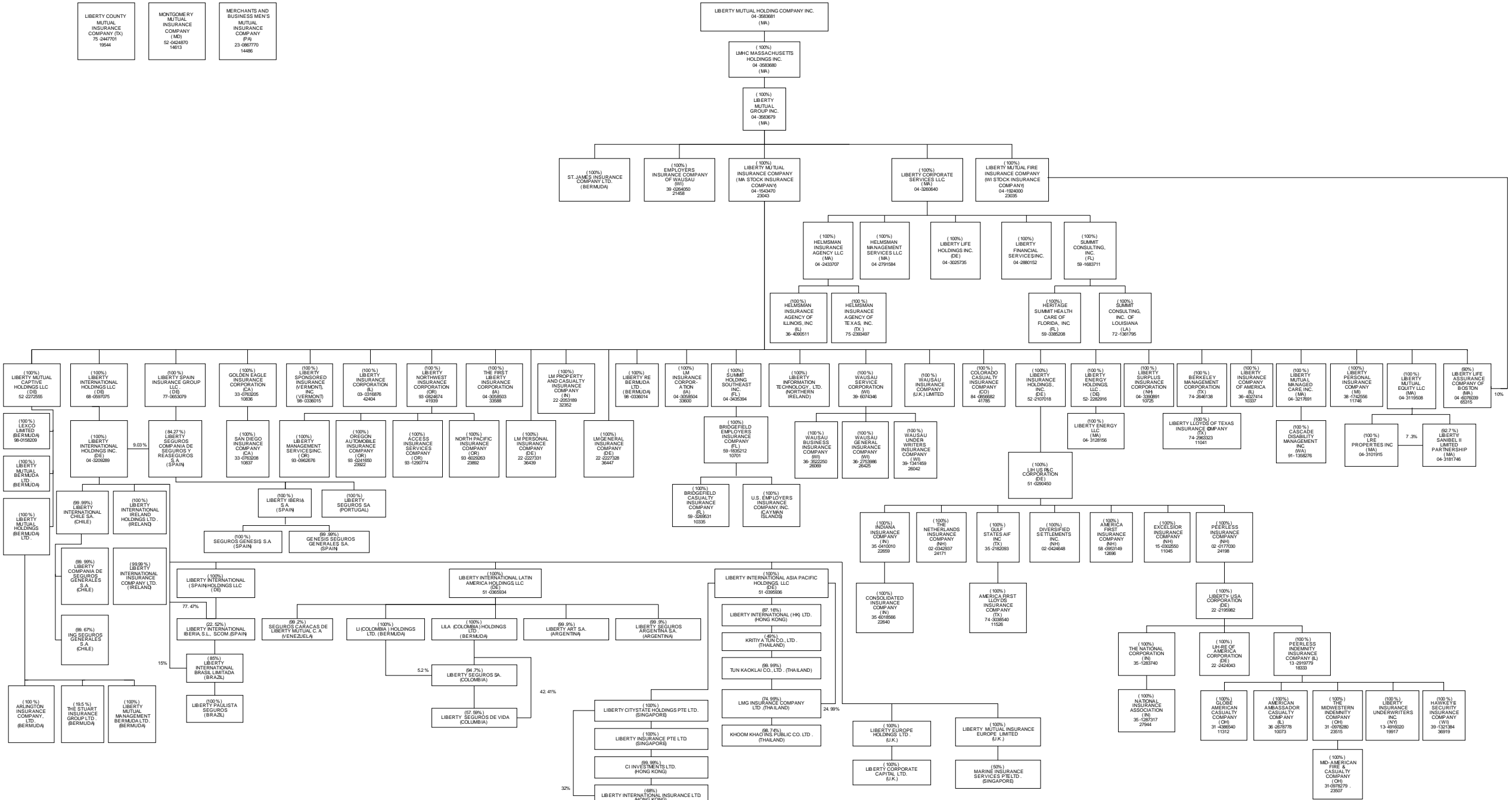
Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		
1. Prior	000	1,641,203	2,848,167	3,573,115	4,157,265	4,497,085	5,044,360	5,476,806	5,912,443	6,363,262	X X X	X X X
2. 1996	1,713,548	2,494,541	2,930,348	3,261,361	3,482,282	3,626,516	3,715,293	3,761,549	3,820,411	3,868,890	X X X	X X X
3. 1997	X X X	1,576,149	2,379,887	2,918,589	3,306,476	3,563,796	3,729,922	3,831,639	3,931,908	3,987,608	X X X	X X X
4. 1998	X X X	X X X	1,725,347	2,768,885	3,386,666	3,843,380	4,106,118	4,285,333	4,423,635	4,527,618	X X X	X X X
5. 1999	X X X	X X X	X X X	1,714,192	2,724,705	3,359,412	3,810,686	4,114,836	4,329,770	4,469,979	X X X	X X X
6. 2000	X X X	X X X	X X X	X X X	1,797,872	2,822,487	3,358,176	3,728,265	4,065,006	4,213,417	X X X	X X X
7. 2001	X X X	X X X	X X X	X X X	X X X	1,893,248	2,855,775	3,333,223	3,618,883	3,733,326	X X X	X X X
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	1,781,702	2,730,186	3,283,345	3,555,901	X X X	X X X
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,643,995	2,512,321	2,939,561	X X X	X X X
10. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,504,509	2,313,201	X X X	X X X
11. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,749,325	X X X	X X X

SCHEDULE P-PART 4-SUMMARY

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
1. Prior	3,850,688	3,079,080	2,309,961	1,539,216	1,331,863	1,070,909	802,811	793,632	664,341	879,314
2. 1996	1,372,239	710,865	403,415	244,923	183,146	123,076	61,305	25,847	40,655	32,453
3. 1997	X X X	1,289,519	630,980	372,721	247,951	200,490	113,429	55,536	51,545	52,969
4. 1998	X X X	X X X	1,392,278	624,571	357,472	212,601	156,187	72,396	74,090	61,550
5. 1999	X X X	X X X	X X X	1,374,727	652,608	325,851	198,741	115,219	90,061	81,467
6. 2000	X X X	X X X	X X X	X X X	1,126,491	431,394	190,149	130,206	104,390	75,047
7. 2001	X X X	X X X	X X X	X X X	X X X	1,173,271	479,722	287,049	147,085	118,935
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	1,255,078	495,652	223,651	168,667
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,800,393	740,084	338,448
10. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,987,083	1,108,699
11. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	2,162,115

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

**Page 2 - Continuation
ASSETS**

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets

REMAINING WRITE-INS AGGREGATED AT LINE 09 FOR INVESTED ASSETS

0904.				
0905.				
0906.				
0907.				
0908.				
0909.				
0910.				
0911.				
0912.				
0913.				
0914.				
0915.				
0916.				
0917.				
0918.				
0919.				
0920.				
0921.				
0922.				
0923.				
0924.				
0925.				
0997. Totals (Lines 0904 through 0925) (Page 2, Line 0998)				

REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR OTHER THAN INVESTED ASSETS

2304. Amounts billed and receivable under high deductible policies	172,572,416	6,186,803	166,385,613	154,059,378
2305.				
2306.				
2307.				
2308.				
2309.				
2310.				
2311.				
2312.				
2313.				
2314.				
2315.				
2316.				
2317.				
2318.				
2319.				
2320.				
2321.				
2322.				
2323.				
2324.				
2325.				
2397. Totals (Lines 2304 through 2325) (Page 2, Line 2398)	172,572,416	6,186,803	166,385,613	154,059,378

OVERFLOW PAGE FOR WRITE-INS

**Page 3 - Continuation
LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Year	2 Prior Year
REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES		
2304. Deposit liability	103,985,033	134,181,731
2305.		
2306.		
2307.		
2308.		
2309.		
2310.		
2311.		
2312.		
2313.		
2314.		
2315.		
2316.		
2317.		
2318.		
2319.		
2320.		
2321.		
2322.		
2323.		
2324.		
2325.		
2397. Totals (Lines 2304 through 2325) (Page 3, Line 2398)	103,985,033	134,181,731
REMAINING WRITE-INS AGGREGATED AT LINE 27 FOR SPECIAL SURPLUS FUNDS		
2704.		
2705.		
2706.		
2707.		
2708.		
2709.		
2710.		
2711.		
2712.		
2713.		
2714.		
2715.		
2716.		
2717.		
2718.		
2719.		
2720.		
2721.		
2722.		
2723.		
2724.		
2725.		
2797. Totals (Lines 2704 through 2725) (Page 3, Line 2798)		
REMAINING WRITE-INS AGGREGATED AT LINE 30 FOR OTHER THAN SPECIAL SURPLUS FUNDS		
3004.		
3005.		
3006.		
3007.		
3008.		
3009.		
3010.		
3011.		
3012.		
3013.		
3014.		
3015.		
3016.		
3017.		
3018.		
3019.		
3020.		
3021.		
3022.		
3023.		
3024.		
3025.		
3097. Totals (Lines 3004 through 3025) (Page 3, Line 3098)		