

**ANNUAL STATEMENT**

OF THE

**Liberty Mutual Fire Insurance Company**

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of **Wausau**

in the state of **Wisconsin**

TO THE

**Insurance Department**

OF THE

STATE OF

**FOR THE YEAR ENDED  
December 31, 2006**

PROPERTY AND CASUALTY

**2006**



23035200620100100

**ANNUAL STATEMENT**  
**For the Year Ended December 31, 2006**  
 OF THE CONDITION AND AFFAIRS OF THE  
**Liberty Mutual Fire Insurance Company**

**NAIC Group Code** 0111 0111 **NAIC Company Code** 23035 **Employer's ID Number** 04-1924000  
 (Current Period) (Prior Period)

**Organized under the Laws of** Wisconsin , **State of Domicile or Port of Entry** Wisconsin

**Country of Domicile** United States of America

**Incorporated/Organized:** October 31, 1908 **Commenced Business:** November 5, 1908

**Statutory Home Office:** 2000 Westwood Drive Wausau, WI 54401

**Main Administrative Office:** 175 Berkeley Street Boston, MA 02116 617-357-9500

**Mail Address:** 175 Berkeley Street Boston, MA 02116

**Primary Location of Books and Records:** 175 Berkeley Street Boston, MA 02116 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 02116 617-357-9500 41015

**OFFICERS**

	<b>Name</b>		<b>Title</b>
1.	<u>Edmund Francis Kelly</u>	<u>Chairman of the Board President &amp; CEO</u>	
2.	<u>Dexter Robert Legg</u>	<u>Vice President &amp; Secretary</u>	
3.	<u>Laurance Henry Soyer Yahia</u>	<u>Vice President &amp; Treasurer</u>	

**Vice-Presidents**

<b>Name</b>	<b>Title</b>	<b>Name</b>	<b>Title</b>
<u>James Paul Condrin, III</u>	<u>Executive Vice President</u>	<u>Anthony Alexander Fontanes</u>	<u>EVP &amp; Chief Investment Officer</u>
<u>Gary Richard Gregg</u>	<u>Executive Vice President</u>	<u>Dennis James Langwell</u>	<u>Sr. VP &amp; Chief Financial Officer</u>
<u>Christopher Charles Mansfield</u>	<u>Sr. VP &amp; General Counsel</u>	<u>David Henry Long</u>	<u>Executive Vice President</u>
<u>Thomas Crawford Ramey</u>	<u>Executive Vice President</u>	<u>Stuart Michael McGuigan</u>	<u>Sr. VP &amp; Chief Information Officer</u>
<u>Helen Elizabeth Russell Sayles</u>	<u>Senior Vice President</u>	<u>Stephen Gregory Sullivan</u>	<u>Senior Vice President</u>
<u>John Derek Doyle</u>	<u>Vice President &amp; Comptroller</u>	<u>Robert Thomas Muleski</u>	<u>Senior Vice President &amp; Corporate Actuary</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

**DIRECTORS OR TRUSTEES**

<u>James Paul Condrin, III</u>	<u>Dennis James Langwell</u>	<u>Anthony Alexander Fontanes</u>	<u>David Henry Long</u>
<u>Edmund Francis Kelly</u>	<u>Christopher Charles Mansfield</u>	<u>Thomas Crawford Ramey</u>	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

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) <u>Edmund Francis Kelly</u> (Printed Name) 1. <u>Chairman of the Board President &amp; CEO</u> (Title)	_____ (Signature) <u>Dexter Robert Legg</u> (Printed Name) 2. <u>Vice President &amp; Secretary</u> (Title)	_____ (Signature) <u>Laurance Henry Soyer Yahia</u> (Printed Name) 3. <u>Vice President &amp; Treasurer</u> (Title)
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Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2007

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)	2,176,449,060		2,176,449,060	2,106,522,805
2. Stocks (Schedule D):				
2.1 Preferred stocks	22,501,605		22,501,605	4,519,696
2.2 Common stocks	247,274,824		247,274,824	209,037,368
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	32,822,012		32,822,012	
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 11,963,002, Schedule E-Part 1), cash equivalents (\$ 14,174,652 Schedule E-Part 2) and short-term investments (\$ 149,906,706, Schedule DA)	176,044,360		176,044,360	53,796,152
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	158,588,155		158,588,155	100,102,546
8. Receivables for securities	9,264,939		9,264,939	719,859
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	2,822,944,955		2,822,944,955	2,474,698,426
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	23,137,352		23,137,352	21,354,683
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	85,447,355	3,136,746	82,310,609	69,934,129
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 4,553 earned but unbilled premiums)	275,282,090	504	275,281,586	206,978,256
13.3 Accrued retrospective premiums	77,195,711	7,614,146	69,581,565	70,410,069
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	321,796	321,796		
16.1 Current federal and foreign income tax recoverable and interest thereon				3,673,739
16.2 Net deferred tax asset	103,853,000	23,317,525	80,535,475	87,258,025
17. Guaranty funds receivable or on deposit	4,916,062		4,916,062	5,662,254
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0 )				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	6,240,909		6,240,909	142,930
22. Health care (\$ 0 ) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	58,616,828	2,804,951	55,811,877	76,699,567
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	3,457,956,058	37,195,668	3,420,760,390	3,016,812,078
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	3,457,956,058	37,195,668	3,420,760,390	3,016,812,078

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. Cash surrender value-life insurance	24,366,760		24,366,760	21,508,453
2302. Other assets	5,064,233	1,467,106	3,597,127	27,023,018
2303. Equities and deposits in pools and associations	3,082,389		3,082,389	3,147,703
2398. Summary of remaining write-ins for Line 23 from overflow page	26,103,446	1,337,845	24,765,601	25,020,393
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	58,616,828	2,804,951	55,811,877	76,699,567

<b>LIABILITIES, SURPLUS AND OTHER FUNDS</b>	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	1,529,242,431	1,420,713,713
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	68,333,513	
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	313,472,293	290,974,608
4. Commissions payable, contingent commissions and other similar charges	19,637,189	14,125,650
5. Other expenses (excluding taxes, licenses and fees)	44,607,342	39,908,999
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	31,333,036	29,970,925
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	15,750,088	
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 2,987,809,578 and including warranty reserves of \$ 0 )	468,376,826	419,930,093
10. Advance premium	3,420,470	5,144,195
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	601,504	349,083
12. Ceded reinsurance premiums payable (net of ceding commissions)		
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	9,419,193	9,963,305
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	41,324,809	47,179,466
19. Payable to parent, subsidiaries and affiliates		15,496,183
20. Payable for securities	56,906,394	7,528,820
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	(95,195,213)	(114,447,132)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	2,507,229,875	2,186,837,908
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	2,507,229,875	2,186,837,908
27. Aggregate write-ins for special surplus funds	121,975,300	117,477,065
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		
32. Gross paid in and contributed surplus	175,000,000	175,000,000
33. Unassigned funds (surplus)	605,305,215	526,247,105
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)	913,530,515	829,974,170
36. TOTALS (Page 2, Line 26, Col. 3)	3,420,760,390	3,016,812,078

<b>DETAILS OF WRITE-INS</b>		
2301. Pooled retroactive reinsurance	(229,593,259)	(225,732,665)
2302. Other liabilities	39,186,998	40,116,826
2303. Amounts held under uninsured plans	73,054,310	71,168,707
2398. Summary of remaining write-ins for Line 23 from overflow page	22,156,738	
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(95,195,213)	(114,447,132)
2701. Special surplus from retroactive reinsurance	121,975,300	117,477,065
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)	121,975,300	117,477,065
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

<b>STATEMENT OF INCOME</b>	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 34, Column 4)	1,137,141,316	1,035,969,094
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	694,868,728	660,716,636
3. Loss expenses incurred (Part 3, Line 25, Column 1)	173,540,439	195,271,421
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	304,563,954	258,382,758
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	1,172,973,121	1,114,370,815
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(35,831,805)	(78,401,721)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	122,874,498	115,733,865
10. Net realized capital gains (losses) less capital gains tax of \$ 3,397,000 (Exhibit of Capital Gains (Losses))	6,404,249	17,536,443
11. Net investment gain (loss) (Lines 9 + 10)	129,278,747	133,270,308
<b>OTHER INCOME</b>		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 232,325 amount charged off \$ 1,821,707 )	(1,589,382)	(3,602,177)
13. Finance and service charges not included in premiums	5,501,664	5,669,221
14. Aggregate write-ins for miscellaneous income	(12,215,482)	(13,315,209)
15. Total other income (Lines 12 through 14)	(8,303,200)	(11,248,165)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	85,143,742	43,620,422
17. Dividends to policyholders	5,102,760	3,610,789
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)	80,040,982	40,009,633
19. Federal and foreign income taxes incurred	27,049,266	17,922,875
20. Net income (Line 18 minus Line 19) (to Line 22)	52,991,716	22,086,758
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	829,974,170	672,744,542
22. Net income (from Line 20)	52,991,716	22,086,758
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 11,632,858	23,279,156	3,001,168
25. Change in net unrealized foreign exchange capital gain (loss)	1,158,548	(2,150,911)
26. Change in net deferred income tax	15,119,804	7,623,566
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(9,044,889)	23,276,938
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		100,000,000
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	52,010	3,392,109
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	83,556,345	157,229,628
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	913,530,515	829,974,170

<b>DETAILS OF WRITE-INS</b>		
0501. ....		
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)		
1401. Other income/(expense)	(17,306,497)	(16,417,916)
1402. Retroactive reinsurance gain	5,091,015	3,102,707
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)	(12,215,482)	(13,315,209)
3701. Other changes in surplus	52,010	3,392,109
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)	52,010	3,392,109

## CASH FLOW

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	1,103,872,507	1,043,531,049
2. Net investment income	119,729,451	113,926,887
3. Miscellaneous income	15,500,875	(24,152,486)
4. Total (Lines 1 through 3)	1,239,102,833	1,133,305,450
5. Benefit and loss related payments	524,871,802	568,033,061
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	444,145,768	418,467,322
8. Dividends paid to policyholders	4,850,340	4,362,852
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	11,022,439	28,394,919
10. Total (Lines 5 through 9)	984,890,349	1,019,258,154
11. Net cash from operations (Line 4 minus Line 10)	254,212,484	114,047,296
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	569,700,686	889,587,665
12.2 Stocks	15,272,840	181,620,388
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	61,798,884	34,053,214
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(3,967)	(3,258)
12.7 Miscellaneous proceeds	40,780,166	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	687,548,609	1,105,258,009
13. Cost of investments acquired (long-term only):		
13.1 Bonds	638,029,843	1,072,657,234
13.2 Stocks	45,787,855	154,474,923
13.3 Mortgage loans	32,822,012	
13.4 Real estate		
13.5 Other invested assets	100,884,208	39,450,209
13.6 Miscellaneous applications		21,389,369
13.7 Total investments acquired (Lines 13.1 to 13.6)	817,523,918	1,287,971,735
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)	(129,975,309)	(182,713,726)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		100,000,000
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(1,988,967)	(43,486,789)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(1,988,967)	56,513,211
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	122,248,208	(12,153,219)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	53,796,152	65,949,371
19.2 End of year (Line 18 plus Line 19.1)	176,044,360	53,796,152

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	28,880,517	12,520,666	14,292,988	27,108,195
2. Allied lines	10,158,470	4,052,096	5,132,935	9,077,631
3. Farmowners multiple peril	40,008			40,008
4. Homeowners multiple peril	159,137,688	74,188,990	90,681,271	142,645,407
5. Commercial multiple peril	25,811,352	10,560,190	12,963,269	23,408,273
6. Mortgage guaranty				
8. Ocean marine	2,454,290	1,278,931	1,207,372	2,525,849
9. Inland marine	35,271,751	3,338,924	3,964,940	34,645,735
10. Financial guaranty				
11.1 Medical malpractice - occurrence	354			354
11.2 Medical malpractice - claims-made				
12. Earthquake	3,597,229	1,221,073	1,669,309	3,148,993
13. Group accident and health	(64)			(64)
14. Credit accident and health (group and individual)				
15. Other accident and health	39,847	6,550	18,975	27,422
16. Workers' compensation	391,726,548	(12,257,040)	(4,162,913)	383,632,421
17.1 Other liability - occurrence	65,533,000	17,368,218	26,133,966	56,767,252
17.2 Other liability - claims-made	17,291,320	7,958,252	8,016,080	17,233,492
18.1 Products liability - occurrence	16,184,553	4,586,461	5,610,451	15,160,563
18.2 Products liability - claims-made	728,053	262	64,111	664,204
19.1, 19.2 Private passenger auto liability	218,664,846	111,662,628	110,822,836	219,504,638
19.3, 19.4 Commercial auto liability	49,058,429	12,969,907	17,024,254	45,004,082
21. Auto physical damage	117,574,235	77,723,999	79,314,074	115,984,160
22. Aircraft (all perils)	7,417,590	1,659,857	2,480,447	6,597,000
23. Fidelity	537,257	217,170	207,007	547,420
24. Surety	24,318,665	11,270,243	14,601,372	20,987,536
26. Burglary and theft	63,228	32,126	29,524	65,830
27. Boiler and machinery	452,510	167,059	216,184	403,385
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property	6,267,097	493,094	624,961	6,135,230
31. Reinsurance-Nonproportional Assumed Liability	5,204,330	582,499	263,148	5,523,681
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	1,186,413,103	341,602,155	391,176,561	1,136,838,697

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**

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled 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	14,140,383	152,605			14,292,988
2. Allied lines	5,129,391	3,544			5,132,935
3. Farmowners multiple peril					
4. Homeowners multiple peril	90,681,266				90,681,266
5. Commercial multiple peril	11,290,970	1,672,299			12,963,269
6. Mortgage guaranty					
8. Ocean marine	1,055,075	152,298			1,207,373
9. Inland marine	3,715,315	249,625			3,964,940
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	1,649,548	19,761			1,669,309
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	18,980				18,980
16. Workers' compensation	61,905,591	1,504,481	(4,553)	(67,568,432)	(4,162,913)
17.1 Other liability - occurrence	27,873,661	2,292,941		(4,032,635)	26,133,967
17.2 Other liability - claims-made	5,905,917	2,110,162			8,016,079
18.1 Products liability - occurrence	7,041,210	211,510		(1,642,269)	5,610,451
18.2 Products liability - claims-made	64,112				64,112
19.1, 19.2 Private passenger auto liability	110,822,836				110,822,836
19.3, 19.4 Commercial auto liability	20,288,490	862,847		(4,127,083)	17,024,254
21. Auto physical damage	79,293,429	20,807		(162)	79,314,074
22. Aircraft (all perils)	2,480,447				2,480,447
23. Fidelity	196,993	10,014			207,007
24. Surety	13,530,015	896,487		174,870	14,601,372
26. Burglary and theft	28,512	1,012			29,524
27. Boiler and machinery	215,529	655			216,184
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property	624,961				624,961
31. Reinsurance-Nonproportional Assumed Liability	263,148				263,148
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	458,215,779	10,161,048	(4,553)	(77,195,711)	391,176,563
35. Accrued retrospective premiums based on experience					77,195,711
36. Earned but unbilled premiums					4,553
37. Balance (Sum of Line 34 through 36)					468,376,827

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) State here basis of computation used in each case Daily pro rata



**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 1B - PREMIUMS WRITTEN**

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire	352,752,983	28,880,517		352,752,983		28,880,517
2. Allied lines	144,015,266	10,158,470		144,015,266		10,158,470
3. Farmowners multiple peril		40,008				40,008
4. Homeowners multiple peril	1,354,540,901	159,137,688		1,354,540,901		159,137,688
5. Commercial multiple peril	38,749,845	25,811,352		38,749,845		25,811,352
6. Mortgage guaranty						
8. Ocean marine	3,910,620	2,454,290		3,910,620		2,454,290
9. Inland marine	38,543,575	35,271,751		38,543,575		35,271,751
10. Financial guaranty						
11.1 Medical malpractice - occurrence	(1,000)	354		(1,000)		354
11.2 Medical malpractice - claims-made						
12. Earthquake	42,163,128	3,597,229		42,163,128		3,597,229
13. Group accident and health		(64)				(64)
14. Credit accident and health (group and individual)						
15. Other accident and health		39,847				39,847
16. Workers' compensation	844,800,945	391,726,548		844,800,945		391,726,548
17.1 Other liability - occurrence	380,189,564	65,533,000		380,189,564		65,533,000
17.2 Other liability - claims-made	1,145,127	17,291,320		1,145,127		17,291,320
18.1 Products liability - occurrence	89,025,542	16,184,553		89,025,542		16,184,553
18.2 Products liability - claims-made	518,038	728,053		518,038		728,053
19.1, 19.2 Private passenger auto liability	1,633,279,130	218,664,846		1,633,279,130		218,664,846
19.3, 19.4 Commercial auto liability	370,949,757	49,058,429		370,949,757		49,058,429
21. Auto physical damage	1,186,165,383	117,574,235		1,186,165,383		117,574,235
22. Aircraft (all perils)		7,417,590				7,417,590
23. Fidelity	346,388	537,257		346,388		537,257
24. Surety	7,584,708	24,318,665		7,584,708		24,318,665
26. Burglary and theft	66,485	63,228		66,485		63,228
27. Boiler and machinery	4,548,650	452,510		4,548,650		452,510
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X	6,267,097				6,267,097
31. Reinsurance-Nonproportional Assumed Liability	X X X	5,204,330				5,204,330
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	6,493,295,035	1,186,413,103		6,493,295,035		1,186,413,103

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 \$ 706,147,137

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 706,214,079

**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	136,722,555	11,514,509	136,722,555	11,514,509	9,615,120	11,050,885	10,078,744	37.180
2. Allied lines	409,495,703	9,227,234	409,495,703	9,227,234	6,211,500	6,085,806	9,352,928	103.033
3. Farmowners multiple peril					16,821		16,821	42.044
4. Homeowners multiple peril	732,037,763	65,483,506	732,037,763	65,483,506	32,610,316	25,533,966	72,559,856	50.867
5. Commercial multiple peril	45,680,393	13,297,276	45,680,393	13,297,276	31,145,936	23,252,197	21,191,015	90.528
6. Mortgage guaranty								
8. Ocean marine	2,275,869	1,368,444	2,275,869	1,368,444	3,941,813	4,446,349	863,908	34.203
9. Inland marine	11,703,704	31,973,420	11,703,704	31,973,420	7,479,051	9,324,708	30,127,763	86.960
10. Financial guaranty								
11.1 Medical malpractice - occurrence		1,119		1,119	41,378	(6,487)	48,984	13,837.288
11.2 Medical malpractice - claims - made								
12. Earthquake		(864)		(864)	(30,989)	65,510	(97,363)	(3.092)
13. Group accident and health		96,433		96,433	339,848	371,221	65,060	(101,656.250)
14. Credit accident and health (group and individual)								
15. Other accident and health		57,969		57,969	319,118	343,903	33,184	121.012
16. Workers' compensation	661,000,398	175,096,658	661,000,398	175,096,658	881,661,023	783,894,877	272,862,804	71.126
17.1 Other liability - occurrence	125,841,403	34,846,950	125,841,403	34,846,950	176,087,609	173,720,095	37,214,464	65.556
17.2 Other liability - claims - made	3,089,901	6,934,172	3,089,901	6,934,172	28,601,870	28,692,978	6,843,064	39.708
18.1 Products liability - occurrence	23,471,663	(3,909,470)	23,471,663	(3,909,470)	41,901,441	41,434,889	(3,442,918)	(22.710)
18.2 Products liability - claims - made	365,154	668	365,154	668	1,132,125	739,638	393,155	59.192
19.1, 19.2 Private passenger auto liability	939,546,057	136,609,648	939,546,057	136,609,648	184,423,670	194,645,527	126,387,791	57.579
19.3, 19.4 Commercial auto liability	169,812,797	24,647,665	169,812,797	24,647,665	60,355,027	65,066,513	19,936,179	44.299
21. Auto physical damage	592,270,598	60,206,474	592,270,598	60,206,474	(3,567,739)	(3,872,125)	60,510,860	52.172
22. Aircraft (all perils)		3,199,332		3,199,332	6,941,080	6,649,679	3,490,733	52.914
23. Fidelity	52,038	60,882	52,038	60,882	1,476,032	1,014,823	522,091	95.373
24. Surety		1,423,124		1,423,124	8,886,509	5,935,096	4,374,537	20.843
26. Burglary and theft		10,272		10,272	125,778	201,589	(65,539)	(99.558)
27. Boiler and machinery		(1,523)		(1,523)	17,875	(50,079)	66,431	16.468
28. Credit					1,404	1,404		
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X	5,961,746		5,961,746	12,510,779	14,045,449	4,427,076	72.158
31. Reinsurance-Nonproportional Assumed Liability	X X X	9,192,698		9,192,698	36,629,120	27,891,959	17,929,859	324.600
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	58,551		58,551	368,915	233,343	194,123	
33. Aggregate write-ins for other lines of business								
34. TOTALS	3,853,365,996	587,356,893	3,853,365,996	587,356,893	1,529,242,430	1,420,713,713	695,885,610	61.212

**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	86,896,784	7,320,406	86,896,784	7,320,406	318,213	2,294,714	318,213	9,615,120	1,193,341
2. Allied lines	54,974,358	5,052,484	54,974,358	5,052,484	1,189,802	1,159,016	1,189,802	6,211,500	927,285
3. Farmowners multiple peril						16,821		16,821	10,399
4. Homeowners multiple peril	182,691,674	19,167,168	182,691,674	19,167,168	254,988,988	13,443,148	254,988,988	32,610,316	7,890,041
5. Commercial multiple peril	47,207,831	19,420,612	47,207,831	19,420,612	51,613,723	11,725,325	51,613,723	31,145,937	9,451,523
6. Mortgage guaranty									
8. Ocean marine	163,795	2,898,305	163,795	2,898,305	813,920	1,043,508	813,920	3,941,813	996,444
9. Inland marine	1,783,723	3,422,149	1,783,723	3,422,149	7,065,704	4,056,901	7,065,704	7,479,050	851,986
10. Financial guaranty									
11.1 Medical malpractice - occurrence		36,837		36,837		4,541		41,378	19
11.2 Medical malpractice - claims - made									
12. Earthquake		10,831		10,831	1,645	(41,820)	1,645	(30,989)	4,298
13. Group accident and health		145,421		145,421		194,427		(a) 339,848	26,592
14. Credit accident and health (group and individual)									
15. Other accident and health		83,171		83,171		235,948		(a) 319,119	10,241
16. Workers' compensation	2,332,576,005	532,335,711	2,332,576,005	532,335,711	958,936,546	349,325,312	958,936,546	881,661,023	105,890,927
17.1 Other liability - occurrence	183,499,098	95,268,369	183,499,098	95,268,369	235,942,130	80,819,241	235,942,130	176,087,610	74,667,266
17.2 Other liability - claims - made	1,075,000	7,307,409	1,075,000	7,307,409	3,444,886	21,294,461	3,444,886	28,601,870	10,360,815
18.1 Products liability - occurrence	29,641,294	10,788,606	29,641,294	10,788,606	103,524,675	31,112,835	103,524,675	41,901,441	27,757,460
18.2 Products liability - claims - made	693,000	254,778	693,000	254,778	1,586,743	877,347	1,586,743	1,132,125	585,836
19.1, 19.2 Private passenger auto liability	932,007,526	119,709,766	932,007,526	119,709,766	523,093,364	64,713,904	523,093,364	184,423,670	50,750,049
19.3, 19.4 Commercial auto liability	240,220,788	35,849,940	240,220,788	35,849,940	273,115,871	24,505,088	273,115,871	60,355,028	11,007,668
21. Auto physical damage		71,774		71,774	(14,548,391)	(3,639,513)	(14,548,391)	(3,567,739)	5,636,725
22. Aircraft (all perils)		4,866,049		4,866,049		2,075,031		6,941,080	1,436,405
23. Fidelity	80,000	367,577	80,000	367,577	99,097	1,108,454	99,097	1,476,031	136,880
24. Surety		1,465,031		1,465,031	1,517,957	7,421,478	1,517,957	8,886,509	2,560,385
26. Burglary and theft		11,262		11,262	42,555	114,516	42,555	125,778	121,463
27. Boiler and machinery		1,974		1,974	57,341	15,901	57,341	17,875	12,245
28. Credit						1,404		1,404	74
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X	7,101,162		7,101,162	X X X	5,409,617		12,510,779	232,803
31. Reinsurance-Nonproportional Assumed Liability	X X X	18,457,278		18,457,278	X X X	18,171,842		36,629,120	948,826
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	368,915		368,915	X X X			368,915	4,297
33. Aggregate write-ins for other lines of business									
34. TOTALS	4,093,510,876	891,782,985	4,093,510,876	891,782,985	2,402,804,769	637,459,447	2,402,804,769	1,529,242,432	313,472,293

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	322,218,985			322,218,985
1.2 Reinsurance assumed	83,939,337			83,939,337
1.3 Reinsurance ceded	322,218,985			322,218,985
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	83,939,337			83,939,337
2. Commission and brokerage:				
2.1 Direct, excluding contingent		170,609,910		170,609,910
2.2 Reinsurance assumed, excluding contingent		20,790,432		20,790,432
2.3 Reinsurance ceded, excluding contingent		170,609,910		170,609,910
2.4 Contingent-direct		7,997,192		7,997,192
2.5 Contingent-reinsurance assumed		12,334,898		12,334,898
2.6 Contingent-reinsurance ceded		7,997,192		7,997,192
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)		33,125,330		33,125,330
3. Allowances to manager and agents		319		319
4. Advertising	1,074,875	12,016,648	2,553	13,094,076
5. Boards, bureaus and associations	245,521	1,939,037	84	2,184,642
6. Surveys and underwriting reports	1,088	2,344,374	3	2,345,465
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	52,196,816	116,008,232	604,556	168,809,604
8.2 Payroll taxes	2,953,706	9,653,621	26,207	12,633,534
9. Employee relations and welfare	9,942,424	32,623,072	26,226	42,591,722
10. Insurance	5,164,408	1,594,662	2,033	6,761,103
11. Directors' fees		18,590		18,590
12. Travel and travel items	3,540,849	8,959,540	20,087	12,520,476
13. Rent and rent items	3,192,876	10,482,159	8,568	13,683,603
14. Equipment	2,619,027	7,785,471	9,434	10,413,932
15. Cost or depreciation of EDP equipment and software	525,226	2,085,244	4,945	2,615,415
16. Printing and stationery	739,373	2,171,092	1,344	2,911,809
17. Postage, telephone and telegraph, exchange and express	2,256,363	6,569,589	2,988	8,828,940
18. Legal and auditing	504,896	2,480,684	59,293	3,044,873
19. Totals (Lines 3 to 18)	84,957,448	216,732,334	768,321	302,458,103
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 1,033,642		43,533,639		43,533,639
20.2 Insurance department licenses and fees		818,941		818,941
20.3 Gross guaranty association assessments		(919,984)		(919,984)
20.4 All other (excluding federal and foreign income and real estate)		921,905		921,905
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		44,354,501		44,354,501
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	4,643,654	10,351,789	89,515	15,084,958
25. Total expenses incurred	173,540,439	304,563,954	857,836	(a) 478,962,229
26. Less unpaid expenses-current year	313,472,293	95,577,568		409,049,861
27. Add unpaid expenses-prior year	290,974,608	84,005,574		374,980,182
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	151,042,754	292,991,960	857,836	444,892,550

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	1,750,526			1,750,526
2402. Other expenses	2,893,128	10,351,789	89,515	13,334,432
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	4,643,654	10,351,789	89,515	15,084,958

(a) Includes management fees of \$ 856,005 to affiliates and \$ 0 to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 13,818,738	13,065,290
1.1 Bonds exempt from U.S. tax	(a) 15,768,888	18,367,974
1.2 Other bonds (unaffiliated)	(a) 80,708,653	80,319,847
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 751,950	751,605
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	3,763,004	3,797,885
2.21 Common stocks of affiliates	410,000	410,000
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 3,612,517	3,904,467
7. Derivative instruments	(f)	
8. Other invested assets	3,097,785	3,097,785
9. Aggregate write-ins for investment income	28,925	28,925
10. Total gross investment income	121,960,460	123,743,778

11. Investment expenses		(g) 857,835
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 11,445
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		869,280
17. Net investment income (Line 10 minus Line 16)		122,874,498

DETAILS OF WRITE-INS		
0901. Miscellaneous Income/(Expense)	28,925	28,925
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)	28,925	28,925
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 \$ 3,975,463 accrual of discount less \$ 2,641,737 amortization of premium and less \$ 2,140,071 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 \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 474,133 accrual of discount less \$ 0 amortization of premium and less \$ 86,936 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 \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 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 Unrealized Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds	166,558			166,558
1.1 Bonds exempt from U.S. tax	3,200			3,200
1.2 Other bonds (unaffiliated)	2,425,089	(3,667,340)	1,518,295	276,044
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)	50,522		489,932	540,454
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)	3,955,625	(480,703)	19,172,287	22,647,209
2.21 Common stocks of affiliates			1,763,810	1,763,810
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments	(3,967)			(3,967)
7. Derivative instruments				
8. Other invested assets	11,185,988	(3,833,723)	11,967,689	19,319,954
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)	17,783,015	(7,981,766)	34,912,013	44,713,262

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)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
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	3,136,746	2,869,937	(266,809)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	504		(504)
13.3 Accrued retrospective premiums	7,614,146	7,917,869	303,723
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	321,796	352,997	31,201
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	23,317,525	13,107,975	(10,209,550)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	2,804,951	3,566,588	761,637
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	37,195,668	27,815,366	(9,380,302)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	37,195,668	27,815,366	(9,380,302)

<b>DETAILS OF WRITE-INS</b>			
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	1,467,106	2,636,242	1,169,136
2302. Amounts receivable under high deductible policies	1,337,845	930,346	(407,499)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	2,804,951	3,566,588	761,637

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## NOTES TO FINANCIAL STATEMENTS

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### Note 1- Summary of Significant Accounting Policies

#### A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of Wisconsin, the accompanying financial statements of Liberty Mutual Fire 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. 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. 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. 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 as specified by the SVO Manual.
5. Mortgage loans are reported at unpaid principal balances, less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are stated at amortized cost or market based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company carries its investments in subsidiaries, controlled, and affiliated (SCA) companies in accordance with SSAP No. 88, *Investments 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 Securities, 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 2006.
13. The Company has no pharmaceutical rebate receivables.

### Note 2- Accounting Changes and Correction of Errors

- A. There were no material changes in accounting principles or corrections of errors during the year.

### Note 3- Business Combinations and Goodwill

#### A. Statutory Purchase Method

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

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## NOTES TO FINANCIAL STATEMENTS

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B. Statutory Mergers

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

C. Impairment Loss

Not applicable

**Note 4- Discontinued Operations**

The Company has no discontinued operations to report.

**Note 5- Investments**

A. Mortgage Loans, including Mezzanine Real Estate Loans

During 2006, the Company began direct investment in commercial mortgage loans using an experienced external manager, StanCorp Mortgage Investors. As of December 31, 2006 the Company held commercial loans in good standing with an outstanding principal balance of \$32,822,012. The maximum and minimum lending rates for mortgage loans during 2006 were 7.375% and 4.75% respectively. The maximum loan to value of any loan written during 2006 was 75%. No loans were impaired or had interest more than 180 days past due.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. The Company 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.
2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
3. 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 does not own real estate.

G. Investments in Low-Income Housing Tax Credits ("LIHTC")

1. There are seven years remaining of unexpired tax credits. The required holding period for the LIHTC investment is years.
2. The Company's LIHTC property is not currently subject to any regulatory reviews.
3. The carrying value of the Company's investment in LIHTC did not exceed 10% of its admitted assets.
4. The Company did not recognize any impairment loss on its LIHTC investment during the year.
5. The Company did not write-down its LIHTC investment or reclassify the LIHTC during the year due to the forfeiture or ineligibility of tax credits.

**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 limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim performance which indicates a probable inability to recover the carrying amount of the asset leads to impairment losses being recognized by management. The Company realized impairment losses of \$3,833,723 during the year.

**Note 7- Investment Income**

A. Accrued Investment Income

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



## NOTES TO FINANCIAL STATEMENTS

### B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2006.

### Note 8- Derivative Instruments

The Company maintains an active Derivative Use Policy (approved in 2004 by the State of New York). There are no current derivatives holdings or current year derivatives transactions executed under this policy. However, the Company may acquire derivatives as additions to bond, common stock, or preferred stock investments. These derivatives are ancillary to the overall investment and are immaterial to the underlying investment portfolio.

### 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, 2006	December 31, 2005	Change
Total of gross deferred tax assets	187,682,000	170,299,000	17,383,000
Total of deferred tax liabilities	(83,829,000)	(69,933,000)	(13,896,000)
Net deferred tax asset	103,853,000	100,366,000	3,487,000
Net deferred tax asset non-admitted	(23,317,525)	(13,107,975)	(10,209,550)
Net admitted deferred tax asset	80,535,475	87,258,025	(6,722,550)

- B. The Company does not have any deferred tax liabilities described in SSAP No. 10, Income Taxes, paragraph 6d.
- C. The provisions for incurred taxes on earnings for the years ended December 31 are:

	2006	2005
Federal tax on operations	27,033,685	17,936,108
Net operating loss benefit	0	0
Foreign tax on operations	15,581	(13,233)
Income tax incurred on operations	27,049,266	17,922,875
Tax on capital gains	3,397,000	9,443,649
Total income tax incurred	30,446,266	27,366,524

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, partnership investments, investment impairments, statutory non-admitted assets, and unrealized gains.

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

	2006
Change in net deferred income tax (without unrealized gain or loss)	15,119,804
Tax effect of unrealized (gains) losses	(11,632,804)
Total change in net deferred income tax	3,487,000

- 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, revisions to prior year estimates, and changes in deferred taxes related to statutory non-admitted assets.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$34,508,000 from the current year and \$19,470,000 from the preceding year.

The Company had no net loss carry forward available to offset future net income subject to Federal income taxes.

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

Access Insurance Services, Co.	Liberty Life Holdings, Inc.
Ambco Capital Corporation	Liberty Lloyds of Texas Insurance Company
America First Insurance Company	Liberty Management Services, Inc.
America First Lloyds Insurance Company	Liberty Mexico Holdings, Inc.
American Ambassador Casualty Company	Liberty Mutual Fire Insurance Company
Berkeley Holding Company Associates, Inc.	Liberty Mutual Group Inc.
Berkeley Management Corporation	Liberty Mutual Holding Company, Inc.
Bridgefield Casualty Insurance Company	Liberty Mutual Insurance Company
Bridgefield Employers Insurance Company	Liberty Mutual Managed Care, Inc.
Capitol Agency, Inc. (Arizona corporation)	Liberty Mutual Personal Insurance Company
Capitol Agency, Inc. (Ohio corporation)	Liberty Northwest Insurance Corporation
Capitol Agency, Inc. (Tennessee corporation)	Liberty Personal Insurance Company
Cascade Disability Management, Inc.	Liberty RE (Bermuda) Limited
Colorado Casualty Insurance Company	Liberty Real Estate Corporation
Companies Agency Insurance Services of California	Liberty Sponsored Insurance (Vermont) Inc.
Companies Agency of Alabama, Inc.	Liberty Surplus Insurance Corporation
Companies Agency of Georgia, Inc.	Liberty-USA Corporation
Companies Agency of Kentucky, Inc.	LIH-Re of America Corporation

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**NOTES TO FINANCIAL STATEMENTS**


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Companies Agency of Massachusetts, Inc.	LIH U.S. P&C Corporation
Companies Agency of Michigan, Inc.	LIIA Insurance Agency, Inc.
Companies Agency of New York, Inc.	LIU Specialty Insurance Agency, Inc.
Companies Agency of Pennsylvania, Inc.	LLS Insurance Agency of Nevada, Inc.
Companies Agency of Phoenix, Inc.	LM Insurance Corporation
Consolidated Insurance Company	LMHC Massachusetts Holding, Inc.
Copley Venture Capital, Inc.	LRE Properties, Inc.
Countrywide Services Corporation	Mid-American Agency, Inc.
Diversified Settlements, Inc.	Mid-American Fire and Casualty Company
Employers Insurance Company of Wausau	Missouri Agency, Inc.
Excelsior Insurance Company	North Pacific Insurance Company
First State Agency, Inc.	Oregon Automobile Insurance Company
Florida State Agency, Inc.	Peerless Indemnity Insurance Company
Globe American Casualty Company	Peerless Insurance Company
Golden Eagle Insurance Corporation	LM Personal Insurance Company
Gulf States AIF, Inc.	LM General Insurance Company
Hawkeye-Security Insurance Company	LM Property and Casualty Insurance Company
Helmsman Insurance Agency of Illinois, Inc.	San Diego Insurance Company
Helmsman Insurance Agency of Texas, Inc.	State Agency, Inc. (Indiana corporation)
Heritage-Summit Healthcare of Florida, Inc.	State Agency, Inc. (Wisconsin corporation)
Indiana Insurance Company	St. James Insurance Company
LEXCO Limited	Summit Consulting, Inc.
Liberty Assignment Corporation	Summit Consulting, Inc. of Louisiana
Liberty Energy Corporation	Summit Holding Southeast, Inc.
Liberty Financial Services, Inc.	The First Liberty Insurance Corporation
Liberty Hospitality Group, Inc.	The Midwestern Indemnity Company
Liberty Insurance Company of America	The National Corporation
Liberty Insurance Corporation	The Netherlands Insurance Company
Liberty Insurance Holdings, Inc.	Wausau Business Insurance Company
Liberty Insurance Underwriters, Inc.	Wausau General Insurance Company
Liberty International Asia Pacific Holdings, Inc.	Wausau Service Corporation
Liberty International Holdings, Inc.	Wausau Signature Agency, Inc.
Liberty Life Assurance Company of Boston	Wausau Underwriters Insurance Company

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. During 2006 the Company made a capital contribution of \$24,135,450 to a subsidiary, St. James/Arlington Real Estate Limited Partnership.
- C. Refer to Note 26.
- D. At December 31, 2006, the Company reported \$6,240,909 net due from affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company guarantees, jointly and severally with Liberty Mutual Insurance Company ("LMIC"), \$27,000,000 of the medium term notes payable which are obligations of its parent company, LMGI.
- F. See Note 26 for information regarding Inter-Company Reinsurance Agreement.

The Company is party to a Federal Tax Sharing Agreement between LMIC and Affiliates (see Note 9 F). The Company has an investment services agreement with LMIC. The Company incurred in 2006, \$856,004 and \$11,006,858 respectively under the LMIC investment services agreement and federal tax sharing agreement. Pursuant to the Inter-Company Reinsurance Agreement with LMIC (see Note 26), all net loss expenses incurred and net other underwriting expenses incurred are allocated to the Company pursuant to the Liberty Mutual Inter-Company Reinsurance Agreement (see Note 26).

- G. 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 that exceed 10% of admitted assets of the insurer.
- J. The Company did not recognize any impairment write down for its subsidiary during the statement period.
- K. The Company does not hold investments in foreign subsidiaries.

**Note 11- Debt**

Not applicable

## NOTES TO FINANCIAL STATEMENTS

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

The Company's eligible direct employees are included in the U.S. Liberty Mutual Retirement Benefit Plan, which is a defined benefit plan; the Supplemental Income at Retirement Plan, which has both a defined benefit component and a defined contribution component; and the Thrift Incentive Plan, which is a defined contribution plan. The Company's eligible direct employees are also included in the Liberty postretirement health and life insurance benefit plans. Each of these plans is sponsored by the holding company, Liberty Mutual Group Inc. ("LMGI"). Accordingly, these plans' assets and obligations are not disclosed in this note. The costs for these plans are allocated by LMGI to LMIC, pursuant to an Employee Benefit Plans Cost-Sharing Agreement, and a portion of the costs, in turn, are allocated to the Company through the Liberty Mutual Inter-Company Reinsurance Agreement, as described in Note 26.

### **Note 13- Capital and Surplus, Shareholders' Dividend restrictions and Quasi-Reorganizations**

#### 1. Common Stock

The Company has 100,000 shares authorized, issued, and outstanding as of December 31, 2006. 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 Wisconsin-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the lesser of (a) 10% of policyholder surplus, or (b) adjusted net income. The maximum dividend payout which may be made without prior approval in 2007 is \$68,804,937

#### 5. As of December 31, 2006, the Company has pre-tax restricted surplus of \$121,975,282 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 2006.

#### 9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$144,832,354.

#### 10. Surplus Notes

Not applicable

#### 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 except as indicated in Note 10 E.

#### 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 \$27,669,998 that is offset by future premium tax credits of \$4,926,913. 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 eleven years, beginning in 2006.

During 2006 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

## NOTES TO FINANCIAL STATEMENTS

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.

As disclosed in Note 9 F, the Company is a member of a controlled group for federal income tax purposes, and that group includes Liberty Mutual Group Inc. ("LMGI"). LMGI is the plan sponsor of the Liberty Mutual Retirement Benefit Plan, a qualified plan under federal law. Pursuant to federal law, if LMGI has not made the minimum required contributions with respect to the Liberty Mutual Retirement Benefit Plan, the Company, jointly and severally with all other members of the controlled group, would be contingently liable to make such contributions.

**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, plant and equipment. 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 Company's minimum lease obligations under these agreements are as follows:

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2007	\$3,983,018	\$10,583,213
2008	3,675,921	9,717,146
2009	3,116,704	7,312,444
2010	2,179,617	5,127,006
2011	573,822	2,540,035
2012 & thereafter	-	13,717,018
Total	<u>\$13,529,082</u>	<u>\$48,996,862</u>

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 or 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. Under the terms of the lending agreement, the Company does not participant in term loans. Therefore, the Company does not have collateral transactions that extend beyond one year from the reporting date. 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. Additionally, the lending agent indemnifies the Company against borrower defaults. Under the terms of the securities lending program, all collateral is restricted. Cash collateral is carried as a liability on the balance sheet, as, while the collateral is restricted, the Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company. At December 31, 2006 the total market value of fixed maturities on loan was \$29,979,633 with corresponding collateral value of \$30,662,628 of which \$22,156,737 represents cash collateral.

C. Wash Sales

The Company did not have any wash sales transactions during the year.

**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 the net gain was \$95,029. Claim payment volume was \$3,873,039.

B. Administrative Services Contract (ASC) Plans

Not applicable

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## NOTES TO FINANCIAL STATEMENTS

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

Not applicable

**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 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 (see Note 26). The amount of incurred loss and ALAE recorded by the Company as a result of September 11 events on a direct and net of reinsurance basis are \$39,657,259 and \$9,240,124, respectively. 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.

**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 2006 and 2005.

b) The Company reported loss recoveries from the Special Disability Trust Fund of \$2,191,006 and \$587,157 in 2006 and 2005, respectively.

c) The amount the Company was assessed by the Special Disability Trust Fund was \$1,413,657 and \$1,330,624, in 2006 and 2005, respectively.

2) Assets in the amount of \$175,642,694 and \$341,649,294 as of December 31, 2006 and 2005, respectively, were on deposit with government authorities or trustees as required by law.

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. Hybrid Securities

The Company currently owns the following securities meeting the NAIC definition of "Hybrid Securities" per SVO report 9B. These are all NAIC Class 1 securities reported on Schedule D1.

<u>CUSIP</u>	<u>Issuer</u>	<u>Description</u>	<u>Book/Adjusted Carrying Value</u>
065912AA5	BANKAMERICA INSTTT-B	Redeemable Preferred	3,858,863
31945JAA9	FIRST CHICAGO CAPITAL	Redeemable Preferred	1,882,161
58551HAA1	MELLON CAPITAL II	Redeemable Preferred	2,912,064

G. State Transferable Tax Credits

The Company does not hold transferable state tax credits.

H. Impact of Medicare Modification Act on Post Retirement Benefits

Not applicable. (Refer to Note 12)

**Note 22- Events Subsequent**

Refer to Note 26.

**Note 23- Reinsurance**

A. Excluding amounts arising pursuant to the Liberty Mutual Inter-Company Reinsurance Agreement as described in Note 26, there are no unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholder's surplus.

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.

## NOTES TO FINANCIAL STATEMENTS

- C. The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2006.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	ommissio Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$468,376,826	\$8,207,727	2,987,809,578	\$78,504,044	\$(2,519,432,752)	\$(70,296,317)
All Other	0	0	0	0	0	0
Total	\$468,376,826	\$8,207,727	2,987,809,578	\$78,504,044	\$(2,519,432,752)	\$(70,296,317)

Direct Unearned Premium Reserve: \$2,987,809,578

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, 2006 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$0	\$12,970,550	\$0	\$12,970,550
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	(19,500,000)	0	(19,500,000)
Totals	\$0	\$(6,529,450)	\$0	\$(6,529,450)

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

- D. The Company has not written off any uncollectible balances in the current year.
- E. The Company has not recorded any commutations in the current year.
- F. The Company has one assumed retroactive contract as a result of the inter-company pooling arrangement with LMIC.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	(231,101,078)	\$0
	2. Adjustment – Prior Year(s)	25,093,895	0
	3. Adjustment – Current Year	(4,086,076)	0
	4. Total	(210,093,259)	\$0
b.	Consideration Paid or Received:		
	1. Initial Reserves	(108,407,598)	\$0
	2. Adjustment – Prior Year(s)	(2,101,921)	0
	3. Adjustment – Current Year	(3,032,778)	0
	4. Total	(113,542,297)	\$0
c.	Amounts Recovered / Paid – Cumulative		
	1. Initial Reserves	(3,934,492)	\$0
	2. Adjustment – Prior Year(s)	(18,725,735)	0
	3. Adjustment – Current Year	(3,748,680)	0
	4. Total	(26,408,907)	\$0
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	125,720,348	\$0
	2. Adjustment – Prior Year(s)	(8,470,081)	0
	3. Adjustment – Current Year	4,725,015	0
	4. Total	121,975,282	\$0
	5. Cumulative Total Transferred To Unassigned Funds	984,587	
e.	Other insurers included in the above transactions:		
		Assumed	Ceded
	Liberty Mutual Insurance Company, 23043	\$(210,093,259)	\$0

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. There are no contracts recorded as deposit accounting.

### **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.
- 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.

## NOTES TO FINANCIAL STATEMENTS

- D. Ten percent of the amount not offset by retrospective return premiums or collateral has been designated as non-admitted and charged to surplus.

Total accrued retro premium	\$77,195,711
Less: Non-admitted amount	7,614,146
Admitted amount	\$69,581,565

### Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Reserves for incurred losses and loss adjustment expenses attributed to insured events in prior years have increased in 2006 as a result of rising loss development trends in workers' compensation and non-proportional assumed liability lines, partially offset by the personal auto and commercial auto lines of business. Original estimates are revised as additional information becomes known regarding individual claims.

### Note 26- Inter-Company Pooling Arrangements

The Company is a member 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
	Bridgfield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
	Bridgfield 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
	Liberty Mutual Personal Insurance Company (LMPICO)	12484	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.

## NOTES TO FINANCIAL STATEMENTS

- (h) Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2007, the Liberty Mutual Pool participation percentages were revised as follows:

	2007	2006
Liberty Mutual Insurance Company	75.9%	66.5%
Employers Insurance Company of Wausau	10.0%	16.0%
Liberty Insurance Corporation	3.0%	6.0%
Wausau General Insurance Company	0.0%	0.4%

### **Note 27- Structured Settlements**

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$107,615,237 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 \$107,615,237 as of December 31, 2006.
- 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:

<u>Life Insurance Company &amp; Location</u>	<u>Licensed in Company's State of Domicile (Yes/No)</u>	<u>Statement Value of Annuities</u>
The Prudential Insurance Company of America Newark, New Jersey	Yes	\$51,959,827
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$32,557,632
Nationwide Life Insurance Company Columbus, Ohio	Yes	\$16,034,062

### **Note 28 - Health Care Receivables**

Not applicable

### **Note 29 - Participating Policies**

Not applicable

### **Note 30 – Premium Deficiency Reserves**

As of December 31, 2006, 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, 2006, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$441,951,803 and the amount billed and recoverable on paid claims was \$26,103,446.

### **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, 2006, liabilities include \$350,638,321 of liabilities carried at a discounted value of \$216,908,985 representing a discount of \$133,729,336.

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, WBIC, WGIC, and 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)



## NOTES TO FINANCIAL STATEMENTS

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.

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 \$20,300,000.

### 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. Gross reserves for both asbestos and environmental are representative of all Liberty pooled companies. Net reserves for asbestos and environmental are allocated based on the Company's Inter-Company Reinsurance Agreement as discussed in Note 26.

#### Asbestos:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Direct Basis</b>					
Beginning Reserves	135,634,647	147,906,200	157,842,908	170,246,246	199,825,013
Incurring losses and LAE	41,332,817	42,701,592	41,207,366	55,423,884	10,051,868
Calendar year payments	29,061,264	32,764,884	28,804,028	25,845,117	24,900,839
Ending Reserves	<u>147,906,200</u>	<u>157,842,908</u>	<u>170,246,246</u>	<u>199,825,013</u>	<u>184,976,042</u>
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	10,898,653	18,695,699	26,225,890	48,959,084	51,387,983
Incurring losses and LAE	8,096,526	11,524,008	26,204,018	5,444,439	4,881,097
Calendar year payments	299,480	3,993,817	3,470,824	3,015,540	1,922,810
Ending Reserves	<u>18,695,699</u>	<u>26,225,890</u>	<u>48,959,084</u>	<u>51,387,983</u>	<u>54,346,270</u>
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	84,296,300	96,001,400	112,458,900	95,146,808	104,235,591
Incurring losses and LAE	29,032,800	31,300,300	353,194	21,936,876	1,220,418
Calendar year payments	17,327,700	14,842,800	17,665,286	12,848,093	15,753,785
Ending Reserves	<u>96,001,400</u>	<u>112,458,900</u>	<u>95,146,808</u>	<u>104,235,591</u>	<u>89,702,224</u>

**NOTES TO FINANCIAL STATEMENTS**

<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>		
Direct Basis		93,647,803
Assumed Reinsurance Basis		40,737,758
Net of Ceded Reinsurance Basis		35,819,383
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>		
Direct Basis		72,830,699
Assumed Reinsurance Basis		451,372
Net of Ceded Reinsurance Basis		31,760,577

<b>Environmental:</b>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Direct Basis</b>					
Beginning Reserves	57,026,715	44,650,400	32,170,537	71,018,037	68,599,730
Incurred losses and LAE	4,409,685	(5,487,659)	46,012,343	15,856,610	4,785,075
Calendar year payments	16,786,000	6,992,204	7,164,843	18,274,917	22,833,418
Ending Reserves	<u>44,650,400</u>	<u>32,170,537</u>	<u>71,018,037</u>	<u>68,599,730</u>	<u>50,551,387</u>
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	11,095,886	11,786,700	5,591,663	7,088,498	5,231,929
Incurred losses and LAE	863,796	(5,632,241)	2,033,774	(1,223,027)	88,103
Calendar year payments	172,982	562,796	536,939	633,542	525,320
Ending Reserves	<u>11,786,700</u>	<u>5,591,663</u>	<u>7,088,498</u>	<u>5,231,929</u>	<u>4,794,712</u>
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	42,539,300	30,645,900	25,773,800	52,671,344	42,682,147
Incurred losses and LAE	(1,088,900)	(800,000)	31,598,590	50,936	2,020,074
Calendar year payments	10,804,500	4,072,100	4,701,046	10,040,133	5,165,624
Ending Reserves	<u>30,645,900</u>	<u>25,773,800</u>	<u>52,671,344</u>	<u>42,682,147</u>	<u>39,536,597</u>

<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>		
Direct Basis		35,304,074
Assumed Reinsurance Basis		2,927,345
Net of Ceded Reinsurance Basis		27,489,956
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>		
Direct Basis		21,214,572
Assumed Reinsurance Basis		92,184
Net of Ceded Reinsurance Basis		14,303,348

**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	113,272,006	4.013	113,272,006	4.013
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	70,609,359	2.501	70,609,359	2.501
1.22 Issued by U.S. government sponsored agencies	26,803,187	0.949	26,803,187	0.949
1.3 Foreign government (including Canada, excluding mortgage-backed securities)	34,180,753	1.211	34,180,753	1.211
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	181,432,856	6.427	181,432,856	6.427
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	117,665,816	4.168	117,665,816	4.168
1.43 Revenue and assessment obligations	295,650,547	10.473	295,650,547	10.473
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	54,121,096	1.917	54,121,096	1.917
1.512 Issued or guaranteed by FNMA and FHLMC	385,731,644	13.664	385,731,644	13.664
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	194,416,863	6.887	194,416,863	6.887
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	8,795,045	0.312	8,795,045	0.312
1.523 All other	52,474,130	1.859	52,474,130	1.859
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	580,122,890	20.550	580,122,890	20.550
2.2 Unaffiliated foreign securities	61,172,868	2.167	61,172,868	2.167
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	4,577,357	0.162	4,577,357	0.162
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated	22,501,605	0.797	22,501,605	0.797
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated	197,765,203	7.006	197,765,203	7.006
3.4 Other equity securities:				
3.41 Affiliated	44,932,264	1.592	44,932,264	1.592
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	32,822,012	1.163	32,822,012	1.163
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities	9,264,939	0.328	9,264,939	0.328
8. Cash, cash equivalents and short-term investments	176,044,360	6.236	176,044,360	6.236
9. Other invested assets	158,588,155	5.618	158,588,155	5.618
10. Total invested assets	2,822,944,955	100.000	2,822,944,955	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 [ X ] 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 [ X ] No [ ] N/A [ ]
- 1.3 State Regulating? \_\_\_\_\_ Wisconsin \_\_\_\_\_
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [ X ]
- 2.2 If yes, date of change: \_\_\_\_\_
- 3.1 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. \_\_\_\_\_ 12/31/2004 \_\_\_\_\_
- 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). \_\_\_\_\_ 06/22/2006 \_\_\_\_\_
- 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 [ X ]
- 4.12 renewals? Yes [ ] No [ X ]
- 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 [ X ]
- 4.22 renewals? Yes [ X ] No [ ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [ X ]
- 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? Yes [ ] No [ X ]
- 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 [ X ]
- 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 [ X ]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.  
 .....  
 .....

**GENERAL INTERROGATORIES**

**PART 1 - COMMON INTERROGATORIES**

- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]
- 8.4 If response to 8.3 is yes, please provide 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 Street, 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 [X] No [ ]
- 11.11 Name of real estate holding company  
11.12 Number of parcels involved  
11.13 Total book/adjusted carrying value
- St. James/Arlington Real Estate LP  
2  
\$ 23,575,417
- 11.2 If yes, provide explanation Liberty Mutual Fire Insurance Company directly owns 5% of St. James/Arlington Real Estate LP.

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 [X]
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

**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 [X] 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 [X] 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 [X] 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 \$ 0
- 16.12 To stockholders not officers \$ 0
- 16.13 Trustees, supreme or grand (Fraternal only) \$ 0
- 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 \$ 0
- 16.22 To stockholders not officers \$ 0
- 16.23 Trustees, supreme or grand (Fraternal only) \$ 0
- 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 [X]
- 17.2 If yes, state the amount thereof at December 31 of the current year:
- 17.21 Rented from others \$ 0
- 17.22 Borrowed from others \$ 0
- 17.23 Leased from others \$ 0
- 17.24 Other \$ 0
- 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 [X]
- 18.2 If answer is yes:
- 18.21 Amount paid as losses or risk adjustment \$ 0
- 18.22 Amount paid as expenses \$ 0
- 18.23 Other amounts paid \$ 0
- 19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]
- 19.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

#### 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	\$	29,979,633
21.22 Subject to repurchase agreements	\$	0
21.23 Subject to reverse repurchase agreements	\$	0
21.24 Subject to dollar repurchase agreements	\$	0
21.25 Subject to reverse dollar repurchase agreements	\$	0
21.26 Pledged as collateral	\$	0
21.27 Placed under option agreements	\$	0
21.28 Letter stock or securities restricted as to sale	\$	0
21.29 Other	\$	0

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. \$ 0

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
BANCO ITAU	Praca Alfredo Egydio de Souza Aranga n 100- Torre Itausa,

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

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
105247	Barclays Global Investors	45 Fremont St, San Francisco, CA 94105
110126	Highland Capital Management LP	Two Galleria Tower, 13455 Noel Road, Suite 800, Dall
106054	Matthews International Capital Managemen	Four Embarcadero Center, Suite 550, San Francisco, C
	Stancorp Mortgage Investors	1100 SW Sixth Avenue, Portland, OR 97204

**GENERAL INTERROGATORIES**

**PART 1 - COMMON INTERROGATORIES**

- 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 [ X ] No [ ]
- 25.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
530158-10-4	LIBERTY ALL-STAR EQUITY FUND	4,577,357
25.2999 Total		4,577,357

- 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	MICROSOFT CORP	99,741	12/29/2006
LIBERTY ALL-STAR EQUITY F	JPMORGAN CHASE & CO	96,353	12/29/2006
LIBERTY ALL-STAR EQUITY F	PFIZER INC	95,026	12/29/2006
LIBERTY ALL-STAR EQUITY F	FANNIE MAE	92,875	12/29/2006
LIBERTY ALL-STAR EQUITY F	COUNTRYWIDE FINANCIAL	81,431	12/29/2006

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	2,326,355,766	2,309,981,391	(16,374,375)
26.2 Preferred stocks	22,501,605	22,622,864	121,259
26.3 Totals	2,348,857,371	2,332,604,255	(16,253,116)

- 26.4 Describe the sources or methods utilized in determining the fair values: FTID, 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 [ X ] 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? \$ 0

- 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? \$ 0

- 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
	\$

- 30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 0

- 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 \$ \_\_\_\_\_  
 1.65 Total incurred claims \$ \_\_\_\_\_  
 1.66 Number of covered lives \$ \_\_\_\_\_

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	\$ 8,286	\$ 14,131
2.2 Premium Denominator	\$ 1,137,141,316	\$ 1,035,969,094
2.3 Premium Ratio (2.1/2.2)		
2.4 Reserve Numerator	\$ 714,780	\$ 761,846
2.5 Reserve Denominator	\$ 2,379,425,063	\$ 2,131,618,415
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 \$ 6,385,092,657  
 3.22 Non-participating policies \$ 108,202,378

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 2006, the company purchased a Workers Compensation Catastrophe Treaty with limits of \$390M part of \$500 M xs \$500M.
- 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: The company employs industry recognized catastrophe modeling software to estimate the PML. For property exposures, we employ RiskLink v6.0 from RMS and AIR Clasic/2 v 8.0 from AIR. For WC, Liberty Mutual utilizes Risk Link v6.0 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? The company purchased a Property Catastrophe Treaty with limits of \$888M part of \$1.4B xs \$300M.
- 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. 1
- 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

**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	\$	208,315,265
12.12	Unpaid underwriting expenses (including loss adjustment expenses)	\$	42,002,616

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? \$ 29,151,405

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 [X] 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	9.000 %
12.42	To	10.000 %

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 [X] NO [ ]

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

12.61	Letters of Credit	\$	822,485,027
12.62	Collateral and other funds	\$	54,664,320

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 36,639,339

13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? YES [X] NO [ ]

13.3 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. 1

14.1 Is the company a cedant in a multiple cedant reinsurance contract? YES [X] NO [ ]

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants: Premiums and recoverables were allocated pursuant to separate intercompany pooling agreements.

14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? YES [ ] NO [X]

14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? YES [X] NO [ ]

14.5 If the answer to 14.4 is no, please explain: \_\_\_\_\_

15.1 Has the reporting entity guaranteed any financed premium accounts? YES [ ] NO [X]

15.2 If yes, give full information \_\_\_\_\_

16.1 Does the reporting entity write any warranty business? YES [X] 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
16.11 Home	\$ 764,387	\$ 9,229,524	\$ 3,000,000	\$ 637,897	\$ 4,468,237
16.12 Products	\$	\$	\$	\$	\$
16.13 Automobile	\$	\$	\$	\$	\$
16.14 Other*	\$	\$	\$	\$	\$

\* Disclose type of coverage: \_\_\_\_\_

**GENERAL INTERROGATORIES**  
(Continued)

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

17.1 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 [X]

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:

17.11	Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$ _____
17.12	Unfunded portion of Interrogatory 17.11	\$ _____
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$ _____
17.14	Case reserves portion of Interrogatory 17.11	\$ _____
17.15	Incurred but not reported portion of Interrogatory 17.11	\$ _____
17.16	Unearned premium portion of Interrogatory 17.11	\$ _____
17.17	Contingent commission portion of Interrogatory 17.11	\$ _____

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

17.18	Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$ _____
17.19	Unfunded portion of Interrogatory 17.18	\$ _____
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$ _____
17.21	Case reserves portion of Interrogatory 17.18	\$ _____
17.22	Incurred but not reported portion of Interrogatory 17.18	\$ _____
17.23	Unearned premium portion of Interrogatory 17.18	\$ _____
17.24	Contingent commission portion of Interrogatory 17.18	\$ _____

## FIVE-YEAR HISTORICAL DATA

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

	1 2006	2 2005	3 2004	4 2003	5 2002
<b>Gross Premiums Written</b> (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)	4,079,094,206	3,658,840,797	3,757,230,977	3,683,847,523	3,302,655,427
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,959,252,250	1,775,841,350	1,470,184,096	1,219,780,215	1,171,662,116
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,597,063,454	1,435,449,021	1,369,131,790	952,700,183	813,348,228
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	32,826,801	23,765,204	17,672,253	20,673,905	56,047,077
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	11,471,427	8,205,252	12,095,835	22,141,938	14,555,348
6. Total (Line 34)	7,679,708,138	6,902,101,624	6,626,314,951	5,899,143,764	5,358,268,196
<b>Net Premiums Written</b> (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)	759,187,103	698,766,287	654,000,390	575,897,992	502,465,049
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	195,545,430	180,380,681	175,072,753	163,073,950	152,996,708
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	195,313,438	152,289,938	138,039,503	144,143,032	117,891,318
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	24,895,705	19,966,857	13,669,807	17,682,673	53,805,027
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	11,471,427	8,205,252	12,095,835	22,141,938	14,555,348
12. Total (Line 34)	1,186,413,103	1,059,609,015	992,878,288	922,939,585	841,713,450
<b>Statement of Income</b> (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(35,831,805)	(78,401,721)	(74,559,357)	(87,435,761)	(69,296,679)
14. Net investment gain (loss) (Line 11)	129,278,747	133,270,308	128,078,844	178,461,836	212,902,774
15. Total other income (Line 15)	(8,303,200)	(11,248,165)	(18,279,432)	(23,091,035)	(18,605,788)
16. Dividends to policyholders (Line 17)	5,102,760	3,610,789	3,943,250	(240,136)	6,487,568
17. Federal and foreign income taxes incurred (Line 19)	27,049,266	17,922,875	(3,328,959)	(4,504,938)	38,816,113
18. Net income (Line 20)	52,991,716	22,086,758	34,625,764	72,680,114	79,696,626
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	3,420,760,390	3,016,812,078	2,774,088,615	2,560,602,577	2,664,136,189
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	82,310,609	69,934,129	67,138,962	88,540,196	87,584,615
20.2 Deferred and not yet due (Line 13.2)	275,281,586	206,978,256	191,577,831	154,019,888	129,542,501
20.3 Accrued retrospective premiums (Line 13.3)	69,581,565	70,410,069	76,682,925	79,659,423	69,947,059
21. Total liabilities excluding protected cell business (Page 3, Line 24)	2,507,229,875	2,186,837,908	2,101,344,073	2,009,372,918	1,962,358,160
22. Losses (Page 3, Line 1)	1,529,242,431	1,420,713,713	1,339,024,139	1,318,731,775	1,245,068,927
23. Loss adjustment expenses (Page 3, Line 3)	313,472,293	290,974,608	255,401,951	260,766,587	237,292,445
24. Unearned premiums (Page 3, Line 9)	468,376,826	419,930,093	403,391,948	383,526,057	322,567,228
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)	913,530,515	829,974,170	672,744,542	551,229,659	701,778,029
<b>Risk-Based Capital Analysis</b>					
27. Total adjusted capital	919,697,516	835,749,683	677,405,639	554,687,317	704,472,652
28. Authorized control level risk-based capital	158,722,416	140,134,594	143,092,200	130,474,775	114,173,298
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
29. Bonds (Line 1)	77.1	85.1	82.9	84.8	81.8
30. Stocks (Lines 2.1 & 2.2)	9.6	8.6	10.1	9.9	7.8
31. Mortgage loans on real estate (Lines 3.1 and 3.2)	1.2				
32. Real estate (Lines 4.1, 4.2 & 4.3)					
33. Cash, cash equivalents and short-term investments (Line 5)	6.2	2.2	2.9	1.5	8.0
34. Contract loans (Line 6)					XXX
35. Other invested assets (Line 7)	5.6	4.0	3.6	3.6	2.3
36. Receivables for securities (Line 8)	0.3		0.5	0.2	
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
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)	44,932,264	43,168,456	30,790,609	15,927,628	16,563,645
42. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)					
43. Affiliated mortgage loans on real estate					
44. All other affiliated	24,723,880				
45. Total of above Lines 39 to 44	69,656,144	43,168,456	30,790,609	15,927,628	16,563,645
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)	7.6	5.2	4.6	2.9	2.4

## FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2006	2 2005	3 2004	4 2003	5 2002
<b>Capital and Surplus Accounts</b> (Page 4)					
47. Net unrealized capital gains (losses) (Line 24)	23,279,156	3,001,168	15,711,707	42,439,243	(125,488,080)
48. Dividends to stockholders (Line 35)				(283,308,712)	(81,646,842)
49. Change in surplus as regards policyholders for the year (Line 38)	83,556,345	157,229,628	121,514,883	(150,548,370)	(114,690,396)
<b>Gross Losses Paid</b> (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)	2,297,354,783	2,251,960,601	2,390,402,252	2,228,189,985	2,232,215,882
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,263,123,605	800,646,701	633,211,569	593,414,614	593,600,508
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	863,341,060	915,671,782	620,399,235	479,672,461	443,201,223
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	1,690,446	5,315,965	50,860,508	29,546,728	43,397,107
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)	15,212,995	10,927,955	497,201	10,180,171	10,561,661
55. Total (Line 34)	4,440,722,889	3,984,523,004	3,695,370,765	3,341,003,959	3,322,976,381
<b>Net Losses Paid</b> (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)	374,227,410	373,706,037	406,155,830	340,356,193	392,638,071
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	112,931,045	91,958,460	77,602,412	76,229,838	76,426,898
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	83,347,035	96,464,757	89,407,207	59,422,623	66,793,578
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	1,638,408	5,315,965	50,860,508	29,546,728	43,397,107
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)	15,212,995	10,927,955	497,201	10,180,171	10,561,661
61. Total (Line 34)	587,356,893	578,373,174	624,523,158	515,735,553	589,817,315
<b>Operating Percentages</b> (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)	61.1	63.8	66.5	66.4	68.6
64. Loss expenses incurred (Line 3)	15.3	18.8	16.3	19.1	16.4
65. Other underwriting expenses incurred (Line 4)	26.8	24.9	24.9	24.4	23.7
66. Net underwriting gain (loss) (Line 8)	(3.2)	(7.6)	(7.7)	(10.0)	(8.8)
<b>Other Percentages</b>					
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)	26.4	25.4	26.2	25.7	24.5
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	76.4	82.6	82.8	85.5	85.1
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)	129.9	127.7	147.6	167.4	119.9
<b>One Year Loss Development (000 omitted)</b>					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	49,421	51,164	34,414	73,384	61,145
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)	6.0	7.6	6.2	10.5	7.5
<b>Two Year Loss Development (000 omitted)</b>					
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)	134,597	133,723	164,918	154,064	231,474
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)	20.0	24.3	23.5	18.9	25.9

**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	
<b>BONDS</b>					
Governments (Including all obligations guaranteed by governments)	1. United States	264,805,648	261,900,700	261,585,648	
	2. Canada	6,774,701	6,723,430	6,603,774	
	3. Other Countries	27,406,052	28,042,235	67,274	
	4. Totals	298,986,401	296,666,365	268,256,696	
States, Territories and Possessions (Direct and guaranteed)	5. United States	181,432,856	183,298,747	182,580,000	
	6. Canada				
	7. Other Countries				
8. Totals	181,432,856	183,298,747	181,396,641	182,580,000	
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	117,665,816	118,552,909	117,629,693	
	10. Canada				
	11. Other Countries				
12. Totals	117,665,816	118,552,909	117,629,693	118,440,000	
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	875,799,054	869,256,691	876,085,186	
	14. Canada				
	15. Other Countries				
16. Totals	875,799,054	869,256,691	876,085,186	878,481,006	
Public Utilities (unaffiliated)	17. United States	60,231,776	58,925,240	60,523,591	
	18. Canada				
	19. Other Countries				
20. Totals	60,231,776	58,925,240	60,523,591	59,749,000	
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	581,160,287	574,236,633	582,626,479	
	22. Canada	18,165,967	17,803,250	18,284,620	
	23. Other Countries	43,006,903	41,334,850	43,128,720	
24. Totals	642,333,157	633,374,733	644,039,819	642,255,146	
Parent, Subsidiaries and Affiliates	25. Totals				
	<b>26. Total Bonds</b>	2,176,449,060	2,160,074,685	2,176,235,321	2,149,761,848
<b>PREFERRED STOCKS</b>					
Public Utilities (unaffiliated)	27. United States	372,805	402,264	313,272	
	28. Canada				
	29. Other Countries				
30. Totals	372,805	402,264	313,272		
Banks, Trust and Insurance Companies (unaffiliated)	31. United States	4,990,000	4,990,000	5,000,000	
	32. Canada				
	33. Other Countries				
34. Totals	4,990,000	4,990,000	5,000,000		
Industrial and Miscellaneous (unaffiliated)	35. United States	17,138,800	17,230,600	16,776,603	
	36. Canada				
	37. Other Countries				
38. Totals	17,138,800	17,230,600	16,776,603		
Parent, Subsidiaries and Affiliates	39. Totals				
	<b>40. Total Preferred Stocks</b>	22,501,605	22,622,864	22,089,875	
<b>COMMON STOCKS</b>					
Public Utilities (unaffiliated)	41. United States	7,437,183	7,437,183	3,833,145	
	42. Canada				
	43. Other Countries	258,463	258,463	297,199	
44. Totals	7,695,646	7,695,646	4,130,344		
Banks, Trust and Insurance Companies (unaffiliated)	45. United States	21,676,343	21,676,343	7,555,578	
	46. Canada	242,950	242,950	99,741	
	47. Other Countries	2,074,025	2,074,025	1,332,470	
48. Totals	23,993,318	23,993,318	8,987,789		
Industrial and Miscellaneous (unaffiliated)	49. United States	143,505,008	143,505,008	59,481,322	
	50. Canada	34,549	34,549	14,428	
	51. Other Countries	27,114,039	27,114,039	18,106,000	
52. Totals	170,653,596	170,653,596	77,601,750		
Parent, Subsidiaries and Affiliates	53. Totals	44,932,264	44,932,264	31,500,000	
	<b>54. Total Common Stocks</b>	247,274,824	247,274,824	122,219,883	
	55. Total Stocks	269,776,429	269,897,688	144,309,758	
	56. Total Bonds and Stocks	2,446,225,489	2,429,972,373	2,320,545,079	

**SCHEDULE D - VERIFICATION BETWEEN YEARS**  
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	2,320,079,868	7. Amortization of premium	2,641,737
2. Cost of bonds and stocks acquired, Column 7, Part 3	683,817,698	8. Foreign Exchange Adjustment:	
3. Accrual of discount	3,975,465	8.1 Column 15, Part 1	(41,905)
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1	
4.1 Columns 12 - 14, Part 1	(1,461,898)	8.3 Column 16, Part 2, Section 2	496,234
4.2 Column 15 - 17, Part 2, Section 1	499,582	8.4 Column 15, Part 4	116,118
4.3 Column 15, Part 2, Section 2	24,467,545	9. Book/adjusted carrying value at end of current period	2,446,225,489
4.4 Column 11 - 13, Part 4	(4,708,949)	10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	6,600,994	11. Subtotal (Lines 9 plus 10)	2,446,225,489
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	584,973,526	12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	2,446,225,489

**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	69,856	26,718	28,060	11,216	2,976	1,393	725	61,565	X X X
2. 1997	845,879	105,324	740,555	637,137	85,591	58,294	6,266	68,897	389	21,576	672,082	X X X
3. 1998	891,886	107,454	784,432	727,348	91,839	59,373	5,574	76,990	762	24,782	765,536	X X X
4. 1999	885,409	127,369	758,040	731,559	102,066	61,897	7,878	78,195	1,246	23,948	760,461	X X X
5. 2000	933,748	150,909	782,839	721,813	124,773	58,077	7,997	75,483	988	18,654	721,615	X X X
6. 2001	969,754	156,150	813,604	696,039	147,970	51,418	7,341	71,651	789	22,085	663,008	X X X
7. 2002	1,107,232	209,175	898,057	647,750	117,359	45,051	5,979	80,787	672	34,355	649,578	X X X
8. 2003	1,233,026	280,067	952,959	568,497	116,232	39,613	3,334	84,715	647	34,398	572,612	X X X
9. 2004	1,282,668	312,625	970,043	514,555	131,317	28,540	5,631	82,588	4,045	31,950	484,690	X X X
10. 2005	1,320,993	285,032	1,035,961	535,969	147,964	18,712	4,230	78,539	4,505	29,057	476,521	X X X
11. 2006	1,437,634	300,497	1,137,137	295,329	49,263	7,343	994	67,159	6,138	17,828	313,436	X X X
12. Totals	X X X	X X X	X X X	6,145,852	1,141,092	456,378	66,440	767,980	21,574	259,358	6,141,104	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	491,650	149,791	211,457	141,254	27,185	22,407	113,181	47,632	6,623	1	3,977	489,011	X X X
2. 1997	31,035	4,484	7,051	2,189	2,050	1,051	2,688	739	902		276	35,263	X X X
3. 1998	43,716	6,834	16,979	9,614	887	113	3,372	775	1,912	1	449	49,529	X X X
4. 1999	46,805	11,358	13,368	9,714	1,012	143	3,871	1,688	1,637	3	892	43,787	X X X
5. 2000	47,597	14,519	18,675	14,217	1,391	644	4,040	1,154	1,735	7	1,100	42,897	X X X
6. 2001	66,471	33,051	26,271	16,749	2,072	982	7,566	2,945	2,072	85	1,794	50,640	X X X
7. 2002	61,459	31,598	45,573	34,876	3,116	1,662	8,973	419	2,632	6	1,606	53,192	X X X
8. 2003	76,880	23,485	81,495	38,464	2,537	466	18,509	3,527	4,106	6	2,610	117,579	X X X
9. 2004	92,963	23,738	123,960	41,587	3,641	774	28,356	4,280	6,811	65	4,199	185,287	X X X
10. 2005	142,924	45,786	207,872	75,597	3,892	524	44,185	6,786	17,590	2,157	7,199	285,613	X X X
11. 2006	165,985	31,058	358,058	89,037	3,959	652	66,181	7,818	24,408	107	21,366	489,919	X X X
12. Totals	1,267,485	375,702	1,110,759	473,298	51,742	29,418	300,922	77,763	70,428	2,438	45,468	1,842,717	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	412,062	76,949
2. 1997	808,054	100,709	707,345	95,528	95,618	95,516			10.000	31,413	3,850
3. 1998	930,577	115,512	815,065	104,338	107,499	103,905			10.000	44,247	5,282
4. 1999	938,344	134,096	804,248	105,979	105,282	106,096			10.000	39,101	4,686
5. 2000	928,811	164,299	764,512	99,471	108,873	97,659			10.000	37,536	5,361
6. 2001	923,560	209,912	713,648	95,237	134,430	87,714			10.000	42,942	7,698
7. 2002	895,341	192,571	702,770	80,863	92,062	78,254			10.000	40,558	12,634
8. 2003	876,352	186,161	690,191	71,073	66,470	72,426			10.000	96,426	21,153
9. 2004	881,414	211,437	669,977	68,717	67,633	69,067			10.000	151,598	33,689
10. 2005	1,049,683	287,549	762,134	79,462	100,883	73,568			10.000	229,413	56,200
11. 2006	988,422	185,067	803,355	68,753	61,587	70,647			10.000	403,948	85,971
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	1,529,244	313,473

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
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	One Year	Two Year
1. Prior	1,323,482	1,293,720	1,240,242	1,221,602	1,284,384	1,330,988	1,379,728	1,448,346	1,497,210	1,524,988	27,778	76,642
2. 1997	587,679	584,856	606,595	616,433	628,140	628,760	629,804	637,224	640,928	644,433	3,505	7,209
3. 1998	X X X	646,382	668,879	685,219	706,745	714,131	719,616	727,834	735,348	745,450	10,102	17,616
4. 1999	X X X	X X X	636,177	656,078	680,898	698,429	711,069	716,701	728,785	732,413	3,628	15,712
5. 2000	X X X	X X X	X X X	611,910	640,162	644,307	666,012	683,848	689,277	692,988	3,711	9,140
6. 2001	X X X	X X X	X X X	X X X	630,417	614,193	625,085	616,073	636,007	643,004	6,997	26,931
7. 2002	X X X	X X X	X X X	X X X	X X X	625,302	590,244	591,003	610,347	621,967	11,620	30,964
8. 2003	X X X	X X X	X X X	X X X	X X X	X X X	653,662	588,605	571,038	604,278	33,240	15,673
9. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	656,291	608,146	591,002	(17,145)	(65,290)
10. 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	715,523	681,508	(34,016)	X X X
11. 2006	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	729,446	X X X	X X X
12. Totals											49,421	134,597

**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
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006		
1. Prior	000	247,033	405,825	526,888	599,678	695,325	767,310	841,671	908,321	968,303	X X X	X X X
2. 1997	237,015	357,878	438,886	497,215	535,909	560,891	576,186	591,264	598,098	603,574	X X X	X X X
3. 1998	X X X	259,451	416,374	509,273	577,952	617,461	644,411	665,208	679,242	689,308	X X X	X X X
4. 1999	X X X	X X X	257,773	409,730	505,175	573,036	618,772	651,093	670,733	683,512	X X X	X X X
5. 2000	X X X	X X X	X X X	270,357	424,434	504,989	560,641	611,279	632,177	647,120	X X X	X X X
6. 2001	X X X	X X X	X X X	X X X	284,699	429,440	501,237	544,193	575,568	592,146	X X X	X X X
7. 2002	X X X	X X X	X X X	X X X	X X X	267,925	410,554	493,736	534,998	569,463	X X X	X X X
8. 2003	X X X	X X X	X X X	X X X	X X X	X X X	247,217	377,793	442,039	488,544	X X X	X X X
9. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	226,242	347,850	406,147	X X X	X X X
10. 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	263,056	402,487	X X X	X X X
11. 2006	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	252,415	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
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1. Prior	569,917	408,026	268,292	227,821	179,547	129,942	123,230	106,015	137,108	141,306
2. 1997	193,913	94,884	56,048	37,286	30,149	17,057	8,351	7,751	7,965	9,112
3. 1998	X X X	209,365	93,921	53,755	31,970	23,487	10,887	11,141	9,256	13,319
4. 1999	X X X	X X X	206,726	98,137	49,000	29,886	17,326	13,543	12,251	9,103
5. 2000	X X X	X X X	X X X	169,397	64,871	28,594	19,580	15,698	11,285	9,245
6. 2001	X X X	X X X	X X X	X X X	176,432	72,139	43,165	22,118	17,885	14,371
7. 2002	X X X	X X X	X X X	X X X	X X X	188,734	74,534	33,632	25,363	19,566
8. 2003	X X X	X X X	X X X	X X X	X X X	X X X	270,736	111,291	50,894	58,603
9. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	298,810	166,722	111,153
10. 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	325,130	177,082
11. 2006	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	337,432



**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**  
**Allocated by States and Territories**

States, Etc.	1	Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
			2	3						
1. Alabama	AL	YES	56,716,254	53,760,998	50,148	30,774,550	18,140,767	61,060,408	218,469	
2. Alaska	AK	YES	5,672,163	4,814,754	(29,878)	2,804,206	2,436,718	12,697,094	4,848	
3. Arizona	AZ	YES	111,072,909	111,268,561	21,762	48,218,997	66,994,622	98,271,133	411,217	
4. Arkansas	AR	YES	23,558,330	22,827,185	(7,105)	16,179,286	14,925,475	28,518,141	58,569	
5. California	CA	YES	634,146,477	569,596,973	269,142	345,711,872	330,448,716	710,078,350	2,734,601	
6. Colorado	CO	YES	88,837,637	84,581,488	127,292	42,590,244	37,867,187	84,502,607	404,347	
7. Connecticut	CT	YES	202,575,377	194,484,919	203,415	94,874,899	118,752,847	167,823,007	1,392,186	
8. Delaware	DE	YES	64,827,587	62,642,684	3,610	32,643,486	37,217,793	43,857,091	360,877	
9. Dist. Columbia	DC	YES	12,307,849	10,708,286	635	6,868,765	6,725,815	17,930,934	39,955	
10. Florida	FL	YES	504,358,924	469,568,875	553,409	345,207,530	277,898,025	466,322,612	4,610,425	
11. Georgia	GA	YES	217,921,122	205,742,172	208,246	121,882,141	128,051,170	154,418,727	1,279,787	
12. Hawaii	HI	YES	44,176,669	43,131,962	(2,744)	19,830,168	25,800,645	32,514,399	247,420	
13. Idaho	ID	YES	20,259,074	18,396,707	4,522	7,731,349	9,862,774	11,546,189	104,406	
14. Illinois	IL	YES	220,142,702	211,234,587	111,261	118,664,407	137,472,726	239,699,480	840,019	
15. Indiana	IN	YES	103,261,878	99,965,910	21,603	61,080,750	65,532,053	61,326,409	484,494	
16. Iowa	IA	YES	21,666,983	20,260,874	5,743	13,749,872	12,670,777	38,037,478	58,049	
17. Kansas	KS	YES	31,411,742	29,353,663	13,992	21,819,797	20,561,848	30,846,696	110,721	
18. Kentucky	KY	YES	95,312,592	90,377,859	31,517	47,268,616	44,503,264	98,046,618	523,649	
19. Louisiana	LA	YES	127,758,716	122,895,379	54,218	460,591,295	232,102,402	246,386,150	524,486	
20. Maine	ME	YES	56,869,326	54,499,366	2,145	32,495,163	31,782,567	54,596,461	604,142	
21. Maryland	MD	YES	133,854,898	128,560,334	38,185	59,638,398	62,589,696	111,652,847	771,079	
22. Massachusetts	MA	YES	177,278,526	173,261,682	29	72,243,339	85,952,977	141,229,511	842,719	
23. Michigan	MI	YES	163,262,967	158,752,695	78,139	80,157,722	105,877,922	154,744,626	1,081,823	
24. Minnesota	MN	YES	106,153,856	103,995,411	18,645	79,514,620	84,901,761	143,175,137	518,548	
25. Mississippi	MS	YES	27,197,567	23,101,758	2,898	56,388,814	17,722,465	35,804,303	52,910	
26. Missouri	MO	YES	87,585,236	85,531,242	109,749	58,784,577	55,286,144	92,841,287	343,685	
27. Montana	MT	YES	15,614,777	14,717,517	1,634	9,319,094	11,964,769	20,410,036	54,897	
28. Nebraska	NE	YES	21,361,928	20,324,018	241	10,658,509	12,866,333	32,630,578	71,183	
29. Nevada	NV	YES	68,941,869	63,470,080	42	27,274,170	36,919,413	37,386,078	269,636	
30. New Hampshire	NH	YES	86,197,881	87,082,844	136,051	57,604,058	54,271,411	45,719,398	714,785	
31. New Jersey	NJ	YES	611,094,825	609,937,885	21,891	340,702,915	435,135,057	602,711,768	6,835,371	
32. New Mexico	NM	YES	24,823,308	23,142,987	(104,360)	15,247,720	15,011,163	22,892,192	98,419	
33. New York	NY	YES	815,625,289	784,779,033	21,324	392,306,102	304,170,579	761,781,394	6,814,175	
34. No. Carolina	NC	YES	146,561,031	135,393,620	32,854	36,302,713	48,977,540	165,874,451	133,535	
35. No. Dakota	ND	YES	2,353,404	2,916,043	47	1,318,515	144,530	2,531,981	8,170	
36. Ohio	OH	YES	149,444,567	141,324,003	2,926	60,666,612	80,660,118	63,418,824	1,155,427	
37. Oklahoma	OK	YES	70,814,669	66,857,126	(4,338)	39,289,526	42,066,425	55,364,136	363,939	
38. Oregon	OR	YES	34,543,801	44,832,026	1,649	25,282,660	21,674,154	44,537,113	327,907	
39. Pennsylvania	PA	YES	287,211,943	280,844,074	91,974	167,889,192	186,489,301	385,757,143	2,217,534	
40. Rhode Island	RI	YES	54,051,903	52,371,423	993	25,776,795	17,431,466	38,791,201	426,424	
41. So. Carolina	SC	YES	80,582,976	73,390,017	46,619	36,499,403	39,519,384	71,864,325	275,240	
42. So. Dakota	SD	YES	6,529,093	6,478,276	1,504	2,519,595	1,123,651	8,516,410	17,194	
43. Tennessee	TN	YES	114,729,997	119,402,328	65,767	72,747,885	30,106,834	151,509,350	497,521	
44. Texas	TX	YES	195,828,163	164,204,482	1,066,388	82,664,741	64,424,841	334,667,282	100,929	
45. Utah	UT	YES	44,514,322	42,793,596	(3,227)	18,889,550	25,283,634	30,229,292	170,659	
46. Vermont	VT	YES	25,824,101	24,599,691	50,336	10,260,237	10,769,907	14,223,017	186,599	
47. Virginia	VA	YES	89,293,880	86,687,162	14,800	39,528,667	47,619,846	91,621,059	503,712	
48. Washington	WA	YES	79,335,671	74,167,819	3	37,109,651	53,412,808	44,735,004	398,715	
49. West Virginia	WV	YES	29,563,250	28,757,162	1	14,699,466	18,064,769	11,982,156	211,782	
50. Wisconsin	WI	YES	95,551,197	86,237,111	428,152	49,453,059	50,821,026	113,131,797	329,367	
51. Wyoming	WY	YES	4,930,009	4,870,991	(3)	1,355,898	2,196,530	2,180,485	13,957	
52. American Samoa	AS	NO								
53. Guam	GU	NO	2,959	2,364			(1,490)	3,996		
54. Puerto Rico	PR	YES	525,052	449,081	104	95,844	(34,458)	647,464		
55. U.S. Virgin Islands	VI	NO	(4,907)	(3,783)		9,319	22,551	522,666		
56. Northern Mariana Islands	MP	NO								
57. Canada	CN	YES	(9,053)	(9,053)		145,490	(348,873)	651,321		
58. Aggregate other alien	OT	X X X	(730,230)	(589,571)	(75,760)	33,749	(634,005)	2,096,035		
59. Totals	(a) 52		6,493,295,036	6,192,746,676	3,688,190	3,853,365,998	3,642,208,370	6,496,315,647	40,820,508	

DETAILS OF WRITE-INS										
5801. Other alien	X X X		(730,230)	(589,571)	(75,760)	33,749	(634,005)	2,096,035		
5802.	X X X									
5803.	X X X									
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X									
5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above)	X X X		(730,230)	(589,571)	(75,760)	33,749	(634,005)	2,096,035		

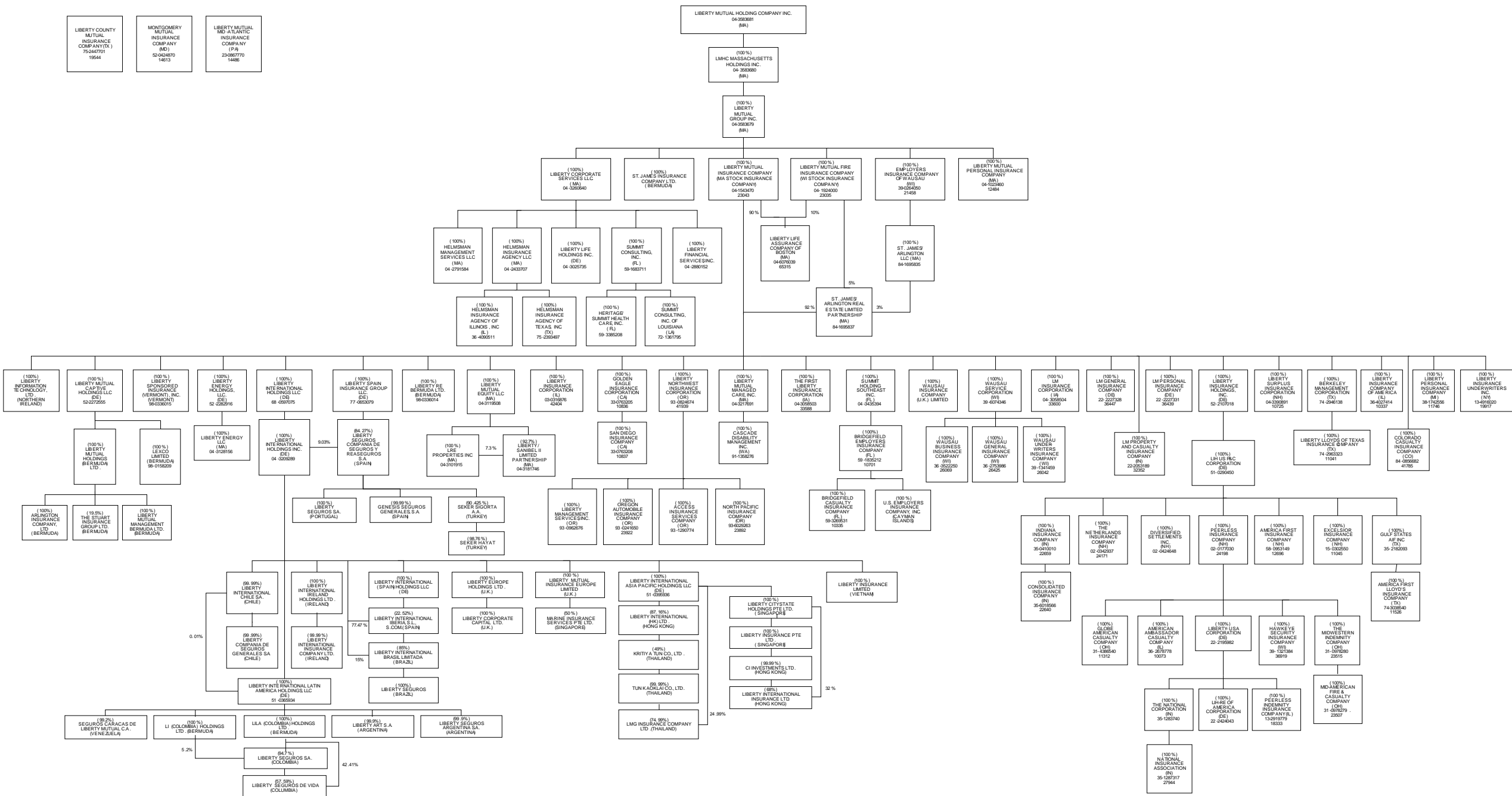
**Explanation of basis of allocation of premiums by states, etc.**

- \*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery
- \*States of Jurisdiction under which payrolls and resulting premiums are developed - Worker's Compensation
- \*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage
- \*Principal Location of business or location of coverage - Liability other than Auto, Fidelity
- \*Point of origin of shipment or principal location of assured - Inland Marine
- \*State in which employees regularly work - Group Accident and Health
- \*Location of Court - Surety
- \*Address of Assured - Other Accident and Health
- \*Location of Properties covered - Burglary and Theft
- \*Principal Location of Assured - Ocean Marine, Credit
- \*Primary residence of Assured - Aircraft (all perils)

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

## PART 1 - ORGANIZATIONAL CHART

106



**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 receivable under high deductible policies	26,103,446	1,337,845	24,765,601	25,020,393
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)	26,103,446	1,337,845	24,765,601	25,020,393

**OVERFLOW PAGE FOR WRITE-INS**

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

	1 Current Year	2 Prior Year
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**REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES**

2304. Collateral held for securities loaned	22,156,738	
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)	22,156,738	

**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)		