ANNUAL STATEMENT

OF THE

AMERICAN ECONOMY INSURANCE COMPANY

of INDIANAPOLIS

in the state of INDIANA

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2010

PROPERTY AND CASUALTY

2010

19690201020100100

ANNUAL STATEMENT

For the Year Ended December 31, 2010
OF THE CONDITION AND AFFAIRS OF THE

American Economy Insurance Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) **NAIC Company Code** 19690 **Employer's ID Number** 35-1044900

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

Country of Domicile United States of America

Incorporated/Organized: October 19, 1959 **Commenced Business** October 23, 1959

Statutory Home Office 350 East 96th Street (Street and Number) , Indianapolis, IN 46240 (City or Town, State and Zip Code)

Main Administrative Office: 175 Berkeley Street (Street and Number)

Boston, MA 02116 (City or Town, State and Zip Code) 617-357-9500 (Area Code) (Telephone Number)

Mail Address: 175 Berkeley Street (Street and Number or P.O. Box) , Boston, MA 02116 (City or Town, State and Zip Code)

Primary Location of Books and Records: 175 Berkeley Street (Street and Number) Boston, MA 02116 (City or Town, State and Zip Code) 617-357-9500 (Area Code) (Telephone Number)

Internet Web Site Address WWW.SAFECO.COM

Statutory Statement Contact: Pamela Heenan (Name) 617-357-9500 x44689 (Area Code) (Telephone Number) (Extension)

Statutory.Compliance@LibertyMutual.com (E-Mail Address) 617-574-5955 (Fax Number)

OFFICERS

Chairman of the Board

Gary Richard Gregg

	Name	Title
1.	Gary Richard Gregg	President and Chief Executive Officer
2.	Dexter Robert Legg	Secretary
3.	Michael Joseph Fallon	Treasurer and Chief Financial Officer

VICE-PRESIDENTS

Name	Title	Name	Title
Anthony Alexander Fontanes	EVP and Chief Investment Officer	Scott Rhodes Goodby	EVP and Chief Operating Officer
Joseph Anthony Gilles	Executive Vice President		

DIRECTORS OR TRUSTEES

John Derek Doyle	Michael Joseph Fallon	Joseph Anthony Gilles	Scott Rhodes Goodby
Gary Richard Gregg	Kevin John Kirschner	Christopher Charles Mansfield	

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)	(Signature)	(Signature)
James Paul Condrin, III	Dexter Robert Legg	Michael Joseph Fallon
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President and Chief Executive Officer	Secretary	Treasurer and Chief Financial Officer
(Title)	(Title)	(Title)

Subscribed and sworn to (or affirmed) before me on this
15th day of February , 2011, by

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

ASSETS

	Current Year 1 Assets	Current Year 2 Nonadmitted Assets	Current Year 3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	863,129,921		863,129,921	1,143,819,088
2. Stocks (Schedule D):				
2.1 Preferred stocks	13,188,900		13,188,900	28,935,150
2.2 Common stocks	60,636,860		60,636,860	30,598,833
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	27,192,600		27,192,600	10,739,145
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 ($ 75,271, Schedule E - Part 1), cash equivalents ($ 10,205,056, Schedule E - Part 2), and short-term investments ($ 9,529,382, Schedule DA)	19,809,709		19,809,709	55,429,467
6. Contract loans (including $ 0 premium notes)				
7. Derivatives				
8. Other invested assets (Schedule BA)	86,999		86,999	1
9. Receivables for securities	584,990		584,990	
10. Securities lending reinvested collateral assets	11,438,307		11,438,307	
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	996,068,286		996,068,286	1,269,521,684
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	9,504,803		9,504,803	14,518,720
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	22,527,992	2,425,228	20,102,764	22,186,815
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ (1,406,675) earned but unbilled premiums)	161,680,625	3,749	161,676,876	157,537,260
15.3 Accrued retrospective premiums	569,918	56,910	513,008	914,463
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	12,277,222		12,277,222	22,903,080
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	8,760,541		8,760,541	93,943
18.2 Net deferred tax asset	56,156,700	20,741,104	35,415,596	51,446,500
19. Guaranty funds receivable or on deposit	946,222		946,222	1,036,769
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets ($ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	6,492,210		6,492,210	1,245,430
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	5,663,699	757,262	4,906,437	4,715,153
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,280,648,218	23,984,253	1,256,663,965	1,546,119,817
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	1,280,648,218	23,984,253	1,256,663,965	1,546,119,817

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Cash Surrender Value Life Insurance	3,255,438		3,255,438	3,173,439
2502. Equities and deposits in pools and associations	1,481,366		1,481,366	1,329,387
2503. Other assets	926,895	757,262	169,633	212,327
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	5,663,699	757,262	4,906,437	4,715,153

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	500,110,560	526,416,697
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	33,556,125	33,937,724
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	111,617,900	125,330,551
4.	Commissions payable, contingent commissions and other similar charges	15,105,240	14,917,027
5.	Other expenses (excluding taxes, licenses and fees)	4,420,876	17,708,600
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	5,051,601	5,368,189
7.1	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))		
7.2	Net deferred tax liability		
8.	Borrowed money $ 0 and interest thereon $ 0		
9.	Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of $ 139,517,129 and including warranty reserves of $ 0)	271,776,831	257,663,511
10.	Advance premium	1,842,016	1,834,069
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders	52,492	475,439
12.	Ceded reinsurance premiums payable (net of ceding commissions)	18,882,943	10,854,026
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	274,250	(169,811)
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	18,330,381	18,401,187
19.	Payable to parent, subsidiaries and affiliates	11,334,004	2,918,616
20.	Derivatives		
21.	Payable for securities	6,991,840	
22.	Payable for securities lending	11,438,307	
23.	Liability for amounts held under uninsured plans		
24.	Capital notes $ 0 and interest thereon $ 0		
25.	Aggregate write-ins for liabilities	9,592,358	21,833,326
26.	Total liabilities excluding protected cell liabilities (Lines 1 through 25)	1,020,377,724	1,037,489,151
27.	Protected cell liabilities		
28.	Total liabilities (Lines 26 and 27)	1,020,377,724	1,037,489,151
29.	Aggregate write-ins for special surplus funds	9,949,447	19,012,578
30.	Common capital stock	5,000,000	5,000,000
31.	Preferred capital stock		
32.	Aggregate write-ins for other than special surplus funds		
33.	Surplus notes		
34.	Gross paid in and contributed surplus	206,979,280	343,581,801
35.	Unassigned funds (surplus)	14,357,514	141,036,287
36.	Less treasury stock, at cost:		
	36.1 0 shares common (value included in Line 30 $ 0)		
	36.2 0 shares preferred (value included in Line 31 $ 0)		
37.	Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	236,286,241	508,630,666
38.	Totals (Page 2, Line 28, Col. 3)	1,256,663,965	1,546,119,817

	DETAILS OF WRITE-IN LINES		
2501.	Retroactive reinsurance reserves	5,342,458	5,043,834
2502.	Other liabilities	2,905,610	4,205,533
2503.	Accrued return retrospective premiums	681,754	694,730
2598.	Summary of remaining write-ins for Line 25 from overflow page	662,536	11,889,229
2599.	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	9,592,358	21,833,326
2901.	SSAP 10R incremental change	8,738,224	17,896,161
2902.	Special surplus from retroactive reinsurance	1,211,223	1,116,417
2903.			
2998.	Summary of remaining write-ins for Line 29 from overflow page		
2999.	Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	9,949,447	19,012,578
3201.			
3202.			
3203.			
3298.	Summary of remaining write-ins for Line 32 from overflow page		
3299.	Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

		1 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 35, Column 4)	577,594,080	586,685,671
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	323,631,706	297,538,442
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	68,185,720	69,657,215
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	194,108,456	194,757,093
5.	Aggregate write-ins for underwriting deductions	(31,596)	91,528
6.	Total underwriting deductions (Lines 2 through 5)	585,894,286	562,044,278
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(8,300,206)	24,641,393
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	46,562,911	56,808,372
10.	Net realized capital gains (losses) less capital gains tax of $ 4,848,660 (Exhibit of Capital Gains (Losses))	9,004,654	(1,903,251)
11.	Net investment gain (loss) (Lines 9 + 10)	55,567,565	54,905,121
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 33,705 amount charged off $ 2,460,685)	(2,426,980)	(2,596,945)
13.	Finance and service charges not included in premiums	5,096,734	5,001,924
14.	Aggregate write-ins for miscellaneous income	(7,239,262)	(3,405,093)
15.	Total other income (Lines 12 through 14)	(4,569,508)	(1,000,114)
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	42,697,851	78,546,400
17.	Dividends to policyholders	(197,359)	2,510,199
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)	42,895,210	76,036,201
19.	Federal and foreign income taxes incurred	(5,539,360)	13,760,528
20.	Net income (Line 18 minus Line 19) (to Line 22)	48,434,570	62,275,673
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	508,630,666	309,149,009
22.	Net income (from Line 20)	48,434,570	62,275,673
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ (223,274)	123,335	8,660,867
25.	Change in net unrealized foreign exchange capital gain (loss)		
26.	Change in net deferred income tax	(12,476,174)	405,165
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	7,072,276	(1,131,030)
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	(136,602,521)	118,168,469
	33.2 Transferred to capital (Stock Dividend)		
	33.3 Transferred from capital		
34.	Net remittances from or (to) Home Office		
35.	Dividends to stockholders	(169,397,479)	(7,200,000)
36.	Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37.	Aggregate write-ins for gains and losses in surplus	(9,498,432)	18,302,513
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	(272,344,425)	199,481,657
39.	Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	236,286,241	508,630,666

	DETAILS OF WRITE-IN LINES		
0501.	Private passenger auto escrow	(31,596)	91,528
0502.			
0503.			
0598.	Summary of remaining write-ins for Line 05 from overflow page		
0599.	Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)	(31,596)	91,528
1401.	Other income/(expense)	(86,507)	(3,329,458)
1402.	Retroactive reinsurance gain/(loss)	(7,152,755)	(75,635)
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(7,239,262)	(3,405,093)
3701.	Other changes in surplus	(340,494)	406,352
3702.	SSAP 10R incremental change	(9,157,938)	17,896,161
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page		
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(9,498,432)	18,302,513

CASH FLOW

		1	2
	Cash from Operations	Current Year	Prior Year
1.	Premiums collected net of reinsurance	599,139,734	506,166,244
2.	Net investment income	54,284,573	58,218,877
3.	Miscellaneous income	(8,613,390)	(3,481,603)
4.	Total (Lines 1 through 3)	644,810,917	560,903,518
5.	Benefit and loss related payments	339,764,391	296,826,298
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	288,971,844	289,507,513
8.	Dividends paid to policyholders	225,587	2,953,240
9.	Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	7,975,898	(499,463)
10.	Total (Lines 5 through 9)	636,937,720	588,787,588
11.	Net cash from operations (Line 4 minus Line 10)	7,873,197	(27,884,070)
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	704,774,240	406,680,289
12.2	Stocks	22,948,340	16,249,922
12.3	Mortgage loans	475,319	33,273
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains (or losses) on cash, cash equivalents and short-term investments		30,143
12.7	Miscellaneous proceeds	(584,990)	(6,418)
12.8	Total investment proceeds (Lines 12.1 to 12.7)	727,612,909	422,987,209
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	414,934,180	578,879,789
13.2	Stocks	35,324,673	9,963,952
13.3	Mortgage loans	16,949,481	10,772,417
13.4	Real estate		
13.5	Other invested assets	11,525,306	
13.6	Miscellaneous applications	(6,991,840)	2,576
13.7	Total investments acquired (Lines 13.1 to 13.6)	471,741,800	599,618,734
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	255,871,109	(176,631,525)
	Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock	(136,602,521)	118,168,469
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders	169,397,479	7,200,000
16.6	Other cash provided (applied)	6,635,936	37,202,844
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(299,364,064)	148,171,313
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(35,619,758)	(56,344,282)
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	55,429,467	111,773,749
19.2	End of year (Line 18 plus Line 19.1)	19,809,709	55,429,467

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

20.0001	12.1 - Proceeds from investments sold, matured or repaid - Bonds	249,107,071	
20.0002	12.2 - Proceeds from investments sold, matured or repaid - Stocks	23,361,330	
20.0003	16.5 Dividends to stockholders	148,397,479	
20.0004	16.2 Capital and paid in surplus, less treasruy stock	(71,702,766)	

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	10,332,708	5,321,179	5,585,310	10,068,577
2. Allied lines	8,744,142	4,280,725	4,637,662	8,387,205
3. Farmowners multiple peril	4,327,829	2,076,528	2,173,491	4,230,866
4. Homeowners multiple peril	84,645,955	42,031,108	44,853,620	81,823,443
5. Commercial multiple peril	103,874,444	54,672,335	53,157,758	105,389,021
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	9,479,088	4,661,168	4,557,115	9,583,141
10. Financial guaranty				
11.1 Medical professional liability—occurrence	43,305	22,642	20,235	45,712
11.2 Medical professional liability—claims-made	6,015	2,200	2,338	5,877
12. Earthquake	1,915,954	1,006,377	973,580	1,948,751
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	(4,459)	4,459		
16. Workers' compensation	50,575,317	21,144,298	21,307,815	50,411,800
17.1 Other liability—occurrence	30,618,939	15,652,181	14,953,059	31,318,061
17.2 Other liability—claims-made	1,288,166	555,640	598,536	1,245,270
17.3 Excess Workers' Compensation		27,508		27,508
18.1 Products liability—occurrence	788,692	540,991	416,817	912,866
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	110,259,659	31,831,586	39,720,243	102,371,002
19.3,19.4 Commercial auto liability	47,261,778	24,080,743	22,883,660	48,458,861
21. Auto physical damage	85,298,408	28,071,642	32,735,849	80,634,201
22. Aircraft (all perils)				
23. Fidelity	366,259	306,969	299,723	373,505
24. Surety	40,548,848	24,187,478	24,405,539	40,330,787
26. Burglary and theft	17,334	10,711	8,353	19,692
27. Boiler and machinery	10,674	1,898	4,637	7,935
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property				
32. Reinsurance-Nonproportional Assumed Liability				
33. Reinsurance-Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	590,399,055	260,490,366	273,295,340	577,594,081

DETAILS OF WRITE-IN LINES				
3401.				
3402.				
3403.				
3498. Sum of remaining write-ins for Line 34 from overflow page				
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 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	5,585,265	45			5,585,310
2.	Allied lines	4,637,610	52			4,637,662
3.	Farmowners multiple peril	2,173,491				2,173,491
4.	Homeowners multiple peril	44,853,620				44,853,620
5.	Commercial multiple peril	52,435,074	875	718,655	3,154	53,157,758
6.	Mortgage guaranty					
8.	Ocean marine					
9.	Inland marine	4,539,265	17,850			4,557,115
10.	Financial guaranty					
11.1	Medical professional liability—occurrence	20,235				20,235
11.2	Medical professional liablity—claims-made	2,332	7			2,339
12.	Earthquake	973,580				973,580
13.	Group accident and health					
14.	Credit accident and health (group and individual)					
15.	Other accident and health					
16.	Workers' compensation	20,608,239		587,740	111,836	21,307,815
17.1	Other liability—occurrence	14,813,997	55,721	86,495	(3,154)	14,953,059
17.2	Other liability—claims-made	586,982	10,292	1,262		598,536
17.3	Excess Workers' Compensation					
18.1	Products liability—occurrence	404,239	55	12,522		416,816
18.2	Products liability—claims-made					
19.1,19.2	Private passenger auto liability	39,720,243				39,720,243
19.3,19.4	Commercial auto liability	22,664,360	219,300			22,883,660
21.	Auto physical damage	32,691,009	44,840			32,735,849
22.	Aircraft (all perils)					
23.	Fidelity	109,235	190,488			299,723
24.	Surety	13,011,998	11,393,542			24,405,540
26.	Burglary and theft	8,353				8,353
27.	Boiler and machinery	4,637				4,637
28.	Credit					
29.	International					
30.	Warranty					
31.	Reinsurance-Nonproportional Assumed Property					
32.	Reinsurance-Nonproportional Assumed Liability					
33.	Reinsurance-Nonproportional Assumed Financial Lines					
34.	Aggregate write-ins for other lines of business					
35.	TOTALS	259,843,764	11,933,067	1,406,674	111,836	273,295,341
36.	Accrued retrospective premiums based on experience					(111,836)
37.	Earned but unbilled premiums					(1,406,675)
38.	Balance (Sum of Lines 35 through 37)					271,776,830

	DETAILS OF WRITE-IN LINES					
3401.						
3402.						
3403.						
3498.	Sum of remaining write-ins for Line 34 from overflow page					
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)					

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	Reinsurance Assumed 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	Reinsurance Ceded 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	2,733,654	10,332,708		2,733,654		10,332,708
2. Allied lines	2,316,755	8,744,142		2,316,755		8,744,142
3. Farmowners multiple peril	7,808,085	4,327,829		7,808,085		4,327,829
4. Homeowners multiple peril	172,902	84,645,955		172,902		84,645,955
5. Commercial multiple peril	203,781,893	103,874,444		203,781,893		103,874,444
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	1,062,451	9,479,088		1,062,451		9,479,088
10. Financial guaranty						
11.1 Medical professional liability--occurrence		43,305				43,305
11.2 Medical professional liability--claims-made		6,015				6,015
12. Earthquake	1,372,087	1,915,954		1,372,087		1,915,954
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		(4,459)				(4,459)
16. Workers' compensation	22,365,086	50,575,317		22,365,086		50,575,317
17.1 Other liability—occurrence	2,846,700	30,618,939		2,846,700		30,618,939
17.2 Other liability—claims-made	12,848	1,288,166		12,848		1,288,166
17.3 Excess Workers' Compensation						
18.1 Products liability—occurrence	568,879	788,692		568,879		788,692
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	212,154	110,259,659		212,154		110,259,659
19.3,19.4 Commercial auto liability	32,919,728	47,261,778		32,919,728		47,261,778
21. Auto physical damage	6,801,270	85,298,408		6,801,270		85,298,408
22. Aircraft (all perils)						
23. Fidelity	39,815	366,259		39,815		366,259
24. Surety	168,310	40,548,848		168,310		40,548,848
26. Burglary and theft	7,181	17,334		7,181		17,334
27. Boiler and machinery	213,902	10,674		213,902		10,674
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X					
32. Reinsurance-Nonproportional Assumed Liability	X X X					
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	285,403,700	590,399,055		285,403,700		590,399,055

DETAILS OF WRITE-IN LINES						
3401.						
3402.						
3403.						
3498. Sum of remaining write-ins for Line 34 from overflow page						
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)						

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

If yes: 1. The amount of such installment premiums $ 0

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis $ 0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 – LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage 1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	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. Fire	230,002	4,104,774	230,002	4,104,774	1,824,890	1,732,729	4,196,935	41.683
2. Allied lines	1,755,675	5,361,028	1,755,675	5,361,028	1,526,563	1,448,242	5,439,349	64.853
3. Farmowners multiple peril	5,530,747	2,828,693	5,530,747	2,828,693	1,299,647	1,366,576	2,761,764	65.277
4. Homeowners multiple peril	118,410	44,240,240	118,410	44,240,240	21,888,919	16,302,568	49,826,591	60.895
5. Commercial multiple peril	118,731,850	55,705,275	118,731,850	55,705,275	96,068,414	90,389,326	61,384,363	58.246
6. Mortgage guaranty								
8. Ocean marine		238		238	(46)	819	(627)	
9. Inland marine	(12,117)	3,352,461	(12,117)	3,352,461	797,313	1,482,987	2,666,787	27.828
10. Financial guaranty								
11.1 Medical professional liability—occurrence		2,438		2,438	132,393	121,825	13,006	28.452
11.2 Medical professional liability—claims-made		2,688		2,688	27,058	27,129	2,617	44.530
12. Earthquake		(1,053)		(1,053)	2,209	3,369	(2,213)	(0.114)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health		70,955		70,955	2,536,842	430,928	2,176,869	
16. Workers' compensation	14,132,146	76,540,358	14,132,146	76,540,358	156,066,971	191,994,258	40,613,071	80.563
17.1 Other liability—occurrence	1,608,622	12,833,175	1,608,622	12,833,175	53,929,563	49,793,478	16,969,260	54.184
17.2 Other liability—claims-made	39,485	586,307	39,485	586,307	2,932,254	1,582,257	1,936,304	155.493
17.3 Excess Workers' Compensation						24,462	(24,462)	(88.927)
18.1 Products liability—occurrence	1,011,781	449,854	1,011,781	449,854	1,189,373	1,626,064	13,163	1.442
18.2 Products liability—claims-made						43	(43)	
19.1,19.2 Private passenger auto liability	1,570,365	61,333,222	1,570,365	61,333,222	78,057,220	82,307,078	57,083,364	55.761
19.3,19.4 Commercial auto liability	20,737,218	26,776,251	20,737,218	26,776,251	52,804,097	54,339,837	25,240,511	52.086
21. Auto physical damage	3,961,910	46,512,711	3,961,910	46,512,711	3,262,207	4,021,969	45,752,949	56.741
22. Aircraft (all perils)		10,565		10,565	4,413	(37,982)	52,960	
23. Fidelity	(2,000)	56,719	(2,000)	56,719	45,333	126,121	(24,069)	(6.444)
24. Surety		7,967,752		7,967,752	14,749,124	16,814,110	5,902,766	14.636
26. Burglary and theft	5,042	4,179	5,042	4,179	197	9,063	(4,687)	(23.802)
27. Boiler and machinery	11,685		11,685		2,909	2,909		
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-Nonproportional Assumed Property	X X X							
32. Reinsurance-Nonproportional Assumed Liability	X X X	1,199,015		1,199,015	10,962,697	10,506,534	1,655,178	
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
34. Aggregate write-ins for other lines of business								
35. TOTALS	169,430,821	349,937,845	169,430,821	349,937,845	500,110,560	526,416,699	323,631,706	56.031

DETAILS OF WRITE-IN LINES								
3401.								
3402.								
3403.								
3498. Sum. of remaining write-ins for Line 34 from overflow page								
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)								

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

	Reported Losses				Incurred But Not Reported			8	9
Line of Business	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	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire	14,318	1,159,908	14,318	1,159,908	92,505	664,982	92,505	1,824,890	151,095
2. Allied lines	1,048,528	1,308,574	1,048,528	1,308,574	82,004	217,989	82,004	1,526,563	67,086
3. Farmowners multiple peril	1,712,711	1,096,989	1,712,711	1,096,989	261,337	202,658	261,337	1,299,647	253,905
4. Homeowners multiple peril	150,225	14,346,075	150,225	14,346,075	5,055	7,542,844	5,055	21,888,919	3,194,559
5. Commercial multiple peril	114,011,786	58,414,573	114,011,786	58,414,573	59,187,278	37,653,842	59,187,278	96,068,415	44,998,426
6. Mortgage guaranty									
8. Ocean marine		266		266		(313)		(47)	
9. Inland marine	93,000	509,371	93,000	509,371	36,634	287,942	36,634	797,313	374,333
10. Financial guaranty									
11.1 Medical professional liablity—occurrence		23,788		23,788		108,606		132,394	70,769
11.2 Medical professional liablity—claims-made						27,058		27,058	7,499
12. Earthquake	35,000	2,209	35,000	2,209				2,209	(515)
13. Group accident and health								(a)	(143)
14. Credit accident and health (group and individual)									
15. Other accident and health		593,405		593,405		1,943,437		(a) 2,536,842	285,434
16. Workers' compensation	54,014,078	103,027,466	54,014,078	103,027,466	25,019,382	53,039,505	25,019,382	156,066,971	17,723,408
17.1 Other liability—occurrence	7,033,634	16,699,277	7,033,634	16,699,277	2,183,512	37,230,286	2,183,512	53,929,563	13,938,728
17.2 Other liability—claims-made	179,823	1,103,742	179,823	1,103,742	2,966	1,828,512	2,966	2,932,254	1,307,275
17.3 Excess Workers' Compensation									19
18.1 Products liability—occurrence	1,021,212	582,039	1,021,212	582,039	249,694	607,333	249,694	1,189,372	591,251
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	19,321,894	65,803,233	19,321,894	65,803,233	(18,363)	12,253,988	(18,363)	78,057,221	14,892,954
19.3,19.4 Commercial auto liability	24,181,662	33,705,979	24,181,662	33,705,979	14,085,784	19,098,119	14,085,784	52,804,098	8,233,246
21. Auto physical damage	611,206	1,885,980	611,206	1,885,980	18,942	1,376,227	18,942	3,262,207	612,636
22. Aircraft (all perils)		4,413		4,413				4,413	
23. Fidelity	2,415	17,050	2,415	17,050	3,105	28,283	3,105	45,333	48,437
24. Surety		(4,604,749)		(4,604,749)	31,559	19,353,873	31,559	14,749,124	4,620,660
26. Burglary and theft		33		33		164		197	786
27. Boiler and machinery	75,000	(364)	75,000	(364)	4,579	3,273	4,579	2,909	3,084
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Liability	X X X	5,123,742		5,123,742	X X X	5,838,955		10,962,697	242,968
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	223,506,492	300,802,999	223,506,492	300,802,999	101,245,973	199,307,563	101,245,973	500,110,562	111,617,900

DETAILS OF WRITE-IN LINES									
3401.									
3402.									
3403.									
3498. Sum. of remaining write-ins for Line 34 from overflow page									
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 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	23,127,380			23,127,380
1.2 Reinsurance assumed	22,564,467			22,564,467
1.3 Reinsurance ceded	23,127,380			23,127,380
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	22,564,467			22,564,467
2. Commission and brokerage:				
2.1 Direct, excluding contingent		41,773,117		41,773,117
2.2 Reinsurance assumed, excluding contingent		87,794,763		87,794,763
2.3 Reinsurance ceded, excluding contingent		41,773,117		41,773,117
2.4 Contingent—direct				
2.5 Contingent—reinsurance assumed		10,055,155		10,055,155
2.6 Contingent—reinsurance ceded				
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)		97,849,918		97,849,918
3. Allowances to manager and agents	8,013	41,589	19	49,621
4. Advertising	770,469	3,849,786	10,128	4,630,383
5. Boards, bureaus and associations	229,063	1,177,489	334	1,406,886
6. Surveys and underwriting reports	671,485	3,349,667	11,649	4,032,801
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	27,468,082	31,557,195	1,161,029	60,186,306
8.2 Payroll taxes	553,617	3,556,868	82,209	4,192,694
9. Employee relations and welfare	2,386,896	12,147,043	88,059	14,621,998
10. Insurance	1,893,923	419,688	9,784	2,323,395
11. Directors' fees	403	2,105	1	2,509
12. Travel and travel items	1,686,882	2,697,762	25,572	4,410,216
13. Rent and rent items	1,156,191	4,267,252	29,855	5,453,298
14. Equipment	1,047,826	4,008,911	32,273	5,089,010
15. Cost or depreciation of EDP equipment and software	584,558	2,672,606	21,155	3,278,319
16. Printing and stationery	312,717	687,715	3,953	1,004,385
17. Postage, telephone and telegraph, exchange and express	949,879	3,680,721	39,145	4,669,745
18. Legal and auditing	237,172	539,474	97,665	874,311
19. Totals (Lines 3 to 18)	39,957,176	74,655,871	1,612,830	116,225,877
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 182,552		13,331,009		13,331,009
20.2 Insurance department licenses and fees		1,641,738		1,641,738
20.3 Gross guaranty association assessments		(187,372)		(187,372)
20.4 All other (excluding federal and foreign income and real estate)		1,512,155		1,512,155
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		16,297,530		16,297,530
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	5,664,077	5,305,136	260,142	11,229,355
25. Total expenses incurred	68,185,720	194,108,455	1,872,972	(a) 264,167,147
26. Less unpaid expenses—current year	111,617,900	24,577,716		136,195,616
27. Add unpaid expenses—prior year	125,330,551	37,993,815		163,324,366
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)	81,898,371	207,524,554	1,872,972	291,295,897

DETAILS OF WRITE-IN LINES				
2401. Other expenses	4,051,568	5,305,136	260,142	9,616,846
2402. Change in unallocated expense reserves	1,612,509			1,612,509
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	5,664,077	5,305,136	260,142	11,229,355

(a) Includes management fees of $ 1,830,951 to affiliates and $ 42,022 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 6,666,884	5,824,642
1.1	Bonds exempt from U.S. tax	(a) 21,440,815	16,774,921
1.2	Other bonds (unaffiliated)	(a) 21,593,968	22,311,581
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b) 1,376,599	1,039,412
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	80,985	114,210
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c) 1,143,500	1,228,993
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 60,861	55,935
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	1,086,191	1,086,191
10.	Total gross investment income	53,449,803	48,435,885
11.	Investment expenses		(g) 1,872,973
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
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)		1,872,973
17.	Net investment income (Line 10 minus Line 16)		46,562,912

	DETAILS OF WRITE-IN LINES		
0901.	Miscellaneous Income/ (Expense)	1,086,191	1,086,191
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)	1,086,191	1,086,191
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 $ 961,363 accrual of discount less $ 3,669,108 amortization of premium and less $ 921,864 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 $ 19,797 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 $ 1,120 accrual of discount less $ 0 amortization of premium and less $ 0 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 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	4,227,281		4,227,281		
1.1	Bonds exempt from U.S. tax	6,955,586	(1,364,323)	5,591,263		
1.2	Other bonds (unaffiliated)	2,571,463	(28,844)	2,542,619	(502,527)	
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)	511,098		511,098	(886,250)	
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)	1,001,759		1,001,759	750,851	
2.21	Common stocks of affiliates				537,988	
3.	Mortgage loans	(20,707)		(20,707)		
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments					
7.	Derivative instruments					
8.	Other invested assets				(1)	
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	15,246,480	(1,393,167)	13,853,313	(99,939)	

	DETAILS OF WRITE-IN LINES					
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)					

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 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. Derivatives			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	2,425,228	3,521,187	1,095,959
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,749	(97,758)	(101,507)
15.3 Accrued retrospective premiums	56,910	125,016	68,106
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	20,741,104	16,963,100	(3,778,004)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	757,262	1,387,047	629,785
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	23,984,253	21,898,592	(2,085,661)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	23,984,253	21,898,592	(2,085,661)

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Other assets	757,262	1,387,047	629,785
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	757,262	1,387,047	629,785

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of Indiana, the accompanying financial statements of American Economy 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 applies the following accounting policies, where applicable:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value 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 fair value as specified by the SVO Manual.

3. Common stocks are carried at fair value, except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1C(7).

4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).

5. Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.

6. Mortgage backed/asset backed securities are carried at amortized cost or fair value 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. Investments in SCA companies are carried in accordance with SSAP No. 97, *Investment in Subsidiaries, Controlled Entities and Affiliates*, and the SVO Manual.

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. Investment income is anticipated as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*. Refer to Note 30.

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 2010.

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.

NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

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

C. Impairment Loss

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

Note 4 - Discontinued Operations

The Company has no discontinued operations.

Note 5 - Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

During 2010, the Company participated in direct investment in commercial mortgage loans using an experienced external manager, StanCorp Mortgage Investors.

(1) The maximum and minimum lending rates for mortgage loans during 2010 were 10.25% and 5.24% respectively.
(2) During 2010, the Company did not reduce interest rates of any outstanding mortgage loans.
(3) The maximum loan to value of any loan written during 2010 was 75%.
(4) No loans had interest more than 180 days past due.
(5) There were $1,966 in taxes, assessments and any amounts advanced and not included in the mortgage loan.
(6) There was no recorded investment in impaired loans as of December 31, 2010.
(7) There was no recorded investment in impaired loans without a related allowance for credit losses.
(8) There was no average recorded investment in impaired loans for 2010.
(9) There was no interest income recognized for impaired loans during 2010.
(10) There was no interest income recognized on a cash basis for impaired loans during 2010.
(11)
- a) There was no allowance for credit losses in 2009 or 2008.
- b) There were $22,150 of additions to the allowance charged to operations in 2010 and $0 in 2009.
- c) There were $22,150 of direct write-downs charged against the allowance in 2010 and $0 in 2009.
- d) There were no recoveries of amounts previously charged off.
- e) The balance in the allowance for credit losses was $0 in 2010 and $0 in 2009.

(12) The Company recognizes interest income on its impaired loans upon receipt.

B. Troubled Debt Restructuring for Creditors

(1) There was no recorded investment in loans for which impairment has been recognized.
(2) There was no realized capital loss.
(3) There were no commitments to lend additional funds to debtors owing receivables whose terms have been modified in trouble debt restructuring.
(4) The Company accrues interest income on impaired loans to the extent it is deemed collectible and the loan continues to perform under its original or restructured contractual terms. Interest income on non performing loans is generally recognized on a cash basis.

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loaned Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.

2. All Loaned Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2010 as of December 31, 2010: None.

3. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2010:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than-temporary impairment	Amortized cost after other-than-temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
59023XAB2	$463,616	$405,530	$58,086	$405,530	$406,130	3/31/2009
59023XAB2	304,430	264,229	40,201	264,229	210,340	12/31/2009
59023XAB2	250,379	216,661	33,718	216,661	173,560	12/31/2009
59023XAB2	195,487	190,655	4,832	190,655	155,328	3/31/2010
59023XAB2	161,922	158,021	3,901	158,021	125,395	3/31/2010

NOTES TO FINANCIAL STATEMENTS

59023XAB2	314,745	302,668	12,077	302,668	279,755	9/30/2010
61749BAB9	483,844	459,588	24,257	459,588	295,000	12/31/2009
61749BAB9	298,907	191,503	107,404	191,503	238,152	12/31/2009
61749BAB9	404,245	400,674	3,571	400,674	326,903	3/31/2010
61749BAB9	162,702	159,819	2,883	159,819	263,907	3/31/2010
61749BAB9	$326,309	$324,728	$1,581	$324,728	$301,732	12/31/2010

4. All impaired Loaned Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2010:

	1	2
	Less Than 12 Months	Greater Than 12 Months
Gross Unrealized Loss	(443,983)	(502,656)
Fair Value of Securities with Unrealized Losses	19,777,665	2,557,458

5. The Company reviews fixed income securities for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to: (a) the extent of the decline in fair value below book value, (b) the duration of the decline, (c) significant adverse changes in the financial condition or near term prospects of the investment or issuer, (d) significant change in the business climate or credit ratings of the issuer, (e) general market conditions and volatility, (f) industry factors, and (g) the past impairment of the security holding or the issuer. If the Company believes a decline in the value of a particular investment is temporary, the decline is recorded as an unrealized loss in policyholders' equity. If the decline is believed to be "other-than-temporary," and the Company believes it will not be able to collect all cash flows due on its fixed income securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment.

E. Repurchase Agreements and Securities Lending

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

2. The Company maintained collateral for loaned securities.

(1) For loaned securities, Company policies require a minimum of 102% of the fair value of securities loaned to be maintained as collateral. Cash collateral received is invested in short-term investments.

(2) The Company has not pledged any of its assets as collateral.

(3) Sources of collateral are cash and securities. Cash collateral is reinvested by the lending agent in short term securities.

3. Aggregate Amount of Contractually open cash collateral positions:

Aging of Collateral	Total Fair Value
Open	$ 11,440,006
30 Days or Less	-
31 to 60 Days	-
61 to 90 Days	-
Greater than 90 Days	-
Sub-Total	11,440,006
Securities Received	1,137,228
Total Collateral Received	$ 12,577,234

4. Securities Lending Transactions Administered by an Affiliated Agent

Not applicable

5. Collateral Reinvestment

a. Aggregate Amount Cash Collateral Reinvested

	Amortized Cost	Fair Value
Open	-	-
30 Days or Less	$6,124,957	$6,125,095
31 to 60 Days	4,920,853	4,921,083
61 to 90 Days	393,693	393,828
90 to 120 Days	-	-
121 to 180 Days	-	-
181 to 365 Days	-	-
1 to 2 Years	-	-
2 to 3 Years	-	-
Greater than 3 Years	-	-

NOTES TO FINANCIAL STATEMENTS

Subtotal	11,439,503	11,440,006
Securities Received	1,137,228	1,137,228
Total Collateral Reinvested	$12,576,731	$12,577,234

b. Maturity profile of the cash reinvestment program sufficiently matches loan profile with liquidity demands consistent with an open loan program.

F. Real Estate

1. The Company did not recognize any impairments on real estate during the year.

2. The Company has not sold or classified real estate investments as held for sale.

3. The Company has not experienced any changes to a plan of sale for investment in real estate.

4. The Company does not engage in retail land sale operations.

5. The Company does not hold real estate investments with participating mortgage loan features.

G. Investments in Low-Income Housing Tax Credits

The Company does not hold investments in low-income housing tax credits.

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

A. Investments in joint ventures, partnerships and limited liability companies that exceed 10% of its admitted assets.

The Company has no investments in joint ventures, partnerships, or limited liability companies.

B. Impairments on joint ventures, partnerships or limited liability companies

The Company does not own any investments in joint ventures, partnerships, and limited liability companies.

Note 7 - Investment Income

A. Accrued Investment Income

The Company does not admit investment income due and accrued if amounts are over 90 days past due (over 180 days for mortgage loans in default).

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2010.

Note 8 - Derivative Instruments

The Company's investment activities do not include derivatives. 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 (DTAs) and liabilities (DTLs) recognized in the Company’s Assets, Liabilities, Surplus and Other Funds are as follows:

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross Deferred Tax Assets	60,535,200	2,119,950	62,655,150	71,134,000	1,118,950	72,252,950	(10,598,800)	1,001,000	(9,597,800)
Statutory Valuation Allowance Adjustment	0	0	0	0	0	0	0	0	0
Adjusted Gross Deferred Tax Assets	60,535,200	2,119,950	62,655,150	71,134,000	1,118,950	72,252,950	(10,598,800)	1,001,000	(9,597,800)
Deferred Tax Liabilities	(3,741,017)	(2,757,433)	(6,498,450)	(2,311,672)	(1,531,678)	(3,843,350)	(1,429,345)	(1,225,755)	(2,655,100)
Net DTA (DTL)	56,794,183	(637,483)	56,156,700	68,822,328	(412,728)	68,409,600	(12,028,145)	(224,755)	(12,252,900)
Deferred Tax Assets Nonadmitted	(20,741,104)	0	(20,741,104)	(16,963,100)	0	(16,963,100)	(3,778,004)	0	(3,778,004)
Net Admitted DTA (DTL)	36,053,079	(637,483)	35,415,596	51,859,228	(412,728)	51,446,500	(15,806,149)	(224,755)	(16,030,904)

The Company has elected to admit additional DTAs pursuant to SSAP No. 10R, paragraph 10e. The current period election does not differ from the prior reporting period.

NOTES TO FINANCIAL STATEMENTS

The amount of each result or component of the calculation, by tax character, of paragraphs 10a., 10bi., 10bii., 10c.:

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10a.)	9,200,925	0	9,200,925	9,730,000	0	9,730,000	(529,075)	0	(529,075)
Lesser of:									
Expected to be recognized within one year (10bi.)	27,139,526	0	27,139,526	23,820,339	0	23,820,339	3,319,187	0	3,319,187
10% of adjusted capital and surplus (10bii.)	17,476,447	0	17,476,447			44,366,796			
Adj. gross DTAs offset against existing DTLs (10c.)	3,741,017	2,757,433	6,498,450	2,311,672	1,531,678	3,843,350	1,429,345	1,225,755	2,655,100
Total	30,418,389	2,757,433	33,175,822	35,862,011	1,531,678	37,393,689	(5,443,622)	1,225,755	(4,217,867)

The amount of each result or component of the calculation, by tax character, of paragraphs 10ei., 10eiia., 10eiib., and 10eiii.:

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	9,200,925	0	9,200,925	9,730,000	0	9,730,000	(529,075)	0	(529,075)
Lesser of:									
Expected to be recognized within three years (10eiia.)	38,195,408	0	38,195,408	41,716,500	0	41,716,500	(3,521,092)	0	(3,521,092)
15% of adjusted capital and surplus (10eiib.)	26,214,671	0	26,214,671			66,550,194			
Adj. gross DTAs offset against existing DTLs (10eiii.)	3,741,017	2,757,433	6,498,450	2,311,672	1,531,678	3,843,350	1,429,345	1,225,755	2,655,100
Total	39,156,613	2,757,433	41,914,046	53,758,172	1,531,678	55,289,850	(14,601,559)	1,225,755	(13,375,804)

Used in SSAP No. 10R, Paragraph 10.d.	December 31, 2010	December 31, 2009	Change
Total Adjusted Capital	227,548,017	490,734,505	(263,186,488)
Authorized Control Level	52,779,719	53,179,828	(400,109)

The following amounts result from the calculation in paragraphs 10a., 10b., and 10c.:

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	27,314,855	(637,483)	26,677,372	33,963,067	(412,728)	33,550,339	(6,648,212)	(224,755)	(6,872,967)
Admitted Assets			1,247,925,741			1,528,223,656			(280,297,915)
Adjusted Statutory Surplus			227,548,017			490,734,505			(263,186,488)
Total Adjusted Capital from DTAs			227,548,017			490,734,505			(263,186,488)

Increase due to SSAP No. 10R, Paragraph 10.e.	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	8,738,224	0	8,738,224	17,896,161	0	17,896,161	(9,157,937)	0	(9,157,937)
Admitted Assets			1,256,663,965			1,546,119,817			(289,455,852)
Adjusted Statutory Surplus			236,286,241			508,630,666			(272,344,425)
Total Adjusted Capital from DTAs			236,286,241			508,630,666			(272,344,425)

	December 31, 2010		
	(1)	(2)	(3)
Impact of Tax Planning Strategies			(Col 1 + 2)
	Ordinary Percent	Capital Percent	Total Percent
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0%	0%	0%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Gross DTAs)	0%	0%	0%

B. The Company does not have any DTLs described in SSAP No. 10R, *Income Taxes*, paragraph 6d.

NOTES TO FINANCIAL STATEMENTS

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

	2010	2009
Federal	(5,539,360)	13,760,528
Foreign	0	0
Realized capital gains	4,848,660	(1,024,828)
Federal and foreign income taxes incurred	(690,700)	12,735,700

The Company's deferred tax assets and liabilities result primarily from goodwill, 20% adjustment to unearned premiums, accrued benefits, discounting of unpaid loss and LAE reserves, and alternative minimum tax.

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

	2010
Change in net deferred income tax (without unrealized gain or loss)	(12,476,174)
Change in tax effect of unrealized (gains) losses	223,274
Total change in net deferred income tax	(12,252,900)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, goodwill, discounting of unpaid losses and LAE, deferred intercompany transactions, alternative minimum tax and change in prior year estimates.

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is $2,778,300 from the current year and $7,445,278 from the preceding year.

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

The Company does not have deposits admitted under Section 6603 of the Internal Revenue Code.

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

Access Insurance Services, Co.
America First Insurance Company
American Economy Insurance Company
American States Insurance Company
American States Lloyds Insurance Company
Avomark Insurance Company (merged 2/23/2010)
Berkeley Holding Company Associates, Inc.
Bridgefield Casualty Insurance Company
Capitol Court Corporation
Capitol Agency, Inc., The (Ohio corporation) Dissolved 11/17/2010
Cascade Disability Management, Inc.
Commercial Aviation Insurance, Inc.
Companies Agency of Pennsylvania, Inc. (Dissolved 9/9/2010)
Copley Venture Capital, Inc.
Emerald City Insurance Agency, Inc.
Excelsior Insurance Company
First National Insurance Company of America
Florida State Agency, Inc. (Dissolved 8/20/2010)
General America Corporation of Texas
Golden Eagle Insurance Corporation
Hawkeye-Security Insurance Company
Indiana Insurance Company
LEXCO Limited
Liberty Assignment Corporation
Liberty Financial Services, Inc.
Liberty Insurance Corporation
Liberty Insurance Underwriters Inc.
Liberty International Holdings Inc.
Liberty Life Holdings Inc.
Liberty Management Services, Inc.
Liberty Mutual Agency Corporation
Liberty Mutual Group Inc.
Liberty Mutual Insurance Company
Liberty Northwest Insurance Corporation
Liberty RE (Bermuda) Limited
Liberty Surplus Insurance Corporation
LIU Specialty Insurance Agency Inc.
LM Insurance Corporation
LM Property & Casualty Insurance Company

AMBCO Capital Corporation
America First Lloyds Insurance Company
American Fire & Casualty Company
American States Insurance Company of Texas
American States Preferred Insurance Company
Barrier Ridge LLC
Berkeley Management Corporation
Bridgefield Employers Insurance Company
Capitol Agency, Inc., The (Arizona corporation)
Capitol Agency, Inc., The (Tennessee corporation) (Dissolved 7/1/2010)
Colorado Casualty Insurance Company
Companies Agency of New York, Inc. (Dissolved 3/3/2010)
Consolidated Insurance Company
Diversified Settlements, Inc.
Employers Insurance Company of Wausau
F.B. Beattie & Co., Inc.
First State Agency Inc.
General America Corporation
General Insurance Company of America
Gulf States AIF, Inc.
Heritage-Summit HealthCare, Inc.
Insurance Company of Illinois
Liberty-USA Corporation
Liberty Energy Canada, Inc.
Liberty Hospitality Group, Inc.
Liberty Insurance Holdings, Inc.
Liberty International Europe Inc.
Liberty Life Assurance Company of Boston
Liberty Lloyds of Texas Insurance Company
Liberty Mexico Holdings Inc.
Liberty Mutual Fire Insurance Company
Liberty Mutual Holding Company Inc.
Liberty Mutual Personal Insurance Company
Liberty Personal Insurance Company
Liberty Sponsored Insurance (Vermont) Inc.
LIH-RE of America Corporation
LM General Insurance Company
LM Personal Insurance Company
LMHC Massachusetts Holdings Inc.
Mid-American Agency, Inc. (Dissolved 8/20/2010)

NOTES TO FINANCIAL STATEMENTS

LRE Properties, Inc.
Mid-American Fire & Casualty Company
OCASCO Budget, Inc.
Ohio Casualty Corporation
Open Seas Solutions, Inc.
Peerless Indemnity Insurance Company
Pilot Insurance Services, Inc.
S.C. Bellevue, Inc.
Safeco Corporation
Safeco Insurance Company of America
Safeco Insurance Company of Indiana
Safeco Lloyds Insurance Company
Safeco Properties, Inc.
San Diego Insurance Company
St. James Insurance Company Ltd.
State Agency, Inc. (Wisconsin corporation) (Dissolved 8/24/2010)
Summit Consulting, Inc. of Louisiana
The First Liberty Insurance Corporation
The Ohio Casualty Insurance Company
Wausau General Insurance Company
West American Insurance Company
Winmar of the Desert, Inc.
Winmar-Metro, Inc.
North Pacific Insurance Company
OCI Printing, Inc.
Ohio Security Insurance Company
Oregon Automobile Insurance Company
Peerless Insurance Company
Rianoc Research Corporation
SAFECARE Company, Inc.
Safeco General Agency, Inc.
Safeco Insurance Company of Illinois
Safeco Insurance Company of Oregon
Safeco National Insurance Company
Safeco Surplus Lines Insurance Company
SCIT, Inc.
State Agency, Inc. (Indiana corporation) (Dissolved 8/23/2010)
Summit Consulting, Inc.
Summit Holding Southeast, Inc.
The Midwestern Indemnity Company
The Netherlands Insurance Company
The National Corporation
Wausau Business Insurance Company
Wausau Underwriters Insurance Company
Winmar Company, Inc.
Winmar Oregon, Inc.

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 Safeco Corporation ("Safeco"), a company incorporated in Washington. Safeco is wholly owned by Liberty Mutual Agency Corporation, an insurance holding company incorporated in Delaware. Liberty Mutual Agency Corporation is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Insurance Holdings, Inc. is wholly owned by Liberty Mutual Insurance Company ("LMIC"), a Massachusetts insurance company. The ultimate parent of LMIC is Liberty Mutual Holding Company Inc., a Massachusetts company.

B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.

C. There have been no material transactions with the Company's affiliates during 2010.

D. At December 31, 2010, the Company reported a net $4,841,795 due to affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.

E. The Company has not made any guarantees or initiated any undertakings for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.

F. Refer to Note 26 for information regarding the Amended and Restated Reinsurance Pooling Agreement. The Company is a party to a services agreement (the "Agreement") with Peerless Insurance Company ("PIC") and other affiliates. The Agreement allows PIC to provide services related to common management function including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resource services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

   The Company is a party to an investment management agreement with Liberty Mutual Group Inc. ("LMGI"), investment management agreements with Liberty Mutual Investment Advisors LLC ("LMIA") and cash management agreements with LMIA. Under these agreements, LMGI and LMIA provide services to the Company.

   The Company is a party to a management services agreement with LMIC. Under the agreement, LMIC may provide services related to common management functions including, but not limited to, accounting, financial, tax and auditing, information technology and support, purchasing, payroll and employee benefits, policy administration, real estate management, legal, general administration, as well as consulting and other services as the parties may request.

   The Company is party to Amended and Restated Short Term Borrowing Agreement with Safeco Corporation and affiliates (11/07).

   The Company is party to a Federal Tax Sharing Agreement between LMIC and affiliates (Refer to Note 9F).

G. The Company is a member of a holding company structure as illustrated in Schedule Y Part 1.

H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.

I. The Company does not own investments in subsidiary, controlled or affiliated companies that exceed 10% of its admitted assets.

NOTES TO FINANCIAL STATEMENTS

J. The Company did not recognize any impairment write down for its investments in subsidiary, controlled, or affiliated entities during the statement period.

K. The Company does not hold any investments in foreign insurance subsidiaries.

L. The Company does not hold any investments in downstream non-insurance holding companies.

Note 11 - Debt

A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

B. Federal Home Loan Bank Agreements

The Company has not entered into any agreements with the Federal Home Loan Bank.

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

As the Company does not have direct employees, the Company does not have any direct obligations for a defined benefit plan, deferred compensation arrangements, compensated absences or other post retirement benefit plans. Services for the operation of the Company are provided under provisions of the management services agreements as described in note 10 F.

As a result of the acquisition of Safeco Corporation, by Liberty Mutual on September 22, 2008, the Safeco Corporation's eligible U.S. employees became employees of Liberty Mutual and began participating in non contributory defined benefit pension plans and contributory defined contribution pension plans sponsored by LMGI, effective January 1, 2009. The Safeco 401(k) plan assets merged into the Liberty Mutual Employees' Thrift-Incentive plan in May of 2009.

The Safeco Corporation sponsored a cash balance defined benefit pension plan (CBP) covering a wide range of former Company employees. Safeco Corporation terminated the CBP effective December 31, 2008. The Internal Revenue Service issued a favorable letter of determination for the Plan on May 6, 2010. As a result, all assets of the plan were distributed to plan participants by the end of the third quarter of 2010. The final distribution resulted in a settlement charge of $2,492,590. The CBP pension costs are subject to the inter-company pooling agreement described in Note 26. These costs amounted to $389,818 and $79,856 in 2010 and 2009, respectively. Also, a CBP additional minimum liability of $0 and $277,985, also subject to the inter-company pooling agreement, was recognized in 2010 and 2009 respectively in accordance with SSAP 89 and is reported as a component of unassigned funds (surplus). The Company has no legal obligation for benefits under this plan.

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

1. The Company has 1,000,000 shares authorized, issued and outstanding as of December 31, 2010. All shares have a stated par value of $5.

2. Preferred Stock

   Not applicable

3. There are no dividend restrictions.

4. The Company paid dividends to its parent in 2010 of:

	Ordinary	Extraordinary	Return of Capital	Total Dividends
January	$21,000,000			$21,000,000
March	34,075,671	114,321,808	97,602,521	246,000,000
August			39,000,000	39,000,000
September				
December				
Total	$55,075,671	$250,924,329	$136,602,521	$306,000,000

5. The maximum amount of dividends which can be paid by Indiana-domiciled insurance companies to shareholders without the prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus or (b) net income, subject to the availability of accumulated undistributed earnings. The maximum dividend payout which may be made without prior approval in 2011 is $14,357,514.

6. As of December 31, 2010, the Company has restricted surplus of $8,738,224 from recording the increase in admitted adjusted gross DTA's as a result of applying the revised guidance in SSAP No. 10R, *Income Taxes,* and pre-tax restricted surplus of $1,211,223 resulting from retroactive reinsurance contracts.

7. The Company had no advances to surplus.

8. The Company does not hold stock for special purposes.

9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2010 and from the adoption of the revised guidance on calculating admitted adjusted gross DTA's in SSAP 10R.

NOTES TO FINANCIAL STATEMENTS

10. The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is $21,260,823 after applicable deferred taxes of $(1,308,404).

11. Surplus Notes

    Not applicable

12. Quasi re-organization (dollar impact)

    Not applicable

13. 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 10E.

B. Assessments

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

The Company has accrued a liability for guaranty funds and other assessments of $2,550,905 that is offset by future premium tax credits of $466,756. 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 2010.

During 2010 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

C. Gain Contingencies

Not applicable

D. Claims related extra contractual obligations and bad faith losses stemming from lawsuits

The Company paid the following amounts in the reporting period to settle claims related extra contractual obligations or bad faith claims stemming from lawsuits.

	Direct
Claims related ECO and bad faith losses paid during the reporting period	$ 352,496

Number of claims where amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits during the reporting period.

(a) 0-25 Claims	(b) 26-50 Claims	(c) 51-100 Claims	(d) 101-500 Claims	(e) More than 500 Claims
X				

Indicate whether claim count information is disclosed per claim or per claimant.
(f) Per Claim [X] (g) Per Claimant [ ]

E. 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.

NOTES TO FINANCIAL STATEMENTS

Note 15 - Leases

A. Lessee Leasing Arrangements

The Company leases office space, plant and equipment under various non cancelable operating lease arrangements. The Company has also 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 property, plant and equipment at the end of each respective lease.

The Company's minimum lease obligations under these agreements are as follows:

Year(s)	Sale Lease-back	All Other Operating Lease Arrangements
2011	$317,663	$2,235,766
2012	317,663	2,207,453
2013	317,663	1,487,652
2014	26,472	1,395,348
2015	0	777,680
2016 & thereafter	0	1,111,543
Total	$979,461	$9,215,442

B. Leasing as a Significant Part of Lessor's Business Activities

Leasing is not a significant part of the Company's business activities.

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 concentration 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 during the year.

B. Transfers and Servicing of Financial Assets

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income and mortgage backed securities are loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. The Company does not participate in term loans; therefore, the Company does not have contractual 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, such as Treasuries and Agency Bonds. Collateral is not restricted and currently $0 extends beyond one year from December 31, 2010. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 102% of the market value of the loaned securities. Additionally, the lending agent indemnifies the Company against borrower defaults. Cash collateral is carried as an asset with an offsetting liability on the balance sheet, as 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, 2010 the total fair value of securities on loan was $12,188,460, with corresponding collateral value of $12,577,234 of which $11,440,006 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

In 2008, certain members of the PIC Amended and Restated Reinsurance Pooling Agreement (refer to Note 26) agreed to become participating insurers of the California Earthquake Authority ("CEA"), a publicly-managed, privately funded organization that provides residential earthquake insurance in California. As participating insurers of the CEA, the companies act as third party administrators and perform certain administrative services on behalf of the CEA, including underwriting, policy issuance, premium collection, and claims payment. The CEA reimburses the companies for

NOTES TO FINANCIAL STATEMENTS

commissions and claims paid on behalf of the CEA. The companies also receive an administrative fee equal to 3.43% of premium and 9% of claims paid. These administrative fees are subject to the inter-company pooling agreement. In 2010, the Company recorded net CEA administrative fees of $59,360.

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 or produced through managing general agents or third party administrators.

Note 20 - Fair Value Measurements

A. Inputs Used for Assets and Liabilities Measured at Fair Value

1. Fair Value Measurements by Levels 1, 2 and 3

Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company primarily uses the market approach which generally utilizes market transaction data for identical or similar instruments.

The hierarchy level assigned to each security in the Company's portfolio is based on the Company's assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. The highest priority is given to Level 1 measurements and the lowest priority to Level 3 measurements. Securities are classified based on the lowest level of input that is significant to the fair value measurement. The Company recognizes transfers between levels at the end of each reporting period. The three hierarchy levels are defined as follows:

- Level 1 — Valuations based on unadjusted observable quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

- Level 2 — Valuations based on directly or indirectly observable inputs (other than Level 1 prices) at the measurement date, such as quoted prices in active markets or prices in markets that are not active for similar assets or liabilities or other inputs that are observable.

- Level 3 — Valuations based on inputs that are unobservable and reflect the Company's own assumptions about the assumptions that market participants might use.

The following table summarizes the Company's assets and liabilities that are measured at fair value at December 31, 2010:

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	-	$12,407,968	-	$12,407,968
Commercial Mortgage-Backed Securities	-	1,525,592	-	1,525,592
Total Bonds	-	13,933,560	-	13,933,560
Preferred Stocks				
Industrial and Miscellaneous	-	13,188,900	-	13,188,900
Total Preferred Stocks	-	13,188,900	-	13,188,900
Common Stocks				
Industrial and Miscellaneous	37,805,733	-	229	37,805,962
Total Common Stocks	37,805,733	-	229	37,805,962
Total assets at fair value	$37,805,733	$27,122,460	$229	$64,928,422
Liabilities at fair value				
Total liabilities at fair value	$0	$0	$0	$0

The Company did not have significant transfers between Levels 1 and 2 during the year ended December 31, 2010.

2. Rollforward of Level 3 Items

The following tables set forth the fair values of assets basis classified as Level 3 within the fair value hierarchy:

NOTES TO FINANCIAL STATEMENTS

	1	2	3	4	5	6	7
	Balance at 12/31/2009	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases, issuances, sales and settlements	Balance at 12/31/2010
Bonds	-	-	-	-	-	-	-
Preferred Stock	-	-	-	-	-	-	-
Common Stock	$392	-	-	-	$(163)	-	$229
Total	$392	-	-	-	$(163)	-	$229

3. Policy on Transfers Into and Out of Level 3

   Transfers in and/or out of Level 3 are due to re-evaluation of the observability of pricing inputs.

4. Inputs and Techniques Used for Fair Value

   Fixed Maturities

   At each valuation date, the Company uses various valuation techniques to estimate the fair value of its fixed maturities portfolio. The primary method for valuing the Company's securities is through independent third-party valuation service providers. For positions where valuations are not available from independent third-party valuation service providers, the Company utilizes broker quotes and internal pricing methods to determine fair values. The Company obtains a single non-binding price quote from a broker familiar with the security who, similar to the Company's valuation service providers, may consider transactions or activity in similar securities, as applicable, among other information. The brokers providing price quotes are generally from the brokerage divisions of leading financial institutions with market making, underwriting and distribution expertise regarding the security subject to valuation. The evaluation and prioritization of these valuation sources is systematic and predetermined resulting in a single quote or price for each financial instrument. The following describes the techniques generally used to determine the fair value of the Company's fixed maturities by asset class:

   U.S. government and agency

   U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. As the fair values of the Company's U.S. Treasury securities are based on unadjusted market prices, they are classified within Level 1. The fair value of U.S. government agency securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, reported trades, bids, offers and credit spreads. Accordingly, the fair value of U.S. government agency securities is classified within Level 2.

   Mortgage-Backed Securities

   The Company's portfolio of residential mortgage-backed securities ("MBS") and commercial MBS are originated by both agencies and non-agencies, the majority of which are pass-through securities issued by U.S. government agencies. The fair value of MBS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of MBS is primarily classified within Level 2.

   Asset-Backed Securities

   Asset-backed securities ("ABS") include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, credit card receivables, and collateralized loan obligation securities originated by a variety of financial institutions. The fair value of ABS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of ABS is primarily classified within Level 2.

   Municipals

   The Company's municipal portfolio comprises bonds issued by U.S. domiciled state and municipal entities. The fair value of municipal securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades and credit spreads. Accordingly, the fair value of municipal securities is primarily classified within Level 2.

   Corporate debt and other

   Corporate debt securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair value of corporate and other securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, new issuances, issuer ratings, reported trades of identical or comparable securities, bids, offers and credit spreads. Accordingly, the fair value of corporate and other securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Foreign government securities

Foreign government securities comprise bonds issued by foreign governments and their agencies along with supranational organizations. The fair value of foreign government securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades of identical or comparable securities and credit spreads. Accordingly, the fair value of foreign government securities is primarily classified within Level 2.

Equity Securities

Equity securities include common and preferred stocks. Common stocks with fair values based on quoted market prices in active markets are classified in Level 1. Common stocks with fair values determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active are classified in Level 2. The fair value of preferred stock is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active. Accordingly, the fair value of preferred stock is primarily classified within Level 2.

Other Investments

Other investments include primarily international loans, foreign cash deposits and equity investments in privately held businesses. International loans and cash deposits are primarily valued using quoted prices for similar instruments in active markets; these assets are categorized as Level 2 of the fair value hierarchy. Equity investments in privately held businesses are valued using internal management estimates; they are categorized as Level 3 of the hierarchy. Limited partnership investments, which represent the remainder of the other investment balance on the consolidated balance sheet, are not subject to these disclosures and therefore are excluded from the above table.

5. Derivative Fair Values

   Not applicable

B. This Disclosure was removed by NAIC December 2010.

C. Other Fair Value Disclosures

   Not applicable

D. Reasons Not Practical to Estimate Fair Value

   Not applicable

Note 21 - Other Items

A. Extraordinary Items

   The Company has no extraordinary items to report.

B. Troubled Debt Restructuring: Debtors

   Not applicable

C. Other Disclosures

   1) Assets in the amount of $45,733,239 and $45,778,411 as of December 31, 2010 and 2009, respectively, were on deposit with government authorities or trustees as required by law.

   2) Interrogatory 6.1

      In 2010, as a member of the inter-company reinsurance pooling arrangement in which PIC is the pool leader, the Company had the benefit, together with its affiliates that cede business to PIC or that are members of the reinsurance pooling arrangement, of Workers' Compensation Catastrophe XOL reinsurance with limits of $110,000,000 part of $200,000,000 xs $100,000,000 purchased by PIC and covering PIC's direct and assumed from affiliates workers' compensation business.

      Interrogatory 6.3

      In 2010, as a member of the inter-company pooling arrangement in which PIC is the pool leader, the Company had the benefit, together with its affiliates that cede business to PIC or that are members of the reinsurance pooling arrangement, of traditional Property Catastrophe XOL reinsurance, with limits of $742,500,000 part of $825,000,000 xs $500,000,000 covering PIC's direct and assumed from affiliates property business.

D. The Company routinely assesses the collectability of its premium receivable balances. The Company does not believe that amounts in excess of non-admitted amounts are material.

E. Business Interruption Insurance Recoveries

   The Company does not purchase business interruption coverage.

NOTES TO FINANCIAL STATEMENTS

F. State Transferable Tax Credits

(1) Carrying value of transferable state tax credits gross of any related state tax liabilities and total unused transferable state tax credits by state and in total

Description of State Transferable Tax Credits	State	Carrying Value	Unused Amount
Historical Rehabilitation Credit	CT	$32,000	$32,000
Historical Rehabilitation Credit	OK	$22,750	$22,750
Total		$54,750	$54,750

(2) Method of Estimating Utilization of Remaining Transferable State Tax Credits

The Company estimated the utilization of the remaining transferable State Tax Credits by projecting future premium taking into account policy growth and rate changes, projecting future tax liability based on projected premium, tax rates and tax credits, and comparing projected future tax liability to the availability of remaining transferable State Tax Credits.

(3) Impairment Loss

The Company has not recognized any impairment losses associate with its Transferable State Tax Credits.

G. Subprime-Mortgage-Related Risk Exposure

1. The Company has not purchased securities characterized by the market as subprime. The Company reviews such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities. The Company's only exposure to subprime was inherited through past acquisitions of insurance companies.

2. The Company does not have any direct exposure through investments in sub-prime mortgage loans.

3. The Company has direct exposure through investments in residential mortgage-backed securities.

Actual Cost	Book Adjusted Carrying Value	Fair Value	Other Then Temporary Impairments Recognized
$862,163	$870,287	$857,651	$292,510

4. The Company does not have any underwriting exposure to sub-prime mortgage risk.

Note 22 - Events Subsequent

A. The Company evaluated subsequent events through February 24, 2011, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2010 that would require disclosure.

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverable

Excluding amounts arising pursuant to the Intercompany 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. Reinsurance Recoverable in Dispute

There are no reinsurance recoverables in dispute from an individual reinsurer which exceeds 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.

C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2010.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	$271,776,831	$40,766,525	$139,517,129	$20,927,569	$132,259,702	$19,838,955
All Other	-	-	-	-	-	-
Total	$271,776,831	$40,766,525	$139,517,129	$20,927,569	$132,259,702	$19,838,955

Direct Unearned Premium Reserve: $139,517,129

NOTES TO FINANCIAL STATEMENTS

2. 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, 2010 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	-	$14,580,729	-	$14,580,729
Sliding scale adjustments	-	-	-	-
Other profit commissions	-	-	-	-
Totals	-	$14,580,729	-	$14,580,729

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

D. Uncollectible Reinsurance

The Company did not write off any uncollectible balances in the current year.

E. Commutation of Ceded Reinsurance

The Company did not commute any reinsurance treaties in the current year.

F. Retroactive Reinsurance

The Company’s retroactive reinsurance is a result of the Intercompany Reinsurance Agreement as described in Note 26.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial	$26,589,730	-
	2. Adjustments – Prior Year(s)	(21,545,896)	-
	3. Adjustments – Current Year	298,624	-
	4. Total	$5,342,458	-
b.	Consideration Paid or Received:		
	1. Initial	$21,880,453	-
	2. Adjustments – Prior Year(s)	834,004	-
	3. Adjustments – Current Year	-	-
	4. Total	$22,714,458	-
c.	Amounts Recovered / Paid – Cumulative:		
	1. Initial		
	2. Adjustments – Prior Year(s)	$26,997,741	-
	3. Adjustments – Current Year	(90,513)	-
	4. Total	$26,907,228	-
d.	Special Surplus from Retroactive Reinsurance:		
	1. Initial Surplus Gain or Loss	$(5,529,040)	-
	2. Adjustments – Prior Year(s)	(4,617,841)	-
	3. Adjustments – Current Year	(208,112)	-
	4. Current Year Special Surplus	1,211,223	-
	5. Cumulative Total Transferred to Unassigned Funds	$(11,566,216)	-
e.	All cedents and reinsurers included in the above transactions:		
	Peerless Insurance Company	$5,342,458	-
	Total	$5,342,458	-

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. Reinsurance Accounted for as a Deposit

The Company has not entered into any reinsurance agreements that have been accounted for as deposits as of December 31, 2010.

H. Disclosures for the Transfer of Property and Casualty Run-off Agreements

The Company has not entered into any property and casualty run-off agreements which qualify for prospective reinsurance accounting treatment, pursuant to SSAP No. 62R, *Property and Casualty Reinsurance*.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. The Company estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing case-base loss development with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium.

NOTES TO FINANCIAL STATEMENTS

B. Accrued retrospective premiums are recorded as a component of written premiums.

C. For detail of net premium written subject to retrospective rating features refer to Schedule P, Part 7A.

D. Ten Percent of the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss adjustment expense reserves), or collateral as permitted by SSAP No. 66, Retrospectively Rated Contracts, has been non-admitted.

a.	Total accrued retro premium	$569,918
b.	Unsecured amount	
c.	Less: Non-admitted amount (10%)	56,910
d.	Less: Non-admitted for any person for whom agents' balances or uncollected premiums are non-admitted	
e.	Admitted amount (a) - (c) - (d)	$513,008

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributed to insured events on prior years has decreased $6,805,235 during 2010. This decrease was primarily the result of updated reserving analysis and improving loss trends in the Commercial Multiple Peril $1,687,328, Fidelity/Surety $5,460,289 and Private Passenger Auto Liability $6,245,080 lines. The decrease was also the result of a reclassification of loss adjustment expenses to other underwriting expenses in the Commercial Multiple Peril line. This was partially offset by weakening loss trends in the Workers' Compensation $3,210,595, Other-Including Credit, Accident and Health $2,168,386, and Nonproportional Assumed Liability $1,694,409 lines. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 26 - Intercompany Pooling Arrangements

The Company is a member of the PIC Amended and Restated Reinsurance Pooling Agreement consisting of the following affiliated companies:

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Peerless Insurance Company ("PIC")	24198	25.20%	All Lines
Affiliated Pool Companies:	The Ohio Casualty Insurance Company ("OCIC")	24074	20.40%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	15.20%	All Lines
	General Insurance Company of America ("GICA")	24732	9.20%	All Lines
	American States Insurance Company ("ASIC")	19704	7.60%	All Lines
	American Economy Insurance Company ("AEIC")	19690	5.60%	All Lines
	Indiana Insurance Company ("IIC")	22659	4.80%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	3.00%	All Lines
	Peerless Indemnity Insurance Company ("PIIC")	18333	3.00%	All Lines
	Safeco Insurance Company of Illinois ("SICIL")	39012	2.00%	All Lines
	The Netherlands Insurance Company ("NIC")	24171	1.80%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.80%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.80%	All Lines
	American Fire and Casualty Company ("AFCIC")	24066	0.60%	All Lines
	America First Insurance Company ("AFIC")	12696	0.00%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines
	American States Lloyds Insurance Company ("ASLCO")	31933	0.00%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.00%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.00%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%	All Lines
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%	All Lines
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%	All Lines
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%	All Lines
	National Insurance Association ("NIA")	27944	0.00%	All Lines
	Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%	All Lines
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%	All Lines
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%	All Lines
	Safeco National Insurance Company ("SNIC")	24759	0.00%	All Lines

NOTES TO FINANCIAL STATEMENTS

	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%	All Lines
	West American Insurance Company ("WAIC")	44393	0.00%	All Lines
			100.0%	
100% Quota Share Affiliated Companies:	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%	All Lines
	North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	All Lines

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

(a) Each Affiliated Pool Company cedes its net underwriting activity to the Lead Company. Each 100% Quota Share Affiliated Company cedes its net underwriting activity to the Lead Company.

(b) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.

(c) 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.

(d) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement that have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.

(e) 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.

(f) The write-off of uncollectible reinsurance is pooled and the Provision for Reinsurance is recognized by the entity placing the outbound external reinsurance

(g) Amounts due (to)/from affiliated entities participating in the PIC Amended and Restated Reinsurance Pooling Agreement as at December 31, 2010:

Affiliate:	Amount:
Peerless Insurance Company	(24,025,293)
The Netherlands Insurance Company	(2,042,444)
Indiana Insurance Company	(5,446,518)
Peerless Indemnity Insurance Company	(3,404,074)
Ohio Casualty Insurance Company	(20,160,168)
Ohio Security Insurance Company	972,506
West America Insurance Company	(1,234,734)
American Fire and Casualty Insurance Company	(1,083,517)
Golden Eagle Insurance Corporation	(3,404,074)
American Economy Insurance Company	251,450
American States Insurance Company	(14,046,151)
American States Insurance Company of Texas	(318,718)
American States Lloyds Insurance Company	(3,029)
American States Preferred Insurance Company	1,378,282
First National Insurance Company	4,977,377
General Insurance Company of America	(9,795,724)
Safeco Insurance Company of America	23,738,540
Safeco Insurance Company of Illinois	38,606,218
Safeco Insurance Company of Indiana	5,927,201
Safeco Insurance Company of Oregon	7,829,541
Safeco Lloyds Insurance Company	1,513,595
Safeco National Insurance Company	69,388
Safeco Surplus Insurance Company	(60,938)

Effective January 1, 2010, LMMAIC cancelled its participation in the Peerless Insurance Company ("PIC") Amended and Restated Reinsurance Pooling Agreement and concurrently became a participant in the Liberty Mutual Inter-Company Reinsurance Agreement with a 0.0% pool participation percentage and entered into an 100% Quota Share Reinsurance Agreement with PIC. Pursuant to the 100% Quota Share Reinsurance Agreement with PIC, the Company continues to cede the business it wrote for the Peerless Pool to PIC. New business is ceded to Liberty Mutual Insurance Company ("LMIC"), the lead company in the Liberty Pool.

Effective January 1, 2010, BCIC and BEIC novated their 100% Quota Share Reinsurance Agreements with PIC and entered into 100% Quota Share Inter-Company Reinsurance Agreements with LMIC.

Effective February 23, 2010, Avomark Insurance Company merged with WAIC. WAIC was the surviving entity.

NOTES TO FINANCIAL STATEMENTS

Note 27 - Structured Settlements

A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of $6,824,214 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 $6,824,214 as of December 31, 2010.

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

Life Insurance Company and Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
Symetra Life Insurance Company Bellevue, Washington	Yes	$ 2,971,891

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 - Premium Deficiency Reserves

1. Liability carried for premium deficiency reserves	$0
2. Date of the most recent evaluation of this liability	12/31/2010
3. Was anticipated investment income utilized in the calculation?	Yes

Note 31 - High Dollar Deductible Policies

The Company does not have any high deductible policies.

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 the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2010 liabilities subject to discount were carried at a value representing a discount of $7,602,137 net of all reinsurance.

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.

Factors Contributing to Uncertainty in Establishing Adequate Reserves
The process of establishing reserves for asbestos and environmental claims is subject to greater uncertainty than the establishment of reserves for liabilities relating to other types of insurance claims. A number of factors contribute to this greater uncertainty surrounding the establishment of asbestos and environmental reserves, including, without limitation: (i) the lack of available and reliable historical claims data as an indicator of future loss development, (ii) the long waiting periods between exposure and manifestation of any bodily injury or property damage, (iii) the difficulty in identifying the source of asbestos or environmental contamination, (iv) the difficulty in properly allocating liability for asbestos or environmental damage, (v) the uncertainty as to the number and identity of insured's with potential exposure, (vi) the cost to resolve claims, and (vii) the collectability 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. These uncertainties cannot be reasonably estimated, but could have a material impact on the Company's future operating results and financial condition.

NOTES TO FINANCIAL STATEMENTS

In the last few years the Company, as well as the industry generally, has seen decreases in the number of asbestos claims being filed. This turn to a more favorable trend is due to a number of factors. Screening activity used by some lawyers to find new plaintiffs utilized questionable practices discovered in the Federal Silica Multi District Litigation. Court decisions in several key states have been favorable to defendants. More importantly, several states have enacted legislation in the past few years that contain medical criteria provisions aimed at reducing the number of lawsuits filed by unimpaired plaintiffs and providing prompt and fair compensation to those who meet the criteria.

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. In that regard, the estimation of asbestos claims and associated liabilities and the analysis of environmental claims considered prevailing applicable law and certain inconsistencies of court decisions as to coverage, plaintiffs' expanded theories of liability, and the risks inherent in major litigation and other uncertainties, the Company believes that in future periods it is possible that the outcome of the continued uncertainties regarding asbestos and environmental related claims could result in an aggregate liability that differs from current reserves by an amount that could be material to the Companies' future operating results and financial condition.

In the third quarter of 2009, the Company completed its biennial ground-up asbestos reserve study. The study was completed by a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel, and it included all major segments of the Company's direct, assumed, and ceded asbestos claims. As part of the internal review, potential exposures of certain policyholders 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 of 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. The remaining policyholders (those with less potential exposure) were evaluated using aggregate methods that utilized information and experience specific to these insureds. Between comprehensive studies, the Company monitors asbestos activity to determine whether or not any adjustment to reserves in warranted. The Company also completed its annual study on the environmental claims liability, resulting in immaterial adjustments to held reserves. During 2010 the Company monitored asbestos and environmental activity to determine whether or not any adjustment to reserves is warranted. Based on this review of actual emerged losses, no material adjustments were made.

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.

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 the companies included in Note 26. Net reserves for asbestos and environmental are allocated based on the Company's Inter-company Reinsurance Agreement, as discussed in Note 26.

Asbestos:

	2006	2007	2008	2009	2010
Direct Basis					
Beginning Reserves	8,305,689	9,602,925	9,059,318	9,373,412	8,769,607
Incurred losses and LAE	1,975,975	524,504	1,381,258	119,710	(726)
Calendar year payments	678,739	956,110	1,067,164	723,514	877,352
Ending Reserves	9,602,925	9,171,319	9,373,412	8,769,608	7,891,529
Assumed Reinsurance Basis					
Beginning Reserves	6,113,748	6,030,806	7,448,312	6,375,702	8,882,056
Incurred losses and LAE	264,161	1,716,140	(253,085)	3,151,647	(3,123)
Calendar year payments	347,102	577,787	819,526	645,293	1,129,141
Ending Reserves	6,030,807	7,169,159	6,375,701	8,882,056	7,749,792
Net of Ceded Reinsurance Basis					
Beginning Reserves	11,874,115	12,629,296	13,375,982	12,831,685	15,109,158
Incurred losses and LAE	1,686,938	1,852,870	674,364	3,558,408	7,110
Calendar year payments	931,758	1,277,100	1,218,661	1,280,936	1,826,384
Ending Reserves	12,629,295	13,205,066	12,831,685	15,109,157	13,289,884

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	4,742,174
Assumed Reinsurance Basis	4,414,061
Net of Ceded Reinsurance Basis	8,505,660
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	2,501,500
Assumed Reinsurance Basis	41,270
Net of Ceded Reinsurance Basis	2,075,389

NOTES TO FINANCIAL STATEMENTS

Environmental:	2006	2007	2008	2009	2010
Direct Basis					
Beginning Reserves	11,240,497	10,951,297	10,412,279	8,895,424	7,577,425
Incurred losses and LAE	1,034,083	2,881,251	229,257	(386,129)	(40,526)
Calendar year payments	1,323,283	2,082,128	1,746,113	931,870	754,266
Ending Reserves	10,951,297	11,750,420	8,895,423	7,577,425	6,782,633
Assumed Reinsurance Basis					
Beginning Reserves	2,278,534	2,056,866	1,999,169	1,922,341	1,383,747
Incurred losses and LAE	45,325	30,043	112	(489,929)	25,470
Calendar year payments	266,993	52,450	76,940	48,665	142,979
Ending Reserves	2,056,866	2,034,459	1,922,341	1,383,747	1,266,238
Net of Ceded Reinsurance Basis					
Beginning Reserves	12,302,769	11,455,465	11,454,884	9,769,437	7,815,346
Incurred losses and LAE	613,829	3,179,006	(201,701)	(1,032,370)	4,355
Calendar year payments	1,461,134	1,766,778	1,483,746	921,721	860,475
Ending Reserves	11,455,464	12,867,693	9,769,437	7,815,346	6,959,226

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	3,957,803
Assumed Reinsurance Basis	781,567
Net of Ceded Reinsurance Basis	3,974,343
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	1,652,391
Assumed Reinsurance Basis	6,240
Net of Ceded Reinsurance Basis	1,551,883

Upon entering the PIC Pool, effective January 1, 2008 (refer to Note 26), the Ohio Casualty Companies’ asbestos and environmental claims coding was revised to reflect the definition employed by the Peerless “Pool”, which is consistent with industry practice. As a result, the 2007 ending balances for asbestos and environmental reserves, which is the sum of the former PIC Pool’s amounts and the Ohio Casualty Companies’ Pool amounts, differ from the 2008 beginning balances, which reflect a single common definition.

Note 34 - Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

Note 36 - Financial Guarantee Insurance

Not applicable

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? Indiana

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. 12/31/2009

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. 12/31/2005

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). 06/18/2007

3.4 By what department or departments?
Indiana Department of Insurance

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [X] No [ ] N/A [ ]

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [ ] N/A [ ]

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 [ ] No [X]

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
	00000	
	00000	
	00000	

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]

GENERAL INTERROGATORIES

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. ______ %

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.

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

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [X]

10.2 If response to 10.1 is "yes," provide information related to this exemption:

10.3 Has the insurer been granted any exemptions to the audit committee requirements as allowed in Section 14H of the Annual Financial Reporting Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]

10.4 If response to 10.3 is "yes," provide information related to this exemption:

GENERAL INTERROGATORIES

10.5 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]

10.6 If response to 10.5 is "yes," provide information related to this exemption:

10.7 Has the reporting entity established an Audit Committee in compliance with the domilicary state insurance law? Yes [X] No [ ] N/A [ ]

10.8 If the response to 10.7 is no or n/a, please explain:

11. 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?
Thomas E. Schadler, FCAS, MAAA
175 Berkeley Street Boston, MA 02116
Sr. Vice President & Chief Actuary of Liberty Mutual Agency Corporation

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]

12.11 Name of real estate holding company	
12.12 Number of parcels involved	0
12.13 Total book/adjusted carrying value	$ 0

12.2 If yes, provide explanation:

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

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

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [X]

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [X]

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
c. Compliance with applicable governmental laws, rules, and regulations;
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
e. Accountability for adherence to the code. Yes [X] No [ ]

14.11 If the response to 14.1 is no, please explain:

GENERAL INTERROGATORIES

14.2 Has the code of ethics for senior managers been amended? Yes [X] No [ ]

14.21 If the response to 14.2 is yes, provide information related to amendment(s).
During the 1st quarter, Liberty Mutual Group published several non-material changes to its Code of Business Ethics and Conduct designed to clarify existing Code provisions.

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

15. 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 [ ]

16. 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 [ ]

17. 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

18. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

19.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

19.11 To directors or other officers	$ 0
19.12 To stockholders not officers	$ 0
19.13 Trustees, supreme or grand (Fraternal only)	$ 0

19.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

19.21 To directors or other officers	$ 0
19.22 To stockholders not officers	$ 0
19.23 Trustees, supreme or grand (Fraternal only)	$ 0

20.1 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]

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

20.21 Rented from others	$ 0
20.22 Borrowed from others	$ 0
20.23 Leased from others	$ 0
20.24 Other	$ 0

21.1 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]

21.2 If answer is yes:

21.21 Amount paid as losses or risk adjustment	$ 0
21.22 Amount paid as expenses	$ 0
21.23 Other amounts paid	$ 0

22.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]

22.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 0

GENERAL INTERROGATORIES

INVESTMENT

23.1 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? (other than securities lending programs addressed in 23.3) Yes [X] No [ ]

23.2 If no, give full and complete information relating thereto:

23.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)

Please reference Note 17B

23.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [X] No [ ] N/A [ ]

23.5 If answer to 23.4 is yes, report amount of collateral for conforming programs. $ 12,575,535

23.6 If answer to 23.4 is no, report amount of collateral for other programs. $ 0

23.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [X] No [ ] N/A [ ]

23.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [X] No [ ] N/A [ ]

23.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities lending Agreement (MLSA) to conduct securities lending? Yes [X] No [ ] N/A [ ]

24.1 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 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 20.1 and 23.3) Yes [X] No [ ]

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

24.21	Subject to repurchase agreements	$ 0
24.22	Subject to reverse repurchase agreements	$ 0
24.23	Subject to dollar repurchase agreements	$ 0
24.24	Subject to reverse dollar repurchase agreements	$ 0
24.25	Pledged as collateral	$ 0
24.26	Placed under option agreements	$ 0
24.27	Letter stock or securities restricted as to sale	$ 0
24.28	On deposit with state or other regulatory body	$ 45,733,240
24.29	Other	$ 0

24.3 For category (24.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		0
		0
		0

25.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]

25.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]
If no, attach a description with this statement.

26.1 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 [X]

26.2 If yes, state the amount thereof at December 31 of the current year. $ 0

GENERAL INTERROGATORIES

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

27.01 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	1 Chase Manhattan Plaza, New York, NY 10005
Bank of New York Mellon	601 Travis Street, Houston, TX 77002

27.02 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)

27.03 Have there been any changes, including name changes, in the custodian(s) identified in 27.01 during the current year? Yes [X] No [ ]

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
N/A	Bank of New York Mellon	03/01/2010	Custodian for new asset types

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

1 Central Registration Depository Number(s)	2 Name(s)	3 Address
N/A	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Group Inc.	175 Berkeley Street, Boston, MA 02116
N/A	Stancorp Mortgage Investors	1100 SW Sixth Avenue, Portland, OR 97204

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

28.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
		0
		0
		0
28.2999 TOTAL		0

28.3 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
		0	
		0	
		0	

GENERAL INTERROGATORIES

29. 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 (+)
29.1 Bonds	882,864,359	904,710,060	21,845,701
29.2 Preferred stocks	13,188,900	13,188,900	0
29.3 Totals	896,053,259	917,898,960	21,845,701

29.4 Describe the sources or methods utilized in determining the fair values:
The primary source is published unit prices from the NAIC Securities Valuation Office. The secondary source is the pricing vendor, Interactive Data Corporation, followed by backfill from Bloomberg and Markit. Lastly, management determines fair value based on quoted market prices of similar financial instruments or by using industry recognized valuation techniques.

30.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [ ] No [X]

30.2 If the answer to 30.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [ ] No [X]

30.3 If the answer to 30.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

The Company reviews the pricing methodology of its vendors on an annual basis. The company has also established acceptable price change and tolerance guidelines. Vendor prices falling outside the guidelines are further reviewed by management on a monthly basis. All prices determined internally by the insurer are reviewed and signed off by the Chief Investment Officer.

31.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]

31.2 If no, list exceptions:

OTHER

32.1 Amount of payments to Trade associations, service organizations and statistical or Rating Bureaus, if any? $ 0

32.2 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
	0
	0
	0

33.1 Amount of payments for legal expenses, if any? $ 191,219

33.2 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
	0
	0
	0

34.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 13,663

GENERAL INTERROGATORIES

34.2 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
	0
	0
	0

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. $ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? $ 0

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. $ 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance. $ 0

1.6 Individual policies:

Most current three years:

1.61	Total premium earned	$ 0
1.62	Total incurred claims	$ 0
1.63	Number of covered lives	0

All years prior to most current three years:

1.64	Total premium earned	$ 0
1.65	Total incurred claims	$ 0
1.66	Number of covered lives	0

1.7 Group policies:

Most current three years:

1.71	Total premium earned	$ 0
1.72	Total incurred claims	$ 0
1.73	Number of covered lives	0

All years prior to most current three years:

1.74	Total premium earned	$ 0
1.75	Total incurred claims	$ 0
1.76	Number of covered lives	0

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$ 0	$ 397,589
2.2	Premium Denominator	$ 577,594,080	$ 586,685,671
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 2,822,133	$ 435,384
2.5	Reserve Denominator	$ 883,505,292	$ 943,348,483
2.6	Reserve Ratio (2.4/2.5)	0.00	0.00

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	$ 168,310
3.22	Non-participating policies	$ 285,235,389

4. For Mutual reporting entities and Reciprocal Exchanges 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? 0

4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. $ 0

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

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 loss:

See Note 21C

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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 Probable Maximum Loss. For property exposures, we employ RiskLink v10.0 from RMS and AIR Clasic/2 v12.0. For workers' compensation, Liberty Mutual utilizes RiskLink v10.0 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?
See Note 21C

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 [X] 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 unreinsured 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 [X]

7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 0

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 [X]

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 [X]

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 5% 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 5% 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) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, 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 [X]

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), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% 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 5% of prior year-end surplus as regards policyholders; 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 in a separate reinsurance contract. Yes [ ] No [X]

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 32 of SSAP No. 62R, 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 [X]

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.

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
(a) The entity does not utilize reinsurance; or, Yes [ ] No [X]
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [X] No [ ]

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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 [X] No [ ] N/A [ ]

11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes [ ] No [X]

11.2 If yes, give full information

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11 Unpaid losses $ 2,305,592

12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 288,252

12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? $ 67,200

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 0.00

12.42 To 9.00

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 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 $ 46,911,194

12.62 Collateral and other funds $ 13,859,089

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 20,151,600

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 [ ] No [X]

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 [ ] No [X]

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:

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 [ ] No [X]

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 [ ] No [X]

If yes, disclose the following information for each of the following types of warranty coverage:

		1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11	Home	$ 0	$ 0	$ 0	$ 0	$ 0
16.12	Products	$ 0	$ 0	$ 0	$ 0	$ 0
16.13	Automobile	$ 0	$ 0	$ 0	$ 0	$ 0
16.14	Other*	$ 0	$ 0	$ 0	$ 0	$ 0

* Disclose type of coverage:

GENERAL INTERROGATORIES

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 in force prior to July 1, 1984, and not 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	$ 0
17.12	Unfunded portion of Interrogatory 17.11	$ 0
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	$ 0
17.14	Case reserves portion of Interrogatory 17.11	$ 0
17.15	Incurred but not reported portion of Interrogatory 17.11	$ 0
17.16	Unearned premium portion of Interrogatory 17.11	$ 0
17.17	Contingent commission portion of Interrogatory 17.11	$ 0

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	$ 0
17.19	Unfunded portion of Interrogatory 17.18	$ 0
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	$ 0
17.21	Case reserves portion of Interrogatory 17.18	$ 0
17.22	Incurred but not reported portion of Interrogatory 17.18	$ 0
17.23	Unearned premium portion of Interrogatory 17.18	$ 0
17.24	Contingent commission portion of Interrogatory 17.18	$ 0

18.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]

18.2 If yes, please provide the amount of custodial funds held as of the reporting date. $ 0

18.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]

18.4 If yes, please provide the balance of the funds adminstered as of the reporting date. $ 0

FIVE – YEAR HISTORICAL DATA

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

	1 2010	2 2009	3 2008	4 2007	5 2006
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	299,767,266	332,500,572	394,970,745	429,844,796	426,353,654
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	130,081,032	113,156,000	210,796,889	220,383,079	225,299,029
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	404,835,684	414,300,152	474,783,174	513,612,001	498,360,950
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	41,118,773	31,312,118	63,282,456	54,846,029	46,148,527
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)		6	1,494	154	196
6. Total (Line 35)	875,802,755	891,268,848	1,143,834,758	1,218,686,059	1,196,162,356
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,19.4)	240,841,871	263,590,913	311,601,546	338,393,068	340,078,216
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	115,787,634	96,481,947	189,051,399	196,561,714	202,555,069
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	192,858,902	175,461,076	183,947,163	202,298,091	197,404,331
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	40,910,648	31,176,766	63,131,763	54,607,233	45,893,680
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)		6	1,494	154	196
12. Total (Line 35)	590,399,055	566,710,708	747,733,365	791,860,260	785,931,492
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(8,300,206)	24,641,393	20,621,541	50,847,554	91,026,526
14. Net investment gain (loss) (Line 11)	55,567,565	54,905,121	49,634,935	66,272,024	63,598,472
15. Total other income (Line 15)	(4,569,508)	(1,000,114)	1,257,861	2,485,590	(34,792)
16. Dividends to policyholders (Line 17)	(197,359)	2,510,199	930,371	664,240	929,600
17. Federal and foreign income taxes incurred (Line 19)	(5,539,360)	13,760,528	8,355,046	21,028,924	32,571,361
18. Net income (Line 20)	48,434,570	62,275,673	62,228,920	97,912,004	121,089,245
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	1,256,663,965	1,546,119,817	1,438,460,340	1,525,338,883	1,634,750,860
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	20,102,764	22,186,815	69,671,737	95,385,921	86,151,091
20.2 Deferred and not yet due (Line 15.2)	161,676,876	157,537,260	117,162,078	103,485,496	115,085,056
20.3 Accrued retrospective premiums (Line 15.3)	513,008	914,463	326,924	285,225	337,851
21. Total liabilities excluding protected cell business (Page 3, Line 26)	1,020,377,724	1,037,489,151	1,129,311,330	1,125,004,856	1,105,961,426
22. Losses (Page 3, Line 1)	500,110,560	526,416,697	542,818,524	534,861,501	528,305,485
23. Loss adjustment expenses (Page 3, Line 3)	111,617,900	125,330,551	126,537,370	127,344,417	134,887,461
24. Unearned premiums (Page 3, Line 9)	271,776,831	257,663,511	282,825,872	309,075,031	299,890,987
25. Capital paid up (Page 3, Lines 30 & 31)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
26. Surplus as regards policyholders (Page 3, Line 37)	236,286,241	508,630,666	309,149,010	400,334,027	528,789,434
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	7,873,197	(27,884,070)	60,737,162	104,313,556	124,205,670
Risk-Based Capital Analysis					
28. Total adjusted capital	236,286,241	508,630,666	309,149,010	400,334,027	528,789,434
29. Authorized control level risk-based capital	52,785,350	53,190,943	64,309,664	69,011,838	68,136,040
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	86.7	90.1	85.3	82.3	85.6
31. Stocks (Lines 2.1 & 2.2)	7.4	4.7	4.9	15.5	14.3
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	2.7	0.8			
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	2.0	4.4	9.8	2.2	0.0
35. Contract loans (Line 6)					
36. Derivatives (Line 7)		XXX	XXX	XXX	XXX
37. Other invested assets (Line 8)	0.0			0.0	0.0
38. Receivables for securities (Line 9)	0.1		0.0	0.0	0.0
39. Securities lending reinvested collateral assets (Line 10)	1.1	XXX	XXX	XXX	XXX
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	22,830,898	22,292,911	21,443,102	20,390,000	19,499,000
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Lines 42 to 47	22,830,898	22,292,911	21,443,102	20,390,000	19,499,000
49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	9.7	4.4	6.9	5.1	3.7

FIVE – YEAR HISTORICAL DATA
(Continued)

	1 2010	2 2009	3 2008	4 2007	5 2006
Capital and Surplus Accounts (Page 4)					
50. Net unrealized capital gains (losses) (Line 24)	123,335	8,660,867	(31,019,580)	3,531,864	8,568,010
51. Dividends to stockholders (Line 35)	(169,397,479)	(7,200,000)	(107,000,000)	(230,000,000)	(105,000,000)
52. Change in surplus as regards policyholders for the year (Line 38)	(272,344,425)	199,481,657	(91,185,018)	(128,455,407)	26,286,881
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
53. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	217,623,910	169,620,389	223,057,047	247,240,908	234,375,368
54. Property lines (Lines 1, 2, 9, 12, 21 & 26)	65,274,612	73,967,460	118,786,260	120,152,576	124,279,776
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	227,177,703	257,642,083	305,288,115	233,742,938	238,371,586
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	8,093,426	4,247,266	3,221,631	(356,777)	3,749,510
57. Nonproportional reinsurance lines (Lines 31, 32 & 33)	1,199,015	17,313,736	2,957,848	1,943,449	(70,579)
58. Total (Line 35)	519,368,666	522,790,934	653,310,901	602,723,094	600,705,661
Net Losses Paid (Page 9, Part 2, Col. 4)					
59. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	178,524,293	138,920,821	178,794,687	204,802,544	186,582,220
60. Property lines (Lines 1, 2, 9, 12, 21 & 26)	59,334,100	66,541,304	107,519,503	109,017,276	114,125,460
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	102,785,011	86,907,266	122,493,601	94,014,082	89,660,946
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	8,095,426	4,270,810	3,193,579	(438,537)	3,646,039
63. Nonproportional reinsurance lines (Lines 31, 32 & 33)	1,199,015	17,300,068	2,957,848	1,943,449	(70,579)
64. Total (Line 35)	349,937,845	313,940,269	414,959,218	409,338,814	393,944,086
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
65. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
66. Losses incurred (Line 2)	56.0	50.7	55.5	53.1	47.1
67. Loss expenses incurred (Line 3)	11.8	11.9	11.5	9.7	11.4
68. Other underwriting expenses incurred (Line 4)	33.6	33.2	30.3	30.7	30.0
69. Net underwriting gain (loss) (Line 8)	(1.4)	4.2	2.7	6.5	11.6
Other Percentages					
70. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0	33.6	34.6	31.2	30.0	30.0
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	67.8	62.6	67.0	62.9	58.5
72. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	249.9	111.4	241.9	197.8	148.6
One Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(6,792)	(43,196)	(21,805)	(20,569)	(19,528)
74. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100.0)	(1.3)	(14.0)	(5.4)	(3.9)	(3.9)
Two Year Loss Development (000 omitted)					
75. 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)	(34,526)	(62,244)	(31,290)	(43,138)	(17,892)
76. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0)	(11.2)	(15.5)	(5.9)	(8.6)	(3.6)

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [ ] No [X]

If no, please explain:

Not applicable.

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: 1 Direct and Assumed	Premiums Earned: 2 Ceded	Premiums Earned: 3 Net (Cols. 1–2)	Loss Payments: 4 Direct and Assumed	Loss Payments: 5 Ceded	Defense and Cost Containment Payments: 6 Direct and Assumed	Defense and Cost Containment Payments: 7 Ceded	Adjusting and Other Payments: 8 Direct and Assumed	Adjusting and Other Payments: 9 Ceded	10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported - Direct and Assumed
1. Prior	X X X	X X X	X X X	7,752	779	2,148	61	471	71	190	9,460	X X X
2. 2001	469,517	29,151	440,366	300,656	21,019	22,198	1,192	36,780	1,163	16,665	336,260	X X X
3. 2002	510,542	50,190	460,352	280,690	27,775	21,017	1,933	36,099	1,772	16,550	306,326	X X X
4. 2003	557,381	46,552	510,829	271,581	23,407	18,864	1,372	40,773	1,869	16,805	304,570	X X X
5. 2004	599,833	33,095	566,738	278,326	11,167	17,158	620	39,992	834	21,050	322,855	X X X
6. 2005	624,890	25,310	599,580	283,369	11,231	17,682	665	41,908	612	19,899	330,451	X X X
7. 2006	624,062	27,871	596,191	280,130	6,321	16,377	781	42,084	902	16,982	330,587	X X X
8. 2007	636,961	31,108	605,853	277,326	6,080	14,369	654	41,553	560	17,484	325,954	X X X
9. 2008	635,709	23,634	612,075	295,953	8,876	11,584	546	45,675	424	15,460	343,366	X X X
10. 2009	596,434	37,301	559,133	223,919	15,429	6,125	704	39,098	269	13,250	252,740	X X X
11. 2010	589,513	11,921	577,592	160,588	779	2,338	48	36,351	37	8,099	198,413	X X X
12. Totals	X X X	X X X	X X X	2,660,290	132,863	149,860	8,576	400,784	8,513	162,434	3,060,982	X X X

	Losses Unpaid – Case Basis: 13 Direct and Assumed	Losses Unpaid – Case Basis: 14 Ceded	Losses Unpaid – Bulk + IBNR: 15 Direct and Assumed	Losses Unpaid – Bulk + IBNR: 16 Ceded	Defense and Cost Containment Unpaid – Case Basis: 17 Direct and Assumed	Defense and Cost Containment Unpaid – Case Basis: 18 Ceded	Defense and Cost Containment Unpaid – Bulk + IBNR: 19 Direct and Assumed	Defense and Cost Containment Unpaid – Bulk + IBNR: 20 Ceded	Adjusting and Other Unpaid: 21 Direct and Assumed	Adjusting and Other Unpaid: 22 Ceded	23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
1. Prior	66,709	23,650	39,644	4,802	2,403	535	7,689	898	6,164	137	2,098	92,587	X X X
2. 2001	6,395	1,104	1,829	473	109	6	803	78	473	13	290	7,935	X X X
3. 2002	7,456	1,382	1,930	389	158	14	806	65	506	11	311	8,995	X X X
4. 2003	5,885	1,266	2,570	332	169	1	1,190	60	593	9	372	8,739	X X X
5. 2004	7,059	1,504	4,068	425	171	1	1,313	71	638	12	1,050	11,236	X X X
6. 2005	9,370	813	5,059	574	309	1	2,266	110	958	10	1,272	16,454	X X X
7. 2006	16,277	965	5,955	1,041	460	1	3,503	191	1,550	8	2,816	25,539	X X X
8. 2007	28,659	791	10,283	1,754	833	2	5,540	270	2,857	9	2,253	45,346	X X X
9. 2008	40,772	646	23,162	2,979	1,356	5	10,252	521	4,085	18	5,200	75,458	X X X
10. 2009	56,663	1,339	40,397	2,759	1,205	41	14,150	817	6,899	14	7,573	114,344	X X X
11. 2010	89,517	498	80,738	800	937		19,921	51	15,340		12,424	205,104	X X X
12. Totals	334,762	33,958	215,635	16,328	8,110	607	67,433	3,132	40,063	241	35,659	611,737	X X X

	Total Losses and Loss Expenses Incurred: 26 Direct and Assumed	Total Losses and Loss Expenses Incurred: 27 Ceded	Total Losses and Loss Expenses Incurred: 28 Net	Loss and Loss Expense Percentage (Incurred/Premiums Earned): 29 Direct and Assumed	Loss and Loss Expense Percentage (Incurred/Premiums Earned): 30 Ceded	Loss and Loss Expense Percentage (Incurred/Premiums Earned): 31 Net	Nontabular Discount: 32 Loss	Nontabular Discount: 33 Loss Expense	34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount: 35 Losses Unpaid	Net Balance Sheet Reserves After Discount: 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	77,901	14,686
2. 2001	369,243	25,048	344,195	78.643	85.925	78.161			5.600	6,647	1,288
3. 2002	348,662	33,341	315,321	68.293	66.430	68.496			5.600	7,615	1,380
4. 2003	341,625	28,316	313,309	61.291	60.827	61.333			5.600	6,857	1,882
5. 2004	348,725	14,634	334,091	58.137	44.218	58.950			5.600	9,198	2,038
6. 2005	360,921	14,016	346,905	57.758	55.377	57.858			5.600	13,042	3,412
7. 2006	366,336	10,210	356,126	58.702	36.633	59.734			5.600	20,226	5,313
8. 2007	381,420	10,120	371,300	59.881	32.532	61.285			5.600	36,397	8,949
9. 2008	432,839	14,015	418,824	68.088	59.300	68.427			5.600	60,309	15,149
10. 2009	388,456	21,372	367,084	65.130	57.296	65.652			5.600	92,962	21,382
11. 2010	405,730	2,213	403,517	68.825	18.564	69.862			5.600	168,957	36,147
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	500,111	111,626

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
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	One Year	Two Year
1. Prior	283,851	295,473	313,533	315,821	325,452	330,422	332,529	328,286	341,137	348,561	7,424	20,275
2. 2001	307,508	305,853	307,905	308,859	309,006	307,975	309,436	306,757	308,951	308,577	(374)	1,820
3. 2002	X X X	294,787	293,283	290,633	284,489	283,462	281,167	279,281	280,995	280,933	(62)	1,652
4. 2003	X X X	X X X	290,345	285,024	277,923	276,486	278,395	276,254	275,244	274,135	(1,109)	(2,119)
5. 2004	X X X	X X X	X X X	326,526	318,604	314,456	300,775	298,945	295,496	294,695	(801)	(4,250)
6. 2005	X X X	X X X	X X X	X X X	340,738	327,774	311,569	309,585	305,813	304,995	(818)	(4,590)
7. 2006	X X X	X X X	X X X	X X X	X X X	335,339	328,499	319,920	312,769	313,799	1,030	(6,121)
8. 2007	X X X	X X X	X X X	X X X	X X X	X X X	359,438	349,904	328,027	327,858	(169)	(22,046)
9. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	389,046	371,351	369,899	(1,452)	(19,147)
10. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	332,114	321,653	(10,461)	X X X
11. 2010	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	351,999	X X X	X X X
										12. Totals	(6,792)	(34,526)

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
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		
1. Prior	000	87,496	143,024	177,148	200,923	218,015	230,812	241,728	248,883	257,943	X X X	X X X
2. 2001	152,482	220,694	252,169	272,178	283,382	290,010	293,889	297,122	299,009	300,643	X X X	X X X
3. 2002	X X X	134,342	196,655	226,324	247,053	257,651	263,786	267,666	269,759	271,999	X X X	X X X
4. 2003	X X X	X X X	135,563	195,216	223,816	242,473	255,069	260,568	263,879	265,666	X X X	X X X
5. 2004	X X X	X X X	X X X	140,654	211,232	244,150	263,702	275,251	280,959	283,697	X X X	X X X
6. 2005	X X X	X X X	X X X	X X X	143,995	213,806	247,234	268,960	282,569	289,155	X X X	X X X
7. 2006	X X X	X X X	X X X	X X X	X X X	146,648	217,874	248,889	273,931	289,405	X X X	X X X
8. 2007	X X X	X X X	X X X	X X X	X X X	X X X	152,389	226,351	260,333	284,961	X X X	X X X
9. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	176,692	261,277	298,115	X X X	X X X
10. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	147,585	213,911	X X X	X X X
11. 2010	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	162,099	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
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Prior	103,948	78,351	70,799	54,937	49,182	44,758	39,514	39,115	43,173	45,703
2. 2001	70,886	33,278	18,521	13,466	9,576	8,471	5,802	4,605	4,116	2,540
3. 2002	X X X	89,523	45,510	25,905	14,965	10,979	7,442	4,932	4,562	2,716
4. 2003	X X X	X X X	81,188	40,431	23,122	16,012	11,653	8,539	5,802	3,682
5. 2004	X X X	X X X	X X X	101,937	50,729	33,498	18,060	13,281	7,185	5,273
6. 2005	X X X	X X X	X X X	X X X	113,871	56,628	28,633	17,753	10,111	6,975
7. 2006	X X X	X X X	X X X	X X X	X X X	102,708	51,707	31,523	15,182	8,623
8. 2007	X X X	X X X	X X X	X X X	X X X	X X X	106,186	55,392	26,100	14,198
9. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	115,461	50,800	30,307
10. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	101,212	51,249
11. 2010	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	99,944

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken 2 Direct Premiums Written	 3 Direct Premiums Earned	4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama AL	L	5,719,125	6,284,159		3,152,772	3,440,831	4,237,955	72,626	
2. Alaska AK	L	167,653	132,473		33,984	72,062	98,822	2,129	
3. Arizona AZ	L	2,083,401	2,351,656		1,971,709	3,543,279	4,177,446	26,457	
4. Arkansas AR	L	891,249	923,878		341,470	256,371	546,187	11,318	
5. California CA	L	66,871,774	72,689,364		36,700,311	31,711,082	50,426,868	849,189	
6. Colorado CO	L	4,698,801	4,990,222		3,671,208	4,516,675	4,316,941	59,669	
7. Connecticut CT	L	7,655,789	7,905,859		4,229,598	6,191,029	14,638,251	97,219	
8. Delaware DE	L	6,749	9,031		561	469	2,325	86	
9. District of Columbia DC	L	200,879	202,330		19,771	25,876	51,677	2,551	
10. Florida FL	L	31,904,390	31,528,368		12,136,003	10,654,756	15,811,342	405,147	
11. Georgia GA	L	7,036,886	7,486,628		4,650,137	7,570,507	12,946,985	89,360	
12. Hawaii HI	L								
13. Idaho ID	L	3,565,174	3,801,713		919,745	646,708	2,339,552	45,273	
14. Illinois IL	L	12,615,094	12,892,602		8,007,368	10,620,399	21,734,165	160,196	
15. Indiana IN	L	2,457,945	2,642,260		2,053,810	3,262,594	8,822,689	31,213	
16. Iowa IA	L	437,760	542,322		644,153	490,337	127,530	5,559	
17. Kansas KS	L	2,071,172	2,256,268		834,005	587,024	977,870	26,301	
18. Kentucky KY	L	1,208,843	1,419,052		632,076	634,367	2,028,454	15,351	
19. Louisiana LA	L	4,682,161	5,049,602		2,356,953	2,477,646	3,365,346	59,458	
20. Maine ME	L	14,270	18,287		21,254	17,466	1,761	181	
21. Maryland MD	L	1,088,959	1,272,662		785,918	1,723,144	5,389,376	13,828	
22. Massachusetts MA	L	1,262,868	1,382,875		957,820	(1,265,971)	1,441,575	16,037	
23. Michigan MI	L	3,140,882	4,078,808		3,748,876	2,460,352	21,993,466	39,885	
24. Minnesota MN	L	3,292,735	3,434,296		3,398,113	1,026,200	8,198,556	41,814	
25. Mississippi MS	L	2,408,496	2,736,978		1,316,121	1,242,193	1,339,542	30,585	
26. Missouri MO	L	5,726,789	6,052,465		2,428,079	715,617	4,231,491	72,723	
27. Montana MT	L	4,923,954	5,123,776		3,449,198	4,626,971	4,680,152	62,528	
28. Nebraska NE	L	473,754	510,593		504,028	557,260	165,191	6,016	
29. Nevada NV	L	2,154,579	2,174,155		418,465	376,728	1,727,405	27,360	
30. New Hampshire NH	L	250,012	327,631		202,124	(37,937)	277,426	3,175	
31. New Jersey NJ	N		2,223		2,101	(5,259)	5,000		
32. New Mexico NM	L	1,834,198	1,873,449		1,001,684	878,708	1,100,275	23,292	
33. New York NY	L	8,215,907	9,397,996		7,620,413	6,615,532	17,601,680	104,332	
34. North Carolina NC	L	821,647	1,054,282		439,835	398,957	1,121,876	10,434	
35. North Dakota ND	L	715,016	732,750		546,005	899,725	531,754	9,080	
36. Ohio OH	L	1,801,678	1,911,988		1,471,020	517,656	2,350,440	22,879	
37. Oklahoma OK	L	2,435,116	2,385,429		1,692,474	2,265,469	1,622,400	30,923	
38. Oregon OR	L	12,967,586	12,835,214	29,283	5,282,742	14,057,673	21,619,054	164,672	
39. Pennsylvania PA	L	3,207,150	3,659,948		5,341,496	3,138,430	9,451,483	40,727	
40. Rhode Island RI	L	281,562	301,356		94,389	206,795	289,555	3,575	
41. South Carolina SC	L	2,334,040	3,004,166		1,182,404	174,727	2,272,695	29,639	
42. South Dakota SD	L	2,013,574	1,923,234		2,393,851	2,486,576	1,373,881	25,570	
43. Tennessee TN	L	2,686,569	2,941,693		1,330,329	554,617	1,352,548	34,116	
44. Texas TX	L	26,612,370	28,866,190	59,258	17,752,711	13,230,473	27,849,809	337,944	
45. Utah UT	L	2,316,083	2,373,855		2,348,266	1,293,465	1,389,406	29,411	
46. Vermont VT	L	96,235	130,814		743,768	725,474	348,327	1,222	
47. Virginia VA	L	1,867,634	2,168,089		2,138,755	2,077,791	2,194,190	23,717	
48. Washington WA	L	33,316,089	34,198,395		15,898,817	13,922,478	31,903,108	423,073	
49. West Virginia WV	L	593,817	771,817		221,555	224,067	439,445	7,541	
50. Wisconsin WI	L	598,002	628,658		589,219	395,487	2,377,501	7,594	
51. Wyoming WY	L	1,677,291	1,672,455		1,753,360	1,594,484	1,461,698	21,300	
52. American Samoa AS	N								
53. Guam GU	N								
54. Puerto Rico PR	N								
55. U.S. Virgin Islands VI	N								
56. Northern Mariana Islands MP	N								
57. Canada CN	N								
58. Aggregate Other Alien OT	XXX								
59. Totals	(a) 50	285,403,707	303,054,314	88,541	169,430,824	163,797,360	324,752,471	3,624,275	

DETAILS OF WRITE-INS									
5801.	XXX								
5802.	XXX								
5803.	XXX								
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX								
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX								

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines In the state; (N) None of the above - Not allowed to write business in the state.

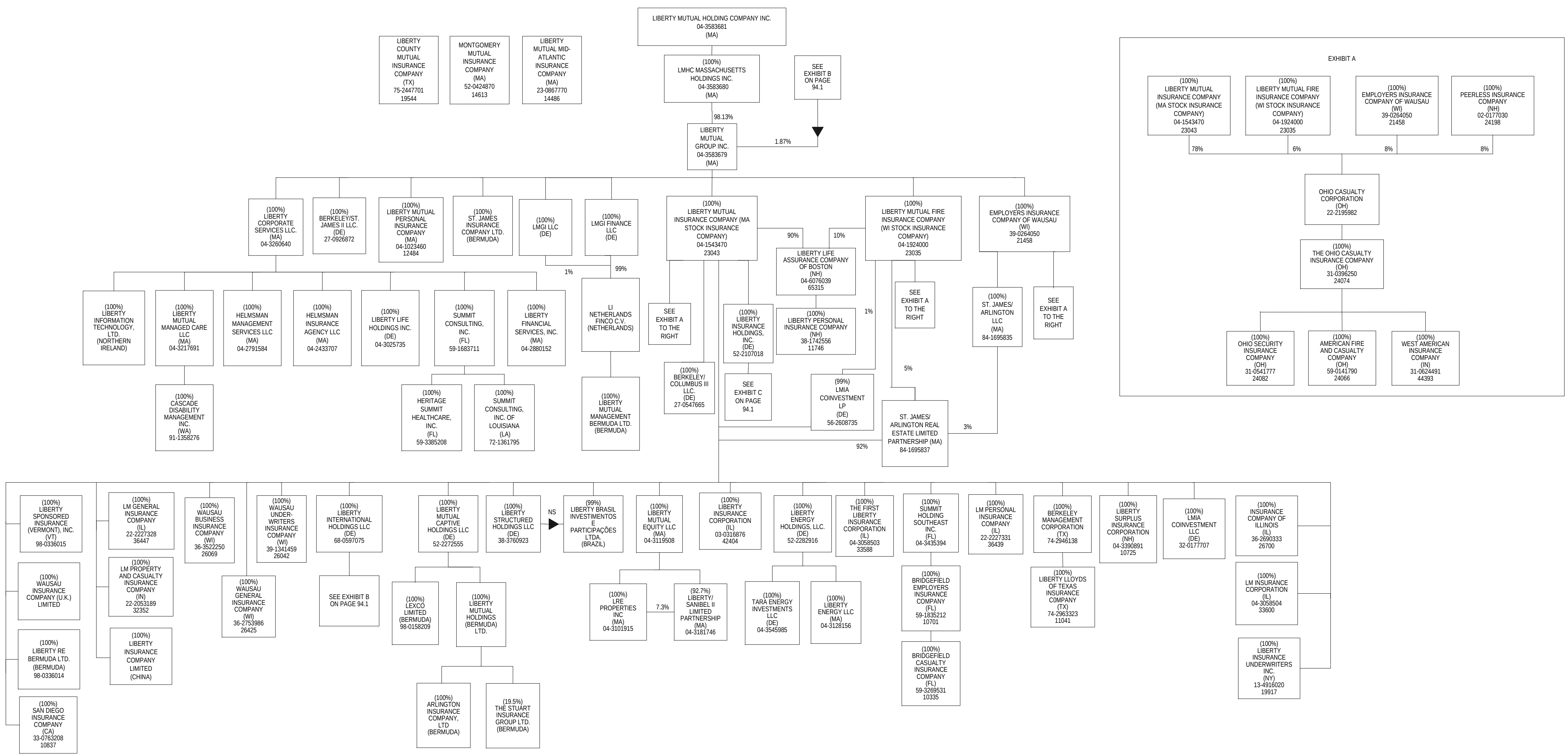
Explanation of basis of allocation of premiums by states, etc.

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

(a) Insert the number of L responses except for Canada and Other Alien.

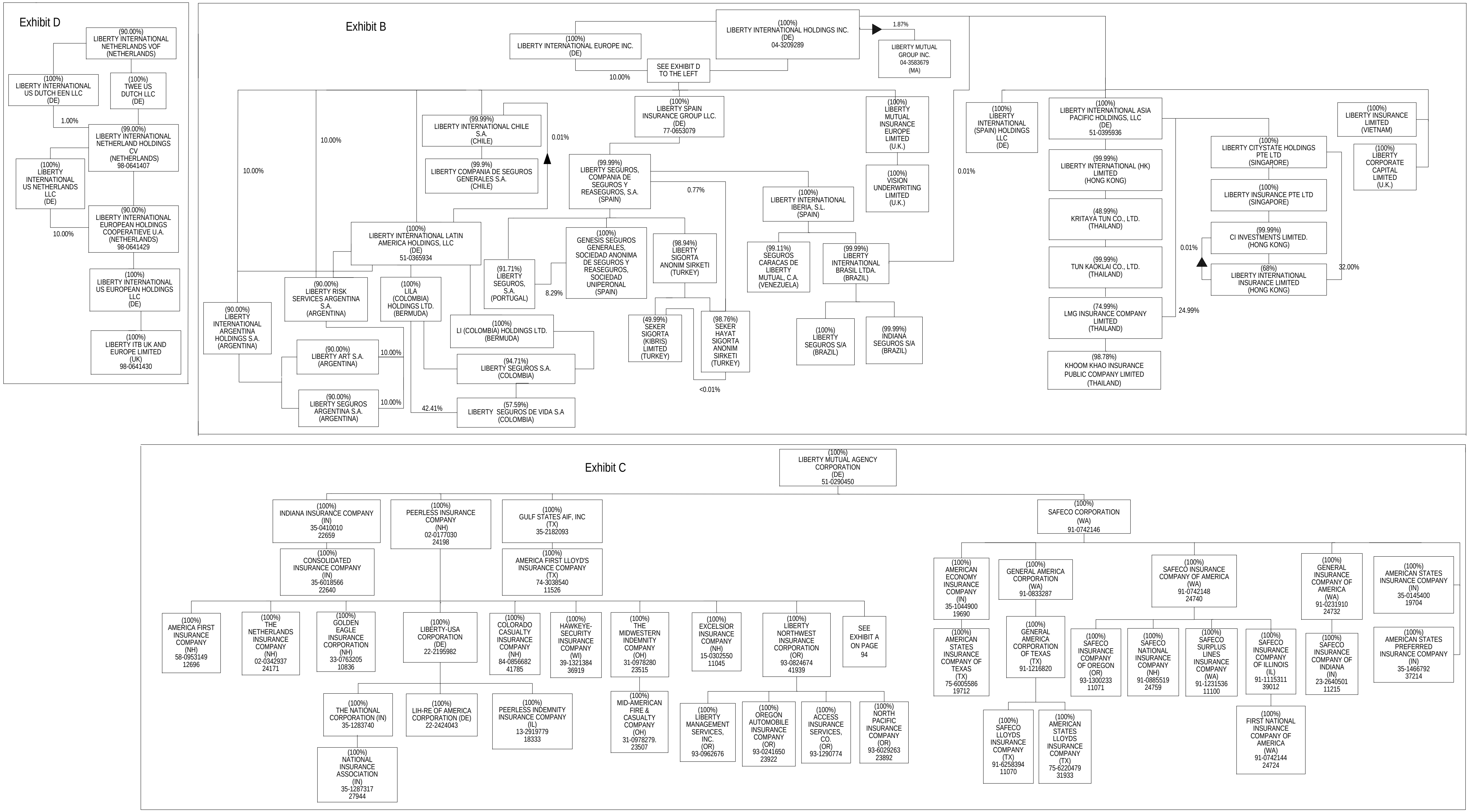
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES	1 Current Year	2 Prior Year
2504. Amounts held under uninsured plans	602,604	4,060,164
2505. Private passenger auto escrow	59,932	91,528
2506. Collateral held for securities held		7,737,537
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)	662,536	11,889,229

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

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