

**ANNUAL STATEMENT**

**OF THE**

**EMPLOYERS INSURANCE COMPANY**

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**OF WAUSAU**

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**of** **WAUSAU**

---

**in the state of** **WISCONSIN**

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**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2008**

**PROPERTY AND CASUALTY**

**2008**



21458200820100010

# ANNUAL STATEMENT

For the Year Ended December 31, 2008  
OF THE CONDITION AND AFFAIRS OF THE

## Employers Insurance Company of Wausau

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) NAIC Company Code 21458 Employer's ID Number 39-0264050

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

Country of Domicile United States of America

Incorporated/Organized: August 21, 1911 Commenced Business: September 1, 1911

Statutory Home Office: 2000 Westwood Drive, Wausau, WI 54401  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office: 2000 Westwood Drive  
(Street and Number)  
Wausau, WI 54401 715-845-5211  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address: Post Office Box 8017, Wausau, WI 54402-8017  
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

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

Internet Website Address: www.wausau.com

Statutory Statement Contact: Joanne Connolly 617-357-9500 x44393  
(Name) (Area Code) (Telephone Number) (Extension)  
Joanne.Connolly@LibertyMutual.com 617-574-5955  
(E-Mail Address) (Fax Number)

### OFFICERS

Name	Title
1. <u>Susan Marie Doyle #</u>	<u>President and Chief Operating Officer</u>
2. <u>James Stanley Hoffert</u>	<u>Vice President-General Counsel and Secretary</u>
3. <u>Laurance Henry Soyer Yahia</u>	<u>Vice President and Treasurer</u>

### VICE-PRESIDENTS

Name	Title	Name	Title
<u>Michael Lynn Parker #</u>	<u>EVP GM Field Operations</u>	<u>Timothy Charles Mulloy</u>	<u>SVP GM Signature Division</u>
<u>Eugene Bernard Kelly</u>	<u>SVP GM Eastern Division</u>		

### DIRECTORS OR TRUSTEES

<u>Anthony Alexander Fontanes</u>	<u>Susan Marie Doyle #</u>	<u>Dexter Robert Legg #</u>	<u>Edmund Francis Kelly</u>
<u>Dennis James Langwell</u>	<u>Christopher Charles Mansfield</u>	<u>James Paul Condrin, III #</u>	

State of Wisconsin  
County of Marathon 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.

<u>(Signature)</u> <u>Susan Marie Doyle</u> <u>(Printed Name)</u> 1. <u>President and Chief Operating Officer</u> <u>(Title)</u>	<u>(Signature)</u> <u>James Stanley Hoffert</u> <u>(Printed Name)</u> 2. <u>Vice President-General Counsel and Secretary</u> <u>(Title)</u>	<u>(Signature)</u> <u>Laurance Henry Soyer Yahia</u> <u>(Printed Name)</u> 3. <u>Vice President and Treasurer</u> <u>(Title)</u>
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Subscribed and sworn to before me this  
2nd day of February, 2009

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

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	2,091,790,342		2,091,790,342	2,659,055,166
2. Stocks (Schedule D):				
2.1 Preferred stocks	74,226,454		74,226,454	81,308,129
2.2 Common stocks	370,337,845	10,926,000	359,411,845	217,008,770
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	78,877,458		78,877,458	
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	22,132,913		22,132,913	22,337,716
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 9,872,774, Schedule E - Part 1), cash equivalents (\$ 10,900,814, Schedule E - Part 2), and short-term investments (\$ 36,817,950, Schedule DA)	57,591,538		57,591,538	115,369,135
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	210,545,976		210,545,976	186,190,086
8. Receivables for securities	773,363		773,363	2,237,048
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	2,906,275,889	10,926,000	2,895,349,889	3,283,506,050
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	23,765,342		23,765,342	28,783,147
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	186,123,711	1,997,663	184,126,048	152,486,617
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	305,750,099		305,750,099	324,193,894
13.3 Accrued retrospective premiums	53,241,707	5,324,170	47,917,537	51,079,004
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	67,597,755		67,597,755	69,193,700
14.2 Funds held by or deposited with reinsured companies	111,833		111,833	111,833
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans	23,441	343	23,098	21,079
16.1 Current federal and foreign income tax recoverable and interest thereon	21,806,649		21,806,649	
16.2 Net deferred tax asset	203,613,000	122,549,186	81,063,814	90,835,803
17. Guaranty funds receivable or on deposit	4,289,767		4,289,767	3,893,605
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0)	43,457	43,457		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	4,935,153		4,935,153	16,062,580
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	87,029,225	3,847,176	83,182,049	57,010,277
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	3,864,607,028	144,687,995	3,719,919,033	4,077,177,589
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	3,864,607,028	144,687,995	3,719,919,033	4,077,177,589

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)				
2301. Other assets	13,121,481	2,379,894	10,741,587	2,904,814
2302. Cash surrender value - life insurance	45,933,007		45,933,007	26,966,480
2303. Equities and deposits in pools and associations	4,748,629		4,748,629	4,247,079
2398. Summary of remaining write-ins for Line 23 from overflow page	23,226,108	1,467,282	21,758,826	22,891,904
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	87,029,225	3,847,176	83,182,049	57,010,277

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	1,660,695,040	1,659,389,032
2. Reinsurance payable on paid losses and loss adjustment expenses	173,510,415	141,320,483
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	324,963,843	338,953,050
4. Commissions payable, contingent commissions and other similar charges	12,659,271	17,782,453
5. Other expenses (excluding taxes, licenses and fees)	43,436,240	47,649,369
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	33,837,120	33,029,101
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		19,510,347
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 \$ 374,209,798 and including warranty reserves of \$ 0)	437,433,448	484,675,823
10. Advance premium	7,906,805	5,269,879
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	149,783	1,686,783
12. Ceded reinsurance premiums payable (net of ceding commissions)	68,645,882	55,304,404
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	24,332,941	30,417,827
14. Amounts withheld or retained by company for account of others	6,372,616	8,459,826
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)	2,494,726	2,668,601
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	38,600,857	37,730,350
19. Payable to parent, subsidiaries and affiliates	10,465,711	7,507,077
20. Payable for securities	1,282,593	2,810,621
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	(76,318,510)	(115,399,407)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	2,770,468,781	2,778,765,619
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	2,770,468,781	2,778,765,619
27. Aggregate write-ins for special surplus funds	126,208,389	125,016,522
28. Common capital stock	5,000,000	5,000,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	340,000,000	340,000,000
33. Unassigned funds (surplus)	478,241,863	828,395,448
34. Less treasury stock, at cost:		
34.1 0 shares common (value included in Line 28 \$ 0)		
34.2 0 shares preferred (value included in Line 29 \$ 0)		
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	949,450,252	1,298,411,970
36. Totals (Page 2, Line 26, Col. 3)	3,719,919,033	4,077,177,589

DETAILS OF WRITE-IN LINES		
2301. Other liabilities	51,223,089	21,899,921
2302. Pooled retroactive reinsurance	(221,683,100)	(228,098,556)
2303. Amounts held under uninsured plans	76,679,473	74,585,080
2398. Summary of remaining write-ins for Line 23 from overflow page	17,462,028	16,214,148
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(76,318,510)	(115,399,407)
2701. Special surplus from retroactive reinsurance	126,208,389	125,016,522
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	126,208,389	125,016,522
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

## STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	1,111,055,765	1,180,071,328
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	752,887,541	730,824,610
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	175,390,099	187,101,241
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	245,902,713	327,535,678
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	1,174,180,353	1,245,461,529
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(63,124,588)	(65,390,201)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	185,850,039	165,645,009
10. Net realized capital gains (losses) less capital gains tax of \$ (13,252,160) (Exhibit of Capital Gains (Losses))	(24,607,490)	14,991,485
11. Net investment gain (loss) (Lines 9 + 10)	161,242,549	180,636,494
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 320,576 amount charged off \$ 9,237,748)	(8,917,172)	(2,124,130)
13. Finance and service charges not included in premiums	5,547,043	5,649,683
14. Aggregate write-ins for miscellaneous income	(8,904,526)	(14,080,861)
15. Total other income (Lines 12 through 14)	(12,274,655)	(10,555,308)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	85,843,306	104,690,985
17. Dividends to policyholders	2,679,073	6,977,259
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)	83,164,233	97,713,726
19. Federal and foreign income taxes incurred	(12,921,739)	(44,359,170)
20. Net income (Line 18 minus Line 19) (to Line 22)	96,085,972	142,072,896
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	1,298,411,970	1,208,370,819
22. Net income (from Line 20)	96,085,972	142,072,896
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (18,800,738)	(229,657,304)	(10,861,978)
25. Change in net unrealized foreign exchange capital gain (loss)	(5,754,643)	41,929
26. Change in net deferred income tax	396,473	(57,583,133)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(31,620,517)	16,095,484
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	173,875	180,229
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(170,000,000)	
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	(8,585,574)	95,724
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(348,961,718)	90,041,151
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	949,450,252	1,298,411,970

<b>DETAILS OF WRITE-IN LINES</b>		
0501.		
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)		
1401. Other income /(expense)	(10,118,524)	(15,424,325)
1402. Retroactive reinsurance gain /(loss)	1,213,998	1,343,464
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(8,904,526)	(14,080,861)
3701. Other changes in surplus	(8,585,574)	95,724
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(8,585,574)	95,724

**CASH FLOW**

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	1,073,018,492	1,140,355,704
2. Net investment income	195,163,389	179,673,632
3. Miscellaneous income	(26,382,164)	(41,605,280)
4. Total (Lines 1 through 3)	1,241,799,717	1,278,424,056
5. Benefit and loss related payments	709,565,163	1,576,114,659
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	442,089,269	733,742,141
8. Dividends paid to policyholders	4,216,073	6,252,882
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	15,143,096	(45,334,287)
10. Total (Lines 5 through 9)	1,171,013,601	2,270,775,395
11. Net cash from operations (Line 4 minus Line 10)	70,786,116	(92,351,339)
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	613,957,431	1,575,057,506
12.2 Stocks	8,019,448	21,714,202
12.3 Mortgage loans	650,093	
12.4 Real estate		120,469
12.5 Other invested assets	15,273,911	29,310,074
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments	19,513	(5,175)
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	637,920,396	1,626,197,076
13. Cost of investments acquired (long-term only):		
13.1 Bonds	100,676,888	382,650,615
13.2 Stocks	386,889,133	252,337,847
13.3 Mortgage loans	79,527,551	
13.4 Real estate	1,698,056	4,516,279
13.5 Other invested assets	47,988,897	57,453,574
13.6 Miscellaneous applications	87,541	64,028,771
13.7 Total investments acquired (Lines 13.1 to 13.6)	616,868,066	760,987,086
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)	21,052,330	865,209,990
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	170,000,000	
16.6 Other cash provided (applied)	20,383,957	119,180,843
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(149,616,043)	119,180,843
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(57,777,597)	(7,960,506)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	115,369,135	123,329,641
19.2 End of year (Line 18 plus Line 19.1)	57,591,538	115,369,135

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

20.0001		
20.0002		
20.0003		

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	25,542,879	13,710,701	13,426,966	25,826,614
2. Allied lines	12,619,752	6,197,192	6,318,980	12,497,964
3. Farmowners multiple peril	22,805			22,805
4. Homeowners multiple peril	137,782,329	92,268,205	65,583,024	164,467,510
5. Commercial multiple peril	23,403,557	12,277,047	12,472,477	23,208,127
6. Mortgage guaranty				
8. Ocean marine	3,901,995	1,899,588	1,630,793	4,170,790
9. Inland marine	70,334,173	3,996,628	4,044,060	70,286,741
10. Financial guaranty				
11.1 Medical malpractice—occurrence	(4)			(4)
11.2 Medical malpractice—claims-made	138,699		33,484	105,215
12. Earthquake	5,032,685	2,017,802	2,047,008	5,003,479
13. Group accident and health	776			776
14. Credit accident and health (group and individual)				
15. Other accident and health	5,670	79	73	5,676
16. Workers' compensation	320,536,435	14,749,236	6,630,414	328,655,257
17.1 Other liability—occurrence	76,365,527	31,396,349	32,170,990	75,590,886
17.2 Other liability—claims-made	27,028,551	10,018,448	14,622,136	22,424,863
18.1 Products liability—occurrence	13,541,114	5,594,743	6,146,040	12,989,817
18.2 Products liability—claims-made	1,101,507	223,682	201,606	1,123,583
19.1,19.2 Private passenger auto liability	226,581,529	111,689,715	115,064,786	223,206,458
19.3,19.4 Commercial auto liability	42,376,521	18,485,365	16,169,039	44,692,847
21. Auto physical damage	69,523,130	80,482,510	82,381,816	67,623,824
22. Aircraft (all perils)	6,954,340	2,563,432	2,005,742	7,512,030
23. Fidelity	1,134,184	259,313	423,929	969,568
24. Surety	(16,968,925)	16,969,664	114	625
26. Burglary and theft	285,381	31,481	30,568	286,294
27. Boiler and machinery	278,503	182,261	108,884	351,880
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property	15,620,531	1,466,154	1,449,522	15,637,163
32. Reinsurance-Nonproportional Assumed Liability	7,510,435	387,104	1,229,292	6,668,247
33. Reinsurance-Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	1,070,654,079	426,866,699	384,191,743	1,113,329,035

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	13,426,966				13,426,966
2. Allied lines	5,982,024	336,956			6,318,980
3. Farmowners multiple peril					
4. Homeowners multiple peril	65,583,024				65,583,024
5. Commercial multiple peril	8,448,024	4,024,452			12,472,476
6. Mortgage guaranty					
8. Ocean marine	1,140,276	490,516			1,630,792
9. Inland marine	3,840,488	203,572			4,044,060
10. Financial guaranty					
11.1 Medical malpractice—occurrence					
11.2 Medical malpractice—claims-made	33,332	152			33,484
12. Earthquake	2,031,669	15,338			2,047,007
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	73				73
16. Workers' compensation	54,608,035			(47,977,621)	6,630,414
17.1 Other liability—occurrence	34,311,276	702,778		(2,843,064)	32,170,990
17.2 Other liability—claims-made	8,374,677	6,247,458			14,622,135
18.1 Products liability—occurrence	7,201,674			(1,055,633)	6,146,041
18.2 Products liability—claims-made	201,606				201,606
19.1,19.2 Private passenger auto liability	115,064,786				115,064,786
19.3,19.4 Commercial auto liability	17,015,013	519,394		(1,365,368)	16,169,039
21. Auto physical damage	82,300,443	81,395		(22)	82,381,816
22. Aircraft (all perils)	2,005,742				2,005,742
23. Fidelity	407,679	16,250			423,929
24. Surety	114				114
26. Burglary and theft	30,556	12			30,568
27. Boiler and machinery	108,884				108,884
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-Nonproportional Assumed Property	1,449,522				1,449,522
32. Reinsurance-Nonproportional Assumed Liability	1,229,292				1,229,292
33. Reinsurance-Nonproportional Assumed Financial Lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	424,795,175	12,638,273		(53,241,708)	384,191,740
36. Accrued retrospective premiums based on experience					53,241,708
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					437,433,448

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 Daily pro rata



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	370,956	25,686,514	18,393	276,239	256,745	25,542,879
2. Allied lines	494,692	13,025,323	28,059	849,867	78,455	12,619,752
3. Farmowners multiple peril		22,805				22,805
4. Homeowners multiple peril		137,782,329	19,244	1,745	17,499	137,782,329
5. Commercial multiple peril	31,221,774	104,907,674		109,126,635	3,599,256	23,403,557
6. Mortgage guaranty						
8. Ocean marine		3,901,995				3,901,995
9. Inland marine	279,794	70,350,573		293,437	2,757	70,334,173
10. Financial guaranty						
11.1 Medical malpractice—occurrence		(4)				(4)
11.2 Medical malpractice—claims-made		138,699				138,699
12. Earthquake	521,483	5,399,374		863,411	24,761	5,032,685
13. Group accident and health	6,312	776		6,312		776
14. Credit accident and health (group and individual)						
15. Other accident and health		5,670				5,670
16. Workers' compensation	244,847,071	1,178,980,173	64,368,386	1,124,911,421	42,747,774	320,536,435
17.1 Other liability—occurrence	33,546,419	120,029,323	2,836	74,992,311	2,220,740	76,365,527
17.2 Other liability—claims-made	1,912,880	27,028,551		1,887,831	25,049	27,028,551
18.1 Products liability—occurrence	386,755	22,907,957		9,753,598		13,541,114
18.2 Products liability—claims-made		1,101,507				1,101,507
19.1,19.2 Private passenger auto liability	7,787	226,584,340		2,081,940	(2,071,342)	226,581,529
19.3,19.4 Commercial auto liability	17,229,771	113,471,063	317,636	84,253,164	4,388,785	42,376,521
21. Auto physical damage	3,524,981	84,949,637	7,287	18,206,467	752,308	69,523,130
22. Aircraft (all perils)		6,954,340				6,954,340
23. Fidelity	93,304	1,147,817		106,937		1,134,184
24. Surety	39,186	(16,968,925)		39,186		(16,968,925)
26. Burglary and theft	84,130	291,245	27	90,021		285,381
27. Boiler and machinery	652,666	278,503		36,274	616,392	278,503
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X	15,620,531				15,620,531
32. Reinsurance-Nonproportional Assumed Liability	X X X	7,510,435	32,057		32,057	7,510,435
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	335,219,961	2,151,108,225	64,793,925	1,427,776,796	52,691,236	1,070,654,079

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 [X] No [ ]

If yes: 1. The amount of such installment premiums \$ 238,948,962

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 251,654,930



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

Line of Business	Reported Losses				Incurred But Not Reported			8  Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9  Net Unpaid Loss Adjustment Expenses
	1  Direct	2  Reinsurance Assumed	3  Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4  Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5  Direct	6  Reinsurance Assumed	7  Reinsurance Ceded		
1. Fire	372,457	20,734,551	401,360	20,705,648	1,014,526	4,120,518	595,976	25,244,716	1,416,557
2. Allied lines	223,083	3,266,566	348,086	3,141,563	1,417,252	1,998,027	1,425,220	5,131,622	487,517
3. Farmowners multiple peril		8,012		8,012				8,012	9,276
4. Homeowners multiple peril	84,792	31,332,467	109,372	31,307,887		23,281,109	1,974	54,587,022	10,289,973
5. Commercial multiple peril	40,542,917	77,857,988	92,760,035	25,640,870	21,875,181	58,481,039	72,823,861	33,173,229	11,155,309
6. Mortgage guaranty									
8. Ocean marine		4,651,683	24,022	4,627,661	1,514,231	2,652,227	1,514,231	7,279,888	1,044,660
9. Inland marine	209,594	2,908,438	209,594	2,908,438	334,167	7,962,168	339,946	10,864,827	1,071,885
10. Financial guaranty									
11.1 Medical malpractice—occurrence		28,881		28,881	5,000	30,188	5,000	59,069	1,731
11.2 Medical malpractice—claims-made		2		2		63,676		63,678	
12. Earthquake		17,336		17,336	11	147,248	172,160	(7,565)	3,358
13. Group accident and health	6,329,252	100,968	6,329,252	100,968	15,000	186,397	15,000	(a) 287,365	23,794
14. Credit accident and health (group and individual)									
15. Other accident and health		13,311		13,311		208,529		(a) 221,840	9,472
16. Workers' compensation	940,947,673	1,299,616,329	1,711,578,826	528,985,176	506,233,058	1,319,201,811	1,409,663,750	944,756,295	119,045,169
17.1 Other liability—occurrence	92,148,111	127,265,617	129,005,932	90,407,796	637,737,659	130,656,177	660,713,059	198,088,573	81,594,140
17.2 Other liability—claims-made	36,848	8,059,186	36,848	8,059,186	2,371,764	25,553,939	2,371,764	33,613,125	13,408,325
18.1 Products liability—occurrence	128,806,836	18,959,836	137,370,227	10,396,445	66,323,877	48,276,702	83,705,578	41,291,446	22,498,186
18.2 Products liability—claims-made	3	14,350	3	14,350	83,795	1,875,603	83,795	1,889,953	899,727
19.1,19.2 Private passenger auto liability	367	113,231,695	129,488	113,102,574		66,261,746		179,364,320	40,065,038
19.3,19.4 Commercial auto liability	18,475,300	84,504,690	68,455,273	34,524,717	5,180,207	62,753,807	36,477,904	65,980,827	11,855,875
21. Auto physical damage		119,262	16,786	102,476		787,168	(556)	890,200	5,295,421
22. Aircraft (all perils)		5,179,664	34,214	5,145,450	57,787	2,997,072	57,787	8,142,522	2,388,782
23. Fidelity	20,029	182,182	20,029	182,182	595,605	1,112,620	600,214	1,290,193	199,642
24. Surety	531,874	86,432	531,874	86,432	4,150,505	83,886	4,150,505	170,318	(9,452)
26. Burglary and theft	9,965	2,431	9,975	2,421	27,714	3,869	28,346	5,658	127,123
27. Boiler and machinery	274,500	3,565	274,500	3,565	74,959	(78,456)	57,757	(57,689)	9,556
28. Credit						152		152	8
29. International									
30. Warranty						1,370		1,370	
31. Reinsurance-Nonproportional Assumed Property	X X X	14,407,265	9,333,532	5,073,733	X X X	5,197,273		10,271,006	244,613
32. Reinsurance-Nonproportional Assumed Liability	X X X	161,919,115	148,986,951	12,932,164	X X X	528,611,034	503,909,570	37,633,628	1,757,903
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X	434,965		434,965	X X X	14,474		449,439	70,255
34. Aggregate write-ins for other lines of business									
35. TOTALS	1,229,013,601	1,974,906,787	2,305,966,179	897,954,209	1,249,012,298	2,292,441,373	2,778,712,841	1,660,695,039	324,963,843

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	65,014,639			65,014,639
1.2 Reinsurance assumed	191,840,928			191,840,928
1.3 Reinsurance ceded	171,465,070			171,465,070
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	85,390,497			85,390,497
2. Commission and brokerage:				
2.1 Direct, excluding contingent		23,562,591		23,562,591
2.2 Reinsurance assumed, excluding contingent		44,560,702		44,560,702
2.3 Reinsurance ceded, excluding contingent		107,937,387		107,937,387
2.4 Contingent—direct		3,342,116		3,342,116
2.5 Contingent—reinsurance assumed		17,734,991		17,734,991
2.6 Contingent—reinsurance ceded		13,581,382		13,581,382
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)		(32,318,369)		(32,318,369)
3. Allowances to manager and agents		9,971,165		9,971,165
4. Advertising	1,926,267	19,169,485	7,679	21,103,431
5. Boards, bureaus and associations	282,082	2,279,304	206	2,561,592
6. Surveys and underwriting reports	17,772	3,075,980	3,773	3,097,525
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	50,051,103	111,285,758	710,505	162,047,366
8.2 Payroll taxes	2,902,925	6,950,108	39,668	9,892,701
9. Employee relations and welfare	7,616,747	18,279,475	40,312	25,936,534
10. Insurance	3,035,856	1,008,713	1,398	4,045,967
11. Directors' fees	138	18,841	1	18,980
12. Travel and travel items	3,650,037	9,443,697	13,539	13,107,273
13. Rent and rent items	3,943,457	9,182,840	15,897	13,142,194
14. Equipment	2,961,087	7,241,055	14,472	10,216,614
15. Cost or depreciation of EDP equipment and software	624,080	4,565,059	4,702	5,193,841
16. Printing and stationery	565,100	2,081,357	1,972	2,648,429
17. Postage, telephone and telegraph, exchange and express	2,189,378	6,769,914	14,597	8,973,889
18. Legal and auditing	358,012	1,964,407	60,323	2,382,742
19. Totals (Lines 3 to 18)	80,124,041	213,287,158	929,044	294,340,243
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 838,695		42,037,185		42,037,185
20.2 Insurance department licenses and fees		1,456,563		1,456,563
20.3 Gross guaranty association assessments		714,114		714,114
20.4 All other (excluding federal and foreign income and real estate)		1,640,462		1,640,462
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		45,848,324		45,848,324
21. Real estate expenses			3,849,966	3,849,966
22. Real estate taxes			1,012,725	1,012,725
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	9,875,561	19,085,600	88,768	29,049,929
25. Total expenses incurred	175,390,099	245,902,713	5,880,503	(a) 427,173,315
26. Less unpaid expenses—current year	324,963,843	88,837,576	1,095,055	414,896,474
27. Add unpaid expenses—prior year	338,953,050	97,346,511	1,114,412	437,413,973
28. Amounts receivable relating to uninsured plans, prior year		21,079		21,079
29. Amounts receivable relating to uninsured plans, current year		23,098		23,098
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	189,379,306	254,413,667	5,899,860	449,692,833

DETAILS OF WRITE-IN LINES				
2401. Change in unallocated expense reserves	6,020,980			6,020,980
2402. Other expenses	3,854,581	19,085,600	88,768	23,028,949
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	9,875,561	19,085,600	88,768	29,049,929

(a) Includes management fees of \$ 1,008,155 to affiliates and \$ 11,821,831 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 6,079,832	5,289,416
1.1 Bonds exempt from U.S. tax	(a) 43,422,645	41,360,849
1.2 Other bonds (unaffiliated)	(a) 74,617,346	72,124,584
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 4,208,018	4,174,630
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates	57,448,623	57,448,623
3. Mortgage loans	(c) 2,043,194	2,435,807
4. Real estate	(d) 7,709,891	7,709,891
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 4,066,487	4,092,771
7. Derivative instruments	(f)	
8. Other invested assets	424,175	424,175
9. Aggregate write-ins for investment income	(1,427,347)	(1,427,347)
10. Total gross investment income	198,592,864	193,633,399
11. Investment expenses		(g) 5,880,503
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) 1,902,858
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		7,783,361
17. Net investment income (Line 10 minus Line 16)		185,850,038

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expenses)	(1,427,347)	(1,427,347)
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)	(1,427,347)	(1,427,347)
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 \$ 1,182,796 accrual of discount less \$ 3,612,840 amortization of premium and less \$ 312,421 paid for accrued interest on purchases.
- (b) Includes \$ 3,985 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 \$ 159,156 paid for accrued interest on purchases.
- (d) Includes \$ 7,593,802 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 264,971 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 \$ 1,902,858 depreciation on real estate and \$ 0 depreciation on other invested assets.

## EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	555,553		555,553		
1.1 Bonds exempt from U.S. tax	(705,482)		(705,482)	(3,179,396)	
1.2 Other bonds (unaffiliated)	(2,967,291)	(11,698,687)	(14,665,978)	(24,098,618)	(4,730,158)
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	538,517	(32,274,554)	(31,736,037)	(3,444,866)	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	(693,215)		(693,215)	(153)	
2.21 Common stocks of affiliates				(201,038,000)	
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	19,513		19,513		
7. Derivative instruments					
8. Other invested assets	12,688,697	(3,322,703)	9,365,994	(16,697,009)	(1,024,485)
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	9,436,292	(47,295,944)	(37,859,652)	(248,458,042)	(5,754,643)

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	10,926,000	4,286,000	(6,640,000)
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)	10,926,000	4,286,000	(6,640,000)
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	1,997,663	4,701,690	2,704,027
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due		504	504
13.3 Accrued retrospective premiums	5,324,170	6,725,562	1,401,392
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans	343	321,157	320,814
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	122,549,186	93,579,987	(28,969,199)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets	43,457	99,124	55,667
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	3,847,176	3,534,076	(313,100)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	144,687,995	113,248,100	(31,439,895)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	144,687,995	113,248,100	(31,439,895)

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)			
2301. Other assets	2,379,894	2,190,824	(189,070)
2302. Amounts billed and receivable under high deductible policies	1,467,282	1,343,252	(124,030)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	3,847,176	3,534,076	(313,100)

## 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 Wisconsin, the accompanying financial statements of Employers Insurance Company of Wausau (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

Effective December 31, 1998, the Company entered into a reinsurance treaty with Nationwide Indemnity Company, with Nationwide Mutual Insurance Company as guarantor of the recoverables ceded under the treaty. The Wisconsin Insurance Commissioner has issued a Permitted Practice Decision allowing the guarantee to be used as credit for reinsurance collateral, reducing the provision for reinsurance by \$51,384,600.

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

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

#### C. Accounting Policies

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

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the SVO Manual.
3. Common stocks are carried at market value, except that investments in stocks of subsidiaries, controlled and affiliated companies ("SCA") are carried according to Note 1C(7).
4. Preferred stocks are carried at cost or market as specified by the SVO Manual.
5. Mortgage loans are reported at unpaid principal balances, less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are stated at amortized cost or market based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company carries its investments in SCA companies in accordance with SSAP No. 97, *Investment in Subsidiaries, Controlled and Affiliated Entities a Replacement of SSAP No. 88*, and the SVO Manual. Schedule D Part 6-Section 1 illustrates the valuation method used for each SCA company.
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
9. Derivative Securities refer to Note 8.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2008.
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.

## NOTES TO FINANCIAL STATEMENTS

### **Note 3- Business Combinations and Goodwill**

#### A. Statutory Purchase Method

On September 9, 2008, the Company and certain affiliates acquired common stock issued by Liberty Insurance Holdings, Inc., formerly a wholly owned downstream non-insurance holding company of the Company. The Company paid \$350,437,451 for its share of the common stock issued by Liberty Insurance Holdings, Inc.

Liberty Insurance Holdings, Inc. contributed the proceeds from the September 9, 2008 sale of its common stock to its downstream non-insurance holding company, LIH US P&C Corporation. On September 22, 2008, LIH US P&C Corporation acquired all of the common stock of Safeco Corporation, a non-insurance holding company and parent to 15 property and casualty insurance companies, at a cost of \$6,243,969,619. Liberty Insurance Holdings, Inc. contributed the subsidiaries received from the December 31, 2008 sale of its common stock, at statutory book value, through its non-insurance downstream holding company, LIH US P&C Corporation, to Peerless Insurance Company.

The Company recognized an unrealized loss of \$128,913,416, due to its 4% share of non-admitted goodwill held by LIH US P&C Corporation.

<u>Acquired Company</u>	<u>Date of Acquisition</u>	<u>% Ownership</u>	<u>Cost</u>	<u>Unamortized Goodwill December 31, 2008</u>	<u>Goodwill Amortization December 31, 2008</u>
Ohio Casualty Corporation	August 24, 2008	8%	\$173,394,088	\$101,762,257	\$11,758,581

#### B. Statutory Mergers

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

#### C. Impairment Loss

Not applicable

### **Note 4- Discontinued Operations**

The Company has no discontinued operations to report.

### **Note 5- Investments**

#### A. Mortgage Loans, including Mezzanine Real Estate Loans

During 2008, 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 2008 were 7.375% and 5.25% respectively.
- (2) As of December 31, 2008 the company held commercial loans in good standing with an outstanding principal balance of \$78,877,458.
- (3) The maximum loan to value of any loan written during 2008 was 75%.
- (4) No loans had interest more than 180 days past due.
- (5) There were \$3,633 taxes, assessments or any amounts advanced and not included in the mortgage loan.
- (6) There were no impaired loans in 2008.
- (7) There was no related allowance for credit losses related to impaired loans.
- (8) There were no impaired loans in 2008.
- (9) There was no interest income recognized during the time within the period that the loan was impaired.
- (10) There were no impaired loans in 2008.
- (11)
  - a) There were no impaired loans in 2008.
  - b) There were no additions charged to operations.
  - c) There were no direct write-downs charged against the allowance.
  - d) There were no recoveries of amounts previously charged off.
  - e) The balance in the allowance for credit losses at the end of each quarter was \$0 during 2008.
- (12) The policy for recording income on impaired loans is interest-only payments received.

#### B. Troubled Debt Restructuring for Creditors

Not applicable

#### C. Reverse Mortgages

The Company has no reverse mortgages.

#### D. Loan-Backed Securities

1. The Company elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date, where historical cash flows are not readily available.



## NOTES TO FINANCIAL STATEMENTS

2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
3. The Company had no negative yield situations requiring a change from the retrospective to prospective method.

### E. Repurchase Agreements

1. The Company did not enter into any repurchase agreements during the year.
2. The Company maintained collateral for loaned securities.
  - a) For loaned securities, Company policies require a minimum of 102% of the fair value of securities loaned to be maintained as collateral.
  - b) The Company has not pledged any of its assets as collateral.
3. Aggregate amount of contractually obligated open collateral positions for which the borrower may request the return of on demand:

	Under 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Total
Fair value of open reinvested collateral positions	10,260,356	256,183	640,458	6,305,031	17,462,028

4. Sources of collateral are cash and securities. Cash collateral is reinvested by the lending agent in short-term securities. The Company does not reinvest securities received as collateral.

### F. Real Estate

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

### 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. The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of its admitted assets.
- B. The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the asset leads to impairment losses being recognized by management. The Company realized impairment losses of \$3,322,703 during the year.

### **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.

#### B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2008.

### **Note 8- Derivative Instruments**

The Company maintains an active Derivative Use Policy (approved in 2005 by the state of New York). There are no current derivatives holdings or current year derivatives transactions under this policy. However, the Company may acquire derivatives as additions to bond, common stock, or preferred stock investments. These derivatives are ancillary to the overall investment and are immaterial to the underlying investment portfolio.

### **Note 9 - Income Taxes**

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

	December 31, 2008	December 31, 2007	Change
Total of gross deferred tax assets	235,678,000	227,758,000	7,920,000
Total of deferred tax liabilities	(32,065,000)	(43,342,210)	11,277,210
Net deferred tax asset	203,613,000	184,415,790	19,197,210
Net deferred tax asset non-admitted	(122,549,000)	(93,579,987)	(28,969,013)
Net admitted deferred tax asset	81,064,000	90,835,803	(9,771,803)

## NOTES TO FINANCIAL STATEMENTS

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

	2008	2007
Federal tax on operations	(12,955,794)	(44,359,170)
Net operating loss benefit	0	0
Foreign tax on operations	34,054	0
Income tax incurred on operations	(12,921,740)	(44,359,170)
Tax on capital gains	(13,252,160)	8,194,501
Total income tax incurred	(26,173,900)	(36,164,669)

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

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

	2008
Change in net deferred income tax (without unrealized gain or loss)	396,473
Tax effect of unrealized (gains) losses	18,800,737
Total change in net deferred income tax	19,197,210

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of permanent impairments, deferred compensation deductions, discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, tax-exempt interest, excludible dividend income, and revisions to prior year estimates.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$3,854,000 from the current year and none from the preceding year.

The Company has no net loss carryforward 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 Services Code.

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

Access Insurance Services, Co.	Liberty Mutual Group Inc.
AMBCO Capital Corporation	Liberty Mutual Holding Company Inc.
America First Insurance Company	Liberty Mutual Insurance Company
America First Lloyds Insurance Company	Liberty Mutual Personal Insurance Company
American Ambassador Casualty Company	Liberty Northwest Insurance Corporation
American Economy Insurance Company*	Liberty Personal Insurance Company
American Fire & Casualty Company	Liberty RE (Bermuda) Limited
American States Insurance Company*	Liberty Sponsored Insurance (Vermont) Inc.
American States Insurance Company of Texas*	Liberty Surplus Insurance Corporation
American States Lloyds Insurance Company*	LIH U.S. P&C Corporation
American States Preferred Insurance*	LIH-RE of America Corporation
Avomark Insurance Company	LIU Specialty Insurance Agency Inc.
Berkeley Holding Company Associates, Inc.	LM General Insurance Company
Berkeley Management Corporation	LM Insurance Corporation
Bridgefield Casualty Insurance Company	LM Personal Insurance Company
Bridgefield Employers Insurance Company	LM Property & Casualty Insurance Company
Capitol Court Corporation*	LMHC Massachusetts Holdings Inc.
Capitol Agency, Inc., The (Arizona corporation)	LRE Properties, Inc.
Capitol Agency, Inc., The (Ohio corporation)	Mid-American Agency, Inc.
Capitol Agency, Inc., The (Tennessee corporation)	Mid-American Fire & Casualty Company
Cascade Disability Management, Inc.	Missouri Agency, Inc.
Colorado Casualty Insurance Company	North Pacific Insurance Company
Commercial Aviation Insurance, Inc.*	OCASCO Budget, Inc.
Companies Agency Insurance Services of California (dissolved 8/15/2008)	OCI Printing, Inc.
Companies Agency of Alabama, Inc. (dissolved 8/18/2008)	Ohio Casualty Corporation
Companies Agency of Georgia, Inc. (dissolved 8/15/2008)	Ohio Casualty of New Jersey, Inc.
Companies Agency of Kentucky, Inc. (dissolved 8/14/2008)	Ohio Life Brokerage Services, Inc.
Companies Agency of Massachusetts, Inc. (dissolved 8/29/08)	Ohio Security Insurance Company
Companies Agency of Michigan, Inc. (dissolved 8/15/2008)	Open Seas Solutions, Inc.*
Companies Agency of New York, Inc.	Oregon Automobile Insurance Company
Companies Agency of Pennsylvania, Inc.	Peerless Indemnity Insurance Company
Companies Agency of Phoenix, Inc.	Peerless Insurance Company

## NOTES TO FINANCIAL STATEMENTS

Consolidated Insurance Company	Pilot Insurance Services, Inc.*
Copley Venture Capital, Inc.	Rianoc Research Corporation*
Countrywide Services Corporation (dissolved 10/17/2008)	S.C. Bellevue, Inc.*
Diversified Settlements, Inc.	Safecare Company, Inc.*
Emerald City Insurance Agency, Inc.*	Safeco Corporation*
Employers Insurance Company of Wausau	Safeco General Agency, Inc.*
Excelsior Insurance Company	Safeco Insurance Company of America*
F.B. Beattie & Company, Inc.*	Safeco Insurance Company of Illinois*
First National Insurance Company of America*	Safeco Insurance Company of Indiana*
Florida State Agency, Inc.	Safeco Insurance Company of Oregon*
General America Corporation*	Safeco Lloyds Insurance Company*
General America Corporation of Texas *	Safeco National Insurance Company*
General Insurance Company of America*	Safeco Properties, Inc.*
Globe American Casualty Company	Safeco Surplus Lines Insurance Company*
Golden Eagle Insurance Corporation	San Diego Insurance Company
Gulf States AIF, Inc.	SCIT, Inc. *
Hawkeye-Security Insurance Company	St. James Insurance Company Ltd.
Heritage-Summit HealthCare, Inc.	State Agency, Inc. (Indiana corporation)
Indiana Insurance Company	State Agency, Inc. (Wisconsin corporation)
Insurance Company of Illinois*	Summit Consulting, Inc.
LEXCO Limited	Summit Consulting, Inc. of Louisiana
Liberty - USA Corporation	Summit Holding Southeast, Inc.
Liberty Assignment Corporation	The First Liberty Insurance Corporation
Liberty Energy Canada, Inc.	The Midwestern Indemnity Company
Liberty Financial Services, Inc.	The National Corporation
Liberty Hospitality Group, Inc.	The Netherlands Insurance Company
Liberty Insurance Company of America	The Ohio Casualty Insurance Company
Liberty Insurance Corporation	Wausau Business Insurance Company
Liberty Insurance Holdings, Inc.	Wausau General Insurance Company
Liberty Insurance Underwriters, Inc.	Wausau Service Corporation
Liberty Life Assurance Company of Boston	Wausau Underwriters Insurance Company
Liberty Life Holdings, Inc.	West American Insurance Company
Liberty Lloyds of Texas Insurance Company	Winmar Company, Inc.*
Liberty Management Services, Inc.	Winmar of the Desert, Inc.*
Liberty Mexico Holdings, Inc.	Winmar Oregon, Inc.*
Liberty Mutual Fire Insurance Company	Winmar-Metro, Inc.*

\* This company joined the consolidated group in 2008 and its activity from the date it joined the group is included in the consolidated return.

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

### **Note 10- Information concerning Parent, Subsidiaries and Affiliates**

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Group Inc. ("LMGI"), a Massachusetts company. The ultimate parent of LMGI is Liberty Mutual Holding Company Inc., a Massachusetts company.
- B. Transactions entered into by the company with its affiliates are described on scheduled Y Part 2.  
  
The Company received dividends in the amount of \$57,448,623.
- C. Refer to Note 10 F.
- D. At December 31, 2008, the Company reported \$5,530,558 net due to affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated an undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.
- F. See Note 25 for information regarding the Inter-Company Reinsurance Agreement.

There is a "Service Agreement" between the Company and an affiliate, Liberty Mutual Insurance Company ("LMIC"), under which LMIC provides the Company with services of personnel employed by LMIC, office space, supplies, equipment, telephone and wire services, the use of computers and similar machines to the extent necessary or appropriate. The Company has an investment services agreement with LMIC. LMIC is reimbursed for the costs of all services which it provides under these agreements.

## NOTES TO FINANCIAL STATEMENTS

The Company entered into an agreement for a loan or extension of credit effective May 22, 2006; namely a revolving credit agreement under which the Company may borrow up to \$150,000,000 from LMIC. The purpose of the extension of credit is for operating liquidity to accommodate fluctuations in daily cash flow and to promote efficient management of investments. As of December 31, 2008, there have been no drawings under this agreement.

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

The Company paid \$15,109,042 under the LMIC Tax Sharing Agreement and paid \$1,008,155 under the LMIC investment services agreement. Pursuant to the Inter-Company Reinsurance Agreement with LMIC (See Note 25), the expenses incurred under the Liberty Mutual management service agreement are allocated to the Company in accordance with the Company's "Pool" participation percentage.

- G. The Company is part of a holding company structure, as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- I. The Company has no investments in SCA companies greater than 10% of its admitted assets.
- J. Impairment of subsidiaries

The Company did not recognize any impairment write down for its SCA companies during the statement period.

- K. The Company does not hold investments in foreign subsidiaries.
- L. Investments in downstream non-insurance holding companies

The Company utilizes the look-through approach for the valuation of the following downstream non-insurance holding companies:

	Carrying Value
Liberty Insurance Holdings, Inc.	\$ 155,860,762

The Company has limited the value of its investment in these companies to the value contained in the audited financial statements, including adjustments required by SSAP 97 of SCA entities. All liabilities, commitments, contingencies, guarantees or obligations of the downstream non-insurance holding company, which are required to be recorded as liabilities, commitments, contingencies, guarantees or obligations under applicable accounting guidance, are reflected in the Company's determination of the carrying value of the investment in the downstream non-insurance holding company.

### **Note 11- Debt**

Not applicable

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

The Company does not have any direct employees and therefore, 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 10F.

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

- 1. Common Stock

The Company has 5,000,000 shares authorized, issued, and outstanding as of December 31, 2008. All shares have a stated par value of \$1.00.

- 2. Preferred Stock

Not applicable

- 3. Dividend Restrictions

There are no dividend restrictions.

- 4. The Company paid dividends of \$170,000,000 to its parent in December.

- 5. The maximum amount of dividends that can be paid by Wisconsin-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the lesser of (a) 10% of surplus, or the greater of (b) or (c); (b) net income for calendar year preceding date of dividend less realized gains for that calendar year, or (c) the aggregate of net income for three calendar years preceding the date of dividend less realized gains for those calendar years less dividends paid/credited within the first two of the preceding three calendar years. The maximum dividend payout that may be made without prior approval in 2009 is \$94,945,025.

## NOTES TO FINANCIAL STATEMENTS

6. As of December 31, 2008, the Company has pre-tax restricted surplus of \$126,208,389 resulting from retroactive reinsurance contracts.
7. The Company had no advances to surplus.
8. Stock held for special purpose  
The Company did not hold stock for special purposes.
9. The Company had changes in special surplus funds resulting from prior years' retroactive reinsurance contracts during 2008.
10. The portion of unassigned funds (surplus) represented by cumulative unrealized capital loss is (\$238,180,467) after applicable deferred taxes of \$19,917,330.
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 10 E.

#### B. Assessments

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

The Company has accrued a liability for guaranty fund and other assessments of \$26,829,782 that is offset by future premium tax credits of \$4,289,767. 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 2008.

During 2008 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	\$2,408,218

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 [ ]

## NOTES TO FINANCIAL STATEMENTS

### 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.

### **Note 15- Leases**

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

The Company has entered into sale-leaseback arrangements with unrelated parties on certain property, plant and equipment. The transactions have been accounted for in accordance with SSAP No. 22. The Company has a purchase option for all PP&E at the end of each respective lease. The Company's minimum lease obligations under these agreements are as follows:

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2009	\$6,009,014	\$10,658,349
2010	2,630,513	10,005,051
2011	1,457,616	6,108,729
2012	1,453,649	4,105,796
2013	1,449,682	2,719,101
2014 & thereafter	1,083,466	18,563,979
Total	<u>\$14,083,940</u>	<u>\$52,161,005</u>

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

Not applicable

### **Note 16- Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk**

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

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

#### A. Transfers of Receivables reported as sales:

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

#### B. Transfers and servicing of financial assets:

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income 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 fair value of the loaned securities. Acceptable collateral may be in the form of cash, Agency and U.S. Government securities. The fair value of the loaned securities is monitored and additional collateral is obtained if the fair value of the collateral falls below 102% of the fair 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, 2008 the total fair value of securities on loan was \$17,310,595, with corresponding collateral value of \$17,878,675 of which \$17,462,028 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

Net reimbursement for administrative expenses over actual expenses on uninsured plans and the net gain was \$106,432. Claim payment volume was \$8,001,088.

#### B. Administrative Services Contract (ASC) Plans

Not applicable

## NOTES TO FINANCIAL STATEMENTS

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

**Note 20- Other Items**

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

1) Florida Special Disability Trust Fund

- a) The Company did not take a credit in the determination of its loss reserves in 2008 and 2007.
- b) The Company reported loss recoveries from the Special Disability Trust Fund of \$1,806,895 and \$2,601,653 in 2008 and 2007, respectively.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$576,565 and \$690,889, in 2008 and 2007, respectively.

2) Assets in the amount of \$363,731,254 and \$356,825,214 as of December 31, 2008 and 2007, respectively, were on deposit with government authorities or trustees as required by law.

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

The Company does not hold transferable state tax credits.

G. Sub-Prime Lending

The Company does not have exposure to sub-prime mortgage related risk.

H. The Company has not entered into Federal Home Loan Bank Agreements.

**Note 21- Events Subsequent**

There were no events subsequent to December 31, 2008 that would require disclosure.

**Note 22- Reinsurance**

A. Excluding amounts arising pursuant to the inter-company reinsurance agreement, as described in Note 25, the following are the unsecured reinsurance recoverables of an individual reinsurer which exceed 3% of policyholder's surplus.

<u>Reinsurer</u>	<u>Naic No.</u>	<u>Federal ID No.</u>	<u>Recoverable Amount</u>
Nationwide Group:			
Farmland Mutual Insurance Company	13838	42-0618271	
National Casualty Company	11991	38-0865250	
Nationwide Indemnity Company	10070	31-1399201	
Nationwide Mutual Insurance Company	23787	31-4177100	
Total Nationwide Group			\$1,684,068,000
National Workers' Compensation Reins Pool		AA-9992118	\$174,680,000
U.S. Aircraft Insurance Group		AA-9995043	\$152,336,000
Swiss Re Group:			
Facility Insurance Corporation	10818	74-1194354	
Swiss Reinsurance America Corporation	25364	13-1675535	
Swiss Reinsurance Europe Sa		AA-1371002	
Swiss Reinsurance Life and Health America Inc.	82627	06-0839705	
Westport Insurance Corporation	39845	48-0921045	
Total Swiss Re Group			\$105,604,000
Minnesota WCRA		AA-9991423	\$96,034,000

## NOTES TO FINANCIAL STATEMENTS

Lloyd's Underwriters		AA-1122000	\$59,879,000
Partner Re Company of the US	38636	13-3031176	\$42,895,000

- B. There are no reinsurance recoverables in dispute from an individual reinsurer which exceeds 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.
- C. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2008.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$716,269,852	\$27,641,272	\$363,613,823	\$29,541,588	\$352,656,029	\$(1,900,316)
All Other	13,873,937	5,073,723	10,595,975	1,191,545	3,277,962	3,882,178
Total	\$730,143,789	\$32,714,995	\$374,209,798	\$30,733,133	\$355,933,991	\$1,981,862

Direct Unearned Premium Reserve: \$81,499,457

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, 2008 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$0	\$8,000,373	\$0	\$8,000,373
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	(19,500,000)	0	(19,500,000)
Totals	\$0	\$(11,499,627)	\$0	\$(11,499,627)

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

- D. The Company has not written off any uncollectible balances in the current year.
- E. The Company has not recorded any commutations in the current year.
- F. The Company has six ceded retroactive contracts that transferred liabilities for losses that had already occurred. The impact of the Inter-Company Reinsurance Agreement with LMIC is also shown.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	\$(229,415,689)	\$0
	2. Adjustment – Prior Year(s)	20,817,135	0
	3. Adjustment – Current Year	6,415,453	0
	4. Total	\$(202,183,101)	\$0
b.	Consideration Paid or Received:		
	1. Initial Reserves	\$(107,702,145)	\$0
	2. Adjustment – Prior Year(s)	(5,237,991)	0
	3. Adjustment – Current Year	10	0
	4. Total	\$(112,940,126)	\$0
c.	Amounts Recovered / Paid – Cumulative		
	1. Initial Reserves	\$(3,627,353)	\$0
	2. Adjustment – Prior Year(s)	(26,592,825)	0
	3. Adjustment – Current Year	(8,227,442)	0
	4. Total	\$(38,447,620)	\$0
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	\$125,340,897	\$0
	2. Adjustment – Prior Year(s)	537,699	0
	3. Adjustment – Current Year	1,811,999	0
	4. Total	126,208,389	0
	5. Cumulative Total Transferred To Unassigned Funds	\$1,482,206	\$0
e.	Other insurers included in the above transactions:		
		Assumed	Ceded
	Liberty Mutual Insurance Company, 23043	\$(202,183,101)	\$2,044,736
	GE Reins Corp, 22969	0	1,626,850
	Arlington Insurance Co, 98-0405213	0	419,595
	Other	0	(1,709)

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.



## NOTES TO FINANCIAL STATEMENTS

G. There are no contracts recorded as deposit accounting.

### **Note 23 – Retrospectively Rated Contracts and Contracts Subject to Redetermination**

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

Total accrued retro premium	\$53,241,707
Less: Non-admitted amount	5,324,170
Admitted amount	\$47,917,537

### **Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses**

Incurred loss and loss adjustment expenses attributable to insured events in prior years decreased slightly in 2008, primarily as a result of a decrease in incurred losses and loss adjustment expenses in the property and auto liability lines of business. Original estimates are revised as additional information becomes known regarding individual claims.

### **Note 25- Intercompany Pooling Arrangements**

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

		NAIC Co. #	Pooling %	Lines of Business
Lead Company:	Liberty Mutual Insurance Company (LMIC)	23043	75.90%	All Lines
Affiliated Pool Companies:	Employers Insurance Company of Wausau (EICOW)	21458	10.00%	All Lines
	Liberty Mutual Fire Insurance Company (LMFIC)	23035	10.00%	All Lines
	Liberty Insurance Corporation (LIC)	42404	3.00%	All Lines
	Wausau Business Insurance Company (WBIC)	26069	0.40%	All Lines
	Wausau Underwriters Insurance Company (WUIC)	26042	0.40%	All Lines
	LM Insurance Corporation (LMC)	33600	0.20%	All Lines
	The First Liberty Insurance Corporation (FST)	33588	0.10%	All Lines
	Liberty Personal Insurance Company (LPIC)	11746	0.00%	All Lines
	Liberty Insurance Company of America (LICA)	10337	0.00%	All Lines
	Liberty Surplus Insurance Corporation (LSIC)	10725	0.00%	All Lines
	Wausau General Insurance Company (WGIC)	26425	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Liberty Lloyd's of Texas Insurance Company (LLOT)	11041	0.00%	All Lines
	Liberty County Mutual Insurance Company (LCMIC)	19544	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. (LIU)	19917	0.00%	All Lines
	LM Property and Casualty Insurance Company (LMPAC)	32352	0.00%	All Lines
	LM General Insurance Company (LMGIC)	36447	0.00%	All Lines
	LM Personal Insurance Company (LMPIC)	36439	0.00%	All Lines
	Liberty Mutual Personal Insurance Company (LMPICO)	12484	0.00%	All Lines

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

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (b) With the exception of LMGIC and LMPIC, each 100% Quota Share Affiliated Company cedes its net underwriting activity to the Lead Company. LMGIC and LMPIC cede its net underwriting activity to LMPAC.
- (c) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (d) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.

## NOTES TO FINANCIAL STATEMENTS

- (e) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- (f) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- (g) The write-off of uncollectible reinsurance is pooled and the provision for reinsurance is recognized by the entity placing the outbound external reinsurance.
- (h) At December 31, 2008, the Company had \$49,020,000 due to the lead company in the Liberty Pool.

Effective January 1, 2008, Bridgefield Employers Insurance Company and Bridgefield Casualty Insurance Company novated their 100% Quota Share agreements with Liberty Mutual Insurance Company to substitute Peerless Insurance Company as the reinsurer.

Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2009, the Liberty Mutual Pool participation percentages were revised as follows:

	2009	2008
Liberty Mutual Insurance Company	75.0%	75.9%
Employers Insurance Company of Wausau	8.0%	10.0%
Liberty Mutual Fire Insurance Company	12.9%	10.0%

### **Note 26- Structured Settlements**

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$108,795,739 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 \$108,795,739 as of December 31, 2008.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

<u>Life Insurance Company &amp; Location</u>	<u>Licensed in Company's State of Domicile (Yes/No)</u>	<u>Statement Value of Annuities</u>
The Prudential Insurance Company of America Newark, New Jersey	Yes	\$53,137,165
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$32,585,394
Nationwide Life Insurance Company Columbus, Ohio	Yes	\$14,931,796

### **Note 27 - Health Care Receivables**

Not applicable

### **Note 28 - Participating Policies**

Not applicable

### **Note 29 – Premium Deficiency Reserves**

As of December 31, 2008, the Company had no liabilities related to premium deficiency reserves. The Company considers anticipated investment income when calculating its premium deficiency reserves.

### **Note 30- High Dollar Deductible Policies**

As of December 31, 2008, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$469,000,000 and the amount billed and recoverable on paid claims was \$23,226,108 .

### **Note 31- 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, 2008 liabilities subject to discount were carried at a value representing a discount of \$106,046,545 net of all reinsurance.

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

### **Note 32 - 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

## NOTES TO FINANCIAL STATEMENTS

case basis reserves for anticipated losses and bulk reserves for loss adjustment expenses and incurred but not reported losses. The Company maintained casualty excess of loss reinsurance during the relevant periods. The reserves are reported net of expected recoveries from reinsurers and include any reserves reported by ceding reinsurers on assumed reinsurance contracts.

Upon the Company's de-affiliation from the Nationwide Group and re-affiliation with LMIC, the Company, WBIC, WGIC, and WUIC entered into ceded reinsurance contracts whereby Nationwide Indemnity Company assumed full responsibility for obligations on certain policies with effective dates prior to January 1, 1986, including all asbestos and environmental exposures.

### Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

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

In 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 has been as a result of 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.

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

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

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

The table below summarizes reserve and loss activity for the Company's asbestos and environmental loss and loss adjustment expenses for each of the five most recent calendar years. Gross reserves for both asbestos and environmental are representative of the companies included in note 25. Net reserves for asbestos and environmental are allocated based on the Company's Intercompany Reinsurance Agreement, as discussed in Note 25.

#### **Asbestos:**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Direct Basis</b>					
Beginning Reserves	157,842,909	170,246,247	199,825,014	184,976,045	168,230,703
Incurred losses and LAE	41,207,366	55,423,884	10,051,868	23,120,247	14,264,416
Calendar year payments	28,804,028	25,845,117	24,900,837	39,865,589	26,177,931
Ending Reserves	<u>170,246,247</u>	<u>199,825,014</u>	<u>184,976,045</u>	<u>168,230,703</u>	<u>156,317,188</u>
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	26,225,890	48,959,084	51,387,983	54,346,270	70,825,162
Incurred losses and LAE	26,204,018	5,444,439	4,881,097	19,164,651	(757,165)
Calendar year payments	3,470,824	3,015,540	1,922,810	2,685,759	3,014,204
Ending Reserves	<u>48,959,084</u>	<u>51,387,983</u>	<u>54,346,270</u>	<u>70,825,162</u>	<u>67,053,793</u>

## NOTES TO FINANCIAL STATEMENTS

**Net of Ceded Reinsurance Basis**

Beginning Reserves	112,458,900	95,146,808	104,235,591	89,702,224	79,733,488
Incurred losses and LAE	353,194	21,936,876	1,220,418	8,512,624	1,424,406
Calendar year payments	17,665,286	12,848,093	15,753,785	18,481,360	15,222,217
Ending Reserves	95,146,808	104,235,591	89,702,224	79,733,488	65,935,677

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

Direct Basis	87,221,213
Assumed Reinsurance Basis	53,318,699
Net of Ceded Reinsurance Basis	34,273,812

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

Direct Basis	52,552,655
Assumed Reinsurance Basis	421,451
Net of Ceded Reinsurance Basis	13,570,267

<b>Environmental:</b>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Direct Basis</b>					
Beginning Reserves	32,170,537	71,018,037	68,599,730	50,551,386	45,087,350
Incurred losses and LAE	46,012,343	15,856,610	4,785,075	588,119	683,718
Calendar year payments	7,164,843	18,274,917	22,833,419	6,052,155	8,446,871
Ending Reserves	71,018,037	68,599,730	50,551,386	45,087,350	37,324,197

**Assumed Reinsurance Basis**

Beginning Reserves	5,591,663	7,088,498	5,231,929	4,794,713	4,085,520
Incurred losses and LAE	2,033,774	(1,223,027)	88,103	147,542	359,029
Calendar year payments	536,939	633,542	525,319	856,735	370,461
Ending Reserves	7,088,498	5,231,929	4,794,713	4,085,520	4,074,088

**Net of Ceded Reinsurance Basis**

Beginning Reserves	25,773,800	52,671,344	42,682,147	39,536,597	36,363,592
Incurred losses and LAE	31,598,590	50,936	2,020,074	981,902	(1,320)
Calendar year payments	4,701,046	10,040,133	5,165,624	4,154,907	5,203,560
Ending Reserves	52,671,344	42,682,147	39,536,597	36,363,592	31,158,712

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

Direct Basis	23,450,773
Assumed Reinsurance Basis	2,470,443
Net of Ceded Reinsurance Basis	20,799,239

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

Direct Basis	16,170,093
Assumed Reinsurance Basis	57,293
Net of Ceded Reinsurance Basis	11,291,008

**Note 33- Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 34 - Multiple Peril Crop 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  No
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  N/A
- 1.3 State Regulating? Wisconsin
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes  No
- 2.2 If yes, date of change: 12/16/2008
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2004
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/30/2006
- 3.4 By what department or departments?  
State of Wisconsin Office of the Commissioner 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  No  N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  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
- 4.12 renewals? Yes  No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes  No
- 4.22 renewals? Yes  No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....	.....	.....
.....	.....	.....

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes  No

## 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. 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?

Roy K. Morell  
 175 Berkeley Street, Boston, MA 02116  
 Officer of Liberty Mutual Insurance Company  
 .....

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

11.11 Name of real estate holding company	St. James/Arlington Real Estate
11.12 Number of parcels involved	<u>2</u>
11.13 Total book/adjusted carrying value	\$ <u>15,795,124</u>

11.2 If yes, provide explanation:

Employers Insurance Company of Wausau directly owns 3% of St. James/Arlington Real Estate LP  
 .....  
 .....

## GENERAL INTERROGATORIES

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

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

.....  
 .....  
 .....

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes  No

12.3 Have there been any changes made to any of the trust indentures during the year?

Yes  No

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes  No  N/A

13.1 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  No

13.11 If the response to 13.1 is no, please explain:

.....  
 .....  
 .....

13.2 Has the code of ethics for senior managers been amended?

Yes  No

13.21 If the response to 13.2 is yes, provide information related to amendment(s).

Liberty Mutual Group's Code of Business Ethics and Conduct was revised effective March 2008. It continues to contain all substantive areas of company policy and requirements included in the prior Code, but has been rewritten to enhance clarity and readability and provide additional practical guidance. This applies to all Liberty Mutual Group companies.

.....

13.3 Have any provisions of the code of ethics been waived for any of the specified officers?

Yes  No

13.31 If the response to 13.3 is yes, provide the nature of any waiver(s).

.....  
 .....  
 .....

## BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes  No

15. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes  No

16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes  No

## FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes  No

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

18.11 To directors or other officers	\$		0
18.12 To stockholders not officers	\$		0
18.13 Trustees, supreme or grand (Fraternal only)	\$		0

## GENERAL INTERROGATORIES

- 18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- |  |   |    |   |
|--|---|----|---|
|  | 18.21 To directors or other officers              | \$ | 0 |
|  | 18.22 To stockholders not officers                | \$ | 0 |
|  | 18.23 Trustees, supreme or grand (Fraternal only) | \$ | 0 |
- 19.1 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
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- |  |                            |    |  |
|--|----------------------------|----|--|
|  | 19.21 Rented from others   | \$ |  |
|  | 19.22 Borrowed from others | \$ |  |
|  | 19.23 Leased from others   | \$ |  |
|  | 19.24 Other                | \$ |  |
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes  No
- 20.2 If answer is yes:
- |  |  |    |  |
|--|--|----|--|
|  | 20.21 Amount paid as losses or risk adjustment | \$ |  |
|  | 20.22 Amount paid as expenses                  | \$ |  |
|  | 20.23 Other amounts paid                       | \$ |  |
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes  No
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

## INVESTMENT

- 22.1 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 22.3)? Yes  No
- 22.2 If no, give full and complete information relating thereto:  
 .....  
 .....  
 .....
- 22.3 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 16 where this information is also provided)  
 Please reference note 17B. ....  
 .....  
 .....
- 22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes  No
- 22.5 If answer to 22.4 is yes, report amount of collateral. \$ 17,878,675
- 22.6 If answer to 22.4 is no, report amount of collateral. \$ \_\_\_\_\_
- 23.1 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 19.1 and 22.3.) Yes  No
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- |  |  |    |             |
|--|--|----|-------------|
|  | 23.21 Subject to repurchase agreements                 | \$ |             |
|  | 23.22 Subject to reverse repurchase agreements         | \$ |             |
|  | 23.23 Subject to dollar repurchase agreements          | \$ |             |
|  | 23.24 Subject to reverse dollar repurchase agreements  | \$ |             |
|  | 23.25 Pledged as collateral                            | \$ |             |
|  | 23.26 Placed under option agreements                   | \$ |             |
|  | 23.27 Letter stock or securities restricted as to sale | \$ |             |
|  | 23.28 On deposit with state or other regulatory body   | \$ | 363,731,255 |
|  | 23.29 Other  | \$ | 0           |



## GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes  No

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

25.1 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

25.2 If yes, state the amount thereof at December 31 of the current year. \$ \_\_\_\_\_

26. 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 3, III Conducting Examinations, F – Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes  No

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

1 Name of Custodian(s)	2 Custodian's Address
JP MORGAN CHASE	3 Chase Metro Tech Center, Brooklyn, NY 11245
ROYAL TRUST / RBC	77 King Street West, Toronto, Ontario M5W 1P9
BANK OF NEW YORK	919 Congress, Suite 500, Austin, TX 78701

26.02 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)

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes  No

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

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

26.05 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	Stancorp Mortgage Investors	1100 SW Sixth Avenue, Portland, OR 97204
N/A	Liberty Mutual Insurance Company	175 Berkeley St., Boston, MA 02116
N/A	Liberty Mutual Investment Advisors, LL	175 Berkeley St., Boston, MA 02116

27.1 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

## GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....	.....	0
.....	.....	0
.....	.....	0
<b>27.2999 TOTAL</b>		<b>0</b>

27.3 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	.....

28. 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 (+)
28.1 Bonds	2,139,509,106	2,046,143,239	(93,365,867)
28.2 Preferred stocks	74,226,454	73,809,429	(417,025)
<b>28.3 Totals</b>	<b>2,213,735,560</b>	<b>2,119,952,668</b>	<b>(93,782,892)</b>

28.4 Describe the sources or methods utilized in determining the fair values:

IDC, BLOOMBERG, NAIC-SVO, BROKER QUOTES, ANALYTICALLY DETERMINED  
 .....  
 .....

29.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes  No

29.2 If no, list exceptions:

.....  
 .....  
 .....

### OTHER

30.1 Amount of payments to Trade associations, service organizations and statistical or Rating Bureaus, if any? \$ 193,827

30.2 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
Wisconsin Compensation Rating Bureau	85,711
Compensation Rating and Inspection Bureau	49,468
	0

31.1 Amount of payments for legal expenses, if any? \$ 0

31.2 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

## GENERAL INTERROGATORIES

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

\$ \_\_\_\_\_ 0

32.2 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. \$ \_\_\_\_\_

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

1.31 Reason for excluding

.....  
 .....  
 .....

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ \_\_\_\_\_

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ \_\_\_\_\_

1.62 Total incurred claims \$ \_\_\_\_\_

1.63 Number of covered lives \_\_\_\_\_

All years prior to most current three years:

1.64 Total premium earned \$ \_\_\_\_\_

1.65 Total incurred claims \$ \_\_\_\_\_

1.66 Number of covered lives \_\_\_\_\_

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ \_\_\_\_\_

1.72 Total incurred claims \$ \_\_\_\_\_

1.73 Number of covered lives \_\_\_\_\_

All years prior to most current three years:

1.74 Total premium earned \$ \_\_\_\_\_

1.75 Total incurred claims \$ \_\_\_\_\_

1.76 Number of covered lives \_\_\_\_\_

2. Health Test:

	1		2	
	Current Year		Prior Year	
2.1 Premium Numerator	\$ 6,452		\$ 9,907	
2.2 Premium Denominator	\$ 1,111,055,765		\$ 1,180,071,328	
2.3 Premium Ratio (2.1/2.2)	0.00		0.00	
2.4 Reserve Numerator	\$ 542,544		\$ 580,137	
2.5 Reserve Denominator	\$ 2,596,602,746		\$ 2,624,338,388	
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 [ ] No [X]

3.2 If yes, state the amount of calendar year premiums written on:

3.21 Participating policies \$ \_\_\_\_\_

3.22 Non-participating policies \$ \_\_\_\_\_

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? \_\_\_\_\_

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

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents? Yes [ ] No [X]

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation Yes [ ] No [ ] N/A [X]

5.22 As a direct expense of the exchange Yes [ ] No [ ] N/A [X]

5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?  
 .....  
 .....  
 .....

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [ ] No [X]

5.5 If yes, give full information

.....  
 .....  
 .....

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:  
 In 2008, the Company purchased a Workers Compensation Catastrophe Treaty with limits of \$400M part of \$500M xs \$700M.

.....  
 .....

## 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 v7.0 from RMS and AIR Classic/2 v 8.0. For WC, Liberty Mutual utilizes RiskLink v7.0 from RMS.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?  
 The Company has in force \$2.006B part of \$2.35B xs \$650M of traditional & collateralized XOL reins. and also maintained \$805M of ILW triggered reins. covering peak zones, mainly through the issuance of Cat Bonds. Also, in Dec 2008 the Company purchased a 31.725% QS treaty for its US HO portfolio.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes  No  ]
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss
- 6.6
- 6.7 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  ]
- 6.8 If yes, indicate the number of reinsurance contracts containing such provisions. 2
- 6.9 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  ]
- 6.10 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  ]
- 6.11 If yes, give full information
- 6.12
- 6.13 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  ]
- 6.14 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  ]
- 6.15 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.
- 6.16 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes  No  ]
- 6.17 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.
- 6.18 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  ]  
 (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  ]  
 (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  No  ]
- 6.19 If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes  No  N/A  ]

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11 Unpaid losses		\$ 259,885,300
12.12 Unpaid underwriting expenses (including loss adjustment expenses)		\$ 52,845,442

12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 18,420,844

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		4.00
12.42 To		6.00

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		\$ 840,551,026
12.62 Collateral and other funds		\$ 52,896,170

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 5,126,250

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 [X] No [ ]

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

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

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

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

15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No [X]

15.2 If yes, give full information  
 .....

16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]  
 If yes, disclose the following information for each of the following types of warranty coverage:

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

\* 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	\$ _____
17.12 Unfunded portion of Interrogatory 17.11	\$ _____
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$ _____
17.14 Case reserves portion of Interrogatory 17.11	\$ _____
17.15 Incurred but not reported portion of Interrogatory 17.11	\$ _____
17.16 Unearned premium portion of Interrogatory 17.11	\$ _____
17.17 Contingent commission portion of Interrogatory 17.11	\$ _____

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

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

**FIVE – YEAR HISTORICAL DATA**

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

	1	2	3	4	5
	2008	2007	2006	2005	2004
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	2,052,861,150	2,034,018,756	2,507,103,999	2,294,647,778	2,145,600,933
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	205,032,468	149,565,834	356,923,052	335,989,604	496,504,257
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	285,741,330	229,684,226	434,415,404	342,042,593	342,846,609
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(15,675,860)	21,084,121	39,981,726	32,141,525	22,219,858
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	23,163,023	18,244,675	18,352,908	13,142,895	19,379,223
6. Total (Line 35)	2,551,122,111	2,452,597,612	3,356,777,089	3,017,964,395	3,026,550,880
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	707,669,879	687,268,655	1,214,699,365	1,118,026,044	1,046,400,647
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	183,338,000	121,217,308	312,872,688	288,609,093	280,116,407
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	172,343,529	132,639,182	312,501,499	243,663,902	220,863,206
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(15,828,295)	20,926,756	39,833,130	31,946,972	21,871,690
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	23,130,966	18,228,777	18,354,283	13,128,404	19,353,335
12. Total (Line 35)	1,070,654,079	980,280,678	1,898,260,965	1,695,374,415	1,588,605,285
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	(63,124,588)	(65,390,201)	(57,329,786)	(125,415,355)	(119,017,226)
14. Net investment gain (loss) (Line 11)	161,242,549	180,636,494	200,096,344	202,828,724	234,964,723
15. Total other income (Line 15)	(12,274,655)	(10,555,308)	(13,852,594)	(19,220,144)	(29,547,855)
16. Dividends to policyholders (Line 17)	2,679,073	6,977,259	8,164,416	5,777,263	6,309,201
17. Federal and foreign income taxes incurred (Line 19)	(12,921,739)	(44,359,170)	30,628,907	(6,813,745)	(20,373,104)
18. Net income (Line 20)	96,085,972	142,072,896	90,120,641	59,229,707	100,463,545
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	3,719,919,033	4,077,177,589	5,295,626,509	4,687,160,333	4,423,248,464
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	184,126,048	152,486,617	164,489,328	146,298,699	167,082,617
20.2 Deferred and not yet due (Line 13.2)	305,750,099	324,193,894	458,832,158	331,165,209	306,524,530
20.3 Accrued retrospective premiums (Line 13.3)	47,917,537	51,079,004	111,330,503	112,656,110	122,692,679
21. Total liabilities excluding protected cell business (Page 3, Line 24)	2,770,468,781	2,778,765,619	4,087,255,690	3,616,497,879	3,428,099,497
22. Losses (Page 3, Line 1)	1,660,695,040	1,659,389,032	2,446,787,889	2,289,679,733	2,177,411,671
23. Loss adjustment expenses (Page 3, Line 3)	324,963,843	338,953,050	501,555,668	465,559,373	408,643,122
24. Unearned premiums (Page 3, Line 9)	437,433,448	484,675,823	749,402,922	671,888,149	645,427,117
25. Capital paid up (Page 3, Lines 28 & 29)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
26. Surplus as regards policyholders (Page 3, Line 35)	949,450,252	1,298,411,970	1,208,370,819	1,070,662,454	995,148,967
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	70,786,116	(992,351,339)	336,821,159	269,506,086	170,069,250
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	949,450,252	1,298,411,970	1,208,370,819	1,070,662,454	995,148,967
29. Authorized control level risk-based capital	262,451,971	251,726,253	306,138,589	289,630,426	287,523,360
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	72.2	81.0	91.4	96.2	94.7
31. Stocks (Lines 2.1 & 2.2)	15.0	9.1	2.0	0.1	0.0
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	2.7				
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.8	0.7	0.5	0.6	0.6
34. Cash, cash equivalents and short-term investments (Line 5)	2.0	3.5	2.9	1.2	1.3
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)	7.3	5.7	3.2	1.8	2.1
37. Receivables for securities (Line 8)	0.0	0.1	0.1	0.1	1.3
38. Aggregate write-ins for invested assets (Line 9)					
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)	33,315,029				
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)	370,337,663	221,294,436			
43. Affiliated short-term investments (Schedule DA Verification, Col. 5, Line 10)					
44. Affiliated mortgage loans on real estate					
45. All other affiliated	15,790,504	15,248,796	14,834,328		
46. Total of above Lines 40 to 45	419,443,196	236,543,232	14,834,328		
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)	44.2	18.2	1.2		



**FIVE – YEAR HISTORICAL DATA****(Continued)**

	1	2	3	4	5
	2008	2007	2006	2005	2004
<b>Capital and Surplus Accounts (Page 4)</b>					
48. Net unrealized capital gains (losses) (Line 24)	(229,657,304)	(10,861,978)	8,764,385	(1,542,970)	2,073,140
49. Dividends to stockholders (Line 35)	(170,000,000)				
50. Change in surplus as regards policyholders for the year (Line 38)	(348,961,718)	90,041,151	137,708,365	75,513,487	244,327,638
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,308,330,911	1,940,353,824	1,352,058,931	1,346,229,885	1,381,992,671
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	129,647,773	199,812,903	233,085,047	245,346,154	180,111,783
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	200,369,541	191,732,607	197,345,299	223,153,836	199,906,224
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	12,380,041	10,623,140	4,618,150	11,896,115	83,480,871
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	41,584,350	74,778,627	40,501,540	52,852,616	34,312,382
56. Total (Line 35)	1,692,312,616	2,417,301,101	1,827,608,967	1,879,478,606	1,879,803,931
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	484,806,455	1,225,905,879	598,763,854	597,931,206	649,722,096
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	108,521,834	111,891,296	180,689,673	147,133,533	124,163,959
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	132,135,513	133,917,063	133,355,257	154,343,251	143,029,466
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	10,927,722	9,800,941	2,621,452	8,505,544	81,376,812
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	8,827,470	40,429,572	24,340,794	17,484,728	795,521
62. Total (Line 35)	745,218,994	1,521,944,751	939,771,030	925,398,262	999,087,854
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	67.8	61.9	61.1	63.8	66.5
65. Loss expenses incurred (Line 3)	15.8	15.9	15.3	18.8	16.3
66. Other underwriting expenses incurred (Line 4)	22.1	27.8	26.8	24.9	24.9
67. Net underwriting gain (loss) (Line 8)	(5.7)	(5.5)	(3.2)	(7.6)	(7.7)
<b>Other Percentages</b>					
68. 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)	24.1	34.5	26.4	25.5	26.2
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	83.5	77.8	76.4	82.6	82.8
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)	112.8	75.5	157.1	158.3	159.6
<b>One Year Loss Development (000 omitted)</b>					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(33,312)	31,239	79,074	81,856	55,061
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)	(2.6)	2.6	7.4	8.2	7.3
<b>Two Year Loss Development (000 omitted)</b>					
73. 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)	23,775	112,836	215,357	213,947	263,870
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	2.0	10.5	21.6	28.5	37.7

**SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES****SCHEDULE P – PART 1 – SUMMARY**

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported - Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1-2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	75,780	24,269	22,411	6,796	4,057	(115)	398	71,298	X X X
2. 1999	869,380	135,785	733,595	741,947	107,668	64,352	8,708	78,853	1,646	24,745	767,130	X X X
3. 2000	914,458	160,046	754,412	733,875	132,704	61,396	9,612	76,144	1,580	19,176	727,519	X X X
4. 2001	946,060	166,405	779,655	718,827	170,556	56,662	9,606	72,456	1,274	23,483	666,509	X X X
5. 2002	1,073,765	219,691	854,074	674,761	143,989	51,392	7,660	81,772	961	35,965	655,315	X X X
6. 2003	1,192,377	291,085	901,292	606,584	135,433	47,635	5,129	87,006	1,271	37,286	599,392	X X X
7. 2004	1,227,785	325,178	902,607	577,774	152,758	41,179	7,273	85,289	4,668	36,061	539,543	X X X
8. 2005	1,250,320	299,649	950,671	658,442	199,124	35,675	7,063	84,952	6,434	34,076	566,448	X X X
9. 2006	1,355,784	317,505	1,038,279	511,635	97,754	27,828	3,105	86,667	6,768	32,681	518,503	X X X
10. 2007	1,441,643	359,080	1,082,563	496,920	119,345	20,796	2,780	79,624	8,296	33,189	466,919	X X X
11. 2008	1,536,492	425,433	1,111,059	419,955	122,500	9,766	1,071	86,891	6,816	20,355	386,225	X X X
12. Totals	X X X	X X X	X X X	6,216,500	1,406,100	439,092	68,803	823,711	39,599	297,415	5,964,801	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded			
1. Prior	475,263	137,210	227,340	151,789	26,111	21,304	95,262	40,813	11,778	5	4,126	484,633	X X X
2. 1999	35,203	9,269	11,464	8,225	722	197	2,929	967	1,152		332	32,812	X X X
3. 2000	36,596	13,340	16,092	11,667	738	114	3,462	1,571	1,228		460	31,424	X X X
4. 2001	40,028	15,817	21,043	15,753	1,091	507	5,416	2,635	1,295	5	816	34,156	X X X
5. 2002	40,531	23,693	31,216	25,448	1,834	1,009	7,031	1,952	1,375	5	1,346	29,880	X X X
6. 2003	41,722	16,945	62,210	26,344	1,442	585	7,463	2,662	1,653	17	1,985	67,937	X X X
7. 2004	49,076	15,169	70,570	21,060	1,630	362	15,234	2,897	4,988	23	1,892	101,987	X X X
8. 2005	71,083	23,934	90,568	36,114	2,245	529	17,955	3,587	3,932	655	2,549	120,964	X X X
9. 2006	94,994	21,303	129,202	40,579	3,441	481	33,241	5,759	8,501	99	4,019	201,158	X X X
10. 2007	136,392	26,945	199,200	45,801	4,119	494	51,985	9,046	18,125	296	7,000	327,239	X X X
11. 2008	228,207	47,517	368,096	81,483	4,210	784	59,751	8,063	31,592	548	21,256	553,461	X X X
12. Totals	1,249,095	351,142	1,227,001	464,263	47,583	26,366	299,729	79,952	85,619	1,653	45,781	1,985,651	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	413,604	71,029
2. 1999	936,622	136,680	799,942	107.734	100.659	109.044			10.000	29,173	3,639
3. 2000	929,531	170,588	758,943	101.648	106.587	100.601			10.000	27,681	3,743
4. 2001	916,818	216,153	700,665	96.909	129.896	89.869			10.000	29,501	4,655
5. 2002	889,912	204,717	685,195	82.878	93.184	80.227			10.000	22,606	7,274
6. 2003	855,715	188,386	667,329	71.765	64.719	74.041			10.000	60,643	7,294
7. 2004	845,740	204,210	641,530	68.883	62.799	71.075			10.000	83,417	18,570
8. 2005	964,852	277,440	687,412	77.168	92.588	72.308			10.000	101,603	19,361
9. 2006	895,509	175,848	719,661	66.051	55.384	69.313			10.000	162,314	38,844
10. 2007	1,007,161	213,003	794,158	69.862	59.319	73.359			10.000	262,846	64,393
11. 2008	1,208,468	268,782	939,686	78.651	63.178	84.576			10.000	467,303	86,158
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	1,660,691	324,960

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	
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	One Year	Two Year	
1. Prior	1,246,772	1,253,931	1,348,964	1,405,129	1,460,249	1,544,278	1,603,957	1,645,873	1,697,857	1,684,706	(13,151)	38,833	
2. 1999	627,535	647,329	671,823	688,563	701,164	706,772	718,778	722,357	725,593	726,973	1,380	4,616	
3. 2000	X X X	600,433	626,858	630,592	651,779	669,086	674,731	679,242	685,833	686,611	778	7,369	
4. 2001	X X X	X X X	611,656	594,382	603,842	595,629	614,260	623,541	628,275	629,824	1,549	6,283	
5. 2002	X X X	X X X	X X X	599,322	566,772	567,479	587,867	598,630	602,842	604,962	2,120	6,332	
6. 2003	X X X	X X X	X X X	X X X	621,684	557,627	541,640	574,186	583,748	583,591	(157)	9,405	
7. 2004	X X X	X X X	X X X	X X X	X X X	613,879	572,213	557,234	561,567	562,417	850	5,183	
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	666,741	633,251	620,069	613,725	(6,344)	(19,526)	
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	674,765	649,203	640,045	(9,158)	(34,720)	
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	725,381	714,202	(11,179)	X X X	
11. 2008	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	840,586	X X X	X X X	
											12. Totals	(33,312)	23,775

**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
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		
1. Prior	000	270,272	449,404	608,741	722,389	832,346	919,645	995,072	1,071,139	1,138,265	X X X	X X X
2. 1999	254,584	404,256	498,243	564,884	610,007	641,906	661,333	673,960	681,370	689,923	X X X	X X X
3. 2000	X X X	267,642	417,255	495,193	549,434	599,198	619,651	634,377	644,810	652,955	X X X	X X X
4. 2001	X X X	X X X	275,581	415,168	485,508	527,315	558,009	574,179	586,803	595,326	X X X	X X X
5. 2002	X X X	X X X	X X X	258,696	396,443	476,483	515,960	549,181	564,085	574,504	X X X	X X X
6. 2003	X X X	X X X	X X X	X X X	238,047	361,532	421,451	465,289	495,272	513,657	X X X	X X X
7. 2004	X X X	X X X	X X X	X X X	X X X	215,201	330,643	384,800	429,105	458,922	X X X	X X X
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	246,659	378,137	443,600	487,930	X X X	X X X
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	240,169	366,628	438,604	X X X	X X X
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	248,030	395,591	X X X	X X X
11. 2008	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	306,150	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
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Prior	414,623	315,783	239,025	168,481	140,867	123,370	152,851	162,364	174,664	139,769
2. 1999	202,315	95,397	46,926	28,219	16,436	12,965	11,770	8,707	9,321	7,500
3. 2000	X X X	163,945	61,658	25,963	17,549	14,380	10,520	8,519	10,251	7,284
4. 2001	X X X	X X X	169,252	67,607	39,834	19,307	16,261	13,131	12,056	8,196
5. 2002	X X X	X X X	X X X	177,600	68,603	29,379	22,262	17,735	16,210	11,051
6. 2003	X X X	X X X	X X X	X X X	257,003	104,281	46,308	55,042	51,547	42,325
7. 2004	X X X	X X X	X X X	X X X	X X X	278,620	156,262	103,736	80,151	66,109
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	299,135	161,945	105,757	75,186
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	314,642	180,899	122,639
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	328,610	203,800
11. 2008	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	349,283

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

### Allocated By States and Territories

States, Etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
		2	3						
	Active Status	Direct Premiums Written	Direct Premiums Earned						
1. Alabama	AL	L	4,133,175	3,896,185	(27,098)	4,148,792	1,670,943	32,835,856	
2. Alaska	AK	L	3,668,757	3,494,675	(166)	4,740,788	3,583,648	40,645,767	
3. Arizona	AZ	L	2,180,929	2,386,940	(16,633)	2,505,102	2,278,104	15,442,764	
4. Arkansas	AR	L	4,407,861	4,666,792	(16,140)	1,771,729	1,580,184	11,048,829	
5. California	CA	L	45,920,527	48,495,498	(488,804)	37,529,608	27,221,261	243,274,435	
6. Colorado	CO	L	3,539,405	3,331,253	(52,945)	4,624,880	611,678	24,539,939	
7. Connecticut	CT	L	3,341,575	3,232,893	(10,352)	4,914,589	1,849,909	39,989,865	
8. Delaware	DE	L	954,028	850,828	6,170	570,693	132,802	13,112,172	
9. District of Columbia	DC	L	3,022,261	3,217,543	(54)	1,250,471	1,918,940	6,917,992	
10. Florida	FL	L	19,075,705	20,768,815	158,507	14,118,392	7,162,985	93,579,423	
11. Georgia	GA	L	6,023,670	6,001,136	(3,942)	9,015,463	2,469,290	33,833,268	
12. Hawaii	HI	L	1,480,542	1,357,427	(411)	730,367	1,406,057	5,114,404	
13. Idaho	ID	L	3,999,268	1,775,308	(35,422)	531,887	1,057,404	13,533,018	
14. Illinois	IL	L	12,549,986	13,427,862	(58,100)	21,062,919	24,906,681	122,746,900	
15. Indiana	IN	L	6,563,445	7,260,575	34,541	5,322,942	6,314,843	41,664,805	
16. Iowa	IA	L	4,003,874	4,336,983	(7,500)	3,278,964	5,706,345	13,883,533	
17. Kansas	KS	L	2,236,611	2,386,740	(5,613)	3,839,210	(161,813)	31,854,689	
18. Kentucky	KY	L	5,314,466	6,677,004	(41,019)	7,730,335	10,292,421	78,911,851	
19. Louisiana	LA	L	1,991,428	1,942,375	(13,085)	8,799,442	2,553,643	26,868,118	
20. Maine	ME	L	1,135,068	1,188,331	1,651	1,890,009	1,397,908	12,421,181	
21. Maryland	MD	L	6,694,970	7,103,844	(43,851)	3,253,136	2,049,816	21,553,302	
22. Massachusetts	MA	L	8,272,625	7,796,972	(141,976)	9,174,855	7,242,787	74,957,482	
23. Michigan	MI	L	6,424,085	6,623,075	(76,942)	10,245,901	8,740,310	82,487,542	
24. Minnesota	MN	L	10,110,491	10,161,208	(17,245)	9,959,443	6,680,206	118,670,314	
25. Mississippi	MS	L	5,004,470	4,872,088	(11,044)	2,668,723	3,182,607	16,354,259	
26. Missouri	MO	L	7,147,733	7,427,889	13,011	8,450,057	8,001,769	38,267,634	
27. Montana	MT	L	867,711	833,145	3,468	1,261,964	2,117,000	7,115,640	
28. Nebraska	NE	L	4,029,722	4,127,638	15,019	4,014,204	2,516,243	21,788,761	
29. Nevada	NV	L	3,019,987	3,199,463	(1,130)	1,526,981	1,701,061	4,561,471	
30. New Hampshire	NH	L	1,519,313	1,612,756	(56,797)	2,288,637	1,025,299	16,274,794	
31. New Jersey	NJ	L	5,552,110	5,584,342	86,879	10,384,703	2,430,842	88,023,418	
32. New Mexico	NM	L	1,236,616	1,154,672	318	625,794	335,225	6,189,949	
33. New York	NY	L	19,940,196	18,727,779	(196,553)	50,941,967	31,882,813	267,896,397	
34. North Carolina	NC	L	7,847,937	8,208,956	(25,884)	10,462,945	7,396,460	38,126,764	
35. North Dakota	ND	L	133,033	165,830	(10)	5,826	(101,536)	503,507	
36. Ohio	OH	L	2,267,335	2,382,346	(818)	2,184,936	1,329,809	21,679,077	
37. Oklahoma	OK	L	9,385,600	8,733,287	237	3,000,850	3,896,194	21,893,815	
38. Oregon	OR	L	2,396,946	2,491,312	(32,355)	4,339,506	5,656,288	30,977,916	
39. Pennsylvania	PA	L	7,229,753	9,006,973	16,320	19,756,234	15,196,282	149,380,800	
40. Rhode Island	RI	L	1,027,053	905,987	(21,751)	848,401	492,961	5,733,719	
41. South Carolina	SC	L	6,285,859	6,310,352	2,623	7,936,467	4,594,074	19,594,146	
42. South Dakota	SD	L	687,105	591,654	(321)	132,773	(1,693,226)	18,865,502	
43. Tennessee	TN	L	14,542,209	14,771,248	(23,453)	4,590,216	5,908,741	38,781,765	
44. Texas	TX	L	16,583,435	18,186,280	(126,800)	10,154,787	9,670,026	110,689,974	
45. Utah	UT	L	1,317,355	1,320,561	36,187	1,321,416	1,186,809	12,777,677	
46. Vermont	VT	L	945,318	1,385,689	4,497	791,915	489,837	4,014,534	
47. Virginia	VA	L	9,097,095	8,864,217	(7,424)	4,301,517	6,682,461	34,398,615	
48. Washington	WA	L	1,178,307	967,275	(1,551)	683,553	1,265,487	11,226,377	
49. West Virginia	WV	L	424,470	468,968	(1,661)	303,977	219,061	2,163,417	
50. Wisconsin	WI	L	38,151,101	37,282,873	334,918	44,229,501	29,130,447	279,480,687	
51. Wyoming	WY	L	258,249	247,129	(39)	30,785	37,381	836,345	
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	L	1,873	1,833	1	(3,000)	57,112	90,185	
55. U.S. Virgin Islands	VI	L	278	224			11	740	
56. Northern Mariana Islands	MP	N							
57. Canada	CN	L	(414)	(409)	(165)	200,383	(166,263)	7,334,663	
58. Aggregate Other Alien	OT	X X X	97,454	99,917	(2,785)	223,250	(7,913,635)	3,115,898	
59. Totals	(a)	53	335,219,961	342,312,536	(853,492)	368,669,185	265,193,992	2,478,025,895	12,011

DETAILS OF WRITE-INS									
5801. Other alien	X X X		97,454	99,917	(2,785)	223,250	(7,913,635)	3,115,898	
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X		97,454	99,917	(2,785)	223,250	(7,913,635)	3,115,898	

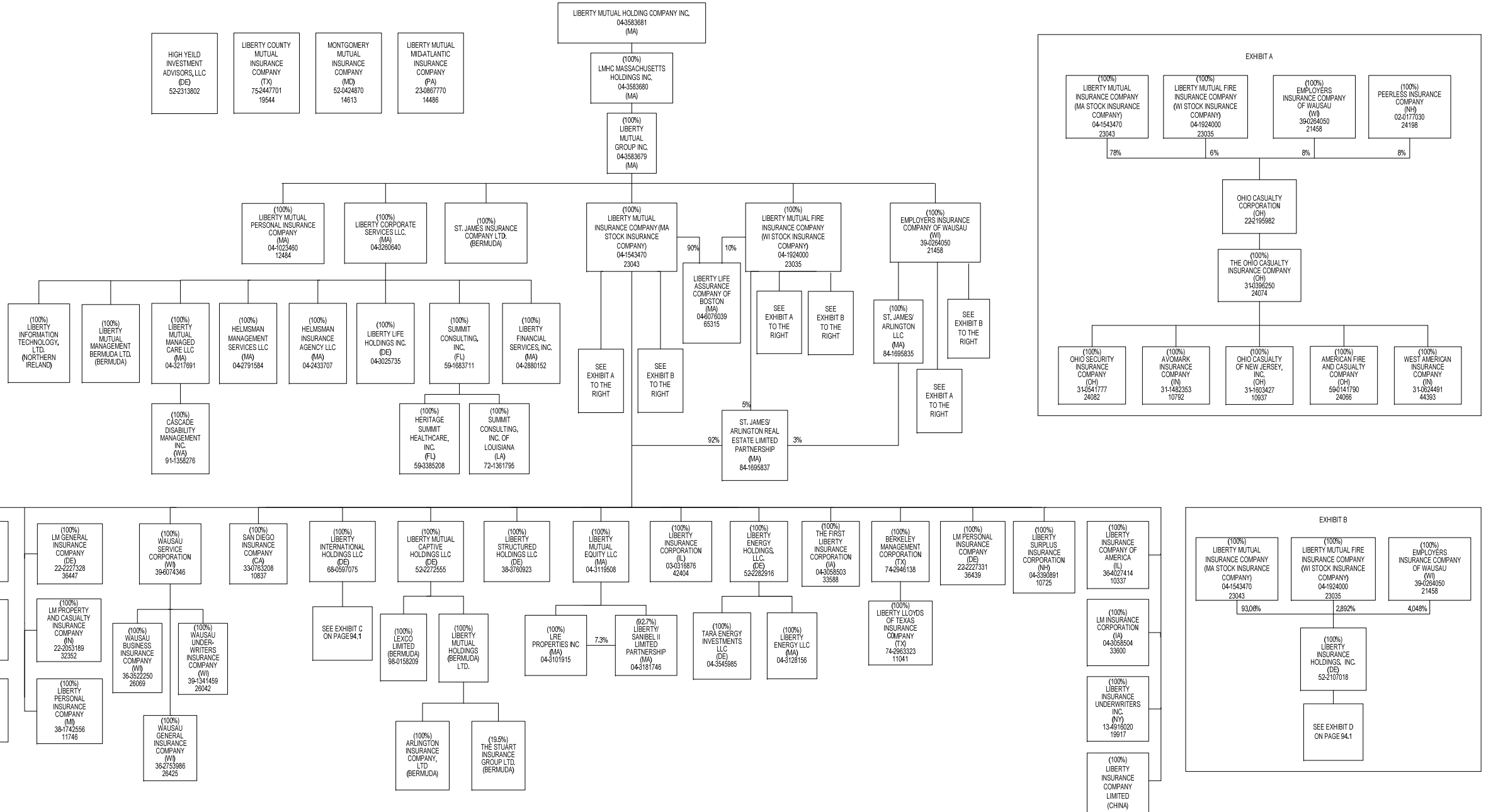
#### Explanation of basis of allocation of premiums by states, etc.

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

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

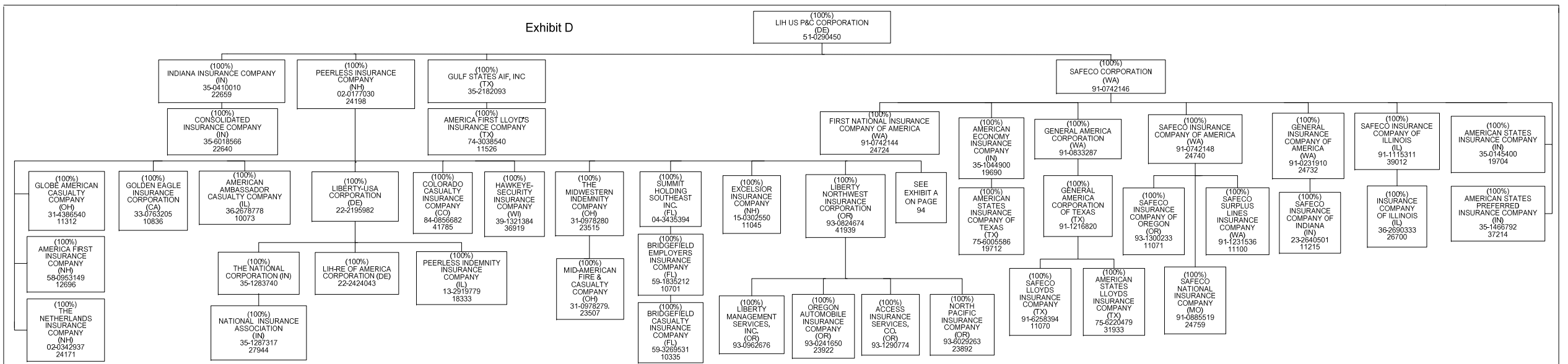
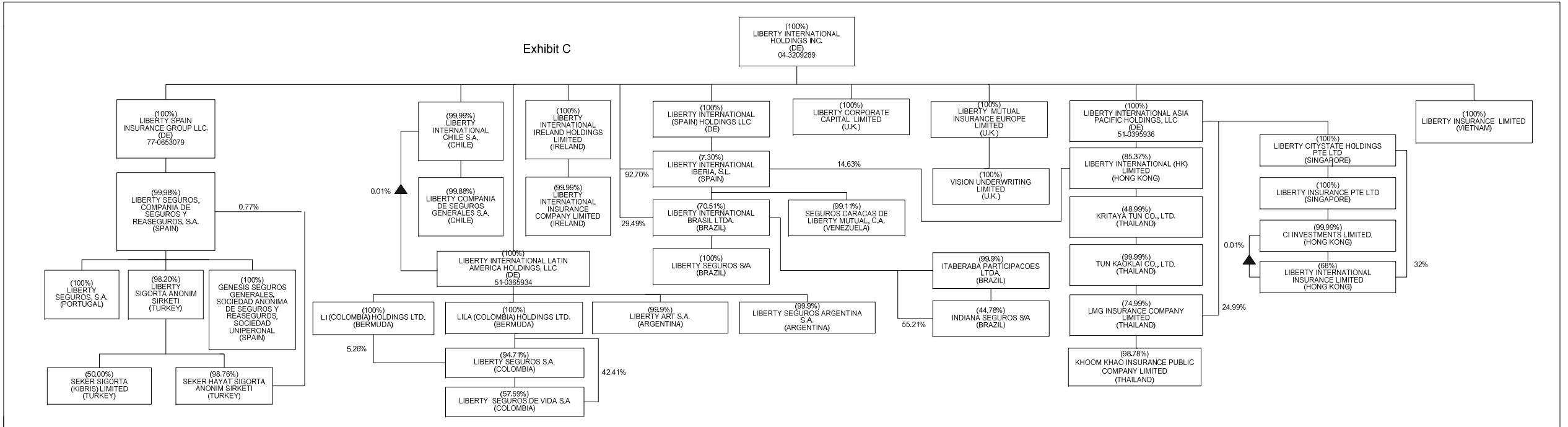
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## 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 2 - Continuation**

**ASSETS**

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
<b>REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR OTHER THAN INVESTED ASSETS</b>				
2304. Amounts receivable under high deductible policies	23,226,108	1,467,282	21,758,826	22,891,904
2305.				
2306.				
2307.				
2308.				
2309.				
2310.				
2311.				
2312.				
2313.				
2314.				
2315.				
2316.				
2317.				
2318.				
2319.				
2320.				
2321.				
2322.				
2323.				
2324.				
2325.				
2397. Totals (Lines 2304 through 2325) (Page 2, Line 2398)	23,226,108	1,467,282	21,758,826	22,891,904

**OVERFLOW PAGE FOR WRITE-INS**

**Page 3 - Continuation**

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1	2
	Current Year	Prior Year
<b>REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES</b>		
2304. Collateral held for securities loaned	17,462,028	16,214,148
2305. ....		
2306. ....		
2307. ....		
2308. ....		
2309. ....		
2310. ....		
2311. ....		
2312. ....		
2313. ....		
2314. ....		
2315. ....		
2316. ....		
2317. ....		
2318. ....		
2319. ....		
2320. ....		
2321. ....		
2322. ....		
2323. ....		
2324. ....		
2325. ....		
2397. Totals (Lines 2304 through 2325) (Page 3, Line 2398)	17,462,028	16,214,148



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