

ANNUAL STATEMENT

OF THE

THE FIRST LIBERTY INSURANCE CORPORATION

of **HOFFMAN ESTATES**

in the state of **ILLINOIS**

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2010

PROPERTY AND CASUALTY

2010



33588201020100100

ANNUAL STATEMENT

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

The First Liberty Insurance Corporation

NAIC Group Code 0111 0111 **NAIC Company Code** 33588 **Employer's ID Number** 04-3058503
(Current Period) (Prior Period)

Organized under the Laws of Illinois, **State of Domicile or Port of Entry** Illinois
Country of Domicile United States of America

Incorporated/Organized: June 16, 1989 **Commenced Business** June 22, 1989

Statutory Home Office 2815 Forbs Avenue, Suite 200, Hoffman Estates, IL 60192
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office: 175 Berkeley Street
(Street and Number)
Boston, MA 02116 617-357-9500
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address: 175 Berkeley Street, Boston, MA 02116
(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 Web Site Address www.LibertyMutualGroup.com

Statutory Statement Contact: Pamela Heenan 617-357-9500 x44689
(Name) (Area Code) (Telephone Number) (Extension)
Statutory.Compliance@LibertyMutual.com 617-574-5955
(E-Mail Address) (Fax Number)

OFFICERS

Chairman of the Board and CEO

Edmund Francis Kelly

	Name	Title
1.	<u>David Henry Long #</u>	<u>President</u>
2.	<u>Dexter Robert Legg</u>	<u>Vice President & Secretary</u>
3.	<u>Laurance Henry Soyer Yahia</u>	<u>Vice President & Treasurer</u>

VICE-PRESIDENTS

Name	Title	Name	Title
<u>James Paul Condrin, III</u>	<u>Vice President</u>	<u>Anthony Alexander Fontanes</u>	<u>Vice President & Assistant Treasurer</u>
<u>Timothy Michael Sweeney</u>	<u>Vice President</u>	<u>Dennis James Langwell</u>	<u>VP & Chief Financial Officer</u>
<u>Christopher Charles Mansfield</u>	<u>Vice President & Assistant Secretary</u>	<u>John Derek Doyle</u>	<u>Vice President & Comptroller</u>

DIRECTORS OR TRUSTEES

<u>James Paul Condrin, III</u>	<u>Dennis James Langwell</u>	<u>Dexter Robert Legg</u>	<u>Anthony Alexander Fontanes</u>
<u>Timothy Michael Sweeney</u>	<u>Edmund Francis Kelly</u>	<u>Christopher Charles Mansfield</u>	<u>Mark Ardon Butler #</u>
<u>Deborah Lucille Michel</u>	<u>Stephen Douglas Hyika</u>	<u>David Henry Long #</u>	

State of Massachusetts

County of Suffolk ss

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

<u>(Signature)</u>	<u>(Signature)</u>	<u>(Signature)</u>
<u>David Henry Long #</u>	<u>Dexter Robert Legg</u>	<u>Laurance Henry Soyer Yahia</u>
<u>(Printed Name)</u>	<u>(Printed Name)</u>	<u>(Printed Name)</u>
<u>1.</u>	<u>2.</u>	<u>3.</u>
<u>President</u>	<u>Vice President & Secretary</u>	<u>Vice President & Treasurer</u>
<u>(Title)</u>	<u>(Title)</u>	<u>(Title)</u>

Subscribed and sworn to (or affirmed) before me on this
31st day of January, 2011, by

- 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)	43,116,914		43,116,914	40,883,032
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 0, Schedule E - Part 1), cash equivalents (\$ 0, Schedule E - Part 2), and short-term investments (\$ 909,193, Schedule DA)	909,193		909,193	4,495,999
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				
10. Securities lending reinvested collateral assets	2,155,678		2,155,678	
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	46,181,785		46,181,785	45,379,031
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	392,339		392,339	350,757
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	1,081,561	34,892	1,046,669	1,187,716
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ (3,898) earned but unbilled premiums)	2,737,730	461	2,737,269	2,815,315
15.3 Accrued retrospective premiums	636,592	63,818	572,774	439,735
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	86	27	59	13
18.1 Current federal and foreign income tax recoverable and interest thereon				119,929
18.2 Net deferred tax asset	1,062,170	198,585	863,585	
19. Guaranty funds receivable or on deposit	30,453		30,453	44,331
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	289,777		289,777	
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	884,558	35,294	849,264	796,232
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	53,297,051	333,077	52,963,974	51,133,059
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	53,297,051	333,077	52,963,974	51,133,059

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Cash Surrender Value Life Insurance	560,826		560,826	511,046
2502. Amounts receivable under high deductible policies	222,527	58	222,469	229,606
2503. Equities and deposits in pools and associations	61,037		61,037	36,713
2598. Summary of remaining write-ins for Line 25 from overflow page	40,168	35,236	4,932	18,867
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	884,558	35,294	849,264	796,232

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	17,440,797	16,774,264
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	832,271	752,087
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	3,495,255	3,393,626
4. Commissions payable, contingent commissions and other similar charges	92,387	159,897
5. Other expenses (excluding taxes, licenses and fees)	243,664	309,671
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	273,128	224,278
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	284,951	
7.2 Net deferred tax liability		535,580
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 \$ 361,473,097 and including warranty reserves of \$ 0)	4,745,977	4,390,724
10. Advance premium	58,121	58,517
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	6,472	2,401
12. Ceded reinsurance premiums payable (net of ceding commissions)		
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	82,802	144,349
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	424,114	392,038
19. Payable to parent, subsidiaries and affiliates	21,480	306,323
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending	2,155,678	
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	(843,741)	1,898,158
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	29,313,356	29,341,913
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	29,313,356	29,341,913
29. Aggregate write-ins for special surplus funds	1,524,672	1,290,296
30. Common capital stock	3,600,000	3,600,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	7,400,000	7,400,000
35. Unassigned funds (surplus)	11,125,946	9,500,850
36. Less treasury stock, at cost:		
36.1 0 shares common (value included in Line 30 \$ 0)		
36.2 0 shares preferred (value included in Line 31 \$ 0)		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	23,650,618	21,791,146
38. Totals (Page 2, Line 28, Col. 3)	52,963,974	51,133,059

DETAILS OF WRITE-IN LINES		
2501. Amounts held under uninsured plans	789,126	868,846
2502. Other liabilities	447,730	488,193
2503. Private passenger auto escrow	548	938
2598. Summary of remaining write-ins for Line 25 from overflow page	(2,081,145)	540,181
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(843,741)	1,898,158
2901. Special surplus from retroactive reinsurance	1,293,860	1,290,296
2902. SSAP 10R incremental change	230,812	
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	1,524,672	1,290,296
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	10,355,742	9,959,547
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	6,744,388	6,555,106
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	1,850,546	1,940,486
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	2,598,197	2,564,823
5. Aggregate write-ins for underwriting deductions	(390)	938
6. Total underwriting deductions (Lines 2 through 5)	11,192,741	11,061,353
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(836,999)	(1,101,806)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	1,511,437	1,820,048
10. Net realized capital gains (losses) less capital gains tax of \$ 14,536 (Exhibit of Capital Gains (Losses))	26,995	(92,160)
11. Net investment gain (loss) (Lines 9 + 10)	1,538,432	1,727,888
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 3,386 amount charged off \$ 76,429)	(73,043)	(78,564)
13. Finance and service charges not included in premiums	45,576	49,667
14. Aggregate write-ins for miscellaneous income	(78,431)	(135,388)
15. Total other income (Lines 12 through 14)	(105,898)	(164,285)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	595,535	461,797
17. Dividends to policyholders	62,948	23,138
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)	532,587	438,659
19. Federal and foreign income taxes incurred	45,214	160,325
20. Net income (Line 18 minus Line 19) (to Line 22)	487,373	278,334
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	21,791,146	21,675,080
22. Net income (from Line 20)	487,373	278,334
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0		252,566
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	1,597,750	(457,582)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(471,285)	20,872
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	245,634	21,876
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	1,859,472	116,066
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	23,650,618	21,791,146

DETAILS OF WRITE-IN LINES		
0501. Private passenger auto escrow	(390)	938
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)	(390)	938
1401. Retroactive reinsurance gain/(loss)	130,734	31,149
1402. Other income/(expense)	(209,165)	(166,537)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(78,431)	(135,388)
3701. SSAP 10R incremental change	230,812	
3702. Other changes in surplus	14,822	21,876
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	245,634	21,876

CASH FLOW

	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	10,765,603	9,662,866
2. Net investment income	1,603,783	1,892,925
3. Miscellaneous income	(260,179)	109,136
4. Total (Lines 1 through 3)	12,109,207	11,664,927
5. Benefit and loss related payments	6,007,873	6,518,522
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	4,442,126	4,572,191
8. Dividends paid to policyholders	58,877	22,235
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(345,130)	314,293
10. Total (Lines 5 through 9)	10,163,746	11,427,241
11. Net cash from operations (Line 4 minus Line 10)	1,945,461	237,686
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	10,787,644	12,492,531
12.2 Stocks		1,469,429
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	10,787,644	13,961,960
13. Cost of investments acquired (long-term only):		
13.1 Bonds	13,113,924	19,062,869
13.2 Stocks		70,459
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	2,155,678	
13.6 Miscellaneous applications		182
13.7 Total investments acquired (Lines 13.1 to 13.6)	15,269,602	19,133,510
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)	(4,481,958)	(5,171,550)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(1,050,309)	2,946,866
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(1,050,309)	2,946,866
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(3,586,806)	(1,986,998)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	4,495,999	6,482,997
19.2 End of year (Line 18 plus Line 19.1)	909,193	4,495,999

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	208,232	121,363	109,184	220,411
2. Allied lines	100,673	61,158	51,493	110,338
3. Farmowners multiple peril	96			96
4. Homeowners multiple peril	1,415,358	738,904	795,615	1,358,647
5. Commercial multiple peril	233,479	113,497	151,857	195,119
6. Mortgage guaranty				
8. Ocean marine	46,420	19,203	19,711	45,912
9. Inland marine	666,854	36,519	36,508	666,865
10. Financial guaranty				
11.1 Medical professional liability—occurrence	11,202		7,809	3,393
11.2 Medical professional liability—claims-made	2,202	431	475	2,158
12. Earthquake	27,852	16,575	15,372	29,055
13. Group accident and health	1,744			1,744
14. Credit accident and health (group and individual)				
15. Other accident and health	483		75	408
16. Workers' compensation	2,815,674	53,616	23,288	2,846,002
17.1 Other liability—occurrence	634,634	249,840	289,514	594,960
17.2 Other liability—claims-made	208,597	156,820	131,938	233,479
17.3 Excess Workers' Compensation	97,705	32,518	48,719	81,504
18.1 Products liability—occurrence	117,145	51,754	64,510	104,389
18.2 Products liability—claims-made	7,424	1,660	1,300	7,784
19.1,19.2 Private passenger auto liability	2,539,950	1,205,432	1,281,708	2,463,674
19.3,19.4 Commercial auto liability	423,638	141,869	137,468	428,039
21. Auto physical damage	641,913	848,203	886,912	603,204
22. Aircraft (all perils)	54,181	19,987	15,334	58,834
23. Fidelity	8,931	6,066	4,034	10,963
24. Surety	1,250	598	1,321	527
26. Burglary and theft	361	215	151	425
27. Boiler and machinery	21,423	1,135	8,911	13,647
28. Credit				
29. International				
30. Warranty	6			6
31. Reinsurance-Nonproportional Assumed Property	170,767	9,576	13,117	167,226
32. Reinsurance-Nonproportional Assumed Liability	93,913	15,193	16,573	92,533
33. Reinsurance-Nonproportional Assumed Financial Lines	251			251
34. Aggregate write-ins for other lines of business				
35. TOTALS	10,552,358	3,902,132	4,112,897	10,341,593

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	106,040	3,143			109,183
2. Allied lines	49,318	2,176			51,494
3. Farmowners multiple peril					
4. Homeowners multiple peril	795,615				795,615
5. Commercial multiple peril	107,737	44,120			151,857
6. Mortgage guaranty					
8. Ocean marine	15,678	4,034			19,712
9. Inland marine	26,097	10,411			36,508
10. Financial guaranty					
11.1 Medical professional liability—occurrence	7,809				7,809
11.2 Medical professional liability—claims-made	451	24			475
12. Earthquake	15,179	193			15,372
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	75				75
16. Workers' compensation	561,123	56,307		(594,142)	23,288
17.1 Other liability—occurrence	240,821	57,486		(8,793)	289,514
17.2 Other liability—claims-made	81,037	50,901			131,938
17.3 Excess Workers' Compensation	44,631	4,088			48,719
18.1 Products liability—occurrence	37,842	29,817		(3,149)	64,510
18.2 Products liability—claims-made	1,300				1,300
19.1,19.2 Private passenger auto liability	1,281,708				1,281,708
19.3,19.4 Commercial auto liability	162,992	1,472		(26,995)	137,469
21. Auto physical damage	887,172	(260)			886,912
22. Aircraft (all perils)	15,334				15,334
23. Fidelity	3,764	270			4,034
24. Surety	19	1,302			1,321
26. Burglary and theft	151				151
27. Boiler and machinery	8,732	179			8,911
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-Nonproportional Assumed Property	13,117				13,117
32. Reinsurance-Nonproportional Assumed Liability	16,386	187			16,573
33. Reinsurance-Nonproportional Assumed Financial Lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	4,480,128	265,850		(633,079)	4,112,899
36. Accrued retrospective premiums based on experience					633,079
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					4,745,978

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		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	35,650	208,232		35,650		208,232
2. Allied lines	30,407	100,673		30,407		100,673
3. Farmowners multiple peril		96				96
4. Homeowners multiple peril	302,889,581	1,415,358		302,889,581		1,415,358
5. Commercial multiple peril	750,353	233,479		750,353		233,479
6. Mortgage guaranty						
8. Ocean marine	8,354	46,420		8,354		46,420
9. Inland marine	5,852,898	666,854		5,852,898		666,854
10. Financial guaranty						
11.1 Medical professional liability--occurrence		11,202				11,202
11.2 Medical professional liability--claims-made		2,202				2,202
12. Earthquake	144,768	27,852		144,768		27,852
13. Group accident and health		1,744				1,744
14. Credit accident and health (group and individual)						
15. Other accident and health		483				483
16. Workers' compensation	67,965,918	2,815,674		67,965,918		2,815,674
17.1 Other liability—occurrence	676,393	634,634		676,393		634,634
17.2 Other liability—claims-made		208,597				208,597
17.3 Excess Workers' Compensation		97,705				97,705
18.1 Products liability—occurrence	123,354	117,145		123,354		117,145
18.2 Products liability—claims-made		7,424				7,424
19.1,19.2 Private passenger auto liability	208,677,410	2,539,950		208,677,410		2,539,950
19.3,19.4 Commercial auto liability	3,580,326	423,638		3,580,326		423,638
21. Auto physical damage	140,114,741	641,913		140,114,741		641,913
22. Aircraft (all perils)		54,181				54,181
23. Fidelity	7,550	8,931		7,550		8,931
24. Surety		1,250				1,250
26. Burglary and theft	4,469	361		4,469		361
27. Boiler and machinery	2,308	21,423		2,308		21,423
28. Credit						
29. International						
30. Warranty		6				6
31. Reinsurance-Nonproportional Assumed Property	X X X	170,767				170,767
32. Reinsurance-Nonproportional Assumed Liability	X X X	93,913				93,913
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X	251				251
34. Aggregate write-ins for other lines of business						
35. TOTALS	730,864,480	10,552,358		730,864,480		10,552,358

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 \$ 77,967,794

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 79,179,475

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	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		61,643		61,643	1,825	31,236	1,825	92,879	8,781
2. Allied lines	16,812	22,425	16,812	22,425	58,035	15,908	58,035	38,333	5,283
3. Farmowners multiple peril									
4. Homeowners multiple peril	49,590,517	227,340	49,590,517	227,340	40,842,473	158,328	40,842,473	385,668	102,794
5. Commercial multiple peril	130,774	169,183	130,774	169,183	651,556	151,722	651,556	320,905	113,041
6. Mortgage guaranty									
8. Ocean marine		30,772		30,772	3,045	23,961	3,045	54,733	10,305
9. Inland marine	165,190	15,986	165,190	15,986	157,014	72,836	157,014	88,822	10,755
10. Financial guaranty									
11.1 Medical professional liability—occurrence		204		204		(791)		(587)	18
11.2 Medical professional liability—claims-made		93		93		1,348		1,441	794
12. Earthquake		177		177	23	(22)	23	155	14
13. Group accident and health		2,336		2,336		469		(a) 2,805	210
14. Credit accident and health (group and individual)									
15. Other accident and health		288		288		1,638		(a) 1,926	133
16. Workers' compensation	96,237,437	5,557,921	96,237,437	5,557,921	121,593,570	4,563,113	121,593,570	10,121,034	1,372,278
17.1 Other liability—occurrence	985,434	735,070	985,434	735,070	770,582	1,112,296	770,582	1,847,366	834,834
17.2 Other liability—claims-made		114,397		114,397		335,502		449,899	145,632
17.3 Excess Workers' Compensation		165,519		165,519	148,852	242,538	148,852	408,057	33,418
18.1 Products liability—occurrence	6,000	91,762	6,000	91,762	346,238	281,819	346,238	373,581	242,335
18.2 Products liability—claims-made		(440)		(440)		22,150		21,710	13,407
19.1,19.2 Private passenger auto liability	89,888,696	1,196,634	89,888,696	1,196,634	86,326,567	878,263	86,326,567	2,074,897	403,263
19.3,19.4 Commercial auto liability	2,245,499	316,526	2,245,499	316,526	2,758,103	245,201	2,758,103	561,727	81,597
21. Auto physical damage		2,623		2,623	(518,313)	(4,954)	(518,313)	(2,331)	62,441
22. Aircraft (all perils)		36,299		36,299		10,315		46,614	18,219
23. Fidelity		964		964	18,642	19,674	18,642	20,638	4,450
24. Surety		696		696	(97)	220	(97)	916	(215)
26. Burglary and theft		29		29	2,825	628	2,825	657	436
27. Boiler and machinery		732		732		1,180		1,912	216
28. Credit									
29. International									
30. Warranty						37		37	(62)
31. Reinsurance-Nonproportional Assumed Property	X X X	65,036		65,036	X X X	57,956		122,992	2,610
32. Reinsurance-Nonproportional Assumed Liability	X X X	122,130		122,130	X X X	277,636		399,766	28,214
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X	4,134		4,134	X X X	105		4,239	53
34. Aggregate write-ins for other lines of business									
35. TOTALS	239,266,359	8,940,479	239,266,359	8,940,479	253,160,940	8,500,312	253,160,940	17,440,791	3,495,254

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	24,210,790			24,210,790
1.2 Reinsurance assumed	965,939			965,939
1.3 Reinsurance ceded	24,210,790			24,210,790
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	965,939			965,939
2. Commission and brokerage:				
2.1 Direct, excluding contingent		21,840,519		21,840,519
2.2 Reinsurance assumed, excluding contingent		(493,550)		(493,550)
2.3 Reinsurance ceded, excluding contingent		21,840,519		21,840,519
2.4 Contingent—direct		2,221,136		2,221,136
2.5 Contingent—reinsurance assumed		110,457		110,457
2.6 Contingent—reinsurance ceded		2,221,136		2,221,136
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)		(383,093)		(383,093)
3. Allowances to manager and agents		140,534	1	140,535
4. Advertising	15,757	185,524	465	201,746
5. Boards, bureaus and associations	2,714	27,202	15	29,931
6. Surveys and underwriting reports	22	37,997	534	38,553
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	526,011	1,083,662	53,255	1,662,928
8.2 Payroll taxes	32,073	72,746	3,771	108,590
9. Employee relations and welfare	115,090	261,085	4,039	380,214
10. Insurance	41,847	17,727	449	60,023
11. Directors' fees	1	2		3
12. Travel and travel items	31,800	74,200	1,173	107,173
13. Rent and rent items	40,681	95,661	1,369	137,711
14. Equipment	35,024	84,137	1,480	120,641
15. Cost or depreciation of EDP equipment and software	6,548	50,805	970	58,323
16. Printing and stationery	5,531	20,402	181	26,114
17. Postage, telephone and telegraph, exchange and express	16,665	74,709	2,258	93,632
18. Legal and auditing	5,009	20,376	2,552	27,937
19. Totals (Lines 3 to 18)	874,773	2,246,769	72,512	3,194,054
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 6,731		438,607		438,607
20.2 Insurance department licenses and fees		20,356		20,356
20.3 Gross guaranty association assessments		421		421
20.4 All other (excluding federal and foreign income and real estate)		20,279		20,279
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		479,663		479,663
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	9,835	254,857	11,932	276,624
25. Total expenses incurred	1,850,547	2,598,196	84,444	(a) 4,533,187
26. Less unpaid expenses—current year	3,495,255	609,178		4,104,433
27. Add unpaid expenses—prior year	3,393,626	693,846		4,087,472
28. Amounts receivable relating to uninsured plans, prior year			13	13
29. Amounts receivable relating to uninsured plans, current year		59		59
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	1,748,918	2,682,923	84,431	4,516,272

DETAILS OF WRITE-IN LINES				
2401. Other expenses	44,552	254,857	11,932	311,341
2402. Change in unallocated expense reserves	(34,717)			(34,717)
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	9,835	254,857	11,932	276,624

(a) Includes management fees of \$ 83,983 to affiliates and \$ 157,783 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 562,740	546,663
1.1 Bonds exempt from U.S. tax	(a) 83,001	80,734
1.2 Other bonds (unaffiliated)	(a) 904,004	964,002
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 4,870	4,798
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	(315)	(315)
10. Total gross investment income	1,554,300	1,595,882
11. Investment expenses		(g) 84,445
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		84,445
17. Net investment income (Line 10 minus Line 16)		1,511,437

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	(315)	(315)
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)	(315)	(315)
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 \$ 13,164 accrual of discount less \$ 147,092 amortization of premium and less \$ 87,058 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 528 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	23,024		23,024		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	18,506		18,506		
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	41,530		41,530		

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	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	34,892	19,643	(15,249)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	461		(461)
15.3 Accrued retrospective premiums	63,818	48,859	(14,959)
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans	27	15	(12)
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	198,585		(198,585)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	35,294	23,218	(12,076)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	333,077	91,735	(241,342)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	333,077	91,735	(241,342)

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Other assets	35,236	23,065	(12,171)
2502. Amounts receivable under high deductible policies	58	153	95
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	35,294	23,218	(12,076)

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 Illinois, the accompanying financial statements of The First Liberty Insurance Corporation (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

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

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

C. Accounting Policies

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

In addition, the Company applies the following accounting policies, where applicable:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
3. Common stocks are carried at fair value, except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1C(7).
4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).
5. Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. Investments in SCA companies are carried in accordance with SSAP No. 97, *Investment in Subsidiaries, Controlled Entities and Affiliates*, and the SVO Manual.
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
9. Derivative Securities, refer to Note 8.
10. Investment income is anticipated as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*. Refer to Note 30.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2010.
13. The Company has no pharmaceutical rebate receivables.

Note 2 - Accounting Changes and Correction of Errors

- A. Effective December 31, 2010, the Company elected to admit Deferred Tax Assets (DTA's) pursuant to SSAP No. 10R, *Income Taxes-Revised*, a temporary replacement of SSAP No. 10. The change in DTA's resulting from adopting SSAP No. 10R, is disclosed as an aggregate write-in for gains and losses in surplus under the caption SSAP 10R incremental change. (Refer to Note 9A)

NOTES TO FINANCIAL STATEMENTS

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

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

B. Statutory Mergers

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

C. Impairment Loss

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

Note 4 - Discontinued Operations

The Company has no discontinued operations.

Note 5 - Investments

A. Mortgage Loans, Including Mezzanine Real Estate Loans

The Company does not invest in mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loaned Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
2. All Loaned Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2010 as of December 31, 2010: None.
3. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2010: None.
4. All impaired Loaned Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2010:

	1	2
	Less Than 12 Months	Greater Than 12 Months
Gross Unrealized Loss	(24,142)	
Fair Value of Securities with Unrealized Losses	2,016,693	

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

E. Repurchase Agreements and Securities Lending

1. The Company did not enter into any repurchase agreements during the year.
2. The Company maintained collateral for loaned securities.
 - (1) For loaned securities, Company policies require a minimum of 102% of the fair value of securities loaned to be maintained as collateral. Cash collateral received is invested in short-term investments.
 - (2) The Company has not pledged any of its assets as collateral.
 - (3) Sources of collateral are cash and securities. Cash collateral is reinvested by the lending agent in short term securities.

NOTES TO FINANCIAL STATEMENTS

3. Aggregate Amount of Contractually open cash collateral positions:

Aging of Collateral	Total Fair Value
Open	\$ 2,155,998
30 Days or Less	-
31 to 60 Days	-
61 to 90 Days	-
Greater than 90 Days	-
Sub-Total	2,155,998
Securities Received	1,647,057
Total Collateral Received	\$ 3,803,055

4. Securities Lending Transactions Administered by an Affiliated Agent

Not applicable

5. Collateral Reinvestment

a. Aggregate Amount Cash Collateral Reinvested

	Amortized Cost	Fair Value
Open	-	-
30 Days or Less	\$ 1,154,317	\$ 1,154,343
31 to 60 Days	927,390	927,434
61 to 90 Days	74,196	74,221
90 to 120 Days	-	-
121 to 180 Days	-	-
181 to 365 Days	-	-
1 to 2 Years	-	-
2 to 3 Years	-	-
Greater than 3 Years	-	-
Subtotal	2,155,903	2,155,998
Securities Received	1,647,057	1,647,057
Total Collateral Reinvested	\$ 3,802,960	\$ 3,803,055

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

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

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

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

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

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

Note 7 - Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2010.

NOTES TO FINANCIAL STATEMENTS

Note 8 - Derivative Instruments

The Company's investment activities do not include derivatives. However, the Company may acquire derivatives as additions to bond, common stock, or preferred stock investments. These derivatives are ancillary to the overall investment and are immaterial to the underlying investment portfolio.

Note 9 - Income Taxes

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

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross Deferred Tax Assets	1,229,957	14,843	1,244,800	713,627	44,944	758,571	516,330	(30,101)	486,229
Statutory Valuation Allowance Adjustment	0	0	0	0	0	0	0	0	0
Adjusted Gross Deferred Tax Assets	1,229,957	14,843	1,244,800	713,627	44,944	758,571	516,330	(30,101)	486,229
Deferred Tax Liabilities	(182,360)	0	(182,360)	(1,294,151)	0	(1,294,151)	1,111,521	0	1,111,521
Net DTA (DTL)	1,047,327	14,843	1,062,170	(580,524)	44,944	(535,580)	1,627,851	(30,101)	1,597,750
Deferred Tax Assets Nonadmitted	(198,121)	(464)	(198,585)	0	0	0	(198,121)	(464)	(198,585)
Net Admitted DTA (DTL)	849,206	14,379	863,585	(580,524)	44,944	(535,580)	1,429,730	(30,565)	1,399,165

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

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

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10a.)	220,110	14,379	234,489	0	0	0	220,110	14,379	234,489
Lesser of:									
Expected to be recognized within one year (10bi.)	398,284	0	398,284	0	0	0	398,284	0	398,284
10% of adjusted capital and surplus (10bii.)			2,219,399			0			
Adj. gross DTAs offset against existing DTLs (10c.)	182,630	0	182,630	0	0	0	182,630	0	182,630
Total	801,024	14,379	815,403	0	0	0	801,024	14,379	815,403

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

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	220,110	14,379	234,489	0	0	0	220,110	14,379	234,489
Lesser of:									
Expected to be recognized within three years (10eiia.)	629,096	0	629,096	0	0	0	629,096	0	629,096
15% of adjusted capital and surplus (10eiib.)			3,329,098			0			
Adj. gross DTAs offset against existing DTLs (10eiic.)	182,630	0	182,630	0	0	0	182,630	0	182,630
Total	1,031,836	14,379	1,046,215	0	0	0	1,031,836	14,379	1,046,215

	December 31, 2010	December 31, 2009	Change
Used in SSAP No. 10R, Paragraph 10.d.			
Total Adjusted Capital	23,419,806	21,791,146	1,628,660
Authorized Control Level	1,531,648	1,506,057	25,591

NOTES TO FINANCIAL STATEMENTS

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

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	618,394	14,379	632,773	(580,524)	44,944	(535,580)	1,198,918	(30,565)	1,168,353
Admitted Assets			52,733,162			51,133,059			1,600,103
Adjusted Statutory Surplus			23,419,806			21,791,146			1,628,660
Total Adjusted Capital from DTAs			23,419,806			21,791,146			1,628,660

Increase due to SSAP No. 10R, Paragraph 10.e.	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	230,812	0	230,812	0	0	0	230,812	0	230,812
Admitted Assets			52,963,974			51,133,059			1,830,915
Adjusted Statutory Surplus			23,650,618			21,791,146			1,859,472
Total Adjusted Capital from DTAs			23,650,618			21,791,146			1,859,472

	December 31, 2010		
	(1)	(2)	(3)
			(Col 1 + 2)
Impact of Tax Planning Strategies	Ordinary Percent	Capital Percent	Total Percent
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0%	0%	0%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Gross DTAs)	48%	0%	48%

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

	2010	2009
Federal	45,214	160,324
Foreign	0	0
Realized capital gains	14,536	(49,625)
Federal and foreign income taxes incurred	59,750	110,699

The Company's DTAs and DTLs result primarily from loss reserve discounting and limits on unearned premium reserve deductions.

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

	2010
Change in net deferred income tax (without unrealized gain or loss)	1,597,750
Change in tax effect of unrealized (gains) losses	0
Total change in net deferred income tax	1,597,750

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax exempt income, loss reserve discounting and limits on unearned premium reserve deductions.
- E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is \$225,750 from the current year and \$16,783 from the preceding year.

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

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

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

Access Insurance Services, Co.	AMBCO Capital Corporation
America First Insurance Company	America First Lloyds Insurance Company
American Economy Insurance Company	American Fire & Casualty Company
American States Insurance Company	American States Insurance Company of Texas
American States Lloyds Insurance Company	American States Preferred Insurance Company
Avomark Insurance Company (merged 2/23/2010)	Barrier Ridge LLC

NOTES TO FINANCIAL STATEMENTS

Berkeley Holding Company Associates, Inc.	Berkeley Management Corporation
Bridgefield Casualty Insurance Company	Bridgefield Employers Insurance Company
Capitol Court Corporation	Capitol Agency, Inc., The (Arizona corporation)
Capitol Agency, Inc., The (Ohio corporation) Dissolved 11/17/2010	Capitol Agency, Inc., The (Tennessee corporation) (Dissolved 7/1/2010)
Cascade Disability Management, Inc.	Colorado Casualty Insurance Company
Commercial Aviation Insurance, Inc.	Companies Agency of New York, Inc. (Dissolved 3/3/2010)
Companies Agency of Pennsylvania, Inc. (Dissolved 9/9/2010)	Consolidated Insurance Company
Copley Venture Capital, Inc.	Diversified Settlements, Inc.
Emerald City Insurance Agency, Inc.	Employers Insurance Company of Wausau
Excelsior Insurance Company	F.B. Beattie & Co., Inc.
First National Insurance Company of America	First State Agency Inc.
Florida State Agency, Inc. (Dissolved 8/20/2010)	General America Corporation
General America Corporation of Texas	General Insurance Company of America
Golden Eagle Insurance Corporation	Gulf States AIF, Inc.
Hawkeye-Security Insurance Company	Heritage-Summit HealthCare, Inc.
Indiana Insurance Company	Insurance Company of Illinois
LEXCO Limited	Liberty-USA Corporation
Liberty Assignment Corporation	Liberty Energy Canada, Inc.
Liberty Financial Services, Inc.	Liberty Hospitality Group, Inc.
Liberty Insurance Corporation	Liberty Insurance Holdings, Inc.
Liberty Insurance Underwriters Inc.	Liberty International Europe Inc.
Liberty International Holdings Inc.	Liberty Life Assurance Company of Boston
Liberty Life Holdings Inc.	Liberty Lloyds of Texas Insurance Company
Liberty Management Services, Inc.	Liberty Mexico Holdings Inc.
Liberty Mutual Agency Corporation	Liberty Mutual Fire Insurance Company
Liberty Mutual Group Inc.	Liberty Mutual Holding Company Inc.
Liberty Mutual Insurance Company	Liberty Mutual Personal Insurance Company
Liberty Northwest Insurance Corporation	Liberty Personal Insurance Company
Liberty RE (Bermuda) Limited	Liberty Sponsored Insurance (Vermont) Inc.
Liberty Surplus Insurance Corporation	LIH-RE of America Corporation
LIU Specialty Insurance Agency Inc.	LM General Insurance Company
LM Insurance Corporation	LM Personal Insurance Company
LM Property & Casualty Insurance Company	LMHC Massachusetts Holdings Inc.
LRE Properties, Inc.	Mid-American Agency, Inc. (Dissolved 8/20/2010)
Mid-American Fire & Casualty Company	North Pacific Insurance Company
OCASCO Budget, Inc.	OCI Printing, Inc.
Ohio Casualty Corporation	Ohio Security Insurance Company
Open Seas Solutions, Inc.	Oregon Automobile Insurance Company
Peerless Indemnity Insurance Company	Peerless Insurance Company
Pilot Insurance Services, Inc.	Rianoc Research Corporation
S.C. Bellevue, Inc.	SAFECARE Company, Inc.
Safeco Corporation	Safeco General Agency, Inc.
Safeco Insurance Company of America	Safeco Insurance Company of Illinois
Safeco Insurance Company of Indiana	Safeco Insurance Company of Oregon
Safeco Lloyds Insurance Company	Safeco National Insurance Company
Safeco Properties, Inc.	Safeco Surplus Lines Insurance Company
San Diego Insurance Company	SCIT, Inc.
St. James Insurance Company Ltd.	State Agency, Inc. (Indiana corporation) (Dissolved 8/23/2010)
State Agency, Inc. (Wisconsin corporation) (Dissolved 8/24/2010)	Summit Consulting, Inc.
Summit Consulting, Inc. of Louisiana	Summit Holding Southeast, Inc.
The First Liberty Insurance Corporation	The Midwestern Indemnity Company
The Ohio Casualty Insurance Company	The Netherlands Insurance Company
Wausau General Insurance Company	The National Corporation
West American Insurance Company	Wausau Business Insurance Company
Winmar of the Desert, Inc.	Wausau Underwriters Insurance Company
Winmar-Metro, Inc.	Winmar Company, Inc.
	Winmar Oregon, Inc.

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

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Insurance Company ("LMIC"), a Massachusetts insurance company. The ultimate parent of LMIC is Liberty Mutual Holding Company Inc., a Massachusetts company.
- B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.
- C. There have been no material transactions with the Company's affiliates during 2010.
- D. At December 31, 2010, the Company reported a net \$268,297 due from affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.

NOTES TO FINANCIAL STATEMENTS

- E. The Company has not made any guarantees or initiated any undertakings for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.
- F. Refer to Note 26 for information regarding the Inter-Company Reinsurance Agreement.

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

There is an "Agent-Company Agreement" between the Company and Helmsman Insurance Agency, Inc. ("Helmsman") whereby Helmsman provides agent commission payments, accounting, office services and other services under the terms of the Agreement.

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

- G. The Company is a member of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company
- I. The Company does not own investments in subsidiary, controlled or affiliated companies that exceed 10% of its admitted assets.
- J. The Company does not own any investments in subsidiary, controlled or affiliated entities.
- K. The Company does not hold any investments in foreign insurance subsidiaries.
- L. The Company does not hold any investments in downstream non-insurance holding companies.

Note 11 - Debt

- A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

- B. Federal Home Loan Bank Agreements

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

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

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

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

1. The Company has 30,000 shares authorized, issued and outstanding as of December 31, 2010. All shares have a stated par value of \$120.
2. Preferred Stock
Not applicable
3. There are no dividend restrictions.
4. The Company did not pay any dividends to its parent during 2010.
5. The maximum amount of dividends which can be paid by Illinois-domiciled insurance companies to shareholders without the prior approval of the Insurance Director is the greater of (a) 10% of surplus or (b) net income, subject to the availability of accumulated undistributed earnings. The maximum dividend payout which may be made without prior approval in 2011 is \$2,365,062.
6. As of December 31, 2010, the Company has restricted surplus of \$230,812 from recording the increase in admitted adjusted gross DTA's as a result of applying the revised guidance in SSAP No. 10R, *Income Taxes*, and pre-tax restricted surplus of \$1,293,860 resulting from retroactive reinsurance contracts.

NOTES TO FINANCIAL STATEMENTS

7. The Company had no advances to surplus.
8. The Company does not hold stock for special purposes.
9. The Company had changes in special surplus funds resulting from retroactive reinsurance contracts during 2010.
10. The portion of unassigned funds (surplus) represented by cumulative net unrealized gains and (losses) is \$0.
11. Surplus Notes
Not applicable
12. Quasi re-organization (dollar impact)
Not applicable
13. Quasi re-organization (effective date)
Not applicable

Note 14 - Contingencies

A. Contingent Commitments

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

B. Assessments

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

The Company has accrued a liability for guaranty funds and other assessments of \$223,103 that is offset by future premium tax credits of \$25,260. 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 2009.

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

C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$350,000

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

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

Indicate whether claim count information is disclosed per claim or per claimant.

(f) Per Claim [X]

(g) Per Claimant []

E. All Other Contingencies

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

NOTES TO FINANCIAL STATEMENTS

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. Lessee Leasing Arrangements

The Company leases office space, plant and equipment under various non cancelable operating lease arrangements. The Company has also entered into sale-leaseback arrangements with unrelated parties on certain property, plant and equipment. The transactions have been accounted for in accordance with SSAP No. 22. The Company has a purchase option for all property, plant and equipment at the end of each respective lease.

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

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2011	\$33,746	\$108,026
2012	33,518	106,060
2013	33,478	80,321
2014	21,303	47,028
2015	20,940	28,170
2016 & thereafter	6,621	134,289
Total	\$149,606	\$503,894

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

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

Note 16 - Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

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

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

A. Transfers of Receivables Reported as Sales

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

B. Transfers and Servicing of Financial Assets

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income and mortgage backed securities are loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. The Company does not participate in term loans; therefore, the Company does not have contractual collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities, such as Treasuries and Agency Bonds. Collateral is not restricted and currently \$0 extends beyond one year from December 31, 2010. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 102% of the market value of the loaned securities. Additionally, the lending agent indemnifies the Company against borrower defaults. Cash collateral is carried as an asset with an offsetting liability on the balance sheet, as the Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company.

At December 31, 2010 the total fair value of securities on loan was \$3,708,986, with corresponding collateral value of \$3,803,056 of which \$2,155,998 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 in excess of actual expenses on ASO plans and the net gain was \$924. Claim payment volume was \$42,191.

NOTES TO FINANCIAL STATEMENTS

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20 - Fair Value Measurements

Pursuant to the guidance in SSAP No. 100, *Fair Value Measurements*, the Company has no assets or liabilities measured at fair value.

Note 21 - Other Items

A. Extraordinary Items

The Company has no extraordinary items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

1) Florida Special Disability Trust Fund

- a) The amount of credit taken by the Company in determination of its loss reserves was \$0 in 2010 and 2009.
- b) The Company reported loss recoveries from the Special Disability Trust Fund of \$2,073 in 2010 and \$2,617 in 2009.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$7,358 in 2010 and \$218,178 in 2009.

2) Assets in the amount of \$10,566,769 and \$10,333,703 as of December 31, 2010 and 2009, respectively, were on deposit with government authorities or trustees as required by law.

3) Interrogatory 6.1

In 2010, as a member of an inter-company reinsurance pooling arrangement, the Company had the benefit of Workers' Compensation Catastrophe reinsurance with limits of \$400,000,000 part of \$500,000,000 xs \$700,000,000 purchased by LMIC, the lead company of the inter-company reinsurance pool.

Interrogatory 6.3

As a member of an inter-company reinsurance pooling arrangement, the Company had the benefit of \$1,500,000,000 part of \$1,700,000,000 xs \$1,300,000,000, \$150,000,000 xs \$1,150,000,000 (Earthquake only), \$455,000,000 part of \$650,000,000 xs \$650,000,000 xs \$650,000,000 in second event coverage, and a 30% QS treaty in place for its US Homeowners portfolio that covers catastrophe losses up to \$1,750,000,000 for Wind and \$400,000,000 for Earthquake, purchased by LMIC, the lead company of the inter-company reinsurance pool.

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

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

<u>Description of State Transferable Tax Credits</u>	<u>State</u>	<u>Carrying Value</u>	<u>Unused Amount</u>
Historical Rehabilitation Credit	OK	\$27,300	\$27,300
<u>Total</u>		<u>\$27,300</u>	<u>\$27,300</u>

NOTES TO FINANCIAL STATEMENTS

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

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

(3) Impairment Loss

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

G. Subprime-Mortgage-Related Risk Exposure

1. The Company has not purchased securities characterized by the market as subprime. The Company reviews such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities.
2. The Company does not have any direct exposure through investments in sub-prime mortgage loans.
3. The Company does not have any direct exposure through other investments.
4. The Company does not have any underwriting exposure to sub-prime mortgage risk.

Note 22 - Events Subsequent

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

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

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverable

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

B. Reinsurance Recoverable in Dispute

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

C. Reinsurance Assumed & Ceded

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

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$4,745,977	\$42,318	\$361,473,097	\$11,900,484	\$(356,727,120)	\$(11,858,166)
All Other	0	0	0	0	0	0
Total	\$4,745,977	\$42,318	\$361,473,097	\$11,900,484	\$(356,727,120)	\$(11,858,166)

Direct Unearned Premium Reserve: \$361,473,097

2. Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2010 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$776,854	\$23,161	\$776,854	\$23,161
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	(195,000)	0	(195,000)
Totals	\$776,854	\$(171,839)	\$776,854	\$(171,839)

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

D. Uncollectible Reinsurance

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

E. Commutation of Ceded Reinsurance

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

NOTES TO FINANCIAL STATEMENTS

F. Retroactive Reinsurance

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

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial	\$(2,293,205)	-
	2. Adjustments – Prior Year(s)	326,967	-
	3. Adjustments – Current Year	80,093	-
	4. Total	\$(1,886,145)	-
b.	Consideration Paid or Received:		
	1. Initial	\$(946,048)	-
	2. Adjustments – Prior Year(s)	(54,730)	-
	3. Adjustments – Current Year	(1,094)	-
	4. Total	\$(1,001,872)	-
c.	Amounts Recovered / Paid – Cumulative:		
	1. Initial	\$(36,226)	-
	2. Adjustments – Prior Year(s)	(436,909)	-
	3. Adjustments – Current Year	(86,921)	-
	4. Total	\$(560,056)	-
d.	Special Surplus from Retroactive Reinsurance:		
	1. Initial Surplus Gain or Loss	\$1,383,383	-
	2. Adjustments – Prior Year(s)	55,212	-
	3. Adjustments – Current Year	5,734	-
	4. Current Year Special Surplus	1,293,860	-
	5. Cumulative Total Transferred to Unassigned Funds	\$150,469	-
e.	All cedents and reinsurers included in the above transactions:		
	Liberty Mutual Insurance Company, 23043	\$(1,886,145)	-
	Total	\$(1,886,145)	-

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

G. Reinsurance Accounted for as a Deposit

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

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

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

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

- A. 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 refer to Schedule P, Part 7A.
- D. Ten Percent of the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss adjustment expense reserves), or collateral as permitted by SSAP No. 66, *Retrospectively Rated Contracts*, has been non-admitted.

a.	Total accrued retro premium	636,592
b.	Unsecured amount	
c.	Less: Non-admitted amount (10%)	63,818
d.	Less: Non-admitted for any person for whom agents' balances or uncollected premiums are non-admitted	
e.	Admitted amount (a) - (c) - (d)	\$572,774

NOTES TO FINANCIAL STATEMENTS

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expenses attributable to insured events of prior years decreased overall in 2010. The favorable development was primarily a result of decreases in the Commercial Auto Liability, Special Liability, and Product Liability-Occurrence lines, partially offset by an increase in the Other Liability-Occurrence line. Original estimates are revised as additional information becomes known regarding individual claims.

Note 26 - Inter-Company Pooling Arrangements

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

		NAIC Company <u>Number</u>	Pooling <u>Percentage</u>	Line of <u>Business</u>
Lead Company:	Liberty Mutual Insurance Company ("LMIC")	23043	73.80%	All Lines
Affiliated Pool Companies:	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	12.90%	All Lines
	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	4.00%	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
	LM General Insurance Company ("LMGIC")	36447	0.10%	All Lines
	LM Personal Insurance Company ("LMPIC")	36439	0.10%	All Lines
	Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.00%	All Lines
	Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.00%	All Lines
	Liberty Personal Insurance Company ("LPIC")	11746	0.00%	All Lines
	Liberty Surplus Insurance Corporation ("LSI")	10725	0.00%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.00%	All Lines
	Wausau General Insurance Company ("WGIC")	26425	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	Personal Lines Only
			100.00%	
100% Quota Share Affiliated Companies:	Bridgefield Employers Insurance Company ("BEIC")	10701	0.00%	All Lines
	Bridgefield Casualty Insurance Company ("BCIC")	10335	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

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) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (c) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance, is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- (d) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- (e) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- (f) The write-off of uncollectible reinsurance is pooled and the provision for reinsurance is recognized by the entity placing the outbound external reinsurance.
- (g) Amounts due (to)/from affiliated entities participating in the Liberty Mutual inter-company pool as at December 31, 2010:

Affiliate:	Amount:
Liberty Mutual Insurance Company	(60,871,839)
Liberty Mutual Fire Insurance Company	28,921,566

NOTES TO FINANCIAL STATEMENTS

Liberty Insurance Corporation	8,967,927
LM Insurance Corporation	448,396
The First Liberty Insurance Corporation	224,198
Employers Insurance Company of Wausau	20,067,770
Wausau Underwriters Insurance Company	896,793
Wausau Business Insurance Company	896,793
LM General Insurance Company	224,198
LM Personal Insurance Company	224,198

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

Effective January 1, 2010, LMGIC and LMPIC canceled their 100% Quota Share Agreements with LMPAC and became participants in the Liberty Mutual Inter-Company Reinsurance Agreement with a 0.10% pool participation percentage.

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

Effective January 1, 2010, LLOT and LMPICO terminated their 100% Quota Share Inter-Company Reinsurance Agreements with LMIC and became participants in the Liberty Mutual Inter-Company Reinsurance Agreement with a 0.00% pool participation percentage.

Note 27 - Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of \$534,200 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 \$534,200 as of December 31, 2010.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

Life Insurance Company and Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$ 312,207

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 - Premium Deficiency Reserves

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

Note 31 - High Dollar Deductible Policies

As of December 31, 2010, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$4,822,692 and the amount billed and recoverable on paid claims was \$222,527.

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

For Workers' Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers' compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. Asbestos structured settlements are discounted at 4.5%. The December 31, 2010 liabilities subject to discount were carried at a value representing a discount of \$1,132,431 net of all reinsurance.

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

NOTES TO FINANCIAL STATEMENTS

Note 33 - Asbestos/Environmental Reserves

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

Upon the de-affiliation of EICOW, WBIC, WUIC and WGIC ("Wausau Companies") from the Nationwide Group and becoming members of the Liberty Pool, the Wausau Companies entered into ceded reinsurance contracts whereby Nationwide Indemnity Company assumed full responsibility for the 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 collectability of reinsurance.

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

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

In the third quarter of 2009, the Company completed its biennial ground-up asbestos reserve study. The study was completed by a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel, and it included all major segments of the Company's direct, assumed, and ceded asbestos claims. As part of the internal review, potential exposures of certain policyholders were individually evaluated using the Company's proprietary stochastic model, which is consistent with the latest published actuarial paper on asbestos reserving. Among the factors reviewed in depth by the team of specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, types of injury, state jurisdictions, legal defenses, and reinsurance potential. The remaining policyholders (those with less potential exposure) were evaluated using aggregate methods that utilized information and experience specific to these insureds. Between comprehensive studies, the Company monitors asbestos activity to determine whether or not any adjustment to reserves is warranted. The Company also completed its annual study on the environmental claims liability, resulting in immaterial adjustments to held reserves. During 2010 the Company monitored asbestos and environmental activity to determine whether or not any adjustment to reserves is warranted. Based on this review of actual emerged losses, no material adjustments were made.

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

Asbestos:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Direct Basis					
Beginning Reserves	1,998,250	1,849,760	1,682,307	1,563,172	1,851,446
Incurring losses and LAE	100,519	231,202	142,644	549,288	76,866
Calendar year payments	249,008	398,656	261,779	261,014	566,120
Ending Reserves	<u>1,849,760</u>	<u>1,682,307</u>	<u>1,563,172</u>	<u>1,851,446</u>	<u>1,362,191</u>
Assumed Reinsurance Basis					
Beginning Reserves	513,880	543,463	708,252	670,538	479,936
Incurring losses and LAE	48,811	191,647	(7,572)	(152,757)	48,747
Calendar year payments	19,228	26,858	30,142	37,845	51,055
Ending Reserves	<u>543,463</u>	<u>708,252</u>	<u>670,538</u>	<u>479,936</u>	<u>477,628</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	1,042,356	897,022	797,335	659,357	886,870
Incurring losses and LAE	12,204	85,126	14,244	395,552	(107,172)
Calendar year payments	157,538	184,814	152,222	168,038	202,754
Ending Reserves	<u>897,022</u>	<u>797,335</u>	<u>659,357</u>	<u>886,870</u>	<u>576,944</u>

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

Direct Basis	688,087
Assumed Reinsurance Basis	367,899
Net of Ceded Reinsurance Basis	276,779

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

Direct Basis	525,835
Assumed Reinsurance Basis	20,249
Net of Ceded Reinsurance Basis	219,654

Environmental:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Direct Basis					
Beginning Reserves	685,997	505,514	450,874	373,242	306,539
Incurring losses and LAE	47,851	5,881	6,837	28,154	39,441
Calendar year payments	228,334	60,522	84,469	94,857	52,428
Ending Reserves	<u>505,514</u>	<u>450,874</u>	<u>373,242</u>	<u>306,539</u>	<u>293,552</u>
Assumed Reinsurance Basis					
Beginning Reserves	52,319	47,947	40,855	40,741	52,752
Incurring losses and LAE	881	1,475	3,590	17,187	(552)
Calendar year payments	5,253	8,567	3,705	5,176	11,473
Ending Reserves	<u>47,947</u>	<u>40,855</u>	<u>40,741</u>	<u>52,752</u>	<u>40,726</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	426,821	395,366	363,636	311,587	263,696
Incurring losses and LAE	20,201	9,819	(13)	(3)	(2,834)
Calendar year payments	51,656	41,549	52,036	47,888	29,724
Ending Reserves	<u>395,366</u>	<u>363,636</u>	<u>311,587</u>	<u>263,696</u>	<u>231,137</u>

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

Direct Basis	178,242
Assumed Reinsurance Basis	25,204
Net of Ceded Reinsurance Basis	141,444

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

Direct Basis	128,081
Assumed Reinsurance Basis	2,454
Net of Ceded Reinsurance Basis	84,084

NOTES TO FINANCIAL STATEMENTS

Note 34 - Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

Note 36 - Financial Guarantee Insurance

Not applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes 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? _____ Illinois _____
- 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: _____ 12/08/2010 _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. _____ 12/31/2009 _____
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. _____ 12/31/2004 _____
- 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). _____ 06/24/2006 _____
- 3.4 By what department or departments?
 Illinois Department of Financial and Professional Regulation Division 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
_____	00000	_____
_____	00000	_____
_____	00000	_____

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

GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]

7.2 If yes,

- 7.21 State the percentage of foreign control. _____ %
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity
.....

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

.....

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Ernst & Young, LLP
 200 Clarendon Street
 Boston, MA 02116

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

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

.....

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

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

.....

GENERAL INTERROGATORIES

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

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

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

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

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
 William Finn
 175 Berkeley Street, Boston, MA 02116
 Officer of Liberty Mutual Group Inc.

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

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

12.2 If yes, provide explanation:

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

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

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

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

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

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
 a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
 c. Compliance with applicable governmental laws, rules, and regulations;
 d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
 e. Accountability for adherence to the code. Yes [X] No []

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

GENERAL INTERROGATORIES

- 14.2 Has the code of ethics for senior managers been amended? Yes No
- 14.21 If the response to 14.2 is yes, provide information related to amendment(s).
 During the 1st quarter, Liberty Mutual Group published several non-material changes to its Code of Business Ethics and Conduct designed to clarify existing Code provisions.

- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes No
- 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

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

FINANCIAL

18. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes No
- 19.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- | | | | |
|--|---|----|----------|
| | 19.11 To directors or other officers | \$ | <u>0</u> |
| | 19.12 To stockholders not officers | \$ | <u>0</u> |
| | 19.13 Trustees, supreme or grand (Fraternal only) | \$ | <u>0</u> |
- 19.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- | | | | |
|--|---|----|----------|
| | 19.21 To directors or other officers | \$ | <u>0</u> |
| | 19.22 To stockholders not officers | \$ | <u>0</u> |
| | 19.23 Trustees, supreme or grand (Fraternal only) | \$ | <u>0</u> |
- 20.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes No
- 20.2 If yes, state the amount thereof at December 31 of the current year:
- | | | | |
|--|----------------------------|----|----------|
| | 20.21 Rented from others | \$ | <u>0</u> |
| | 20.22 Borrowed from others | \$ | <u>0</u> |
| | 20.23 Leased from others | \$ | <u>0</u> |
| | 20.24 Other | \$ | <u>0</u> |
- 21.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes No
- 21.2 If answer is yes:
- | | | | |
|--|--|----|----------|
| | 21.21 Amount paid as losses or risk adjustment | \$ | <u>0</u> |
| | 21.22 Amount paid as expenses | \$ | <u>0</u> |
| | 21.23 Other amounts paid | \$ | <u>0</u> |
- 22.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes No
- 22.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

GENERAL INTERROGATORIES

INVESTMENT

23.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 23.3)

Yes No

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

.....

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

Please reference Note 17B.

.....

23.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes No N/A

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

\$ 3,802,736

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

\$ 0

23.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?

Yes No N/A

23.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

Yes No N/A

23.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities lending Agreement (MLSA) to conduct securities lending?

Yes No N/A

24.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 20.1 and 23.3)

Yes No

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

	24.21	Subject to repurchase agreements	\$ <u>0</u>
	24.22	Subject to reverse repurchase agreements	\$ <u>0</u>
	24.23	Subject to dollar repurchase agreements	\$ <u>0</u>
	24.24	Subject to reverse dollar repurchase agreements	\$ <u>0</u>
	24.25	Pledged as collateral	\$ <u>0</u>
	24.26	Placed under option agreements	\$ <u>0</u>
	24.27	Letter stock or securities restricted as to sale	\$ <u>0</u>
	24.28	On deposit with state or other regulatory body	\$ <u>10,556,769</u>
	24.29	Other	\$ <u>0</u>

24.3 For category (24.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	0
.....	0
.....	0

25.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes No

25.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement.

Yes No N/A

26.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes No

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

\$ 0

GENERAL INTERROGATORIES

27. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes No

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

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase	1 Chase Manhattan Plaza, New York, NY 10005

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

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

27.03 Have there been any changes, including name changes, in the custodian(s) identified in 27.01 during the current year?

Yes No

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

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

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

1 Central Registration Depository Number(s)	2 Name(s)	3 Address
N/A	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Group Inc.	175 Berkeley Street, Boston, MA 02116

28.1 Does the reporting entity have any diversified mutual funds reported in Schedule D – Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?

Yes No

28.2 If yes, complete the following schedule:

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

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
		0	
		0	
		0	

GENERAL INTERROGATORIES

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
29.1 Bonds	44,026,107	45,557,793	1,531,686
29.2 Preferred stocks	0	0	0
29.3 Totals	44,026,107	45,557,793	1,531,686

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

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

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

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

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

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

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

31.2 If no, list exceptions:

OTHER

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

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

1 Name	2 Amount Paid
	0
	0
	0

33.1 Amount of payments for legal expenses, if any? \$ 49,005

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

1 Name	2 Amount Paid
	0
	0
	0

34.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 7,487

GENERAL INTERROGATORIES

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

1 Name	2 Amount Paid
	0
	0
	0

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]

1.2 If yes, indicate premium earned on U.S. business only. \$ 0

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

1.31 Reason for excluding

.....

.....

.....

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ 0

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ 0

1.62 Total incurred claims \$ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned \$ 0

1.65 Total incurred claims \$ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ 0

1.72 Total incurred claims \$ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned \$ 0

1.75 Total incurred claims \$ 0

1.76 Number of covered lives 0

2. Health Test:

	1		2	
	Current Year		Prior Year	
2.1 Premium Numerator	\$ <u>2,153</u>		\$ <u>52</u>	
2.2 Premium Denominator	\$ <u>10,355,742</u>		\$ <u>9,959,547</u>	
2.3 Premium Ratio (2.1/2.2)	<u>0.00</u>		<u>0.00</u>	
2.4 Reserve Numerator	\$ <u>5,151</u>		\$ <u>4,841</u>	
2.5 Reserve Denominator	\$ <u>25,682,029</u>		\$ <u>25,310,701</u>	
2.6 Reserve Ratio (2.4/2.5)	<u>0.00</u>		<u>0.00</u>	

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 \$ 0

3.22 Non-participating policies \$ 0

4. For Mutual reporting entities and Reciprocal Exchanges only:

4.1 Does the reporting entity issue assessable policies? Yes [] No [X]

4.2 Does the reporting entity issue non-assessable policies? Yes [] No [X]

4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? 0

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

.....

.....

.....

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

5.5 If yes, give full information

.....

.....

.....

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:
See Note 21C

.....

.....

.....

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
 The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, we employ RiskLink v10.0 from RMS and AIR Classic/2 v12.0. For workers' compensation, Liberty Mutual utilizes RiskLink v10.0 from RMS.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
 See Note 21C
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes No
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes No
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. _____ 6
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes No
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes No
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 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
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes No
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes No
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
 (a) The entity does not utilize reinsurance; or, Yes No
 (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

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes No N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes No
- 11.2 If yes, give full information

- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | | | |
|---|--|----|---------|
| 12.11 Unpaid losses | | \$ | 467,611 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | | \$ | 142,817 |
- 12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 106,619
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes No N/A
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- | | | |
|------------|--|------|
| 12.41 From | | 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 No
- 12.6 If yes, state the amount thereof at December 31 of current year:
- | | | | |
|----------------------------------|--|----|-----------|
| 12.61 Letters of Credit | | \$ | 7,443,546 |
| 12.62 Collateral and other funds | | \$ | 1,345,287 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 62,725
- 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
- 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. 9
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes No
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
 Premiums and recoverables were allocated pursuant to the intercompany pooling agreement.

- 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
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes No
- 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
- 15.2 If yes, give full information

- 16.1 Does the reporting entity write any warranty business? Yes No
 If yes, disclose the following information for each of the following types of warranty coverage:
- | | 1 | 2 | 3 | 4 | 5 |
|------------------|------------------------|----------------------|------------------------|-------------------------|-----------------------|
| | Direct Losses Incurred | Direct Losses Unpaid | Direct Written Premium | Direct Premium Unearned | Direct Premium Earned |
| 16.11 Home | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 16.12 Products | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 16.13 Automobile | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 16.14 Other* | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

* Disclose type of coverage: _____

GENERAL INTERROGATORIES**PART 2 – PROPERTY & CASUALTY INTERROGATORIES**

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5.

Yes [] No [X]

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

17.11 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	\$	0
17.12 Unfunded portion of Interrogatory 17.11	\$	0
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$	0
17.14 Case reserves portion of Interrogatory 17.11	\$	0
17.15 Incurred but not reported portion of Interrogatory 17.11	\$	0
17.16 Unearned premium portion of Interrogatory 17.11	\$	0
17.17 Contingent commission portion of Interrogatory 17.11	\$	0

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

17.18 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	\$	0
17.19 Unfunded portion of Interrogatory 17.18	\$	0
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$	0
17.21 Case reserves portion of Interrogatory 17.18	\$	0
17.22 Incurred but not reported portion of Interrogatory 17.18	\$	0
17.23 Unearned premium portion of Interrogatory 17.18	\$	0
17.24 Contingent commission portion of Interrogatory 17.18	\$	0

18.1 Do you act as a custodian for health savings accounts?

Yes [] No [X]

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

\$ 0

18.3 Do you act as an administrator for health savings accounts?

Yes [] No [X]

18.4 If yes, please provide the balance of the funds administered as of the reporting date.

\$ 0

FIVE – YEAR HISTORICAL DATA

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

	1	2	3	4	5
	2010	2009	2008	2007	2006
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	287,881,572	315,181,890	308,502,506	305,815,108	287,136,082
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	147,828,818	141,119,223	137,681,442	127,383,792	117,850,290
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	305,421,553	300,550,873	269,767,242	239,226,200	188,919,706
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	19,964	25,028	(145,553)	302,354	250,877
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	264,931	251,983	231,309	187,616	114,714
6. Total (Line 35)	741,416,838	757,128,997	716,036,946	672,915,070	594,271,669
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	6,858,171	6,390,083	7,076,698	7,853,543	7,591,870
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,645,885	1,898,311	1,833,381	1,838,551	1,955,454
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,770,957	1,443,444	1,723,435	1,971,641	1,953,135
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	12,414	13,767	(158,282)	298,228	248,958
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	264,931	251,983	231,309	187,616	114,714
12. Total (Line 35)	10,552,358	9,997,588	10,706,541	12,149,579	11,864,131
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(836,999)	(1,101,806)	(631,245)	(653,813)	(358,426)
14. Net investment gain (loss) (Line 11)	1,538,432	1,727,888	2,052,509	2,046,490	1,899,791
15. Total other income (Line 15)	(105,898)	(164,285)	(124,854)	(114,326)	(88,351)
16. Dividends to policyholders (Line 17)	62,948	23,138	26,791	69,773	51,028
17. Federal and foreign income taxes incurred (Line 19)	45,214	160,325	332,500	420,890	661,114
18. Net income (Line 20)	487,373	278,334	937,119	787,688	740,872
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	52,963,974	51,133,059	47,456,214	47,641,180	45,620,600
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	1,046,669	1,187,716	1,245,880	1,061,695	823,107
20.2 Deferred and not yet due (Line 15.2)	2,737,269	2,815,315	2,426,714	2,750,482	2,752,816
20.3 Accrued retrospective premiums (Line 15.3)	572,774	439,735	479,172	510,790	695,816
21. Total liabilities excluding protected cell business (Page 3, Line 26)	29,313,356	29,341,913	25,781,134	25,900,584	24,607,092
22. Losses (Page 3, Line 1)	17,440,797	16,774,264	16,606,950	16,593,890	15,292,424
23. Loss adjustment expenses (Page 3, Line 3)	3,495,255	3,393,626	3,249,639	3,389,530	3,134,723
24. Unearned premiums (Page 3, Line 9)	4,745,977	4,390,724	4,374,334	4,846,758	4,683,768
25. Capital paid up (Page 3, Lines 30 & 31)	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
26. Surplus as regards policyholders (Page 3, Line 37)	23,650,618	21,791,146	21,675,080	21,740,596	21,013,508
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	1,945,461	237,686	691,159	1,848,188	3,302,613
Risk-Based Capital Analysis					
28. Total adjusted capital	23,650,618	21,791,146	21,675,080	21,740,596	21,013,508
29. Authorized control level risk-based capital	1,531,844	1,506,057	1,443,415	1,674,524	1,477,665
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	93.4	90.1	81.8	89.4	91.0
31. Stocks (Lines 2.1 & 2.2)			2.8	3.4	3.5
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	2.0	9.9	15.4	7.2	5.5
35. Contract loans (Line 6)					
36. Derivatives (Line 7)		X X X	X X X	X X X	X X X
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)				0.0	0.0
39. Securities lending reinvested collateral assets (Line 10)	4.7	X X X	X X X	X X X	X X X
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Lines 42 to 47					
49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)					

FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2010	2009	2008	2007	2006
Capital and Surplus Accounts (Page 4)					
50. Net unrealized capital gains (losses) (Line 24)		252,566	(238,512)	(44,564)	7,755
51. Dividends to stockholders (Line 35)					
52. Change in surplus as regards policyholders for the year (Line 38)	1,859,472	116,066	(65,516)	727,088	637,796
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
53. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	178,379,307	167,432,421	154,759,578	142,160,826	120,793,625
54. Property lines (Lines 1, 2, 9, 12, 21 & 26)	82,345,309	77,861,342	74,460,030	67,798,714	59,765,486
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	177,457,301	186,123,380	141,277,652	87,825,375	86,107,684
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	13,332	3,475	109,277	31,891	16,384
57. Nonproportional reinsurance lines (Lines 31, 32 & 33)	190,816	75,422	88,275	107,245	152,130
58. Total (Line 35)	438,386,065	431,496,040	370,694,812	297,924,051	266,835,309
Net Losses Paid (Page 9, Part 2, Col. 4)					
59. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	3,911,117	4,087,328	4,848,064	4,014,854	3,742,266
60. Property lines (Lines 1, 2, 9, 12, 21 & 26)	989,170	1,232,721	1,085,220	1,000,008	1,129,319
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,015,659	1,053,169	1,321,356	891,242	833,475
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	13,332	3,475	109,277	31,891	16,384
63. Nonproportional reinsurance lines (Lines 31, 32 & 33)	190,816	75,422	88,275	107,245	152,130
64. Total (Line 35)	6,120,094	6,452,115	7,452,192	6,045,240	5,873,574
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
65. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
66. Losses incurred (Line 2)	65.1	65.8	67.8	61.9	61.1
67. Loss expenses incurred (Line 3)	17.9	19.5	15.8	15.9	15.3
68. Other underwriting expenses incurred (Line 4)	25.1	25.8	22.1	27.8	26.8
69. Net underwriting gain (loss) (Line 8)	(8.1)	(11.1)	(5.7)	(5.5)	(3.2)
Other Percentages					
70. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	25.6	27.3	24.1	27.9	26.4
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	83.0	85.3	83.5	77.8	76.4
72. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	44.6	45.9	49.4	55.9	56.5
One Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(113)	241	(334)	313	499
74. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100.0)	(0.5)	1.1	(1.5)	1.5	2.4
Two Year Loss Development (000 omitted)					
75. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(99)	(58)	237	1,131	1,349
76. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0)	(0.5)	(0.3)	1.1	5.6	6.9

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

Yes [] No [X]

If no, please explain:

Not applicable

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

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			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	5	6	7	8	9			
				Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	X X X	X X X	X X X	1,075	416	227	130	27	8	18	775	X X X
2. 2001	9,715	1,681	8,034	7,537	1,809	611	109	741	13	239	6,958	X X X
3. 2002	11,126	2,250	8,876	7,157	1,589	581	104	840	10	364	6,875	X X X
4. 2003	12,437	3,018	9,419	6,545	1,458	553	72	889	14	380	6,443	X X X
5. 2004	12,985	3,410	9,575	6,387	1,661	501	97	897	47	374	5,980	X X X
6. 2005	13,369	3,156	10,213	7,530	2,276	499	101	907	64	365	6,495	X X X
7. 2006	14,511	3,310	11,201	6,286	1,191	482	63	961	68	363	6,407	X X X
8. 2007	15,226	3,601	11,625	6,744	1,543	476	67	976	83	424	6,503	X X X
9. 2008	16,011	4,319	11,692	7,513	1,828	416	49	1,069	70	370	7,051	X X X
10. 2009	15,194	4,742	10,452	5,886	1,773	248	35	995	12	329	5,309	X X X
11. 2010	15,355	4,999	10,356	4,424	1,740	107	15	826	4	228	3,598	X X X
12. Totals	X X X	X X X	X X X	67,084	17,284	4,701	842	9,128	393	3,454	62,394	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	14	15	16	17	18	19	20	21	22			
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	4,774	1,492	1,948	1,421	301	234	857	321	146		49	4,558	X X X
2. 2001	317	125	170	137	4	1	39	27	6		3	246	X X X
3. 2002	317	200	264	212	6	2	41	18	6		6	202	X X X
4. 2003	298	121	499	204	10	4	47	14	7		10	518	X X X
5. 2004	337	110	550	139	12	3	98	11	19		13	753	X X X
6. 2005	418	144	674	291	13	2	90	23	15	5	20	745	X X X
7. 2006	561	154	790	255	22	5	186	33	22		29	1,134	X X X
8. 2007	834	173	986	219	37	7	243	39	36	5	35	1,693	X X X
9. 2008	1,240	269	1,512	429	48	7	419	75	118	16	54	2,541	X X X
10. 2009	1,353	180	2,134	460	50	5	528	77	164	2	69	3,505	X X X
11. 2010	1,710	255	3,403	661	50	4	520	64	345	4	184	5,040	X X X
12. Totals	12,159	3,223	12,930	4,428	553	274	3,068	702	884	32	472	20,935	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	27	28	29	30	31	32	33		35	36
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense		Losses Unpaid	Loss 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	3,809	749
2. 2001	9,425	2,221	7,204	97.015	132.124	89.669			0.100	225	21
3. 2002	9,212	2,135	7,077	82.797	94.889	79.732			0.100	169	33
4. 2003	8,848	1,887	6,961	71.143	62.525	73.904			0.100	472	46
5. 2004	8,801	2,068	6,733	67.778	60.645	70.319			0.100	638	115
6. 2005	10,146	2,906	7,240	75.892	92.079	70.890			0.100	657	88
7. 2006	9,310	1,769	7,541	64.158	53.444	67.324			0.100	942	192
8. 2007	10,332	2,136	8,196	67.858	59.317	70.503			0.100	1,428	265
9. 2008	12,335	2,743	9,592	77.041	63.510	82.039			0.100	2,054	487
10. 2009	11,358	2,544	8,814	74.753	53.648	84.328			0.100	2,847	658
11. 2010	11,385	2,747	8,638	74.145	54.951	83.411			0.100	4,197	843
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	17,438	3,497

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements, which will reconcile Part 1 with Parts 2 and 4.

SCHEDULE P – PART 2 – SUMMARY

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										DEVELOPMENT		
	1	2	3	4	5	6	7	8	9	10	11	12	
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	One Year	Two Year	
1. Prior	12,907	13,685	14,576	15,652	16,433	16,926	17,571	17,512	17,904	17,861	(43)	349	
2. 2001	6,271	6,100	6,196	6,120	6,314	6,394	6,443	6,468	6,501	6,498	(3)	30	
3. 2002	XXX	6,199	5,863	5,867	6,068	6,185	6,229	6,262	6,258	6,273	15	11	
4. 2003	XXX	XXX	6,488	5,830	5,665	5,993	6,083	6,080	6,116	6,122	6	42	
5. 2004	XXX	XXX	XXX	6,513	6,046	5,880	5,913	5,900	5,889	5,928	39	28	
6. 2005	XXX	XXX	XXX	XXX	7,089	6,745	6,569	6,471	6,471	6,450	(21)	(21)	
7. 2006	XXX	XXX	XXX	XXX	XXX	7,245	6,921	6,785	6,757	6,704	(53)	(81)	
8. 2007	XXX	XXX	XXX	XXX	XXX	XXX	7,742	7,558	7,366	7,354	(12)	(204)	
9. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	8,842	8,768	8,589	(179)	(253)	
10. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,617	7,755	138	XXX	
11. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,568	XXX	XXX	
											12. Totals	(113)	(99)

SCHEDULE P – PART 3 – SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		
1. Prior	000	3,075	5,232	7,160	8,440	9,474	10,418	11,273	11,988	12,744	XXX	XXX
2. 2001	2,832	4,252	4,971	5,404	5,720	5,888	6,019	6,108	6,170	6,230	XXX	XXX
3. 2002	XXX	2,635	4,068	4,902	5,319	5,664	5,823	5,931	5,998	6,045	XXX	XXX
4. 2003	XXX	XXX	2,450	3,739	4,380	4,841	5,155	5,347	5,482	5,568	XXX	XXX
5. 2004	XXX	XXX	XXX	2,237	3,456	4,039	4,507	4,817	5,010	5,130	XXX	XXX
6. 2005	XXX	XXX	XXX	XXX	2,580	3,968	4,667	5,134	5,451	5,652	XXX	XXX
7. 2006	XXX	XXX	XXX	XXX	XXX	2,519	3,882	4,650	5,171	5,514	XXX	XXX
8. 2007	XXX	XXX	XXX	XXX	XXX	XXX	2,589	4,166	5,018	5,610	XXX	XXX
9. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,166	5,065	6,052	XXX	XXX
10. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,706	4,326	XXX	XXX
11. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,776	XXX	XXX

SCHEDULE P – PART 4 – SUMMARY

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Prior	3,556	2,290	1,794	1,542	1,779	1,820	1,957	1,588	1,804	1,172
2. 2001	1,764	721	432	221	179	144	125	96	77	50
3. 2002	XXX	1,887	745	336	254	196	170	128	103	85
4. 2003	XXX	XXX	2,707	1,113	509	586	543	449	404	351
5. 2004	XXX	XXX	XXX	2,988	1,667	1,112	861	698	583	537
6. 2005	XXX	XXX	XXX	XXX	3,200	1,738	1,154	809	632	494
7. 2006	XXX	XXX	XXX	XXX	XXX	3,335	1,958	1,315	970	738
8. 2007	XXX	XXX	XXX	XXX	XXX	XXX	3,561	2,172	1,420	1,034
9. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,725	2,266	1,507
10. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,382	2,196
11. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,285

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	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	L	8,949,822	9,029,531		5,482,029	6,492,086	5,946,413	28,068
2. Alaska	AK	L	17,397	44,956		10,735	(52,703)	69,394	
3. Arizona	AZ	L	12,405,618	12,606,033		9,034,300	11,766,349	5,014,891	20,460
4. Arkansas	AR	L	919,565	826,490		467,839	2,007,059	2,261,513	1,189
5. California	CA	L	941,820	1,666,171		2,020,609	567,269	9,370,285	
6. Colorado	CO	L	2,172,216	1,994,949		1,351,062	1,152,446	1,118,457	7,364
7. Connecticut	CT	L	10,230,123	9,449,690		7,433,552	6,958,517	9,807,756	40,941
8. Delaware	DE	L	2,678,519	2,032,997		1,040,911	1,355,594	3,009,457	6,880
9. District of Columbia	DC	L	1,251,139	1,150,212		1,453,236	1,044,485	1,020,993	3,932
10. Florida	FL	L	72,963,125	77,689,742	79,675	47,649,104	55,507,078	81,813,233	74,607
11. Georgia	GA	L	55,601,196	55,974,927	26	41,384,698	36,202,000	15,164,465	96,379
12. Hawaii	HI	L	107,772	38,903		256,693	180,084	611,310	
13. Idaho	ID	L	328,455	313,240		176,608	190,530	192,688	1,266
14. Illinois	IL	L	7,866,990	7,336,633		6,351,051	8,600,933	11,854,683	16,330
15. Indiana	IN	L	3,887,938	3,508,288		2,402,230	3,719,241	5,456,480	5,302
16. Iowa	IA	L	9,536,930	9,158,603		4,988,357	6,327,941	3,525,624	38,309
17. Kansas	KS	L	2,465,097	2,330,058		1,869,446	2,915,228	4,264,390	2,092
18. Kentucky	KY	L	20,212	1,118,081		1,864,022	1,236,088	5,784,462	5,866
19. Louisiana	LA	L	2,783,649	2,272,628		1,472,280	1,282,802	3,394,709	3,001
20. Maine	ME	L	2,721,193	2,523,803		1,627,957	1,764,633	1,586,559	15,968
21. Maryland	MD	L	11,592,237	11,019,800		7,849,369	9,826,189	12,660,548	45,562
22. Massachusetts	MA	L	7,683,423	7,543,137		4,835,259	4,017,718	5,784,569	25,256
23. Michigan	MI	L	2,405,029	2,909,605		1,774,668	2,122,174	4,786,316	40
24. Minnesota	MN	L	2,823,976	2,822,131		1,487,088	2,085,208	2,488,560	5,573
25. Mississippi	MS	L	1,663,511	1,496,438		993,390	1,354,202	1,994,876	828
26. Missouri	MO	L	3,780,145	3,408,556		1,659,133	1,991,238	2,168,171	10,206
27. Montana	MT	L	2,506,750	2,328,957		1,099,579	1,234,706	3,986,435	1,016
28. Nebraska	NE	L	1,372,873	1,077,772		944,391	797,813	2,076,236	600
29. Nevada	NV	L	2,242,185	2,042,520		1,196,700	1,345,299	1,291,829	5,855
30. New Hampshire	NH	L	2,966,116	3,131,454		2,053,900	1,447,389	2,656,677	23,032
31. New Jersey	NJ	L	5,565,654	5,335,190		3,323,468	1,226,858	22,756,987	48
32. New Mexico	NM	L	1,231,015	1,207,431		449,948	629,027	758,721	2,368
33. New York	NY	L	149,823,486	147,082,309		70,937,421	82,678,521	63,000,797	779,465
34. North Carolina	NC	L	1,343,293	1,236,392		1,306,912	1,367,230	5,132,662	
35. North Dakota	ND	L	28,281	27,141		9,552	7,249	11,747	88
36. Ohio	OH	L	1,903,401	1,882,326		1,863,184	1,046,118	1,150,027	10,369
37. Oklahoma	OK	L	3,989,497	3,408,940		2,043,330	2,971,058	2,969,735	6,644
38. Oregon	OR	L	2,049,987	1,967,755		722,257	867,525	820,763	7,190
39. Pennsylvania	PA	L	226,890,747	220,343,558		127,973,989	145,335,979	121,971,213	1,272,602
40. Rhode Island	RI	L	192,160	423,612		1,049,995	968,688	1,217,705	
41. South Carolina	SC	L	855,629	905,996		1,076,166	52,917	2,692,981	
42. South Dakota	SD	L	357,285	314,222		196,294	220,744	285,037	32
43. Tennessee	TN	L	19,380,539	17,340,647		9,228,744	12,322,114	8,906,758	72,939
44. Texas	TX	L	6,326,647	5,747,031		1,543,484	1,564,846	11,400,542	
45. Utah	UT	L	498,629	426,031		53,553	80,475	197,420	976
46. Vermont	VT	L	2,882,834	2,438,446		1,637,366	2,459,663	3,310,338	6,172
47. Virginia	VA	L	66,286,949	69,337,071		43,422,936	44,465,100	29,546,741	394,675
48. Washington	WA	L	60,392	62,836		41,418	41,843	58,663	
49. West Virginia	WV	L	1,533,504	1,042,916		323,052	886,765	735,191	1,721
50. Wisconsin	WI	L	2,711,176	2,288,775	78,962	2,730,774	2,554,782	4,320,924	5,027
51. Wyoming	WY	L	64,182	65,328		101,524	23,865	16,523	296
52. American Samoa	AS	N							
53. Guam	GU	L	2,005	1,598			710	713	
54. Puerto Rico	PR	N	1,405	1,407			250	327	
55. U.S. Virgin Islands	VI	L	(12)	(7)		410	379	9	
56. Northern Mariana Islands	MP	N							
57. Canada	CN	N							
58. Aggregate Other Alien	OT	X X X	774	644			(7)	2,795	
59. Totals	(a) 53		730,864,480	721,733,900	158,663	432,265,973	477,212,295	492,427,298	3,046,534

DETAILS OF WRITE-INS									
5801. Other alien	X X X		774	644			(7)	2,795	
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		774	644			(7)	2,795	

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

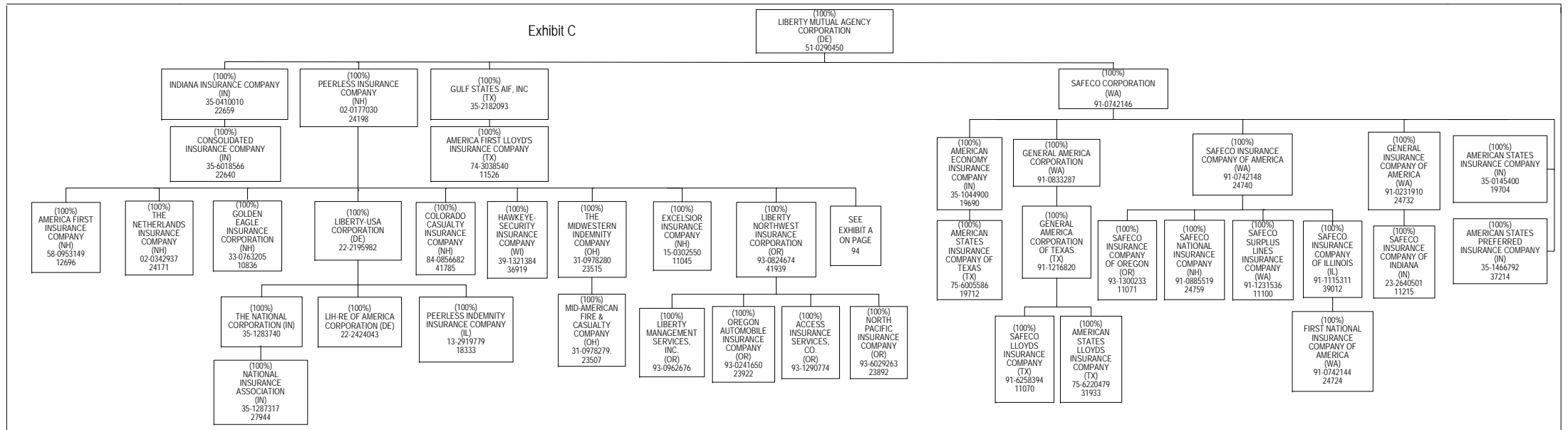
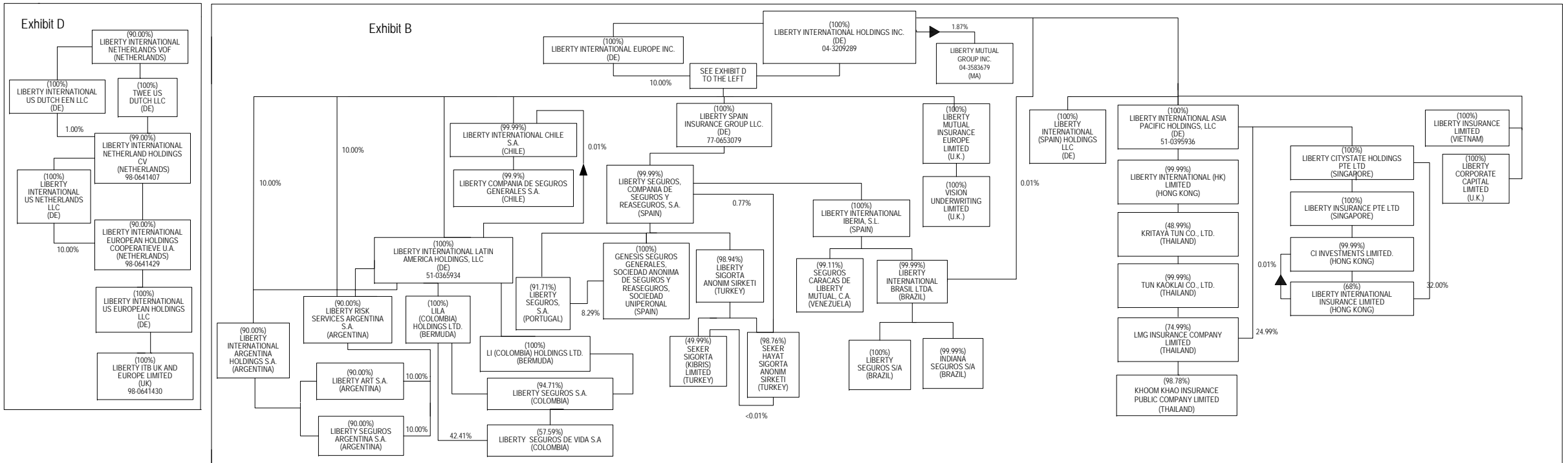
Explanation of basis of allocation of premiums by states, etc.

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

(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



OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS				
2504. Other assets	40,168	35,236	4,932	18,867
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	40,168	35,236	4,932	18,867

OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

	1	2
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES	Current Year	Prior Year
2504. Collateral held for securities loaned		2,701,419
2505. Retroactive reinsurance reserves	(2,081,145)	(2,161,238)
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)	(2,081,145)	540,181

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