

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, 2011

PROPERTY AND CASUALTY

2011



33588201120100100

ANNUAL STATEMENT

For the Year Ended December 31, 2011
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

David Henry Long

	Name	Title
1.	David Henry Long	President and Chief Executive Officer
2.	Dexter Robert Legg	Vice President & Secretary
3.	Laurance Henry Soyer Yahia	Vice President & Treasurer

VICE-PRESIDENTS

Name	Title	Name	Title
Christopher Locke Peirce #	Vice President	Anthony Alexander Fontanes	Vice President, CIO & Assistant Treasurer
Timothy Michael Sweeney	Vice President	Dennis James Langwell	VP & Chief Financial Officer
Christopher Charles Mansfield	Vice President & Assistant Secretary	John Derek Doyle	Vice President & Comptroller

DIRECTORS OR TRUSTEES

Anthony Alexander Fontanes	Stephen Douglas Hylka	Dennis James Langwell	Dexter Robert Legg
David Henry Long	Christopher Charles Mansfield	Deborah Lucille Michel	Rodolfo Ortiz #
Christopher Locke Peirce #	Timothy Michael Sweeney		

State of Massachusetts

County of Suffolk ss

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

(Signature) David Henry Long	(Signature) Dexter Robert Legg	(Signature) Laurance Henry Soyer Yahia
(Printed Name) 1. President and Chief Executive Officer	(Printed Name) 2. Vice President & Secretary	(Printed Name) 3. Vice President & Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to (or affirmed) before me on this
23rd day of January, 2012, 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)	44,153,768		44,153,768	43,116,914
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 (\$ 579,164, Schedule DA)	579,164		579,164	909,193
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				
10. Securities lending reinvested collateral assets (Schedule DL)	4,165,351		4,165,351	2,155,678
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	48,898,283		48,898,283	46,181,785
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	357,675		357,675	392,339
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	1,234,150	38,183	1,195,967	1,046,669
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	3,323,118	520	3,322,598	2,737,269
15.3 Accrued retrospective premiums	455,448	45,772	409,676	572,774
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	40	12	28	59
18.1 Current federal and foreign income tax recoverable and interest thereon	24,745		24,745	
18.2 Net deferred tax asset	1,308,000	264,876	1,043,124	863,585
19. Guaranty funds receivable or on deposit	20,495		20,495	30,453
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
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	914,394	35,667	878,727	849,264
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	56,536,348	385,030	56,151,318	52,963,974
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	56,536,348	385,030	56,151,318	52,963,974

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	593,846		593,846	560,826
2502. Amounts receivable under high deductible policies	203,450		203,450	222,469
2503. Equities and deposits in pools and associations	74,439		74,439	61,037
2598. Summary of remaining write-ins for Line 25 from overflow page	42,659	35,667	6,992	4,932
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	914,394	35,667	878,727	849,264

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	17,753,700	17,440,797
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	832,460	832,271
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	3,679,775	3,495,255
4. Commissions payable, contingent commissions and other similar charges	103,258	92,387
5. Other expenses (excluding taxes, licenses and fees)	403,232	243,664
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	240,487	273,128
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		284,951
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 345,520,370 and including warranty reserves of \$ 0 and accrued accident and health experience rating refunds including \$ 0 for medical loss ratio rebate per the Public Health Service Act)	5,098,219	4,745,977
10. Advance premium	59,874	58,121
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	6,309	6,472
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	73,554	82,802
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	456,994	424,114
19. Payable to parent, subsidiaries and affiliates	233,355	21,480
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending	4,165,351	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	(63,180)	(843,741)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	33,043,388	29,313,356
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	33,043,388	29,313,356
29. Aggregate write-ins for special surplus funds	1,207,965	1,524,672
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)	10,899,965	11,125,946
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)	23,107,930	23,650,618
38. Totals (Page 2, Line 28, Col. 3)	56,151,318	52,963,974

DETAILS OF WRITE-IN LINES		
2501. Amounts held under uninsured plans	747,597	789,126
2502. Other liabilities	507,061	447,730
2503. Private passenger auto escrow		548
2598. Summary of remaining write-ins for Line 25 from overflow page	(1,317,838)	(2,081,145)
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(63,180)	(843,741)
2901. Special surplus from retroactive reinsurance	815,750	1,293,860
2902. SSAP 10R incremental change	392,215	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)	1,207,965	1,524,672
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)	10,911,829	10,355,742
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	7,669,811	6,744,388
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	2,157,483	1,850,546
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	2,956,758	2,598,197
5. Aggregate write-ins for underwriting deductions	(548)	(390)
6. Total underwriting deductions (Lines 2 through 5)	12,783,504	11,192,741
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(1,871,675)	(836,999)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	1,374,099	1,511,437
10. Net realized capital gains (losses) less capital gains tax of \$ 12,582 (Exhibit of Capital Gains (Losses))	23,367	26,995
11. Net investment gain (loss) (Lines 9 + 10)	1,397,466	1,538,432
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 3,580 amount charged off \$ 50,300)	(46,719)	(73,043)
13. Finance and service charges not included in premiums	42,799	45,576
14. Aggregate write-ins for miscellaneous income	(274,150)	(78,431)
15. Total other income (Lines 12 through 14)	(278,070)	(105,898)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(752,279)	595,535
17. Dividends to policyholders	40,680	62,948
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)	(792,959)	532,587
19. Federal and foreign income taxes incurred	(53,582)	45,214
20. Net income (Line 18 minus Line 19) (to Line 22)	(739,377)	487,373
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	23,650,618	21,791,146
22. Net income (from Line 20)	(739,377)	487,373
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0		
25. Change in net unrealized foreign exchange capital gain (loss)	(6,493)	
26. Change in net deferred income tax	245,830	1,597,750
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(214,038)	(471,285)
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	9,986	
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	161,404	245,634
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(542,688)	1,859,472
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	23,107,930	23,650,618

DETAILS OF WRITE-IN LINES		
0501. Private passenger auto escrow	(548)	(390)
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)	(548)	(390)
1401. Other income/(expense)	(136,196)	(209,165)
1402. Retroactive reinsurance gain/(loss)	(137,954)	130,734
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(274,150)	(78,431)
3701. SSAP 10R incremental change	161,404	230,812
3702. Other changes in surplus		14,822
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	161,404	245,634

CASH FLOW

	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	10,707,023	10,765,603
2. Net investment income	1,613,794	1,603,783
3. Miscellaneous income	(323,695)	(260,179)
4. Total (Lines 1 through 3)	11,997,122	12,109,207
5. Benefit and loss related payments	7,319,791	6,007,873
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	4,779,561	4,442,126
8. Dividends paid to policyholders	40,842	58,877
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	268,696	(345,130)
10. Total (Lines 5 through 9)	12,408,890	10,163,746
11. Net cash from operations (Line 4 minus Line 10)	(411,768)	1,945,461
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	5,385,429	10,787,644
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	7,564,797	
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)	12,950,226	10,787,644
13. Cost of investments acquired (long-term only):		
13.1 Bonds	6,591,364	13,113,924
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	9,574,470	2,155,678
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	16,165,834	15,269,602
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)	(3,215,608)	(4,481,958)
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)	3,297,347	(1,050,309)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	3,297,347	(1,050,309)
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)	(330,029)	(3,586,806)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	909,193	4,495,999
19.2 End of year (Line 18 plus Line 19.1)	579,164	909,193

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	262,398	109,184	131,342	240,240
2. Allied lines	125,497	51,493	64,926	112,064
3. Farmowners multiple peril	1,146		152	994
4. Homeowners multiple peril	1,557,215	795,615	869,784	1,483,046
5. Commercial multiple peril	327,550	151,857	166,329	313,078
6. Mortgage guaranty				
8. Ocean marine	45,533	19,711	20,678	44,566
9. Inland marine	472,251	36,508	53,899	454,860
10. Financial guaranty				
11.1 Medical professional liability—occurrence	56,190	7,809	20,790	43,209
11.2 Medical professional liability—claims-made	3,166	475	861	2,780
12. Earthquake	39,442	15,372	18,947	35,867
13. Group accident and health	823			823
14. Credit accident and health (group and individual)				
15. Other accident and health	361	75	66	370
16. Workers' compensation	2,709,880	23,288	87,465	2,645,703
17.1 Other liability—occurrence	814,702	289,514	375,543	728,673
17.2 Other liability—claims-made	240,253	131,938	147,957	224,234
17.3 Excess workers' compensation	72,898	48,719	36,380	85,237
18.1 Products liability—occurrence	139,713	64,510	83,075	121,148
18.2 Products liability—claims-made	6,299	1,300	1,223	6,376
19.1,19.2 Private passenger auto liability	2,714,396	1,281,708	1,375,855	2,620,249
19.3,19.4 Commercial auto liability	394,480	137,468	183,211	348,737
21. Auto physical damage	1,109,518	886,912	947,002	1,049,428
22. Aircraft (all perils)	51,892	15,334	11,856	55,370
23. Fidelity	9,451	4,034	4,382	9,103
24. Surety	2,688	1,321	2,455	1,554
26. Burglary and theft	307	151	107	351
27. Boiler and machinery	26,538	8,911	12,370	23,079
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-nonproportional assumed property	190,405	13,117	23,477	180,045
32. Reinsurance-nonproportional assumed liability	73,853	16,573	7,834	82,592
33. Reinsurance-nonproportional assumed financial lines	11			11
34. Aggregate write-ins for other lines of business				
35. TOTALS	11,448,856	4,112,897	4,647,966	10,913,787

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	128,142	3,201			131,343
2. Allied lines	62,118	2,808			64,926
3. Farmowners multiple peril	152				152
4. Homeowners multiple peril	869,784				869,784
5. Commercial multiple peril	109,482	56,847			166,329
6. Mortgage guaranty					
8. Ocean marine	17,193	3,485			20,678
9. Inland marine	18,935	34,964			53,899
10. Financial guaranty					
11.1 Medical professional liability—occurrence	20,790				20,790
11.2 Medical professional liability—claims-made	837	24			861
12. Earthquake	18,699	248			18,947
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	66				66
16. Workers' compensation	522,822	25,266		(460,623)	87,465
17.1 Other liability—occurrence	280,125	92,706		2,712	375,543
17.2 Other liability—claims-made	95,297	52,659			147,956
17.3 Excess workers' compensation	29,510	6,871			36,381
18.1 Products liability—occurrence	44,240	36,529		2,305	83,074
18.2 Products liability—claims-made	1,222	1			1,223
19.1,19.2 Private passenger auto liability	1,375,855				1,375,855
19.3,19.4 Commercial auto liability	178,467	(608)		5,353	183,212
21. Auto physical damage	947,654	(653)			947,001
22. Aircraft (all perils)	11,856				11,856
23. Fidelity	4,000	381			4,381
24. Surety	757	1,698			2,455
26. Burglary and theft	107				107
27. Boiler and machinery	12,047	323			12,370
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-nonproportional assumed property	23,477				23,477
32. Reinsurance-nonproportional assumed liability	7,714	120			7,834
33. Reinsurance-nonproportional assumed financial lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	4,781,348	316,870		(450,253)	4,647,965
36. Accrued retrospective premiums based on experience					450,253
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					5,098,218

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	30,834	262,398		30,834		262,398
2. Allied lines	23,318	125,497		23,318		125,497
3. Farmowners multiple peril		1,146				1,146
4. Homeowners multiple peril	301,704,461	1,557,215		301,704,461		1,557,215
5. Commercial multiple peril	1,158,145	327,550		1,158,145		327,550
6. Mortgage guaranty						
8. Ocean marine	5,596	45,533		5,596		45,533
9. Inland marine	5,809,924	472,251		5,809,924		472,251
10. Financial guaranty						
11.1 Medical professional liability--occurrence		56,190				56,190
11.2 Medical professional liability--claims-made		3,166				3,166
12. Earthquake	146,496	39,442		146,496		39,442
13. Group accident and health		823				823
14. Credit accident and health (group and individual)						
15. Other accident and health		361				361
16. Workers' compensation	74,144,259	2,709,880		74,144,259		2,709,880
17.1 Other liability—occurrence	793,901	814,702		793,901		814,702
17.2 Other liability—claims-made		240,253				240,253
17.3 Excess workers' compensation		72,898				72,898
18.1 Products liability—occurrence	248,006	139,713		248,006		139,713
18.2 Products liability—claims-made		6,299				6,299
19.1,19.2 Private passenger auto liability	192,736,430	2,714,396		192,736,430		2,714,396
19.3,19.4 Commercial auto liability	4,382,551	394,480		4,382,551		394,480
21. Auto physical damage	129,486,768	1,109,518		129,486,768		1,109,518
22. Aircraft (all perils)		51,892				51,892
23. Fidelity	4,232	9,451		4,232		9,451
24. Surety		2,688				2,688
26. Burglary and theft	1,548	307		1,548		307
27. Boiler and machinery	1,810	26,538		1,810		26,538
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-nonproportional assumed property	X X X	190,405				190,405
32. Reinsurance-nonproportional assumed liability	X X X	73,853				73,853
33. Reinsurance-nonproportional assumed financial lines	X X X	11				11
34. Aggregate write-ins for other lines of business						
35. TOTALS	710,678,279	11,448,856		710,678,279		11,448,856

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 \$ 76,426,959

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 77,947,348

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		110,088		110,088	441	41,478	441	151,566	12,721
2. Allied lines		29,682		29,682	6,396	27,016	6,396	56,698	5,298
3. Farmowners multiple peril									
4. Homeowners multiple peril	37,936,793	209,621	37,936,793	209,621	38,823,198	203,724	38,823,198	413,345	119,127
5. Commercial multiple peril	713,476	239,207	713,476	239,207	484,917	106,020	484,917	345,227	116,661
6. Mortgage guaranty									
8. Ocean marine	2,439	34,050	2,439	34,050	1,737	25,021	1,737	59,071	9,249
9. Inland marine	155,824	23,840	155,824	23,840	156,350	35,001	156,350	58,841	9,521
10. Financial guaranty									
11.1 Medical professional liability—occurrence		200		200		42,688		42,888	60
11.2 Medical professional liability—claims-made		356		356		7,575		7,931	4,337
12. Earthquake	2,500	262	2,500	262	21	(74)	21	188	19
13. Group accident and health		2,019		2,019		453		(a) 2,472	197
14. Credit accident and health (group and individual)									
15. Other accident and health		488		488		1,367		(a) 1,855	129
16. Workers' compensation	101,815,981	5,527,934	101,815,981	5,527,934	118,261,086	4,537,090	118,261,086	10,065,024	1,420,675
17.1 Other liability—occurrence	1,239,101	709,838	1,239,101	709,838	563,473	1,193,418	563,473	1,903,256	857,108
17.2 Other liability—claims-made		117,850		117,850		347,261		465,111	151,972
17.3 Excess workers' compensation	102,993	184,119	102,993	184,119	108,154	310,696	108,154	494,815	40,512
18.1 Products liability—occurrence	16,300	77,327	16,300	77,327	321,685	352,220	321,685	429,547	266,658
18.2 Products liability—claims-made		226		226		23,733		23,959	15,169
19.1,19.2 Private passenger auto liability	83,476,368	1,156,399	83,476,368	1,156,399	82,935,568	818,066	82,935,568	1,974,465	456,052
19.3,19.4 Commercial auto liability	4,472,622	331,901	4,472,622	331,901	2,371,936	242,475	2,371,936	574,376	87,146
21. Auto physical damage		1,386		1,386	678,765	11,141	678,765	12,527	57,844
22. Aircraft (all perils)		40,005		40,005		10,163		50,168	13,775
23. Fidelity		864		864	6,062	22,689	6,062	23,553	3,844
24. Surety		574		574	(35)	600	(35)	1,174	14
26. Burglary and theft		261		261	875	54	875	315	315
27. Boiler and machinery		2,904		2,904	598	2,002	598	4,906	363
28. Credit						28		28	
29. International									
30. Warranty						(24)		(24)	15
31. Reinsurance-nonproportional assumed property	X X X	82,231		82,231	X X X	78,235		160,466	2,567
32. Reinsurance-nonproportional assumed liability	X X X	116,550		116,550	X X X	308,818		425,368	28,370
33. Reinsurance-nonproportional assumed financial lines	X X X	4,597		4,597	X X X	(15)		4,582	57
34. Aggregate write-ins for other lines of business									
35. TOTALS	229,934,397	9,004,779	229,934,397	9,004,779	244,721,227	8,748,919	244,721,227	17,753,698	3,679,775
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	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	30,149,859			30,149,859
1.2 Reinsurance assumed	1,229,326			1,229,326
1.3 Reinsurance ceded	30,149,859			30,149,859
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	1,229,326			1,229,326
2. Commission and brokerage:				
2.1 Direct, excluding contingent		22,329,363		22,329,363
2.2 Reinsurance assumed, excluding contingent		(510,919)		(510,919)
2.3 Reinsurance ceded, excluding contingent		22,329,363		22,329,363
2.4 Contingent—direct		2,247,493		2,247,493
2.5 Contingent—reinsurance assumed		98,833		98,833
2.6 Contingent—reinsurance ceded		2,247,493		2,247,493
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)		(412,086)		(412,086)
3. Allowances to manager and agents		229,248		229,248
4. Advertising	14,623	228,374	768	243,765
5. Boards, bureaus and associations	2,744	24,551	22	27,317
6. Surveys and underwriting reports	44	35,382	546	35,972
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	519,801	1,225,509	49,343	1,794,653
8.2 Payroll taxes	31,383	108,374	1,657	141,414
9. Employee relations and welfare	110,678	376,319	6,315	493,312
10. Insurance	58,688	13,109	909	72,706
11. Directors' fees		1		1
12. Travel and travel items	36,281	77,922	1,675	115,878
13. Rent and rent items	36,304	126,945	2,026	165,275
14. Equipment	14,413	71,043	1,099	86,555
15. Cost or depreciation of EDP equipment and software	18,705	40,926	2,347	61,978
16. Printing and stationery	5,283	21,311	211	26,805
17. Postage, telephone and telegraph, exchange and express	17,441	74,130	2,287	93,858
18. Legal and auditing	4,101	23,377	3,357	30,835
19. Totals (Lines 3 to 18)	870,489	2,676,521	72,562	3,619,572
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 6,732		441,366		441,366
20.2 Insurance department licenses and fees		21,559		21,559
20.3 Gross guaranty association assessments		4,702		4,702
20.4 All other (excluding federal and foreign income and real estate)		27,025		27,025
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		494,652		494,652
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	57,666	197,670	14,092	269,428
25. Total expenses incurred	2,157,481	2,956,757	86,654	(a) 5,200,892
26. Less unpaid expenses—current year	3,679,775	746,977		4,426,752
27. Add unpaid expenses—prior year	3,495,255	609,178		4,104,433
28. Amounts receivable relating to uninsured plans, prior year		59		59
29. Amounts receivable relating to uninsured plans, current year		28		28
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	1,972,961	2,818,927	86,654	4,878,542

DETAILS OF WRITE-IN LINES				
2401. Other expenses	57,666	197,670	14,092	269,428
2402.				
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	57,666	197,670	14,092	269,428

(a) Includes management fees of \$ 2,277,705 to affiliates and \$ 272,403 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 459,906	463,287
1.1 Bonds exempt from U.S. tax	(a) 93,255	100,547
1.2 Other bonds (unaffiliated)	(a) 960,662	915,356
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) 1,827	1,796
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	(20,233)	(20,233)
10. Total gross investment income	1,495,417	1,460,753
11. Investment expenses		(g) 86,654
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)		86,654
17. Net investment income (Line 10 minus Line 16)		1,374,099

DETAILS OF WRITE-IN LINES			
0901. Miscellaneous Income/(Expense)		(20,233)	(20,233)
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)		(20,233)	(20,233)
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 \$ 9,743 accrual of discount less \$ 214,773 amortization of premium and less \$ 36,484 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 \$ 0 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					
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	35,949		35,949		
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)	35,949		35,949		

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 (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
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	38,183	34,892	(3,291)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	520	461	(59)
15.3 Accrued retrospective premiums	45,772	63,818	18,046
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	12	27	15
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	264,876	198,585	(66,291)
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	35,667	35,294	(373)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	385,030	333,077	(51,953)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	385,030	333,077	(51,953)

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	35,667	35,236	(431)
2502. Amounts receivable under high deductible policies		58	58
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	35,667	35,294	(373)

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, *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88*, 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 2011.
13. The Company has no pharmaceutical rebate receivables.

Note 2 - Accounting Changes and Correction of Errors

- A. The Company adopted SSAP No. 35R, *Guaranty Fund and Other Assessments*, effective January 1, 2011. The cumulative effect of adopting SSAP No. 35R is reported in the Capital and Surplus Account and is not considered material.

The Company adopted SSAP No. 5R, *Liabilities, Contingencies and Impairments of Assets*, effective December 31, 2011. The adoption of SSAP No. 5R has no impact on the Company.

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

Loan-Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
2. All Loan-Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2011 as of December 31, 2011: None
3. Each Loan-Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2011: None
4. All impaired Loan-Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2011: None
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' surplus. 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 has not entered into any repurchase agreements during the year. Refer to Note 17B for the policy on requiring collateral related to securities lending.
2. The Company has not pledged any of its assets as collateral as of December 31, 2011.

NOTES TO FINANCIAL STATEMENTS

3. Aggregate Amount of Contractually open cash collateral positions:

Aging of Collateral	Total Fair Value
Open	\$ 4,165,351
30 Days or Less	-
31 to 60 Days	-
61 to 90 Days	-
Greater than 90 Days	-
Sub-Total	4,165,351
Securities Received	-
Total Collateral Received	\$ 4,165,351

4. Securities Lending Transactions Administered by an Affiliated Agent

The Company's security lending transactions are not administered by an affiliate agent.

5. Collateral Reinvestment

a. Aggregate Amount Cash Collateral Reinvested

	Amortized Cost	Fair Value
Open	\$ -	\$ -
30 Days or Less	1,032,032	1,032,036
31 to 60 Days	2,037,207	2,037,242
61 to 90 Days	1,096,483	1,096,550
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	4,165,723	4,165,828
Securities Received	-	-
Total Collateral Reinvested	\$4,165,723	\$ 4,165,828

- b. The reporting entity's sources of cash that it uses to return the cash collateral is dependent on the liquidity of the current market conditions. Under current conditions, the reporting entity could liquidate all or a portion of its cash collateral reinvestment securities in order to meet the collateral calls that could come due under a worst-case scenario.

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, 2011.

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, 2011			December 31, 2010			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	1,482,300	14,700	1,497,000	1,229,957	14,843	1,244,800	252,343	(143)	252,200
Statutory Valuation Allowance Adjustment	-	-	-	-	-	-	-	-	-
Adjusted Gross Deferred Tax Assets	1,482,300	14,700	1,497,000	1,229,957	14,843	1,244,800	252,343	(143)	252,200
Deferred Tax Liabilities	(189,000)	-	(189,000)	(182,630)	-	(182,630)	(6,370)	-	(6,370)
Net DTA (DTL)	1,293,300	14,700	1,308,000	1,047,327	14,843	1,062,170	245,973	(143)	245,830
Deferred Tax Assets Nonadmitted	(250,176)	(14,700)	(264,876)	(198,121)	(464)	(198,585)	(52,055)	(14,236)	(66,291)
Net Admitted DTA (DTL)	1,043,124	-	1,043,124	849,206	14,379	863,585	193,918	(14,379)	179,539

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, 2011			December 31, 2010			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	(220,110)	(14,379)	(234,489)
Lesser of:									
Expected to be recognized within one year (10bi.)	650,909	-	650,909	398,284	-	398,284	252,625	-	252,625
10% of adjusted capital and surplus (10bii.)			2,192,545			2,219,399			(26,854)
Adj. gross DTAs offset against existing DTLs (10c.)	189,000	-	189,000	182,630	-	182,630	6,370	-	6,370
Total	839,909	-	839,909	801,024	14,379	815,403	38,885	(14,379)	24,506

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

	December 31, 2011			December 31, 2010			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	(220,110)	(14,379)	(234,489)
Lesser of:									
Expected to be recognized within three years (10eii.)	1,043,124	-	1,043,124	629,096	-	629,096	414,028	-	414,028
15% of adjusted capital and surplus (10eib.)			3,288,818			3,329,098			(40,280)
Adj. gross DTAs offset against existing DTLs (10eiii.)	189,000	-	189,000	182,630	-	182,630	6,370	-	6,370
Total	1,232,124	-	1,232,124	1,031,836	14,379	1,046,215	200,288	(14,379)	185,909

Used in SSAP No. 10R, Paragraph 10.d.	December 31, 2011	December 31, 2010	Change
Total Adjusted Capital	22,715,715	23,419,806	(704,091)
Authorized Control Level	1,634,958	1,531,648	103,310

	December 31, 2011			December 31, 2010			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)
Impact of Tax Planning Strategies	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	33%	0%	33%	33%	0%	33%	0%	0%	0%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Gross DTAs)	47%	0%	47%	48%	0%	48%	(1%)	0%	(1%)

NOTES TO FINANCIAL STATEMENTS

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

	December 31, 2011			December 31, 2010			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	650,909	-	650,909	618,394	14,379	632,773	32,515	(14,379)	18,136
Admitted Assets			55,759,103			52,733,162			
Adjusted Statutory Surplus*			21,925,453			22,193,988			
Total Adjusted Capital from DTAs	650,909	-	650,909	618,394	14,379	632,773	32,515	(14,379)	18,136

Increase due to SSAP No. 10R, Paragraph 10.e.	December 31, 2011			December 31, 2010			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	392,215	-	392,215	230,812	-	230,812	161,403	-	161,403
Admitted Assets	392,215	-	392,215	230,812	-	230,812	161,403	-	161,403
Adjusted Statutory Surplus	392,215	-	392,215	230,812	-	230,812	161,403	-	161,403

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:

	2011	2010
Federal	(53,582)	45,214
Foreign	-	-
Realized capital gains	12,582	14,536
Federal and foreign income taxes incurred	(41,000)	59,750

The Company's deferred tax assets and liabilities result primarily from loss reserve discounting, limits on unearned premium reserve deductions, and net operating loss carry-forward.

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

	2011
Change in net deferred income tax (without unrealized gain or loss)	245,830
Change in tax effect of unrealized (gains) losses	-
Total change in net deferred income tax	245,830

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax exempt income, loss reserve discounting, limits on unearned premium reserve deductions, and net operating losses generated in 2011.

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is none from the current year and none from the preceding year.

The Company has net operating loss carry-forward available to offset future net income subject to Federal income taxes as follows:

Year Generated	Amount	Expiration
2011	862,000	2031

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. (Dissolved 10/24/2011)	Liberty Mutual Holding Company Inc.
AMBCO Capital Corporation	Liberty Mutual Insurance Company
America First Insurance Company	Liberty Mutual Personal Insurance Company
America First Lloyds Insurance Company	Liberty Northwest Insurance Corporation
American Economy Insurance Company	Liberty Personal Insurance Company
American Fire & Casualty Company	Liberty RE (Bermuda) Limited
American States Insurance Company	Liberty Sponsored Insurance (Vermont) Inc.
American States Insurance Company of Texas	Liberty Surplus Insurance Corporation
American States Lloyds Insurance Company	LIH-RE of America Corporation
American States Preferred Insurance Company	LIU Specialty Insurance Agency Inc.
Barrier Ridge LLC	LM General Insurance Company
Berkeley Holding Company Associates, Inc.	LM Insurance Corporation
Berkeley Management Corporation	LM Property & Casualty Insurance Company
Bridgefield Casualty Insurance Company	LMHC Massachusetts Holdings Inc.

NOTES TO FINANCIAL STATEMENTS

Bridgefield Employers Insurance Company	LRE Properties, Inc.
Capitol Court Corporation	Mid-American Fire & Casualty Company
Capitol Agency, Inc., The (Arizona corporation) (Dissolved 1/20/2011)	North Pacific Insurance Company
Cascade Disability Management, Inc.	OCASCO Budget, Inc.
Colorado Casualty Insurance Company	OCI Printing, Inc.
Commercial Aviation Insurance, Inc.	Ohio Casualty Corporation
Consolidated Insurance Company	Ohio Security Insurance Company
Copley Venture Capital, Inc.	Open Seas Solutions, Inc.
Diversified Settlements, Inc.	Oregon Automobile Insurance Company
Emerald City Insurance Agency, Inc.	Peerless Indemnity Insurance Company
Employers Insurance Company of Wausau	Peerless Insurance Company
Excelsior Insurance Company	Pilot Insurance Services, Inc.
F.B. Beattie & Co., Inc.	Rianoc Research Corporation
First National Insurance Company of America	S.C. Bellevue, Inc.
First State Agency Inc.	SAFECARE Company, Inc.
General America Corporation	Safeco Corporation
General America Corporation of Texas	Safeco General Agency, Inc.
General Insurance Company of America	Safeco Insurance Company of America
Golden Eagle Insurance Corporation	Safeco Insurance Company of Illinois
Gulf States AIF, Inc.	Safeco Insurance Company of Indiana
Hawkeye-Security Insurance Company	Safeco Insurance Company of Oregon
Heritage-Summit HealthCare, Inc.	Safeco Lloyds Insurance Company
Indiana Insurance Company	Safeco National Insurance Company
Insurance Company of Illinois	Safeco Properties, Inc.
LEXCO Limited	Safeco Surplus Lines Insurance Company
Liberty-USA Corporation	San Diego Insurance Company
Liberty Assignment Corporation	SCIT, Inc.
Liberty Energy Canada, Inc.	St. James Insurance Company Ltd.
Liberty Financial Services, Inc.	Summit Consulting, Inc.
Liberty Hospitality Group, Inc.	Summit Consulting, Inc. of Louisiana
Liberty Insurance Corporation	Summit Holding Southeast, Inc.
Liberty Insurance Holdings, Inc.	The First Liberty Insurance Corporation
Liberty Insurance Underwriters Inc.*	The Midwestern Indemnity Company
Liberty International Europe Inc.	The National Corporation
Liberty International Holdings Inc.	The Netherlands Insurance Company
Liberty Life Assurance Company of Boston	The Ohio Casualty Insurance Company
Liberty Life Holdings Inc.	Wausau Business Insurance Company
Liberty Lloyds of Texas Insurance Company	Wausau General Insurance Company
Liberty Management Services, Inc.	Wausau Underwriters Insurance Company
Liberty Mexico Holdings Inc.	West American Insurance Company
Liberty Mutual Agency Corporation	Winmar Company, Inc.
Liberty Mutual Fire Insurance Company	Winmar of the Desert, Inc.
Liberty Mutual Group Asset Management Inc.**	Winmar Oregon, Inc.
Liberty Mutual Group Inc.	Winmar-Metro, Inc.

* Merged with and into LM Personal Insurance Company and LM Personal Insurance Company changed its name to Liberty Insurance Underwriters Inc. on January 3, 2011.

** This company joined the consolidated group in 2011 and its activity from the date it joined the group is included in the consolidated return.

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

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Insurance Company ("LMIC"), a Massachusetts insurance company. The ultimate parent of LMIC is Liberty Mutual Holding Company Inc. ("LMHC"), 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 2011.
- D. At December 31, 2011, the Company reported a net \$233,355 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.

NOTES TO FINANCIAL STATEMENTS

- E. The Company has not made any guarantees or initiated any undertakings, written or otherwise for the benefit of affiliates.
- 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 Asset Management Inc. ("LMGAM") and a cash management agreement with Liberty Mutual Investment Advisors LLC ("LMIA"). Under these agreements, LMGAM 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 LMHC and affiliates. Refer to Note 9F.

- G. The Company is a member of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- I. The Company does not own any investments in subsidiary, controlled or affiliated entities, as such no impairments were recognized.
- 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

Eligible employees may participate in the Liberty Mutual Retirement Benefit Plan for U.S. Employees, the Supplemental Income at Retirement Plan (SIRP) which has both a defined benefit component and defined contribution component, the Employees' Thrift Incentive Plan (defined contribution savings) and the U.S. postretirement health and life insurance benefit plans sponsored by a Holding Company, Liberty Mutual Group Inc. (LMGI).

Also, eligible employees may participate in non-contributory defined benefit plans, contributory defined contribution pension plans and health care and life insurance postretirement benefits plans sponsored by Liberty Mutual Insurance Company (LMIC).

The Company has no legal obligation for these plans except for the minimum required contributions described in note 14. Accordingly, these plans' assets and obligations are not disclosed in this note. The costs of the LMGI plans are allocated by LMGI to LMIC, pursuant to an Employee Benefit Plan Cost-Sharing Agreement, and a portion of the LMGI and LMIC benefit plan 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, 2011. 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 2011.
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 2012 is \$2,310,793.

NOTES TO FINANCIAL STATEMENTS

6. As of December 31, 2011, the Company has restricted surplus of \$392,215 from recording the increase in admitted DTA's as a result of applying the revised guidance in SSAP No. 10R, *Income Taxes*, and pre-tax restricted surplus of \$815,750 resulting from retroactive reinsurance contracts.
7. The Company had no advances to surplus.
8. The Company does not hold stock for special purposes.
9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2011 and from the adoption of the revised guidance on calculating admitted deferred tax assets in SSAP 10R.
10. The portion of unassigned funds (surplus) represented by cumulative net unrealized gains and (losses) is \$0.
11. Surplus Notes
Not applicable
12. Quasi-reorganization (dollar impact)
Not applicable
13. Quasi-reorganization (effective date)
Not applicable

Note 14 - Contingencies

A. Contingent Commitments

1. The Company has made no commitments or contingent commitments on behalf of affiliates.
2. The Company has made no guarantees on behalf of affiliates.

B. Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments and premium-based assessments are presumed probable when the premium on which the assessments are expected to be based are written. In the case of loss-based assessments, the event that obligates the entity is an entity incurring the losses on which the assessments are expected to be based.

The Company has accrued a liability for guaranty funds and other assessments of \$190,197 that is offset by future premium tax credits of \$18,693. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2012. During 2011 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

Reconciliation of paid and accrued premium tax offsets and policy surcharges at prior year-end to current year-end:

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$ 25,260
b. Decreases current year:	
Premium tax offset applied	6,567
c. Increases current year:	
Premium tax offset increase	-
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$ 18,693

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	\$482,000

NOTES TO FINANCIAL STATEMENTS

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. Product Warranties

The Company does not write product warranty business.

F. All Other Contingencies

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

As disclosed in Note 9 F, the Company is a member of a controlled group for federal income tax purposes, and that group includes Liberty Mutual Group Inc. ("LMGI") and Liberty Mutual Agency Corporation ("LMAC"). LMGI is the plan sponsor of the Liberty Mutual Retirement Benefit Plan, a qualified plan under federal law. LMAC is the Plan Sponsor of the Liberty Mutual Agency Corporation Retirement Benefit Plan, also 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, or LMAC has not made the minimum required contributions with respect to the Liberty Mutual Agency Corporation 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, *Leases*. 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>
2012	\$ 40,214	\$ 123,588
2013	40,365	117,672
2014	28,190	79,557
2015	27,827	49,523
2016	26,478	55,066
2017 & thereafter	88,495	334,846
Total	\$ 251,570	\$ 760,253

The Company has not terminated any existing lease agreements early, nor is under lease agreement but no longer using leased property benefits.

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.

NOTES TO FINANCIAL STATEMENTS

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. 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 collateral is unrestricted and 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, 2011 the total fair value of securities on loan was \$4,082,843, with corresponding collateral value of \$4,165,351 of which \$4,165,351 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 \$160. Claim payment volume was \$4,625.

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 2011 and 2010.
- b) The Company reported loss recoveries from the Special Disability Trust Fund of \$3,552 in 2011 and \$2,073 in 2010.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$30,661 in 2011 and \$7,358 in 2010.

- 2) Assets in the amount of \$10,052,790 and \$10,566,769 as of December 31, 2011 and 2010, respectively, were on deposit with government authorities or trustees as required by law.

NOTES TO FINANCIAL STATEMENTS

3) Interrogatory 6.1

In 2011, as a member of the inter-company reinsurance pooling arrangement in which Liberty Mutual Insurance Company is the pool leader, the Company had the benefit, together with its affiliates that cede business to Liberty Mutual Insurance Company or that are members of the reinsurance pooling arrangement, of Workers' Compensation Catastrophe excess of loss reinsurance with the following limits: (1) \$400,000,000 part of \$500,000,000 xs \$700,000,000 per occurrence; or (2) \$261,000,000 part of \$500,000,000 xs \$200,000,000 (excluding CA EQ) per occurrence, each insured, each location. This Worker's Compensation Catastrophe Excess of Loss reinsurance purchased by Liberty Mutual Insurance Company covers Liberty Mutual's direct and assumed from affiliates workers' compensation business.

Interrogatory 6.2

The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, the Company employs RiskLink v10.0 and v11.0 from RMS and AIR Clasic/2 v12. For workers' compensation, Liberty Mutual utilizes RiskLink v11.0 from RMS.

Interrogatory 6.3

In 2011, as a member of the inter-company pooling arrangement in which Liberty Mutual Insurance Company is the pool leader, the Company had the benefit, together with its affiliates that cede business to Liberty Mutual Insurance Company or that are members of the reinsurance pooling arrangement, traditional Prop Cat excess of loss reinsurance, with limits of \$750,000,000 part of \$1,000,000,000 xs \$1,300,000, and \$525,000 part of \$700,000,000 xs \$2,300,000,000 (excluding CA) covering Liberty's direct and assumed from affiliates property business. Additionally, Liberty has purchased \$585,000,000 part of \$650,000,000 xs \$650,000,000 xs \$650,000,000 in second event coverage should there be multiple large events in a single year. Liberty also has a 30% QS treaty in place for its US HO portfolio that covers catastrophe losses up to \$1,750,000,000 for Wind and \$400,000,000 for EQ.

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 and Non-transferable Tax Credits

The Company does not hold state transferable and/or non-transferable 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, 2012, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2011 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 cancelled as of December 31, 2011.

NOTES TO FINANCIAL STATEMENTS

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$5,098,219	\$1,368	\$345,520,370	\$11,948,873	\$(340,422,151)	\$(11,947,505)
All Other	-	-	-	-	-	-
Total	\$5,098,219	\$1,368	\$345,520,370	\$11,948,873	\$(340,422,151)	\$(11,947,505)

Direct Unearned Premium Reserve: \$345,520,370

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, 2011 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$703,573	\$31,814	\$703,573	\$31,814
Sliding scale adjustments	-	-	-	-
Other profit commissions	-	(112,500)	-	(112,500)
Totals	\$703,573	\$(80,686)	\$703,573	\$(80,686)

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

D. Uncollectible Reinsurance

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

E. Commutation of Ceded Reinsurance

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

F. Retroactive Reinsurance

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

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial	\$(2,292,855)	-
	2. Adjustments – Prior Year(s)	406,710	-
	3. Adjustments – Current Year	680,807	-
	4. Total	\$(1,205,338)	-
b.	Consideration Paid or Received:		
	1. Initial	\$(1,070,846)	-
	2. Adjustments – Prior Year(s)	(55,823)	-
	3. Adjustments – Current Year	(94,058)	-
	4. Total	\$(1,220,727)	-
c.	Amounts Recovered / Paid – Cumulative:		
	1. Initial	\$(36,226)	-
	2. Adjustments – Prior Year(s)	(524,299)	-
	3. Adjustments – Current Year	(636,910)	-
	4. Total	\$(1,197,435)	-
d.	Special Surplus from Retroactive Reinsurance:		
	1. Initial Surplus Gain or Loss	\$1,258,235	-
	2. Adjustments – Prior Year(s)	61,766	-
	3. Adjustments – Current Year	(137,955)	-
	4. Current Year Special Surplus	815,750	-
	5. Cumulative Total Transferred to Unassigned Funds	\$366,296	-
e.	All cedents and reinsurers included in the above transactions:		
	Liberty Mutual Insurance Company, 23043	\$(1,205,338)	-
	Total	\$(1,205,338)	-

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, 2011.

NOTES TO FINANCIAL STATEMENTS

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

The Company has not entered into any agreements which have been approved by their domiciliary regulator and have qualified pursuant to SSAP No. 62R, *Property and Casualty Reinsurance* to receive P&C Run-off Accounting Treatment.

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. Medical Loss Ratio Rebates

The Company does not recognize a liability for medical loss ratio rebates pursuant to the Public Health Service Act, as the Company does not write direct comprehensive major medical health business.

- E. 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 nonadmitted.

a.	Total accrued retro premium	455,488
b.	Unsecured amount	
c.	Less: Nonadmitted amount (10%)	45,772
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	
e.	Admitted amount (a) - (c) - (d)	\$409,676

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributed to insured events on prior years has increased through the fourth quarter of 2011. This increase was primarily the result of updated reserve analysis in the Homeowners/Farmowners, Commercial Auto Liability, Auto Physical Damage, Special Liability, Other Liability Occurrence, Assumed Liability and Workers' Compensation lines. The increases were partially offset by decreases in reserve estimates for the Property lines – Commercial Multiple Peril, Special Property and Assumed Property – and for the Products Liability Occurrence line. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 26 - Intercompany Pooling Arrangements

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

		NAIC Company Number	Pooling Percentage	Line of Business
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
	Liberty Insurance Underwriters, Inc. ("LIU")	19917	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%	

NOTES TO FINANCIAL STATEMENTS

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
	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 of December 31, 2011:

Affiliate:	Amount:
Liberty Mutual Insurance Company	\$ (64,294)

Effective January 3, 2011, the entity formerly named LM Personal Insurance Company (LMPIC), merged with an affiliate, Liberty Insurance Underwriters, Inc. LMPIC, the surviving entity, was renamed Liberty Insurance Underwriters, Inc.

Note 27 - Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of \$527,365 after applying Intercompany 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 \$527,365 as of December 31, 2011.
- 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	\$ 305,490

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	\$ -
2. Date of the most recent evaluation of this liability	12/31/2011
3. Was anticipated investment income utilized in the calculation?	Yes

Note 31 - High Dollar Deductible Policies

As of December 31, 2011, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$4,933,049 and the amount billed and recoverable on paid claims was \$203,450.

NOTES TO FINANCIAL STATEMENTS

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, 2011 liabilities subject to discount were carried at a value representing a discount of \$1,213,717 net of all reinsurance.

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

Note 33 - Asbestos/Environmental Reserves

The Company has exposure to asbestos and environmental claims that 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 reserves for anticipated losses and bulk reserves for claim adjustment expenses and incurred but not reported claims reserves ("IBNR"). The Company maintained casualty excess of loss reinsurance during the relevant periods. The reserves are reported net of cessions to reinsurers and include any reserves reported by ceding reinsurers on assumed reinsurance contracts.

Factors Contributing to Uncertainty in Establishing Adequate Reserves

The process of establishing reserves for asbestos and environmental claims is subject to greater uncertainty than the establishment of reserves for liabilities relating to other types of insurance claims. A number of factors contribute to this greater uncertainty surrounding the establishment of asbestos and environmental reserves, including, without limitation: (i) the lack of available and reliable historical claims data as an indicator of future loss development, (ii) the long waiting periods between exposure and manifestation of any bodily injury or property damage, (iii) the difficulty in identifying the source of asbestos or environmental contamination, (iv) the difficulty in properly allocating liability for asbestos or environmental damage, (v) the uncertainty as to the number and identity of 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 claims and claim 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. The 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 utilized questionable practices discovered in the Federal Silica Multi District Litigation. Court decisions in several key states (e.g., Mississippi) have been favorable to defendants. Most importantly, several states have enacted and sustained 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.

In the third quarter of 2011, the Company completed ground-up asbestos and environmental reserve studies. The studies were completed by a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel, and they included all major segments of the Company's direct, assumed, and ceded asbestos and environmental claims. As part of the internal reviews, potential exposures of certain policyholders were individually evaluated using the Company's proprietary stochastic model, which is consistent with published actuarial papers 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. The studies resulted in an increase to reserves. Between comprehensive studies, the Company monitors asbestos and environmental activity to determine whether or not any adjustment to reserves is warranted.

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 on 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.

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.

NOTES TO FINANCIAL STATEMENTS

The following tables summarize the activity for the Company's asbestos and environmental claims and claim adjustment expenses, a component of the Company's unpaid claims and claim adjustment expenses, for the years ended December 31, 2011, 2010, 2009, 2008, and 2007:

Asbestos:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Direct Basis					
Beginning Reserves	1,849,760	1,682,307	1,563,172	1,851,446	1,362,191
Incurring losses and LAE	231,202	142,644	549,288	76,866	432,034
Calendar year payments	398,656	261,779	261,014	566,120	311,893
Ending Reserves	<u>1,682,307</u>	<u>1,563,172</u>	<u>1,851,446</u>	<u>1,362,191</u>	<u>1,482,332</u>
Assumed Reinsurance Basis					
Beginning Reserves	543,463	708,252	670,538	479,936	477,628
Incurring losses and LAE	191,647	(7,572)	(152,757)	48,747	19,847
Calendar year payments	26,858	30,142	37,845	51,055	27,820
Ending Reserves	<u>708,252</u>	<u>670,538</u>	<u>479,936</u>	<u>477,628</u>	<u>469,654</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	897,022	797,335	659,357	886,870	576,944
Incurring losses and LAE	85,126	14,244	395,552	(107,172)	318,319
Calendar year payments	184,814	152,222	168,038	202,754	134,943
Ending Reserves	<u>797,335</u>	<u>659,357</u>	<u>886,870</u>	<u>576,944</u>	<u>760,319</u>

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

Direct Basis	876,086
Assumed Reinsurance Basis	361,754
Net of Ceded Reinsurance Basis	522,854

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

Direct Basis	645,451
Assumed Reinsurance Basis	26,706
Net of Ceded Reinsurance Basis	348,096

Environmental:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Direct Basis					
Beginning Reserves	505,514	450,874	373,242	306,539	293,552
Incurring losses and LAE	5,881	6,837	28,154	39,441	61,987
Calendar year payments	60,522	84,469	94,857	52,428	58,854
Ending Reserves	<u>450,874</u>	<u>373,242</u>	<u>306,539</u>	<u>293,552</u>	<u>296,686</u>
Assumed Reinsurance Basis					
Beginning Reserves	47,947	40,855	40,741	52,752	40,726
Incurring losses and LAE	1,475	3,590	17,187	(552)	9,426
Calendar year payments	8,567	3,705	5,176	11,473	8,215
Ending Reserves	<u>40,855</u>	<u>40,741</u>	<u>52,752</u>	<u>40,726</u>	<u>41,938</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	395,366	363,636	311,587	263,696	231,137
Incurring losses and LAE	9,819	(13)	(3)	(2,834)	43,899
Calendar year payments	41,549	52,036	47,888	29,724	61,961
Ending Reserves	<u>363,636</u>	<u>311,587</u>	<u>263,696</u>	<u>231,137</u>	<u>213,076</u>

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

Direct Basis	190,368
Assumed Reinsurance Basis	27,396
Net of Ceded Reinsurance Basis	130,318

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

Direct Basis	137,051
Assumed Reinsurance Basis	9,148
Net of Ceded Reinsurance Basis	78,576

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 Guaranty 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: _____
- 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. _____ 12/31/2009 _____
- 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). _____ 05/31/2011 _____
- 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.

0.00 %

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 related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the 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 reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes No N/A

10.6 If the response to 10.5 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

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

	0
\$	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

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

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

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 No

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

.....

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).

In 2011, Code provisions were added for Registered Investment Adviser compliance, as a Liberty Mutual subsidiary obtained SEC approval as a Registered Investment Adviser. Several non-material Code changes were also made to clarify existing provisions.

.....

GENERAL INTERROGATORIES

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

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

.....

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below? Yes [] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
0			0
0			0
0			0

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate thereof? Yes [X] No []

17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No []

18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No []

FINANCIAL

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

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

20.11 To directors or other officers	\$	0
20.12 To stockholders not officers	\$	0
20.13 Trustees, supreme or grand (Fraternal only)	\$	0

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

20.21 To directors or other officers	\$	0
20.22 To stockholders not officers	\$	0
20.23 Trustees, supreme or grand (Fraternal only)	\$	0

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

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

21.21 Rented from others	\$	0
21.22 Borrowed from others	\$	0
21.23 Leased from others	\$	0
21.24 Other	\$	0

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment	\$	0
22.22 Amount paid as expenses	\$	0
22.23 Other amounts paid	\$	0

GENERAL INTERROGATORIES

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

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

INVESTMENT

24.1 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 24.3) Yes [X] No []

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

24.3 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.

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

24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. \$ 4,165,351

24.6 If answer to 24.4 is no, report amount of collateral for other programs. \$ 0

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

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

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

25.1 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 21.1 and 24.3). Yes [X] No []

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

	25.21	Subject to repurchase agreements	\$ <u>0</u>
	25.22	Subject to reverse repurchase agreements	\$ <u>0</u>
	25.23	Subject to dollar repurchase agreements	\$ <u>0</u>
	25.24	Subject to reverse dollar repurchase agreements	\$ <u>0</u>
	25.25	Pledged as collateral	\$ <u>0</u>
	25.26	Placed under option agreements	\$ <u>0</u>
	25.27	Letter stock or securities restricted as to sale	\$ <u>0</u>
	25.28	On deposit with state or other regulatory body	\$ <u>10,052,790</u>
	25.29	Other	\$ <u>0</u>

25.3 For category (25.27) provide the following:

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

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

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

GENERAL INTERROGATORIES

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

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

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

28.01 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

28.02 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)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [] No [X]

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

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

28.05 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	3 Address
N/A	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Group Asset Managemen	175 Berkeley Street, Boston, MA 02116

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

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
		0
		0
		0
29.2999 TOTAL		0

GENERAL INTERROGATORIES

29.3 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

30. 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 (+)
30.1 Bonds	44,732,932	46,983,932	2,251,000
30.2 Preferred stocks	0	0	0
30.3 Totals	44,732,932	46,983,932	2,251,000

30.4 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.

.....

.....

31.1 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]

31.2 If the answer to 31.1 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 []

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

.....

.....

.....

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

32.2 If no, list exceptions:

.....

.....

.....

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ _____ 0

33.2 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

34.1 Amount of payments for legal expenses, if any? \$ _____ 73,810

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 payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	\$ 0
.....	\$ 0
.....	\$ 0

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

\$ 1,926

35.2 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	\$ 1,192		\$ 2,153	
2.2 Premium Denominator	\$ 10,911,829		\$ 10,355,742	
2.3 Premium Ratio (2.1/2.2)	<u>0.00</u>		<u>0.00</u>	
2.4 Reserve Numerator	\$ 4,719		\$ 5,151	
2.5 Reserve Denominator	\$ 27,364,154		\$ 26,514,300	
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:
See Note 21C
.....
.....
- 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 unreinsured catastrophic loss
.....
.....
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes No
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. _____ 0
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes No
- 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 31 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	\$ <u>335,014</u>
12.12 Unpaid underwriting expenses (including loss adjustment expenses)	\$ <u>108,462</u>

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? \$ 93,868

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	<u>4.00</u> %
12.42 To	<u>7.00</u> %

12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes No

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

12.61 Letters of Credit	\$ <u>7,097,205</u>
12.62 Collateral and other funds	\$ <u>1,363,555</u>

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 71,226

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. 3

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
	2011	2010	2009	2008	2007
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)	279,457,124	287,881,572	315,181,890	308,502,506	305,815,108
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	137,508,301	147,828,818	141,119,223	137,681,442	127,383,792
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	304,879,886	305,421,553	300,550,873	269,767,242	239,226,200
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	17,555	19,964	25,028	(145,553)	302,354
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	264,269	264,931	251,983	231,309	187,616
6. Total (Line 35)	722,127,135	741,416,838	757,128,997	716,036,946	672,915,070
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)	7,151,977	6,858,171	6,390,083	7,076,698	7,853,543
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,009,413	1,645,885	1,898,311	1,833,381	1,838,551
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,009,874	1,770,957	1,443,444	1,723,435	1,971,641
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	13,323	12,414	13,767	(158,282)	298,228
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	264,269	264,931	251,983	231,309	187,616
12. Total (Line 35)	11,448,856	10,552,358	9,997,588	10,706,541	12,149,579
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(1,871,675)	(836,999)	(1,101,806)	(631,245)	(653,813)
14. Net investment gain (loss) (Line 11)	1,397,466	1,538,432	1,727,888	2,052,509	2,046,490
15. Total other income (Line 15)	(278,070)	(105,898)	(164,285)	(124,854)	(114,326)
16. Dividends to policyholders (Line 17)	40,680	62,948	23,138	26,791	69,773
17. Federal and foreign income taxes incurred (Line 19)	(53,582)	45,214	160,325	332,500	420,890
18. Net income (Line 20)	(739,377)	487,373	278,334	937,119	787,688
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	56,151,318	52,963,974	51,133,059	47,456,214	47,641,180
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	1,195,967	1,046,669	1,187,716	1,245,880	1,061,695
20.2 Deferred and not yet due (Line 15.2)	3,322,598	2,737,269	2,815,315	2,426,714	2,750,482
20.3 Accrued retrospective premiums (Line 15.3)	409,676	572,774	439,735	479,172	510,790
21. Total liabilities excluding protected cell business (Page 3, Line 26)	33,043,388	29,313,356	29,341,913	25,781,134	25,900,584
22. Losses (Page 3, Line 1)	17,753,700	17,440,797	16,774,264	16,606,950	16,593,890
23. Loss adjustment expenses (Page 3, Line 3)	3,679,775	3,495,255	3,393,626	3,249,639	3,389,530
24. Unearned premiums (Page 3, Line 9)	5,098,219	4,745,977	4,390,724	4,374,334	4,846,758
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)	23,107,930	23,650,618	21,791,146	21,675,080	21,740,596
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	(411,768)	1,945,461	237,686	691,159	1,848,188
Risk-Based Capital Analysis					
28. Total adjusted capital	23,107,930	23,650,618	21,791,146	21,675,080	21,740,596
29. Authorized control level risk-based capital	1,635,244	1,531,844	1,506,057	1,443,415	1,674,524
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)	90.3	93.4	90.1	81.8	89.4
31. Stocks (Lines 2.1 & 2.2)				2.8	3.4
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)	1.2	2.0	9.9	15.4	7.2
35. Contract loans (Line 6)					
36. Derivatives (Line 7)			X X X	X X X	X X X
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)					0.0
39. Securities lending reinvested collateral assets (Line 10)	8.5	4.7	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
	2011	2010	2009	2008	2007
Capital and Surplus Accounts (Page 4)					
50. Net unrealized capital gains (losses) (Line 24)			252,566	(238,512)	(44,564)
51. Dividends to stockholders (Line 35)					
52. Change in surplus as regards policyholders for the year (Line 38)	(542,688)	1,859,472	116,066	(65,516)	727,088
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)	190,287,452	178,379,307	167,432,421	154,759,578	142,160,826
54. Property lines (Lines 1, 2, 9, 12, 21 & 26)	87,941,415	82,345,309	77,861,342	74,460,030	67,798,714
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	185,815,315	177,457,301	186,123,380	141,277,652	87,825,375
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	6,030	13,332	3,475	109,277	31,891
57. Nonproportional reinsurance lines (Lines 31, 32 & 33)	109,796	190,816	75,422	88,275	107,245
58. Total (Line 35)	464,160,008	438,386,065	431,496,040	370,694,812	297,924,051
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)	4,838,132	3,911,117	4,087,328	4,848,064	4,014,854
60. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,173,765	989,170	1,232,721	1,085,220	1,000,008
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,225,151	1,015,659	1,053,169	1,321,356	891,242
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	6,030	13,332	3,475	109,277	31,891
63. Nonproportional reinsurance lines (Lines 31, 32 & 33)	109,796	190,816	75,422	88,275	107,245
64. Total (Line 35)	7,352,874	6,120,094	6,452,115	7,452,192	6,045,240
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)	70.3	65.1	65.8	67.8	61.9
67. Loss expenses incurred (Line 3)	19.8	17.9	19.5	15.8	15.9
68. Other underwriting expenses incurred (Line 4)	27.1	25.1	25.8	22.1	27.8
69. Net underwriting gain (loss) (Line 8)	(17.2)	(8.1)	(11.1)	(5.7)	(5.5)
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)	28.3	25.6	27.3	24.1	27.9
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	90.1	83.0	85.3	83.5	77.8
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)	49.5	44.6	45.9	49.4	55.9
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)	527	(113)	241	(334)	313
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)	2.2	(0.5)	1.1	(1.5)	1.5
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)	262	(99)	(58)	237	1,131
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)	1.2	(0.5)	(0.3)	1.1	5.6

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

Yes [] No [X]

If no, please explain:

Not applicable

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

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			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	776	265	232	116	71	8	14	690	X X X
2. 2002	11,126	2,250	8,876	7,224	1,625	598	105	847	10	366	6,929	X X X
3. 2003	12,437	3,018	9,419	6,607	1,473	567	77	897	13	383	6,508	X X X
4. 2004	12,985	3,410	9,575	6,458	1,672	517	101	916	47	377	6,071	X X X
5. 2005	13,369	3,156	10,213	7,682	2,334	527	108	917	65	369	6,619	X X X
6. 2006	14,511	3,310	11,201	6,519	1,250	531	76	980	68	375	6,636	X X X
7. 2007	15,226	3,601	11,625	7,163	1,615	549	83	997	84	449	6,927	X X X
8. 2008	16,011	4,319	11,692	8,259	1,972	539	65	1,104	70	397	7,795	X X X
9. 2009	15,194	4,742	10,452	6,815	1,902	378	54	1,039	13	364	6,263	X X X
10. 2010	15,356	5,000	10,356	6,406	2,125	268	40	1,028	5	365	5,532	X X X
11. 2011	16,588	5,676	10,912	5,057	1,972	115	25	844	6	255	4,013	X X X
12. Totals	X X X	X X X	X X X	68,966	18,205	4,821	850	9,640	389	3,714	63,983	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	4,748	1,549	2,013	1,410	316	260	960	324	123		52	4,617	X X X
2. 2002	303	197	224	193	6	2	39	11	3	1	5	171	X X X
3. 2003	263	120	446	182	6	2	45	11	4		8	449	X X X
4. 2004	289	106	516	145	10	2	94	10	3	1	10	648	X X X
5. 2005	345	130	534	212	12	4	80	15	7	3	12	614	X X X
6. 2006	445	135	679	203	18	7	105	25	6		20	883	X X X
7. 2007	617	133	782	210	34	11	182	31	20		29	1,250	X X X
8. 2008	926	188	1,081	308	49	14	326	63	69	10	37	1,868	X X X
9. 2009	1,053	140	1,501	403	53	10	443	82	93	4	50	2,504	X X X
10. 2010	1,398	247	1,944	398	63	11	428	65	151	6	68	3,257	X X X
11. 2011	1,867	302	3,706	1,012	60	10	568	89	394	5	216	5,177	X X X
12. Totals	12,254	3,247	13,426	4,676	627	333	3,270	726	873	30	507	21,438	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	3,802	815
2. 2002	9,244	2,144	7,100	83.085	95.289	79.991			0.100	137	34
3. 2003	8,835	1,878	6,957	71.038	62.227	73.861			0.100	407	42
4. 2004	8,803	2,084	6,719	67.794	61.114	70.172			0.100	554	94
5. 2005	10,104	2,871	7,233	75.578	90.970	70.822			0.100	537	77
6. 2006	9,283	1,764	7,519	63.972	53.293	67.128			0.100	786	97
7. 2007	10,344	2,167	8,177	67.936	60.178	70.340			0.100	1,056	194
8. 2008	12,353	2,690	9,663	77.153	62.283	82.646			0.100	1,511	357
9. 2009	11,375	2,608	8,767	74.865	54.998	83.879			0.100	2,011	493
10. 2010	11,686	2,897	8,789	76.101	57.940	84.869			0.100	2,697	560
11. 2011	12,611	3,421	9,190	76.025	60.271	84.219			0.100	4,259	918
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	17,757	3,681

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
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	One Year	Two Year
1. Prior	12,458	13,445	14,445	15,420	15,993	16,687	16,654	17,079	17,036	17,447	411	368
2. 2002	6,199	5,863	5,867	6,068	6,185	6,229	6,262	6,258	6,274	6,291	17	33
3. 2003	XXX	6,488	5,830	5,665	5,993	6,083	6,080	6,116	6,118	6,111	(7)	(5)
4. 2004	XXX	XXX	6,513	6,046	5,880	5,913	5,900	5,889	5,922	5,907	(15)	18
5. 2005	XXX	XXX	XXX	7,089	6,745	6,569	6,471	6,471	6,450	6,443	(7)	(28)
6. 2006	XXX	XXX	XXX	XXX	7,245	6,921	6,785	6,757	6,699	6,678	(21)	(79)
7. 2007	XXX	XXX	XXX	XXX	XXX	7,742	7,558	7,366	7,347	7,309	(38)	(57)
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	8,842	8,768	8,594	8,670	76	(98)
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,617	7,760	7,727	(33)	110
10. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,571	7,715	144	XXX
11. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	8,050	XXX	XXX
											12. Totals	
											527	262

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
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011		
1. Prior	000	2,875	5,238	6,834	8,035	9,111	10,054	10,830	11,647	12,274	XXX	XXX
2. 2002	2,635	4,068	4,902	5,319	5,664	5,823	5,931	5,998	6,047	6,092	XXX	XXX
3. 2003	XXX	2,450	3,739	4,380	4,841	5,155	5,347	5,482	5,565	5,623	XXX	XXX
4. 2004	XXX	XXX	2,237	3,456	4,039	4,507	4,817	5,010	5,129	5,203	XXX	XXX
5. 2005	XXX	XXX	XXX	2,580	3,968	4,667	5,134	5,451	5,651	5,767	XXX	XXX
6. 2006	XXX	XXX	XXX	XXX	2,519	3,882	4,650	5,171	5,512	5,725	XXX	XXX
7. 2007	XXX	XXX	XXX	XXX	XXX	2,589	4,166	5,018	5,607	6,014	XXX	XXX
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	3,166	5,065	6,055	6,761	XXX	XXX
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,706	4,329	5,237	XXX	XXX
10. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,774	4,509	XXX	XXX
11. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,175	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
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Prior	3,011	2,225	1,763	1,957	1,965	2,081	1,683	1,881	1,222	1,400
2. 2002	1,887	745	336	254	196	170	128	103	83	69
3. 2003	XXX	2,707	1,113	509	586	543	449	404	353	320
4. 2004	XXX	XXX	2,988	1,667	1,112	861	698	583	535	491
5. 2005	XXX	XXX	XXX	3,200	1,738	1,154	809	632	493	435
6. 2006	XXX	XXX	XXX	XXX	3,335	1,958	1,315	970	735	605
7. 2007	XXX	XXX	XXX	XXX	XXX	3,561	2,172	1,420	1,030	768
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	3,725	2,266	1,506	1,117
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,382	2,197	1,517
10. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,288	1,991
11. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,256

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

	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						
States, Etc.	Active Status	Direct Premiums Written	Direct Premiums Earned						
1. Alabama	AL	L	9,242,266	9,355,462	889	6,136,564	8,637,986	8,447,834	26,766
2. Alaska	AK	L	454,541	187,338		29,342	78,576	118,628	
3. Arizona	AZ	L	10,600,702	11,513,994	76	10,688,281	8,634,947	2,961,557	17,576
4. Arkansas	AR	L	1,226,662	1,274,858		871,148	1,430,547	2,820,911	1,164
5. California	CA	L	1,187,486	745,739	4,458	2,093,153	514,342	7,791,474	
6. Colorado	CO	L	1,531,462	1,678,750		650,020	532,466	1,000,902	7,091
7. Connecticut	CT	L	9,936,689	10,125,243		6,738,247	7,266,658	10,336,167	41,285
8. Delaware	DE	L	5,578,810	4,117,845	1,870	1,960,789	2,814,015	3,862,684	6,497
9. District of Columbia	DC	L	1,240,406	1,139,932		898,148	496,088	618,933	3,790
10. Florida	FL	L	66,006,617	69,456,958	49,018	45,419,607	30,982,965	67,376,933	66,105
11. Georgia	GA	L	54,188,688	55,280,091	(26)	34,079,151	33,019,545	14,104,859	91,506
12. Hawaii	HI	L	204,430	122,617		120,799	30,393	520,905	
13. Idaho	ID	L	264,422	291,230		198,659	276,484	270,512	1,165
14. Illinois	IL	L	9,096,710	8,671,298	3,800	6,073,883	4,852,042	10,632,843	15,066
15. Indiana	IN	L	1,966,268	3,221,634		2,198,090	2,093,140	5,351,529	4,993
16. Iowa	IA	L	10,140,826	10,144,737		5,525,750	6,890,045	4,889,918	32,190
17. Kansas	KS	L	2,112,593	2,184,427		1,896,812	1,438,093	3,805,671	2,048
18. Kentucky	KY	L	375,827	822,719		1,720,635	2,080,386	6,144,213	4,884
19. Louisiana	LA	L	2,295,194	2,827,179		1,293,283	625,825	2,727,252	3,144
20. Maine	ME	L	2,918,794	2,926,333	3,336	1,930,885	2,139,283	1,794,957	16,359
21. Maryland	MD	L	11,539,711	11,747,710		9,350,874	8,158,211	11,467,885	45,919
22. Massachusetts	MA	L	8,109,022	7,889,625		7,669,089	8,292,706	6,408,188	24,293
23. Michigan	MI	L	2,733,430	3,484,335		2,770,051	4,271,143	6,287,406	40
24. Minnesota	MN	L	2,654,800	2,877,910		2,158,168	2,415,945	2,746,337	5,325
25. Mississippi	MS	L	2,755,637	2,313,319		921,385	1,384,968	2,458,459	900
26. Missouri	MO	L	5,990,111	5,515,389		2,123,989	3,414,496	3,458,677	11,080
27. Montana	MT	L	2,472,788	2,682,790		1,423,561	1,489,617	4,052,490	996
28. Nebraska	NE	L	1,445,813	1,634,775		531,397	216,090	1,760,929	736
29. Nevada	NV	L	2,430,898	2,471,586		1,386,302	856,043	761,571	6,043
30. New Hampshire	NH	L	3,169,565	3,274,439	76,663	1,968,970	1,772,971	2,460,679	22,780
31. New Jersey	NJ	L	5,696,456	5,359,749	18,485	3,335,735	2,709,906	22,131,157	(78)
32. New Mexico	NM	L	1,345,315	1,359,053		561,886	772,169	969,005	2,524
33. New York	NY	L	162,046,099	154,719,933		87,936,759	90,040,230	65,104,251	789,927
34. North Carolina	NC	L	2,032,023	2,067,578	281	1,707,172	1,017,321	4,442,811	
35. North Dakota	ND	L	38,796	31,479		414	120	11,453	128
36. Ohio	OH	L	2,029,887	2,042,736	10	1,514,807	1,275,867	911,087	9,891
37. Oklahoma	OK	L	4,453,663	4,462,483		2,289,390	3,226,279	3,906,624	6,882
38. Oregon	OR	L	2,037,410	2,173,305	47	1,158,399	1,122,787	785,151	6,800
39. Pennsylvania	PA	L	203,901,453	214,446,764	74	132,836,571	129,244,314	118,378,957	1,132,433
40. Rhode Island	RI	L	76,350	75,459		810,349	702,401	1,109,757	
41. South Carolina	SC	L	1,291,371	1,128,332	87	793,061	226,196	2,126,116	
42. South Dakota	SD	L	224,147	334,885		30,585	69,478	323,930	
43. Tennessee	TN	L	21,862,486	21,225,543		15,870,384	16,449,402	9,485,776	75,078
44. Texas	TX	L	3,785,140	3,801,545	2,160	1,559,833	1,422,711	11,263,419	
45. Utah	UT	L	499,019	504,301		107,614	201,182	290,988	1,106
46. Vermont	VT	L	2,833,984	3,186,783	31,627	1,687,925	2,513,986	4,136,399	6,421
47. Virginia	VA	L	58,960,551	62,521,345		40,617,599	38,219,281	27,148,423	320,611
48. Washington	WA	L	187,651	188,591	19	51,046	112,393	120,010	
49. West Virginia	WV	L	1,158,367	1,546,260		667,628	559,442	627,006	1,654
50. Wisconsin	WI	L	2,283,414	2,615,055	51,370	2,393,041	1,983,405	3,911,290	5,059
51. Wyoming	WY	L	58,548	63,144		49,903	60,465	27,085	232
52. American Samoa	AS	N							
53. Guam	GU	L	1,505	1,677			588	1,301	
54. Puerto Rico	PR	N	(22)	(2)					
55. U.S. Virgin Islands	VI	L	3,498	1,441			357	366	
56. Northern Mariana Islands	MP	N							
57. Canada	CN	N							
58. Aggregate Other Alien	OT	X X X		(60)			(833)	1,962	
59. Totals	(a) 53		710,678,279	723,837,641	244,244	456,807,133	439,035,463	474,655,627	2,818,409

DETAILS OF WRITE-INS									
5801. Other Alien	X X X			(60)			(833)	1,962	
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			(60)			(833)	1,962	

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

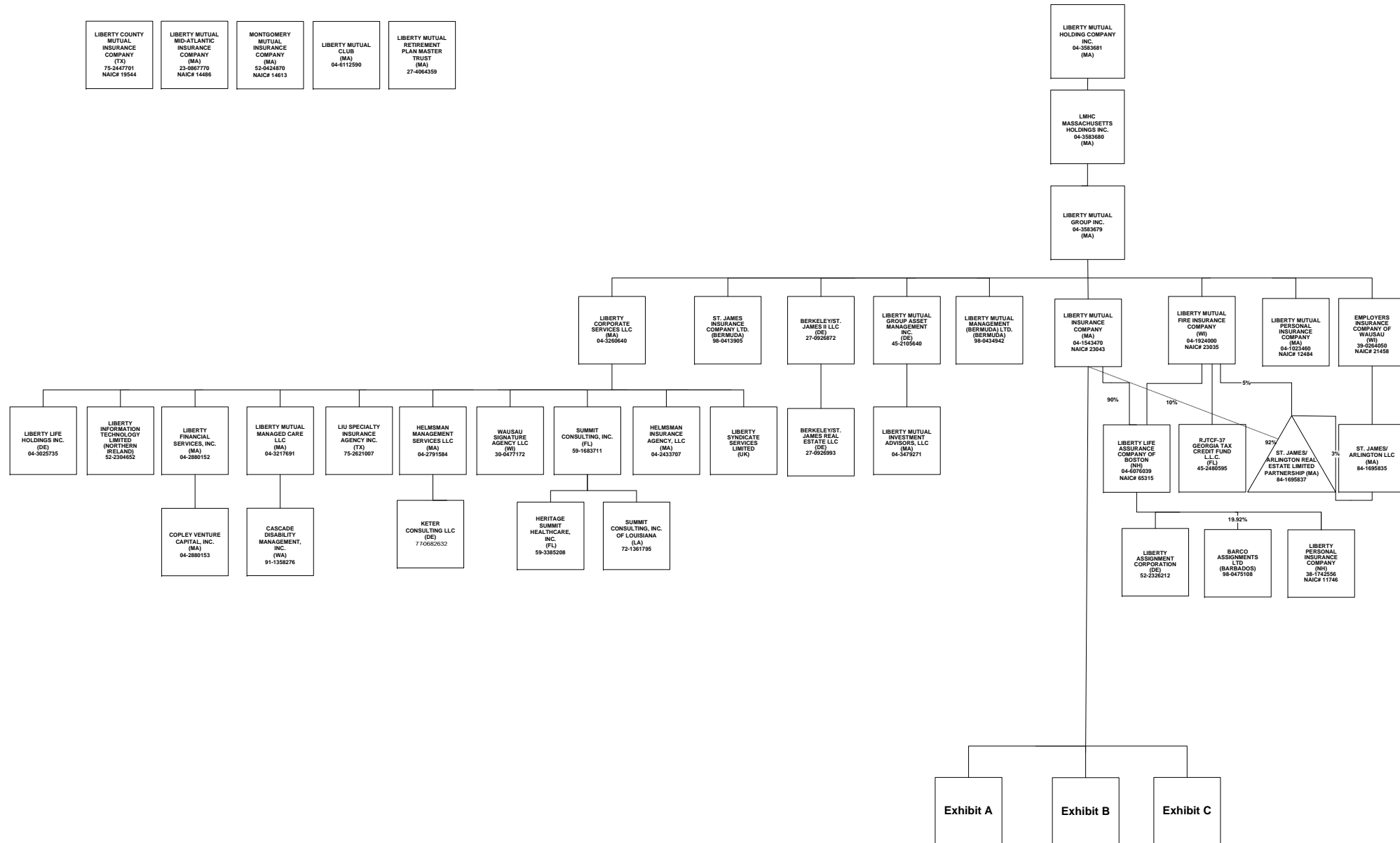
Explanation of basis of allocation of premiums by states, etc.

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

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

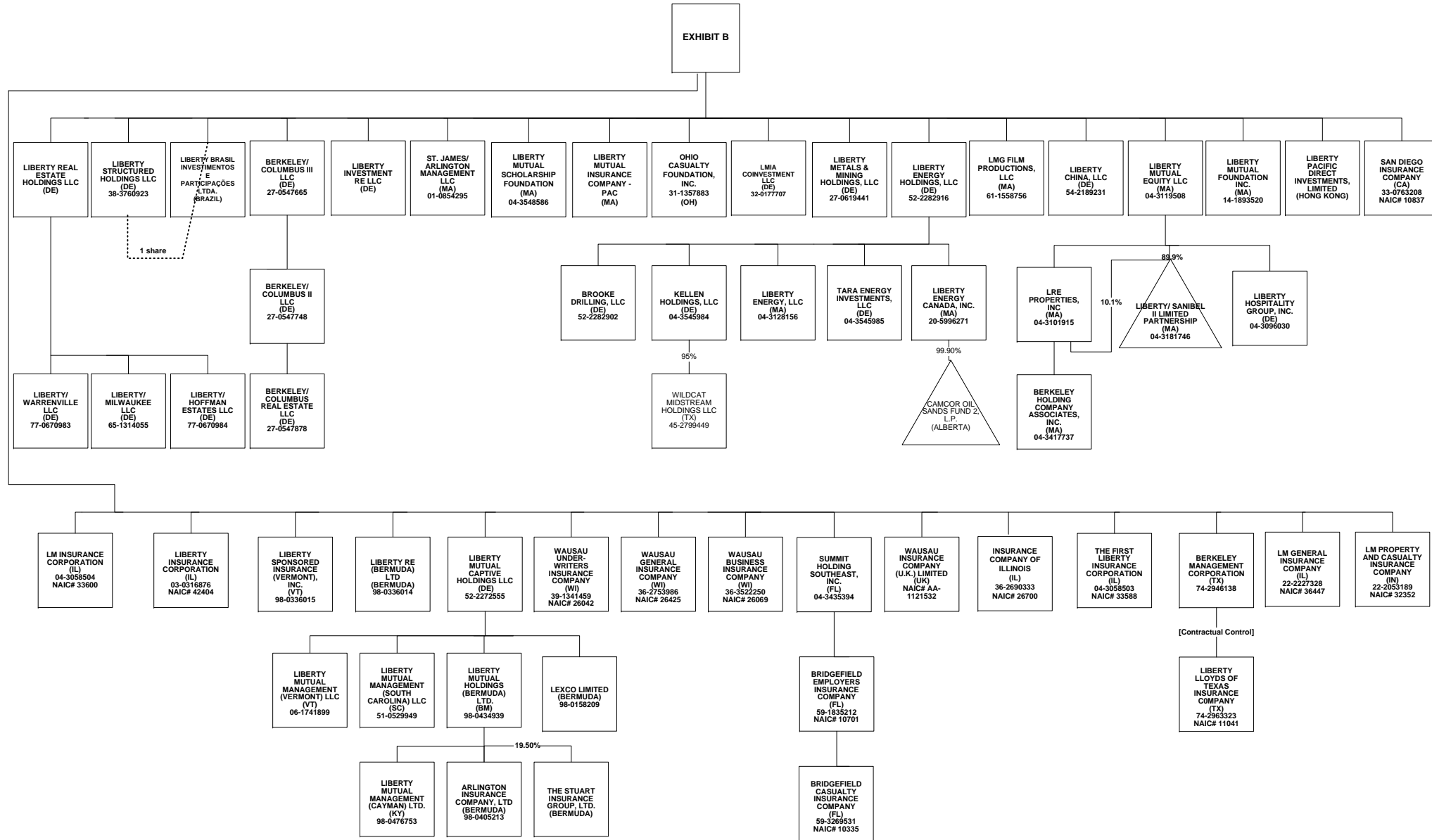
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



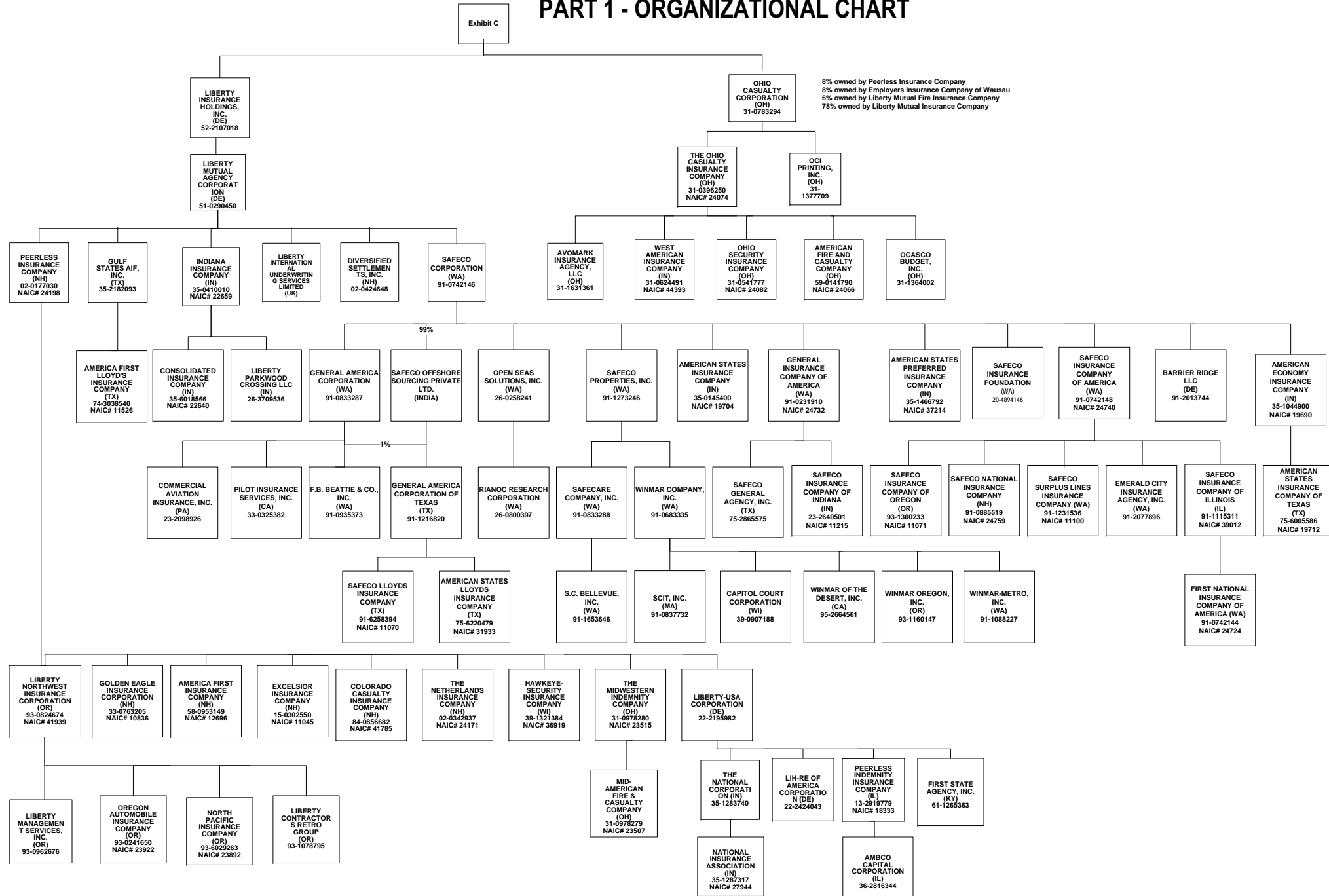
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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	42,659	35,667	6,992	4,932
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	42,659	35,667	6,992	4,932

OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

	1	2
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES	Current Year	Prior Year
2504. Retroactive reinsurance reserves	(1,317,838)	(2,081,145)
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)	(1,317,838)	(2,081,145)

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