

**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, 2013**

**PROPERTY AND CASUALTY**

**2013**



33588201320100100

# ANNUAL STATEMENT

For the Year Ended December 31, 2013  
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, US 60192  
(Street and Number) (City or Town, State, Country and Zip Code)

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

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

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

**Internet Web Site Address** \_\_\_\_\_

**Statutory Statement Contact** James Deegan 617-357-9500 x45424  
(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.	<u>David Henry Long</u>	<u>President and Chief Executive Officer</u>
2.	<u>Dexter Robert Legg</u>	<u>Vice President and Secretary</u>
3.	<u>Laurance Henry Soyer Yahia</u>	<u>Vice President and Treasurer</u>

#### VICE-PRESIDENTS

Name	Title	Name	Title
<u>John Derek Doyle</u>	<u>Vice President and Comptroller</u>	<u>Anthony Alexander Fontanes</u>	<u>VP and Chief Investment Officer</u>
<u>James Francis Kelleher #</u>	<u>VP and Chief Legal Officer</u>	<u>Dennis James Langwell</u>	<u>Vice President and Chief Financial Officer</u>
<u>Christopher Locke Peirce</u>	<u>Vice President</u>	<u>Timothy Michael Sweeney</u>	<u>Vice President</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

#### DIRECTORS OR TRUSTEES

<u>James Paul Condrin, III</u>	<u>Anthony Alexander Fontanes</u>	<u>Stephen Douglas Hylka</u>	<u>James Francis Kelleher #</u>
<u>Dennis James Langwell</u>	<u>Dexter Robert Legg</u>	<u>David Henry Long</u>	<u>Deborah Lucille Michel</u>
<u>Rodolfo Ortiz</u>	<u>Christopher Locke Peirce</u>	<u>Timothy Michael Sweeney</u>	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

State of Massachusetts

County of Suffolk ss

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

_____ (Signature) <u>David Henry Long</u> (Printed Name) 1. President and Chief Executive Officer (Title)	_____ (Signature) <u>Dexter Robert Legg</u> (Printed Name) 2. Vice President and Secretary (Title)	_____ (Signature) <u>Laurance Henry Soyer Yahia</u> (Printed Name) 3. Vice President and Treasurer (Title)
---	--	--

Subscribed and sworn to (or affirmed) before me on this  
27th day of January, 2014, 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)	18,574,908		18,574,908	44,672,711
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 (\$ 421,415, Schedule DA)	421,415		421,415	653,714
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	2,427,753		2,427,753	
9. Receivables for securities				
10. Securities lending reinvested collateral assets (Schedule DL)	718,416		718,416	494,545
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	22,142,492		22,142,492	45,820,970
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	67,042		67,042	355,569
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection				1,218,810
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				3,904,705
15.3 Accrued retrospective premiums				294,145
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				482
18.1 Current federal and foreign income tax recoverable and interest thereon	668,212		668,212	150,666
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				19,068
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	2,411		2,411	
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets				979,179
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	22,880,157		22,880,157	52,743,594
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	22,880,157		22,880,157	52,743,594

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				643,824
2502. Amounts receivable under high deductible policies				216,945
2503. Equities and deposits in pools and associations				102,313
2598. Summary of remaining write-ins for Line 25 from overflow page				16,097
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)				979,179

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)		19,165,601
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)		664,487
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)		3,946,082
4. Commissions payable, contingent commissions and other similar charges		132,462
5. Other expenses (excluding taxes, licenses and fees)		507,029
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		238,942
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 339,622,665 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)		5,698,024
10. Advance premium		53,996
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		3,327
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		90,742
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 8)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		494,390
19. Payable to parent, subsidiaries and affiliates	2,975	368,612
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending	718,416	494,545
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities		(21,030)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	721,391	31,837,209
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	721,391	31,837,209
29. Aggregate write-ins for special surplus funds		819,270
30. Common capital stock	3,600,000	3,600,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	7,400,000	7,400,000
35. Unassigned funds (surplus)	11,158,766	9,087,115
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)	22,158,766	20,906,385
38. Totals (Page 2, Line 28, Col. 3)	22,880,157	52,743,594

DETAILS OF WRITE-IN LINES		
2501. Amounts held under uninsured plans		783,811
2502. Other liabilities		455,043
2503. Retroactive reinsurance reserves		(1,259,884)
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)		(21,030)
2901. Special surplus from retroactive reinsurance		819,270
2902. ....		
2903. ....		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		819,270
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
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)		12,329,226
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)		8,945,345
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)		2,192,467
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		3,910,739
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)		15,048,551
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		(2,719,325)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	407,244	1,363,018
10. Net realized capital gains (losses) less capital gains tax of \$ 270 (Exhibit of Capital Gains (Losses))	502	31,274
11. Net investment gain (loss) (Lines 9 + 10)	407,746	1,394,292
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0)		(44,846)
13. Finance and service charges not included in premiums		40,094
14. Aggregate write-ins for miscellaneous income	(20,697)	(51,045)
15. Total other income (Lines 12 through 14)	(20,697)	(55,797)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	387,049	(1,380,830)
17. Dividends to policyholders		24,603
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)	387,049	(1,405,433)
19. Federal and foreign income taxes incurred	(890,270)	(225,840)
20. Net income (Line 18 minus Line 19) (to Line 22)	1,277,319	(1,179,593)
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	20,906,385	23,107,930
22. Net income (from Line 20)	1,277,319	(1,179,593)
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0	(3,217)	
25. Change in net unrealized foreign exchange capital gain (loss)	(21,721)	13,995
26. Change in net deferred income tax		(1,308,000)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	113,659	664,268
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	(113,659)	(392,215)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	1,252,381	(2,201,545)
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	22,158,766	20,906,385

<b>DETAILS OF WRITE-IN LINES</b>		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401. Retroactive reinsurance gain/(loss)		(30,965)
1402. Other income/(expense)	(20,697)	(20,080)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(20,697)	(51,045)
3701. SSAP 10R incremental change		(392,215)
3702. Other changes in surplus	(113,659)	
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(113,659)	(392,215)

## CASH FLOW

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	(261,558)	12,445,661
2. Net investment income	773,636	1,599,600
3. Miscellaneous income	(577,383)	(42,483)
4. Total (Lines 1 through 3)	(65,305)	14,002,778
5. Benefit and loss related payments	20,327,520	7,671,972
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	4,823,680	5,710,063
8. Dividends paid to policyholders	3,327	27,586
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(372,454)	(83,079)
10. Total (Lines 5 through 9)	24,782,073	13,326,542
11. Net cash from operations (Line 4 minus Line 10)	(24,847,378)	676,236
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	30,590,520	14,179,269
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	494,544	8,245,579
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)	31,085,064	22,424,848
13. Cost of investments acquired (long-term only):		
13.1 Bonds	4,562,041	14,884,574
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	3,157,155	4,574,771
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	7,719,196	19,459,345
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)	23,365,868	2,965,503
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	1,249,211	(3,567,189)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	1,249,211	(3,567,189)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(232,299)	74,550
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	653,714	579,164
19.2 End of year (Line 18 plus Line 19.1)	421,415	653,714

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

20.0001	12.1 - Proceeds from investments sold, matured or repaid - Bonds	23,445,881	
20.0002	13.1 - Cost of investments acquired - Bonds	5,586	
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	(159,097)	159,092		(5)
2. Allied lines	(71,937)	71,840		(97)
3. Farmowners multiple peril	(170)	170		
4. Homeowners multiple peril	(1,188,343)	1,188,343		
5. Commercial multiple peril	(157,512)	157,445		(67)
6. Mortgage guaranty				
8. Ocean marine	(22,384)	22,335		(49)
9. Inland marine	(57,163)	57,093		(70)
10. Financial guaranty				
11.1 Medical professional liability—occurrence	(20,689)	20,689		
11.2 Medical professional liability—claims-made	(1,547)	1,547		
12. Earthquake	(24,933)	24,933		
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	(60)	60		
16. Workers' compensation	(196,805)	196,805		
17.1 Other liability—occurrence	(395,570)	395,050		(520)
17.2 Other liability—claims-made	(170,700)	170,216		(484)
17.3 Excess workers' compensation	(40,106)	40,034		(72)
18.1 Products liability—occurrence	(84,001)	83,980		(21)
18.2 Products liability—claims-made	(1,343)	1,343		
19.1,19.2 Private passenger auto liability	(1,490,760)	1,490,760		
19.3,19.4 Commercial auto liability	(191,566)	191,544		(22)
21. Auto physical damage	(1,036,174)	1,036,164		(10)
22. Aircraft (all perils)	(9,197)	9,194		(3)
23. Fidelity	(5,530)	5,519		(11)
24. Surety	(5,556)	5,549		(7)
26. Burglary and theft	(197)	197		
27. Boiler and machinery	(13,663)	13,663		
28. Credit	(954)	954		
29. International				
30. Warranty	(5,571)	5,571		
31. Reinsurance-nonproportional assumed property	(24,880)	24,880		
32. Reinsurance-nonproportional assumed liability	(4,080)	4,080		
33. Reinsurance-nonproportional assumed financial lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	(5,380,488)	5,379,050		(1,438)

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)				

**NONE Underwriting and Investment Exhibit - Part 1A**



## 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	6,102	(159,097)		6,102		(159,097)
2. Allied lines	5,842	(71,937)		5,842		(71,937)
3. Farmowners multiple peril		(170)				(170)
4. Homeowners multiple peril	277,349,321	(1,188,343)		277,349,321		(1,188,343)
5. Commercial multiple peril	4,007,516	(157,512)		4,007,516		(157,512)
6. Mortgage guaranty						
8. Ocean marine	4,688	(22,384)		4,688		(22,384)
9. Inland marine	4,756,166	(57,163)		4,756,166		(57,163)
10. Financial guaranty						
11.1 Medical professional liability--occurrence		(20,689)				(20,689)
11.2 Medical professional liability--claims-made		(1,547)				(1,547)
12. Earthquake	139,579	(24,933)		139,579		(24,933)
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		(60)				(60)
16. Workers' compensation	155,476,302	(196,805)		155,476,302		(196,805)
17.1 Other liability—occurrence	15,185,670	(395,570)		15,185,670		(395,570)
17.2 Other liability—claims-made		(170,700)				(170,700)
17.3 Excess workers' compensation		(40,106)				(40,106)
18.1 Products liability—occurrence	2,842,376	(84,001)		2,842,376		(84,001)
18.2 Products liability—claims-made		(1,343)				(1,343)
19.1,19.2 Private passenger auto liability	140,496,540	(1,490,760)		140,496,540		(1,490,760)
19.3,19.4 Commercial auto liability	28,509,280	(191,566)		28,509,280		(191,566)
21. Auto physical damage	104,804,765	(1,036,174)		104,804,765		(1,036,174)
22. Aircraft (all perils)		(9,197)				(9,197)
23. Fidelity		(5,530)				(5,530)
24. Surety		(5,556)				(5,556)
26. Burglary and theft		(197)				(197)
27. Boiler and machinery		(13,663)				(13,663)
28. Credit		(954)				(954)
29. International						
30. Warranty		(5,571)				(5,571)
31. Reinsurance-nonproportional assumed property	X X X	(24,880)				(24,880)
32. Reinsurance-nonproportional assumed liability	X X X	(4,080)				(4,080)
33. Reinsurance-nonproportional assumed financial lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	733,584,147	(5,380,488)		733,584,147		(5,380,488)

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 \$ 149,745,871

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 154,306,064



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire					34		34		
2. Allied lines					4,069		4,069		
3. Farmowners multiple peril									
4. Homeowners multiple peril	34,789,815		34,789,815		23,609,744		23,609,744		
5. Commercial multiple peril	1,229,850		1,229,850		958,737		958,737		
6. Mortgage guaranty									
8. Ocean marine					1,131		1,131		
9. Inland marine	45,504		45,504		126,357		126,357		
10. Financial guaranty									
11.1 Medical professional liability—occurrence									
11.2 Medical professional liability—claims-made									
12. Earthquake					14		14		
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health									
16. Workers' compensation	120,643,561		120,643,561		157,160,672		157,160,672		
17.1 Other liability—occurrence	1,213,836		1,213,836		3,707,398		3,707,398		
17.2 Other liability—claims-made									
17.3 Excess workers' compensation	74,893		74,893		71,011		71,011		
18.1 Products liability—occurrence	42,750		42,750		1,013,826		1,013,826		
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	75,491,043		75,491,043		71,075,056		71,075,056		
19.3,19.4 Commercial auto liability	4,251,607		4,251,607		9,520,512		9,520,512		
21. Auto physical damage					1,541,903		1,541,903		
22. Aircraft (all perils)									
23. Fidelity					80,318		80,318		
24. Surety					84		84		
26. Burglary and theft					(639)		(639)		
27. Boiler and machinery					(205)		(205)		
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-nonproportional assumed property	X X X				X X X				
32. Reinsurance-nonproportional assumed liability	X X X				X X X				
33. Reinsurance-nonproportional assumed financial lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	237,782,859		237,782,859		268,870,022		268,870,022		
<b>DETAILS OF WRITE-IN LINES</b>									
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	26,868,429			26,868,429
1.2 Reinsurance assumed				
1.3 Reinsurance ceded	26,868,429			26,868,429
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)				
2. Commission and brokerage:				
2.1 Direct, excluding contingent		29,765,916		29,765,916
2.2 Reinsurance assumed, excluding contingent				
2.3 Reinsurance ceded, excluding contingent		29,765,916		29,765,916
2.4 Contingent—direct		912,664		912,664
2.5 Contingent—reinsurance assumed				
2.6 Contingent—reinsurance ceded		912,664		912,664
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)				
3. Allowances to manager and agents				
4. Advertising			24	24
5. Boards, bureaus and associations			1	1
6. Surveys and underwriting reports			143	143
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries			24,098	24,098
8.2 Payroll taxes			104	104
9. Employee relations and welfare			1,158	1,158
10. Insurance			282	282
11. Directors' fees				
12. Travel and travel items			877	877
13. Rent and rent items			306	306
14. Equipment			874	874
15. Cost or depreciation of EDP equipment and software			868	868
16. Printing and stationery			88	88
17. Postage, telephone and telegraph, exchange and express			1,160	1,160
18. Legal and auditing			4,222	4,222
19. Totals (Lines 3 to 18)			34,205	34,205
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0				
20.2 Insurance department licenses and fees				
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)				
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)				
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses			9,109	9,109
25. Total expenses incurred			43,314	(a) 43,314
26. Less unpaid expenses—current year				
27. Add unpaid expenses—prior year	3,946,082	878,433		4,824,515
28. Amounts receivable relating to uninsured plans, prior year		483		483
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	3,946,082	877,950	43,314	4,867,346

DETAILS OF WRITE-IN LINES				
2401. Other expenses			9,109	9,109
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)			9,109	9,109

(a) Includes management fees of \$ 43,314 to affiliates and \$ 0 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 256,682	209,948
1.1 Bonds exempt from U.S. tax	(a) 50,568	403
1.2 Other bonds (unaffiliated)	(a) 441,334	249,798
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) 508	416
7. Derivative instruments	(f)	
8. Other invested assets	(7,769)	(7,769)
9. Aggregate write-ins for investment income	(2,239)	(2,239)
10. Total gross investment income	739,084	450,557
11. Investment expenses		(g) 43,314
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)		43,314
17. Net investment income (Line 10 minus Line 16)		407,243

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	(2,239)	(2,239)
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)	(2,239)	(2,239)
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 \$ 5,014 accrual of discount less \$ 75,110 amortization of premium and less \$ 12,848 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	773		773		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)					
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				(3,217)	
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	773		773	(3,217)	

DETAILS OF WRITE-IN LINES					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 09 from overflow page					
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)					

## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (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		38,027	38,027
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due		2,678	2,678
15.3 Accrued retrospective premiums		32,595	32,595
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		238	238
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset			
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		40,029	40,029
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)		113,567	113,567
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)		113,567	113,567

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		40,029	40,029
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)		40,029	40,029

## 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").

The Company does not have any prescribed or permitted accounting practices.

#### 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. 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. Effective January 1, 2013 the Company changed the predefined thresholds in its capitalization policy for internally developed software. The change was to bring the thresholds for internally developed software in line with industry standards. The Company's capitalization policy, including the predefined thresholds, for all other asset classes did not change.
13. The Company has no pharmaceutical rebate receivables.

## NOTES TO FINANCIAL STATEMENTS

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

Effective January 1, 2013 the Company Adopted SSAP No. 92, Postretirement Benefits Other Than Pensions, a Replacement of SSAP No. 14 and SSAP No. 102, Accounting for Pensions, a Replacement of SSAP No. 89. Also effective January 1, 2013, the Company adopted Ref #2013-02, Accounting for Deferred Compensation and Post Retirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements. The Company elected the transition option for recognizing the surplus impact of adopting SSAP No. 92, SSAP No. 102 and Ref #2013-02. The cumulative effect of adopting SSAP No. 92, SSAP No. 102 and Ref #2013-02 is reported in the capital and surplus account and is not considered material.

### **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. 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 2013 as of December 31, 2013: None
3. Each Loan Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2013: 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, 2013:
  - a. The aggregate amount of unrealized losses:
 

1.	Less than 12 Months	\$	36,189
2.	12 Months or Longer	\$	-
  - b. The aggregate related fair value of securities with unrealized losses:
 

1.	Less than 12 Months	\$	854,296
2.	12 Months or Longer	\$	-
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.



## NOTES TO FINANCIAL STATEMENTS

### 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, 2013.
3. Aggregate Amount of Contractually open cash collateral positions:

#### a. Aggregate Amount Cash Collateral Received

	<u>Fair Value</u>
1. Repurchase Agreement	
(a) Open	\$ -
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	-
(g) Securities Received	-
(h) Total Collateral Received	\$ -
2. Securities Lending	
(a) Open	\$ 718,416
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	718,416
(g) Securities Received	762,322
(h) Total Collateral Received	\$ 1,480,738

#### 3. Dollar Repurchase Agreement

(a) Open	\$ -
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	-
(g) Securities Received	-
(h) Total Collateral Received	\$ -

- b. The aggregate fair value of all securities acquired from the sale, trade or use of the accepted collateral (reinvested collateral)
 

	\$ 718,416
--	------------

- c. All collateral is received in the form of cash and/or securities equal to or in excess of 102% of the loaned value and are maintained in a separate custody account. Cash collateral is reinvested into short-term investments as outlined in the terms of the investment agreement. Per the terms of the investment agreement the company has the right and ability to redeem any eligible securities on short notice.

#### 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

	<u>Amortized Cost</u>	<u>Fair Value</u>
1. Repurchase Agreement		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	-	-
(c) 31 to 60 Days	-	-
(d) 61 to 90 Days	-	-
(e) 91 to 120 Days	-	-
(f) 121 to 180 Days	-	-
(g) 181 to 365 Days	-	-
(h) 1 to 2 Years	-	-
(i) 2 to 3 Years	-	-

## NOTES TO FINANCIAL STATEMENTS

(j) Greater Than 3 Years	-	-
(k) Sub-Total	-	-
(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$ -	\$ -
2. Securities Lending		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	288,144	288,096
(c) 31 to 60 Days	242,381	242,381
(d) 61 to 90 Days	187,937	187,416
(e) 91 to 120 Days	-	-
(f) 121 to 180 Days	-	-
(g) 181 to 365 Days	-	-
(h) 1 to 2 Years	-	-
(i) 2 to 3 Years	-	-
(j) Greater Than 3 Years	-	-
(k) Sub-Total	718,462	718,416
(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$ 718,462	\$ 718,416
3. Dollar Repurchase Agreement		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	-	-
(c) 31 to 60 Days	-	-
(d) 61 to 90 Days	-	-
(e) 91 to 120 Days	-	-
(f) 121 to 180 Days	-	-
(g) 181 to 365 Days	-	-
(h) 1 to 2 Years	-	-
(i) 2 to 3 Years	-	-
(j) Greater Than 3 Years	-	-
(k) Sub-Total	-	-
(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$ -	\$ -

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.

6. The securities collateral currently not listed on the balance sheet, which has been pledged to the Company against a borrowed position is not restricted from use in the event the Company wanted to use it.
7. The Company's securities lending program is an open transaction (not contract based), and as such, the Company can recall the security lent at any time.

### F. Real Estate

The Company does not own real estate.

### G. Investments in Low-Income Housing Tax Credits

1. There are eleven years remaining of unexpired tax credits. The required holding period for the LIHTC investment is fifteen years.
2. The Company's LIHTC property is required to meet regulatory benchmarks to comply with the LIHTC program which include the review of tenant files. Oversight of the projects is administered by the State Housing agencies.
3. The carrying value of the Company's investment in LIHTC did not exceed 10% of its admitted assets.
4. The Company did not recognize any impairment loss on its LIHTC investment during the year.
5. The Company did not write-down its LIHTC investment or reclassify the LIHTC during the year due to the forfeiture or ineligibility of tax credits.

## NOTES TO FINANCIAL STATEMENTS

### H. Restricted Assets

#### 1. Restricted Assets (Including Pledged)

Restricted Asset Category	Gross Restricted							8 Total Current Year Admitted Restricted	Percentage	
	Current Year					6 Total From Prior Year	7 Increase / (Decrease) (5 minus 6)		9 Gross Restricted to Total Assets	10 Admitted Restricted to Total Admitted Assets
	1 Total General Account (G/A)	2 G/A Supporting Protected Cell Account Activity (a)	3 Total Protected Cell Account Restricted Assets	4 Protected Cell Account Assets Supporting G/A Activity (b)	5 Total (1 plus 3)					
a. Subject to contractual obligation for which liability is not shown	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
b. Collateral held under security lending agreements	718,416	-	-	-	\$718,416	\$494,545	\$223,871	\$718,416	3%	3%
c. Subject to repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
d. Subject to reverse repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
e. Subjects to dollar repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
f. Subject to dollar reverse repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
g. Placed under option contracts	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
h. Letter stock or securities restricted as to sale	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
i. On deposit with states	8,755,861	-	-	-	\$8,755,861	\$8,770,076	\$(14,215)	\$8,755,861	38%	38%
j. On deposit with other regulatory bodies	1,473,202	-	-	-	\$1,473,202	\$1,478,122	\$(4,920)	\$1,473,202	6%	6%
k. Pledged as collateral not captured in other categories	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
l. Other restricted assets	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
m. Total Restricted Assets	\$10,947,479	\$-	\$-	\$-	\$10,947,479	\$10,742,743	\$204,736	\$10,947,479	48%	48%

(a) Subset of column 1

(b) Subset of column 3

2. Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, Are reported in the Aggregate)

Not Applicable

3. Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, Are reported in the Aggregate)

Not Applicable

#### **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's investment in joint ventures, partnerships, or limited liability companies does not exceed 10% of its admitted assets.

## NOTES TO FINANCIAL STATEMENTS

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

The Company's limited partnership investment is reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the assets leads to impairment losses being recognized by management. The Company did not realize any impairment losses during the year.

### Note 7 - Investment Income

#### A. Accrued Investment Income

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

#### B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2013.

### 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 asset/(liability) at December 31 are as follows:

1.

	12/31/2013		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
(a) Gross Deferred Tax Assets	\$ 575,600	\$ 21,700	\$ 597,300
(b) Statutory Valuation Allowance Adjustments	497,300	21,700	519,000
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	78,300	-	78,300
(d) Deferred Tax Assets Nonadmitted	-	-	-
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	78,300	-	78,300
(f) Deferred Tax Liabilities	78,300	-	78,300
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ -	\$ -	\$ -

	12/31/2012		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 1,765,950	\$ 1,050	\$ 1,767,000
(b) Statutory Valuation Allowance Adjustments	1,609,950	1,050	1,611,000
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	156,000	-	156,000
(d) Deferred Tax Assets Nonadmitted	-	-	-
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	156,000	-	156,000
(f) Deferred Tax Liabilities	156,000	-	156,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ -	\$ -	\$ -

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ (1,190,350)	\$ 20,650	\$ (1,169,700)
(b) Statutory Valuation Allowance Adjustments	(1,112,650)	20,650	(1,092,000)
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	(77,700)	-	(77,700)
(d) Deferred Tax Assets Nonadmitted	-	-	-
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	(77,700)	-	(77,700)
(f) Deferred Tax Liabilities	(77,700)	-	(77,700)
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ -	\$ -	\$ -

## NOTES TO FINANCIAL STATEMENTS

2.

	12/31/2013		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
<b>Admission Calculation Components SSAP No. 101</b>			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ -	\$ -	\$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	78,300	-	78,300
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	78,300	-	78,300
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			3,323,815
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	-	-	-
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 78,300	\$ -	\$ 78,300

	12/31/2012		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
<b>Admission Calculation Components SSAP No. 101</b>			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ -	\$ -	\$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	-	-	-
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	-	-	-
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			3,108,926
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	156,000	-	156,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 156,000	\$ -	\$ 156,000

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
<b>Admission Calculation Components SSAP No. 101</b>			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ -	\$ -	\$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	78,300	-	78,300
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	78,300	-	78,300
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			214,889
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	(156,000)	-	(156,000)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ (77,700)	\$ -	\$ (77,700)

## NOTES TO FINANCIAL STATEMENTS

3.

	2013	2012
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	21417.09%	1072.30%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	22,158,766	20,906,385

4.

	12/31/2013		12/31/2012		Change	
	(1) Ordinary	(2) Capital	(3) Ordinary	(4) Capital	(5) (Col 1-3) Ordinary	(6) (Col 2-4) Capital
<b>Impact of Tax-Planning Strategies</b>						
(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.						
1. Adjusted Gross DTAs amount from Note 9A1 (c)	\$ 78,300	\$ -	\$ 156,000	\$ -	\$ (77,700)	\$ -
2. Percentage of adjusted gross DTAs by tax character to the impact of tax planning strategies.	0%	0%	0%	0%	0%	0%
3. Net Admitted Adjusted Gross DTAs amount from Note 9A1 (e)	\$ 78,300	\$ -	\$ 156,000	\$ -	\$ (77,700)	\$ -
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies.	0%	0%	0%	0%	0%	0%

(b) Does the Company's tax-planning strategies include the use of reinsurance: Yes \_\_\_ No X

- B. The Company does not have any DTLs described in SSAP No. 101 Income Taxes, a Replacement of SSAP No. 10R and SSAP No. 10, paragraph 23.
- C. Current income taxes incurred consist of the following major components:

	(1) 12/31/2013	(2) 12/31/2012	(3) (Col 1-2) Change
<b>1. Current Income Tax</b>			
(a) Federal	\$ (890,270)	\$ (225,840)	\$ (664,430)
(b) Foreign	-	-	-
(c) Subtotal	(890,270)	(225,840)	(664,430)
(d) Federal income tax on net capital gains	270	16,840	(16,570)
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	\$ (890,000)	\$ (209,000)	\$ (681,000)
<b>2. Deferred Tax Assets:</b>			
(a) Ordinary			
(1) Discounting of unpaid losses	\$ -	\$ 583,000	\$ (583,000)
(2) Unearned premium reserve	-	462,000	(462,000)
(3) Policyholder reserves	-	-	-
(4) Investments	2,000	8,000	(6,000)
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	66,000	-	66,000
(8) Compensation and benefits accrual	14,000	72,000	(58,000)
(9) Pension accrual	-	-	-
(10) Receivables – nonadmitted	-	40,000	(40,000)
(11) Net operating loss carry-forward	489,000	504,000	(15,000)
(12) Tax credit carry-forward	-	-	-
(13) Other (including items <5% of total ordinary tax assets)	4,600	96,950	(92,350)
(99) Subtotal	575,600	1,765,950	(1,190,350)
(b) Statutory valuation allowance adjustment	497,300	1,609,950	(1,112,650)
(c) Nonadmitted	-	-	-
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	78,300	156,000	(77,700)

## NOTES TO FINANCIAL STATEMENTS

(e) Capital			
(1) Investments	21,700	1,050	20,650
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	21,700	1,050	20,650
(f) Statutory valuation allowance adjustment	21,700	1,050	20,650
(g) Nonadmitted	-	-	-
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	-	-	-
(i) Admitted deferred tax assets (2d + 2h)	78,300	156,000	(77,700)
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	7,000	14,000	(7,000)
(2) Fixed assets	5,000	118,000	(113,000)
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total capital tax liabilities)	66,300	24,000	42,300
(99) Subtotal	78,300	156,000	(77,700)
(b) Capital:			
(1) Investments	-	-	-
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	-	-	-
(c) Deferred tax liabilities (3a99 + 3b99)	78,300	156,000	(77,700)
4. Net deferred tax assets/liabilities (2i – 3c)	\$ -	\$ -	\$ -

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of LP & LLC income, charitable contribution limitation, compensation adjustments, net operating loss carryforward, accrued expenses, unearned premiums adjustments, discounting of unpaid losses and LAE, loss based assessment adjustments, airplane adjustments, accrued bonus, tax depreciation, accrued of market discount on owned securities, LP mark to market GAAP gain, and sale of nonadmitted assets.

E. The Company has net operating loss carry-forwards which expire as follows:

Year Generated	Amount	Expiration
2011	\$ 700,000	2031
2012	\$ 698,000	2032

The Company has no foreign tax credit carry-forwards.

The Company has no general business credit carry-forwards.

The Company has no alternative minimum tax credit carry-forwards.

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

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:

AMBCO Capital Corporation	Liberty Mutual Insurance Company
America First Insurance Company	Liberty Mutual Personal Insurance Company
America First Lloyd's Insurance Company	Liberty Northwest Insurance Corporation
American Economy Insurance Company	Liberty Personal Insurance Company
American Fire and 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

## NOTES TO FINANCIAL STATEMENTS

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

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

- G. The Company does not expect the Federal and Foreign income tax loss contingencies, as determined in accordance with SSAP No. 5R, Liabilities, Contingencies and Impairments of Assets, with the modifications provided in SSAP No. 101, Income Taxes – A Replacement of SSAP No. 10R and SSAP No. 10, to significantly increase within twelve months of the reporting date.

### **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. As of December 31, 2013, the Company had the following capital transactions with its parent and subsidiaries:

Received return of capital distribution of \$ 240,945

Contributed capital in the amount of \$ 2,079,486



## NOTES TO FINANCIAL STATEMENTS

- D. At December 31, 2013, the Company reported a net \$564 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.
- E. The Company has not made any guarantees or initiated any undertakings, written or otherwise, for the benefit of affiliates or other related parties.
- F. Refer to Note 26 for information regarding the Inter-Company Reinsurance Agreement.

The Company is a party to a management services agreement (the "Agreement") with Liberty Mutual Insurance Company ("LMIC"). Under the Agreement, LMIC may provide the Company with office space, supplies, equipment, telephone and wire services, the use of computers and similar machines and services of personnel employed by the LMIC and LMGI. Services provided include, but are not limited to, risk underwriting, claims processing, claims adjustments, policyholder services, contract management and administration. LMIC is reimbursed for the cost of all services which it provides under the Agreement.

The Company is a party to an investment management agreement and a cash management agreement with Liberty Mutual Group Asset Management Inc. ("LMGAM"). Under these agreements, LMGAM provides services to the Company.

There is an "Agent-Company Agreement" between the Company and Helmsman Insurance Agency, LLC ("Helmsman") whereby Helmsman is appointed a property-casualty insurance agent of the Company and provides usual and customary services of an insurance agent on all insurance contracts placed by Helmsman with the Company.

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. 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 Second Amended and Restated 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, 2013. All shares have a stated par value of \$120.
- 2. Preferred Stock  
Not applicable
- 3. There are no dividend restrictions.

## NOTES TO FINANCIAL STATEMENTS

4. The Company did not pay any dividends to its parent during 2013.
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 2014 is \$2,215,877.
6. The Company does not have restricted unassigned surplus.
7. The Company had no advances to surplus.
8. The Company does not hold stock for special purposes.
9. The Company does not hold special surplus funds.
10. The portion of unassigned funds (surplus) represented by cumulative net unrealized losses is (\$3,217) after applicable deferred taxes of \$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

Refer to Note 10E.

#### B. Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments 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 no net guaranty fund or other assessment liabilities to report. Refer to Note 26.

#### 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	\$462,300

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 )	( b )	( c )	( d )	( e )
0-25 Claims	26-50 Claims	51-100 Claims	101-500 Claims	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.

---

## NOTES TO FINANCIAL STATEMENTS

---

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

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

### **Note 15 - Leases**

#### A. Lessee Leasing Arrangements

The Company has no net lease obligations. Refer to Note 26.

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

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

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

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

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

#### A. Transfers of Receivables Reported as Sales

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

#### B. Transfers and Servicing of Financial Assets

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income and mortgage backed securities are loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. The Company does not participate in term loans; therefore, the Company does not have contractual collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities, such as Treasuries and Agency Bonds. 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, 2013 the total fair value of securities on loan was \$1,451,783, with corresponding collateral value of \$1,480,738 of which \$718,416 represents cash collateral that was reinvested.

#### C. Wash Sales

- 1) The Company did not have any wash sale transactions during the year.
- 2) Not applicable.

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

#### A. Administrative Services Only (ASO) Plans

Not applicable

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

Not applicable

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

Not applicable

## NOTES TO FINANCIAL STATEMENTS

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

Full Name and Address of MGA or TPA	FEIN #	Exclusive Contract	Type of Business Written	Type of Authority Granted	Total Direct Written Premiums
Negley Associates 103 Eisenhower Pkwy Roseland, NY 07068	63-0834817	No	Workers Compensation	B, U	\$ 1,927,569
Moreton & Company (CUNA) 4600 s. Ulster Street STE 380 Denver, CO 80237	87-0218394	No	Workers Compensation	B, U	\$ 4,490,026

C – Claims Payment  
CA – Claims Adjustment  
R – Reinsurance Ceding  
B – Binding Authority  
P – Premium Collection  
U – Underwriting

### **Note 20 - Fair Value Measurements**

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

Pursuant to the guidance in SSAP No. 100, *Fair Value Measurements*, the Company carries no assets or liabilities on its balance sheet measured at fair value.

#### B. Other Fair Value Disclosures

Not applicable

#### C. Aggregate Fair Value of All Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Cash, Cash Equivalents, and Short Term	\$421,415	\$421,415	\$421,415	\$ -	\$ -	\$ -
Bonds	18,698,577	18,574,908	11,403,893	7,294,684	-	-
Preferred Stock	-	-	-	-	-	-
Common Stock	-	-	-	-	-	-
Securities Lending	718,416	718,416	-	718,416	-	-
Mortgage Loans	-	-	-	-	-	-
Surplus Notes	-	-	-	-	-	-
<b>Total</b>	<b>\$19,838,408</b>	<b>\$19,714,739</b>	<b>\$11,825,308</b>	<b>\$8,013,100</b>	<b>\$ -</b>	<b>\$ -</b>

#### D. Not Practicable to Estimate Fair Value

Not applicable

### **Note 21 - Other Items**

#### A. Extraordinary Items

The Company has no extraordinary items to report.

#### B. Troubled Debt Restructuring: Debtors

Not applicable

#### C. Other Disclosures

##### 1) Florida Special Disability Trust Fund

- a) The amount of credit taken by the Company in determination of its loss reserves was \$0 in 2013 and 2012.
- b) The Company reported loss recoveries from the Special Disability Trust Fund of \$0 in 2013 and \$2,584 in 2012.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$64,043 in 2013 and \$43,206 in 2012.

- 2) Assets in the amount of \$10,229,062 and \$10,248,197 as of December 31, 2013 and 2012, respectively, were on deposit with government authorities or trustees as required by law.

## NOTES TO FINANCIAL STATEMENTS

## 3) Interrogatory 6.1

The Company cedes 100% of its business to Liberty Mutual Insurance Company, the lead company in the Liberty Mutual Pool. Liberty Mutual Insurance Company purchases external catastrophe reinsurance coverage.

## Interrogatory 6.2

The Company cedes 100% of its business to Liberty Mutual Insurance Company, the lead company in the Liberty Mutual Pool. Liberty Mutual Insurance Company purchases external catastrophe reinsurance coverage.

## Interrogatory 6.3

The Company cedes 100% of its business to Liberty Mutual Insurance Company, the lead company in the Liberty Mutual Pool. Liberty Mutual Insurance Company purchases external catastrophe reinsurance coverage.

## D. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

## E. State Transferable and Non-transferable Tax Credits

The Company does not hold state transferable and/or non-transferable tax credits.

## F. Subprime-Mortgage-Related Risk Exposure

The Company does not have exposure to subprime related risk.

## G. Offsetting and Netting of Assets and Liabilities

Not applicable.

## H. Joint and Several Liabilities

The Company is not a participant in any joint and several liability arrangements.

**Note 22 - Events Subsequent**

- A. The Company evaluated subsequent events through February 20, 2013, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2013 that would require disclosure.

**Note 23 - Reinsurance**

## A. Unsecured Reinsurance Recoverable

Excluding amounts arising pursuant to the Intercompany Reinsurance Agreement, there are no unsecured reinsurance recoverables or ceded unearned premium of an individual reinsurer which exceed 3% of policyholder's surplus.

## B. Reinsurance Recoverable in Dispute

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

## C. Reinsurance Assumed &amp; Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2013.

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	\$-	\$-	\$339,622,665	\$14,203,062	\$(339,622,665)	\$(14,203,062)
b. All Other	-	-	-	-	-	-
c. TOTAL	\$-	\$-	\$339,622,665	\$14,203,062	\$(339,622,665)	\$(14,203,062)
d. Direct Unearned Premium Reserve	\$339,622,665					

2. The Company has no contingent commissions, sliding scale, or other profit sharing commissions for direct, assumed or ceded business.
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.

## NOTES TO FINANCIAL STATEMENTS

### E. Commutation of Ceded Reinsurance

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

### F. Retroactive Reinsurance

The Company does not have any retroactive reinsurance agreements.

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, 2013.

### 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.

### I. Certified Reinsurers Downgraded or Status Subject to Revocation.

The Company does not transact business with Certified Reinsurers.

### **Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination**

The Company does not have net accrued retrospective premiums. Refer to Note 26.

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

The Company has no net exposure to changes in incurred losses and loss adjustment expenses. Refer to Note 26.

### **Note 26 - Intercompany Pooling Arrangements**

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

		NAIC Company <u>Number</u>	Pooling <u>Percentage</u>	Line of <u>Business</u>
Lead				
Company:	Liberty Mutual Insurance Company ("LMIC")	23043	50.00%	All Lines
Affiliated	Peerless Insurance Company ("PIC")	24198	20.00%	All Lines
Pool	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
Companies:	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	8.00%	All Lines
	The Ohio Casualty Insurance Company ("OCIC")	24074	8.00%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	6.00%	All Lines
	American Economy Insurance Company ("AEIC")	19690	0.00%	All Lines
	America First Insurance Company ("AFIC")	12696	0.00%	All Lines
	America Fire and Casualty Company ("AFCIC")	24066	0.00%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%	All Lines
	American States Insurance Company ("ASIC")	19704	0.00%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines
	American States Lloyd's Insurance Company ("ASLCO")	31933	0.00%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.00%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.00%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.00%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.00%	All Lines
	The First Liberty Insurance Corporation ("FST")	33588	0.00%	All Lines
	General Insurance Company of America ("GICA")	24732	0.00%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	0.00%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.00%	All Lines
	Indiana Insurance Company ("IIC")	22659	0.00%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. ("LIU")	19917	0.00%	All Lines
	Liberty County Mutual Insurance Company ("LCMIC")	19544	0.00%	All Lines
	LM General Insurance Company ("LMGIC")	36447	0.00%	All Lines

## NOTES TO FINANCIAL STATEMENTS

	Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.00%	All Lines
	LM Insurance Corporation ("LMC")	33600	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	All Lines
	Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.00%	All Lines
	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%	All Lines
	Liberty Personal Insurance Company (LPIC")	11746	0.00%	All Lines
	Liberty Surplus Insurance Corporation ("LSI")	10725	0.00%	All Lines
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%	All Lines
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%	All Lines
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%	All Lines
	National Insurance Association ("NIA")	27944	0.00%	All Lines
	The Netherlands Insurance Company ("NIC")	24171	0.00%	All Lines
	North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
	Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
	Peerless Indemnity Insurance Company ("PIIC")	18333	0.00%	All Lines
	Safeco Insurance Company of Illinois ("SICIL")	39012	0.00%	All Lines
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%	All Lines
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%	All Lines
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%	All Lines
	Safeco National Insurance Company ("SNIC")	24759	0.00%	All Lines
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%	All Lines
	Wausau Business Insurance Company ("WBIC")	26069	0.00%	All Lines
	Wausau General Insurance Company ("WGIC")	26425	0.00%	All Lines
	Wausau Underwriters Insurance Company ("WUIC")	26042	0.00%	All Lines
	West American Insurance Company ("WAIC")	44393	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Bridgefield Employers Insurance Company ("BEIC")	10701	0.00%	All Lines
	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.00%	All Lines
	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) The Company has no amounts due (to)/from affiliated entities participating in the Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement as of December 31, 2013.

Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2013, the participants of the Peerless Amended and Restated Reinsurance Pooling Agreement (the PIC Pool) were added to the Liberty Mutual Intercompany Reinsurance Agreement (Liberty Pool). The Liberty Mutual Intercompany Reinsurance Agreement was renamed the Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement. Also effective January 1, 2013 the Peerless Amended and Restated Reinsurance Pooling Agreement was terminated.

Effective January 1, 2013, Liberty County Mutual Insurance Company cancelled its 100% Quota Share Reinsurance Agreement with Liberty Mutual Insurance Company, the lead company in the Liberty Pool and became a participant in the Liberty Pool.

---

## NOTES TO FINANCIAL STATEMENTS

---

Effective January 1, 2013, Liberty Northwest Insurance Corporation, North Pacific Insurance Company, Oregon Automobile Insurance Company and Liberty Mutual Mid-Atlantic Insurance Company cancelled its 100% Quota Share Reinsurance Agreements with Peerless Insurance Company, the Lead Company in the PIC Pool, and became participants in the Liberty Pool.

**Note 27 - Structured Settlements**

- A. The Company has no net exposure to contingent liabilities from the purchase of annuities. Refer to Note 26.
- B. Not applicable

**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	12/31/2013
3. Was anticipated investment income utilized in the calculation?	Yes

**Note 31 - High Dollar Deductible Policies**

Not applicable

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

The Company has no net loss and loss adjustment expense reserves. Refer to Note 26.

**Note 33 - Asbestos/Environmental Reserves**

The Company has no net exposure to asbestos and environmental claims. Refer to Note 26.

**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
- If yes, complete Schedule Y, Parts 1, 1A and 2.
- 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<br>Name of Entity | 2<br>NAIC Company Code | 3<br>State of Domicile |
|---------------------|------------------------|------------------------|
| _____               | _____                  | _____                  |
| _____               | _____                  | _____                  |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes  No

## GENERAL INTERROGATORIES

6.2 If yes, give full information:

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

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

7.2 If yes,

7.21 State the percentage of foreign control. \_\_\_\_\_ 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 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 FDIC	6 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?

Stephanie Neyenhouse FCAS, MAAA  
 175 Berkeley Street, Boston, MA 02116  
 Vice President and Chief Actuary, 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).

Effective May 6, 2013, Liberty made significant revisions to the format and contents of its Code to make this easier for employees to read and understand. These revisions did not change the core requirements and policies in the Code.

.....  
 .....

## 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 where the issuing or confirming bank is not on the SVO Bank List? 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
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

### INVESTMENT

- 24.01 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 24.03) Yes  No

24.02 If no, give full and complete information, relating thereto:  
 .....  
 .....  
 .....

24.03 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 .....  
 .....  
 .....

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

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ 1,480,738

24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$ 0

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

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

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

- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$ 718,416
- 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$ 718,416
- 24.103 Total payable for securities lending reported on the liability page \$ 718,416

- 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 24.03). Yes  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>10,229,062</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

## GENERAL INTERROGATORIES

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?  
If no, attach a description with this statement. Yes [ ] No [ ] N/A [ X ]

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 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	18,996,323	19,119,992	123,669
30.2 Preferred stocks	0	0	0
30.3 Totals	18,996,323	19,119,992	123,669

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

## 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?

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

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	\$ <u>0</u>		\$ <u>1,346</u>	
2.2 Premium Denominator	\$ <u>0</u>		\$ <u>12,329,226</u>	
2.3 Premium Ratio (2.1/2.2)	<u>0.00</u>		<u>0.00</u>	
2.4 Reserve Numerator	\$ <u>0</u>		\$ <u>4,524</u>	
2.5 Reserve Denominator	\$ <u>0</u>		\$ <u>29,474,195</u>	
2.6 Reserve Ratio (2.4/2.5)	<u>0.00</u>		<u>0.00</u>	

3.1 Does the reporting entity issue both participating and non-participating policies? Yes [X] No [ ]

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

3.21 Participating policies \$ 1,648,281

3.22 Non-participating policies \$ 731,935,866

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?  
 N/A  
 .....

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 21C3  
 .....

## 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 21C3  
.....  
.....
- 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 21C3  
.....  
.....
- 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 [X]
- 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  
The Company cedes 100% of its business to Liberty Mutual Insurance Company, the lead company in the Liberty Mutual Pool. Liberty Mutual Insurance Company purchases external catastrophe reinsurance coverage.  
.....  
.....
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [ ] No [X]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. \_\_\_\_\_ 0
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [ ]
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [ ] No [X]
- 8.2 If yes, give full information  
.....  
.....
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
(c) Aggregate stop loss reinsurance coverage;  
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No [X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [ ] No [X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 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 [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
(a) The entity does not utilize reinsurance; or, Yes [ ] No [X]  
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]  
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [X] No [ ]

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [ ] No [ ] N/A [X]
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes [ ] No [X]
- 11.2 If yes, give full information  
 .....  
 .....
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |   |  |    |          |  |
|---|--|----|----------|--|
| 12.11 Unpaid losses   |  | \$ | <u>0</u> |  |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) |  | \$ | <u>0</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? \$ 0
- 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 [X]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- |            |  |       |        |  |
|------------|--|-------|--------|--|
| 12.41 From |  | _____ | 0.00 % |  |
| 12.42 To   |  | _____ | 0.00 % |  |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting 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 [X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- |                                  |  |    |          |  |
|----------------------------------|--|----|----------|--|
| 12.61 Letters of Credit          |  | \$ | <u>0</u> |  |
| 12.62 Collateral and other funds |  | \$ | <u>0</u> |  |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 0
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [ ] No [X]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [X] No [ ]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
 Premiums and recoverables were allocated pursuant to 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 [X]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [X] No [ ]
- 14.5 If the answer to 14.4 is no, please explain:  
 N/A  
 .....  
 .....
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No [X]
- 15.2 If yes, give full information  
 .....  
 .....
- 16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]  
 If yes, disclose the following information for each of the following types of warranty coverage:

		1	2	3	4	5
		Direct Losses Incurred	Direct Losses Unpaid	Direct Written Premium	Direct Premium Unearned	Direct Premium Earned
16.11 Home	\$	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
	2013	2012	2011	2010	2009
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	339,917,081	310,396,830	279,457,124	287,881,572	315,181,890
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	108,362,953	125,209,182	137,508,301	147,828,818	141,119,223
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	279,970,256	296,887,422	304,879,886	305,421,553	300,550,873
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(17,671)	29,259	17,555	19,964	25,028
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	(28,960)	319,200	264,269	264,931	251,983
6. Total (Line 35)	728,203,659	732,841,893	722,127,135	741,416,838	757,128,997
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
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)	(2,593,087)	7,900,796	7,151,977	6,858,171	6,390,083
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	(1,349,501)	2,412,021	2,009,413	1,645,885	1,898,311
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	(1,391,269)	2,396,244	2,009,874	1,770,957	1,443,444
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(17,671)	27,797	13,323	12,414	13,767
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	(28,960)	319,200	264,269	264,931	251,983
12. Total (Line 35)	(5,380,488)	13,056,058	11,448,856	10,552,358	9,997,588
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)		(2,719,325)	(1,871,675)	(836,999)	(1,101,806)
14. Net investment gain (loss) (Line 11)	407,746	1,394,292	1,397,466	1,538,432	1,727,888
15. Total other income (Line 15)	(20,697)	(55,797)	(278,070)	(105,898)	(164,285)
16. Dividends to policyholders (Line 17)		24,603	40,680	62,948	23,138
17. Federal and foreign income taxes incurred (Line 19)	(890,270)	(225,840)	(53,582)	45,214	160,325
18. Net income (Line 20)	1,277,319	(1,179,593)	(739,377)	487,373	278,334
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	22,880,157	52,743,594	56,151,318	52,963,974	51,133,059
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)		1,218,810	1,195,967	1,046,669	1,187,716
20.2 Deferred and not yet due (Line 15.2)		3,904,705	3,322,598	2,737,269	2,815,315
20.3 Accrued retrospective premiums (Line 15.3)		294,145	409,676	572,774	439,735
21. Total liabilities excluding protected cell business (Page 3, Line 26)	721,391	31,837,209	33,043,388	29,313,356	29,341,913
22. Losses (Page 3, Line 1)		19,165,601	17,753,700	17,440,797	16,774,264
23. Loss adjustment expenses (Page 3, Line 3)		3,946,082	3,679,775	3,495,255	3,393,626
24. Unearned premiums (Page 3, Line 9)		5,698,024	5,098,219	4,745,977	4,390,724
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)	22,158,766	20,906,385	23,107,930	23,650,618	21,791,146
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	(24,847,378)	676,236	(411,768)	1,945,461	237,686
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	22,158,766	20,906,385	23,107,930	23,650,618	21,791,146
29. Authorized control level risk-based capital	103,463	1,949,674	1,635,244	1,531,844	1,506,057
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	83.9	97.5	90.3	93.4	90.1
31. Stocks (Lines 2.1 & 2.2)					
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)	1.9	1.4	1.2	2.0	9.9
35. Contract loans (Line 6)					
36. Derivatives (Line 7)					X X X
37. Other invested assets (Line 8)	11.0				
38. Receivables for securities (Line 9)					
39. Securities lending reinvested collateral assets (Line 10)	3.2	1.1	8.5	4.7	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
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
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	1,835,324				
48. Total of above Lines 42 to 47	1,835,324				
49. Total investment in parent included in Lines 42 to 47 above					
50. 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)	8.3				

## FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2013	2012	2011	2010	2009
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24)	(3,217)				252,566
52. Dividends to stockholders (Line 35)					
53. Change in surplus as regards policyholders for the year (Line 38)	1,252,381	(2,201,545)	(542,688)	1,859,472	116,066
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
54. 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)	200,256,055	184,544,566	190,287,452	178,379,307	167,432,421
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	55,443,294	83,300,022	87,941,415	82,345,309	77,861,342
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	138,888,485	156,382,915	185,815,315	177,457,301	186,123,380
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	33,920	2,168	6,030	13,332	3,475
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	648,291	119,878	109,796	190,816	75,422
59. Total (Line 35)	395,270,045	424,349,549	464,160,008	438,386,065	431,496,040
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
60. 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)	17,115,150	4,717,138	4,838,132	3,911,117	4,087,328
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	419,664	1,462,630	1,173,765	989,170	1,232,721
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	951,617	1,239,236	1,225,151	1,015,659	1,053,169
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	33,920	2,168	6,030	13,332	3,475
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	648,291	119,878	109,796	190,816	75,422
65. Total (Line 35)	19,168,642	7,541,050	7,352,874	6,120,094	6,452,115
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)		72.6	70.3	65.1	65.8
68. Loss expenses incurred (Line 3)		17.8	19.8	17.9	19.5
69. Other underwriting expenses incurred (Line 4)		31.7	27.1	25.1	25.8
70. Net underwriting gain (loss) (Line 8)		(22.1)	(17.2)	(8.1)	(11.1)
<b>Other Percentages</b>					
71. 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)	(0.4)	30.4	28.3	25.6	27.3
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)		90.3	90.1	83.0	85.3
73. 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)	(24.3)	62.5	49.5	44.6	45.9
<b>One Year Loss Development (000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)		621	527	(113)	241
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100.0)		2.7	2.2	(0.5)	1.1
<b>Two Year Loss Development (000 omitted)</b>					
76. 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)		988	262	(99)	(58)
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0)		4.2	1.2	(0.5)	(0.3)

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 [ ]

If no, please explain:

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

**NONE**    **Schedule P - Part 1 - Summary**

**NONE**    **Schedule P - Part 2, 3, 4 - Summary**

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN Allocated By States and Territories

States, Etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9							
		Active Status	2							3	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	L	8,776,542	9,075,970		5,515,714	7,421,052	11,517,920	18,541							
2. Alaska	AK	L	305,546	360,981		21,319	17,443	337,827								
3. Arizona	AZ	L	9,945,027	10,317,322		4,322,128	5,658,547	4,186,881	11,450							
4. Arkansas	AR	L	2,151,436	1,946,589		1,513,734	1,100,804	2,456,546	681							
5. California	CA	L	10,425,272	8,479,876		2,016,571	6,430,475	12,919,372								
6. Colorado	CO	L	4,033,044	3,988,795		1,314,703	2,900,944	2,972,957	4,279							
7. Connecticut	CT	L	11,082,513	10,080,943		8,231,887	8,938,333	11,714,629	26,427							
8. Delaware	DE	L	2,423,874	3,106,975		2,000,223	1,673,213	4,182,954	4,242							
9. District of Columbia	DC	L	1,033,922	1,153,907		646,919	773,550	1,053,923	2,828							
10. Florida	FL	L	49,860,750	55,200,850	(20,392)	25,938,293	20,731,332	53,078,471	30,753							
11. Georgia	GA	L	54,129,853	54,385,868		38,128,410	41,163,464	16,971,886	71,833							
12. Hawaii	HI	L	662,519	700,857		254,774	359,255	919,811								
13. Idaho	ID	L	768,487	755,799		241,871	413,309	584,959	848							
14. Illinois	IL	L	14,453,414	14,736,497		5,398,129	10,281,599	16,686,505	8,623							
15. Indiana	IN	L	7,639,709	5,232,642		3,210,281	3,378,000	5,867,451	3,144							
16. Iowa	IA	L	8,125,615	8,877,769		3,796,266	3,743,087	4,669,752	22,621							
17. Kansas	KS	L	4,223,674	3,974,566		2,190,418	1,899,969	6,218,314	1,668							
18. Kentucky	KY	L	4,022,929	3,879,727		1,451,542	1,664,189	4,904,038	3,138							
19. Louisiana	LA	L	6,257,241	5,362,462		1,377,891	3,050,347	4,915,099	2,064							
20. Maine	ME	L	3,096,889	3,145,331		1,881,262	2,148,461	2,003,595	12,711							
21. Maryland	MD	L	10,786,021	11,824,789		7,107,294	8,749,820	13,092,762	32,117							
22. Massachusetts	MA	L	11,123,641	10,065,333	(648)	3,914,653	3,893,545	4,520,711	25,425							
23. Michigan	MI	L	4,486,774	3,503,510		1,545,460	2,004,271	5,108,951	36							
24. Minnesota	MN	L	4,773,891	4,876,068		2,081,590	3,040,388	4,044,800	3,355							
25. Mississippi	MS	L	6,506,007	5,908,266		3,301,572	3,798,885	7,990,956	806							
26. Missouri	MO	L	9,959,265	9,205,871	3	4,643,970	7,296,875	9,626,264	7,321							
27. Montana	MT	L	727,161	1,929,127		1,245,489	324,969	3,942,798	874							
28. Nebraska	NE	L	2,045,204	2,569,908		1,268,568	1,530,226	3,110,204	644							
29. Nevada	NV	L	2,309,391	2,228,141		1,631,459	1,625,805	1,549,088	3,796							
30. New Hampshire	NH	L	3,430,595	3,172,928		1,299,804	1,600,566	3,333,437	18,232							
31. New Jersey	NJ	L	9,795,768	7,968,900	240	4,460,436	5,166,241	21,992,745								
32. New Mexico	NM	L	2,256,810	2,109,933		716,601	1,620,752	2,104,685	2,045							
33. New York	NY	L	160,740,860	161,988,361	40	84,060,975	59,083,208	69,277,993	687,682							
34. North Carolina	NC	L	6,677,722	6,392,818		2,306,231	5,535,969	8,597,686								
35. North Dakota	ND	L	148,610	145,754		95,738	115,496	33,642	100							
36. Ohio	OH	L	2,913,281	2,354,034		2,519,871	2,675,867	1,114,495	6,484							
37. Oklahoma	OK	L	7,480,009	6,930,795		2,623,760	4,744,779	6,692,578	4,897							
38. Oregon	OR	L	2,460,102	2,057,942		1,059,424	1,235,550	1,440,367	4,686							
39. Pennsylvania	PA	L	173,241,494	181,684,031		93,801,578	86,164,638	101,296,349	765,934							
40. Rhode Island	RI	L	677,058	523,986		351,235	798,061	1,260,707								
41. South Carolina	SC	L	3,488,433	3,442,608		640,844	1,414,933	4,081,538								
42. South Dakota	SD	L	273,993	317,095		33,161	100,758	356,930								
43. Tennessee	TN	L	20,578,161	21,414,586		11,195,392	13,582,168	12,666,923	53,447							
44. Texas	TX	L	22,024,145	16,718,514		4,271,672	9,265,527	16,858,452								
45. Utah	UT	L	1,413,158	1,077,038		596,506	1,049,519	898,574	472							
46. Vermont	VT	L	3,450,242	3,665,275		1,556,535	2,370,066	4,724,342	5,788							
47. Virginia	VA	L	50,134,363	52,040,716		26,566,002	26,250,004	21,859,681	194,104							
48. Washington	WA	L	448,268	295,399		56,022	182,163	195,901								
49. West Virginia	WV	L	1,006,445	1,086,541		331,604	641,496	1,100,556	1,313							
50. Wisconsin	WI	L	4,686,670	4,472,865	29,276	1,333,185	3,139,328	5,561,008	3,554							
51. Wyoming	WY	L	86,285	88,448		31,659	31,053	19,433	240							
52. American Samoa	AS	N														
53. Guam	GU	L	(4,477)	9,810		774	6,365	17,320								
54. Puerto Rico	PR	N	635	614			38	23								
55. U.S. Virgin Islands	VI	L	39,906	36,033			7,994	8,940								
56. Northern Mariana Islands	MP	N														
57. Canada	CAN	N														
58. Aggregate Other Alien	OT	X X X		(103,558)			3,113	9,150								
59. Totals	(a) 53		733,584,147	736,766,205	8,519	376,101,399	382,797,809	506,652,879	2,049,203							

DETAILS OF WRITE-INS									
58001. ZZZ OTHER ALIEN	X X X			(103,558)			3,113	9,150	
58002.	X X X								
58003.	X X X								
58998. Summary of remaining write-ins for Line 58 from overflow page	X X X								
58999. Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	X X X			(103,558)			3,113	9,150	

(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.

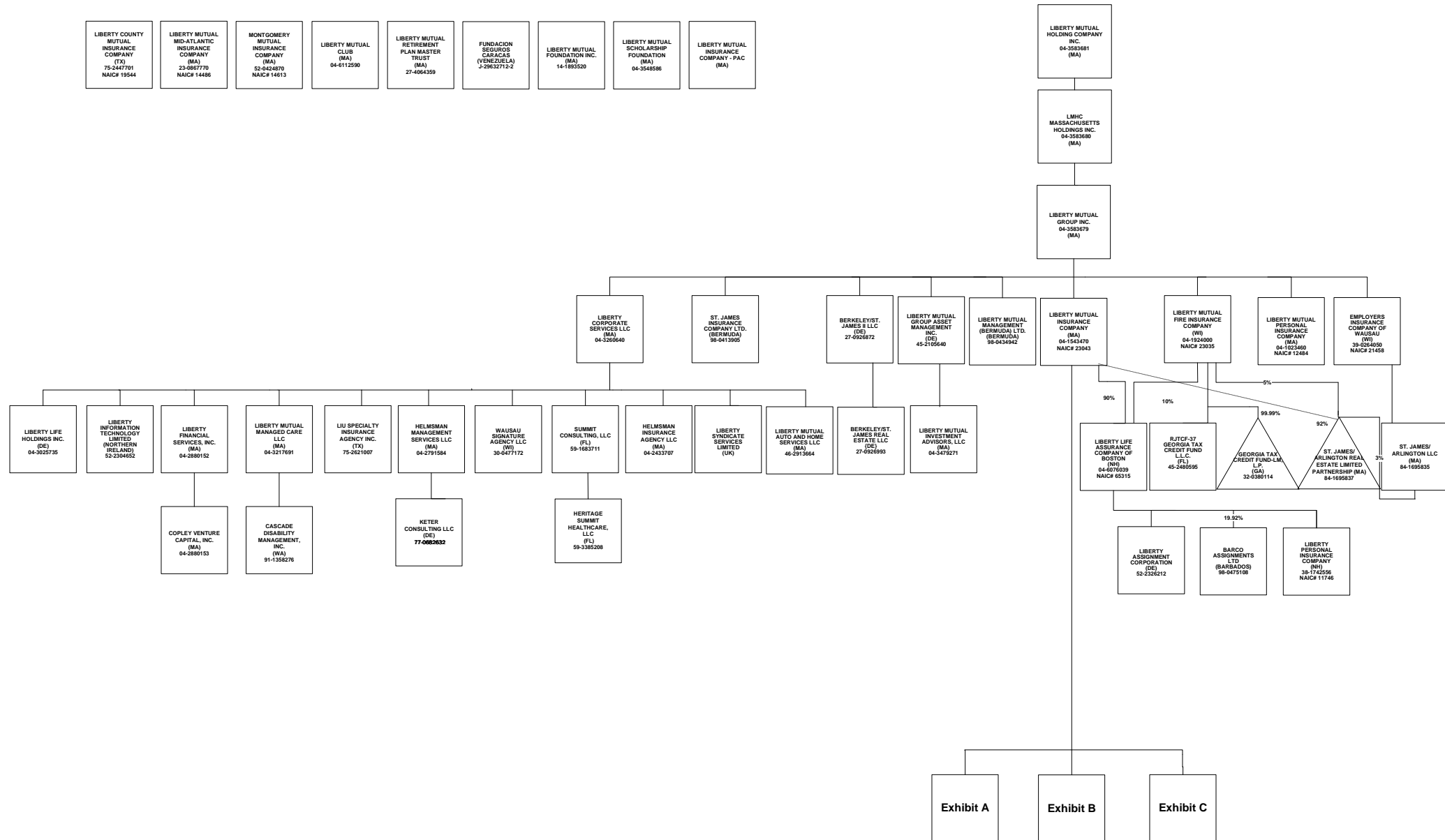
- \*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery
- \*States employee's main work place - Worker's Compensation
- \*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage
- \*Principal 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 or Obligor - 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

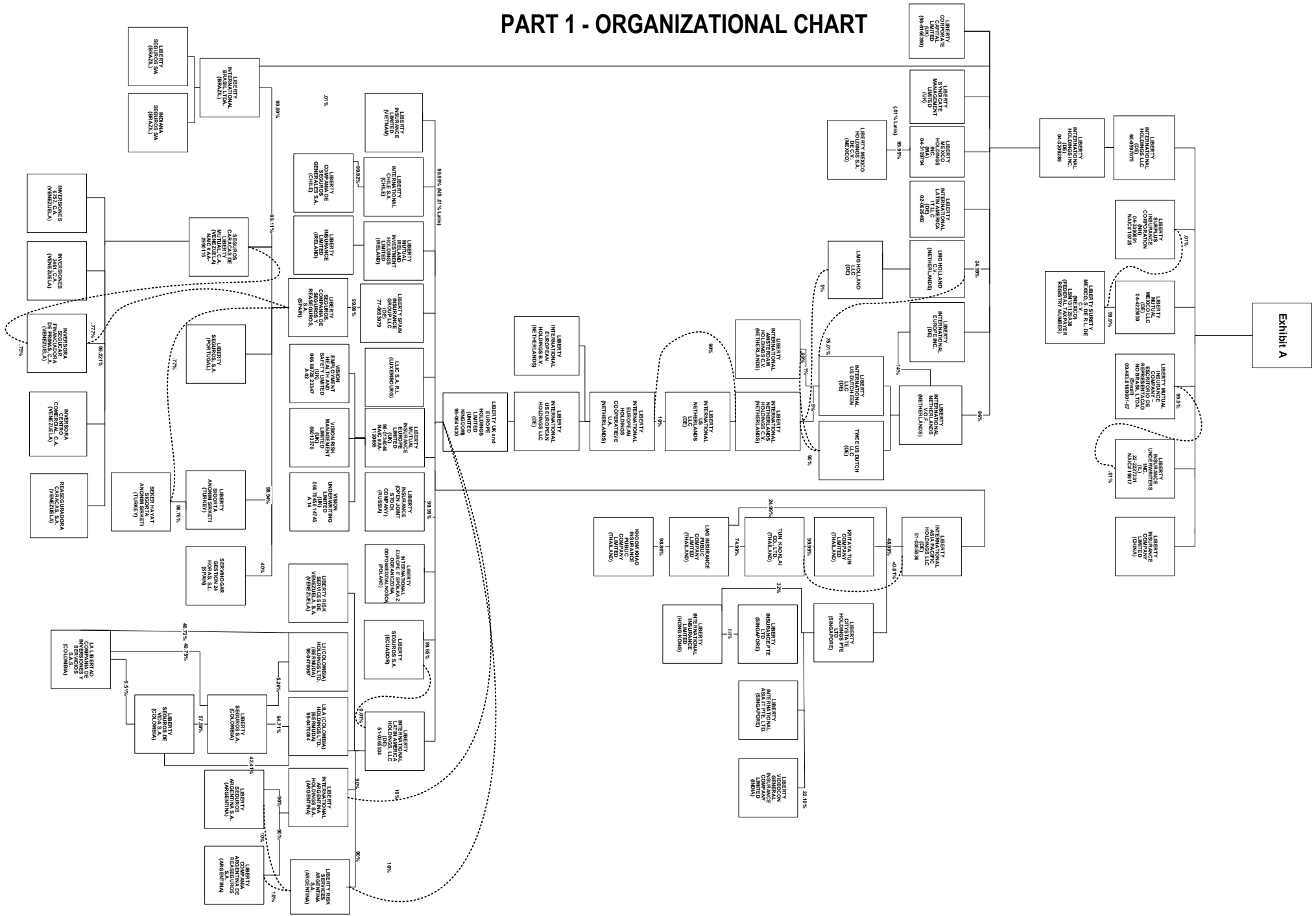
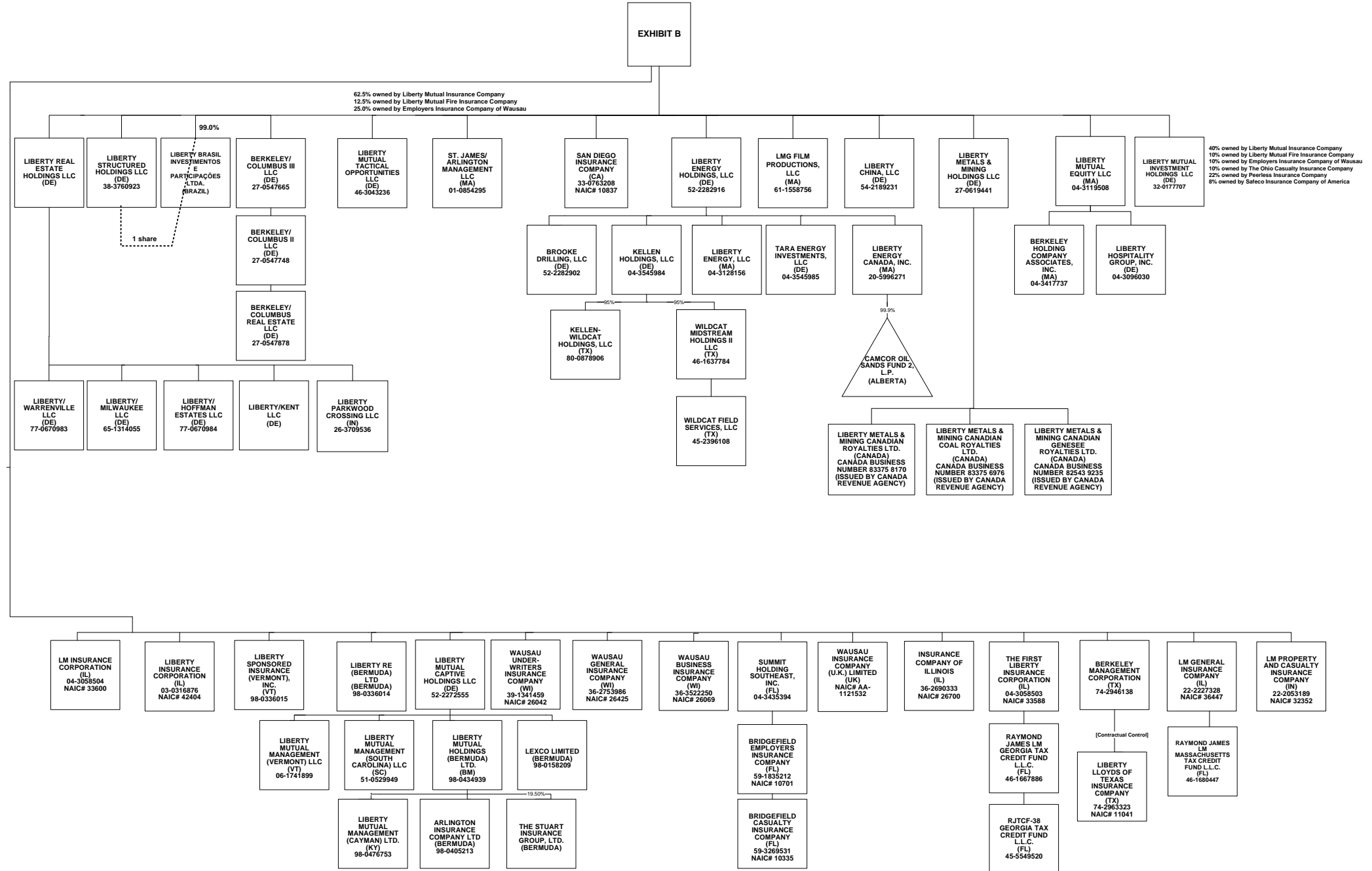


Exhibit A

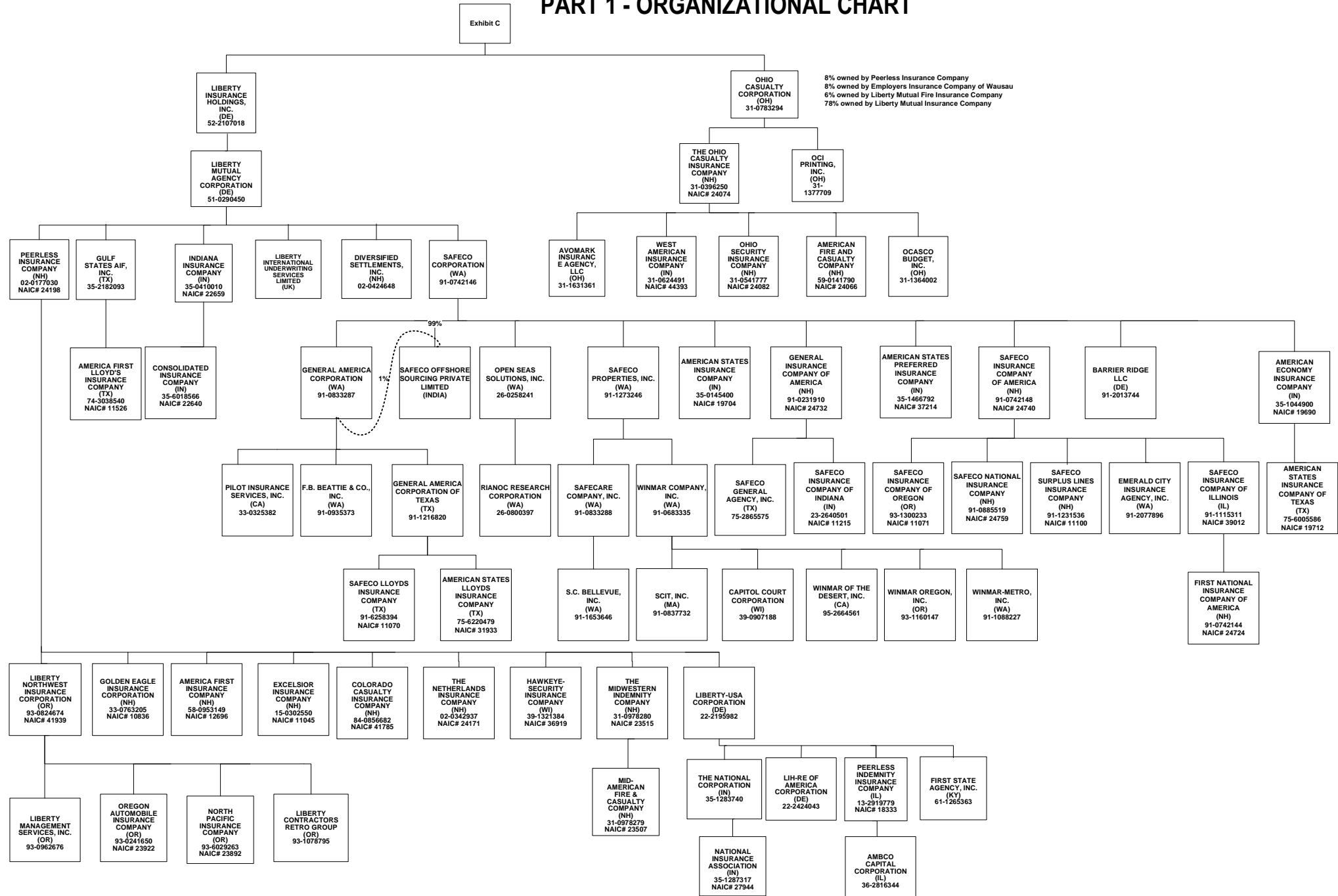
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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

## PART 1 - ORGANIZATIONAL CHART



**OVERFLOW PAGE FOR WRITE-INS**

**Page 2 - Continuation**

**ASSETS**

	Current Year			Prior Year
	1	2	3	4
		Nonadmitted	Net Admitted	Net Admitted
	Assets	Assets	Assets	Assets
			(Cols. 1 - 2)	
<b>REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS</b>				
2504. Other assets				16,097
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)				16,097

## ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

Assets	2	Schedule E – Part 3 – Special Deposits	E28
Cash Flow	5	Schedule E – Verification Between Years	SI15
Exhibit of Capital Gains (Losses)	12	Schedule F – Part 1	20
Exhibit of Net Investment Income	12	Schedule F – Part 2	21
Exhibit of Nonadmitted Assets	13	Schedule F – Part 3	22
Exhibit of Premiums and Losses (State Page)	19	Schedule F – Part 4	23
Five-Year Historical Data	17	Schedule F – Part 5	24
General Interrogatories	15	Schedule F – Part 6 - Section 1	25
Jurat Page	1	Schedule F – Part 6 - Section 2	26
Liabilities, Surplus and Other Funds	3	Schedule F – Part 7	27
Notes To Financial Statements	14	Schedule F – Part 8	28
Overflow Page For Write-ins	100	Schedule F – Part 9	29
Schedule A – Part 1	E01	Schedule H – Accident and Health Exhibit – Part 1	30
Schedule A – Part 2	E02	Schedule H – Part 2, Part 3 and Part 4	31
Schedule A – Part 3	E03	Schedule H – Part 5 – Health Claims	32
Schedule A – Verification Between Years	SI02	Schedule P – Part 1 – Summary	33
Schedule B – Part 1	E04	Schedule P – Part 1A – Homeowners/Farmowners	35
Schedule B – Part 2	E05	Schedule P – Part 1B – Private Passenger Auto Liability/Medical	36
Schedule B – Part 3	E06	Schedule P – Part 1C – Commercial Auto/Truck Liability/Medical	37
Schedule B – Verification Between Years	SI02	Schedule P – Part 1D – Workers' Comp (Excluding Excess Workers' Comp)	38
Schedule BA – Part 1	E07	Schedule P – Part 1E – Commercial Multiple Peril	39
Schedule BA – Part 2	E08	Schedule P – Part 1F – Section 1 – Medical Professional Liability	
Schedule BA – Part 3	E09	– Occurrence	40
Schedule BA – Verification Between Years	SI03	Schedule P – Part 1F – Section 2 – Medical Professional Liability	
Schedule D – Part 1	E10	– Claims-Made	41
Schedule D – Part 1A – Section 1	SI05	Schedule P – Part 1G – Special Liability (Ocean, Marine, Aircraft (All	
Schedule D – Part 1A – Section 2	SI08	Perils), Boiler and Machinery)	42
Schedule D – Part 2 – Section 1	E11	Schedule P – Part 1H – Section 1 – Other Liability – Occurrence	43
Schedule D – Part 2 – Section 2	E12	Schedule P – Part 1H – Section 2 – Other Liability – Claims-Made	44
Schedule D – Part 3	E13	Schedule P – Part 1I – Special Property (Fire, Allied Lines, Inland Marine,	
Schedule D – Part 4	E14	Earthquake, Burglary & Theft)	45
Schedule D – Part 5	E15	Schedule P – Part 1J – Auto Physical Damage	46
Schedule D – Part 6 – Section 1	E16	Schedule P – Part 1K – Fidelity/Surety	47
Schedule D – Part 6 – Section 2	E16	Schedule P – Part 1L – Other (Including Credit, Accident and Health)	48
Schedule D – Summary By Country	SI04	Schedule P – Part 1M – International	49
Schedule D – Verification Between Years	SI03	Schedule P – Part 1N – Reinsurance - Nonproportional Assumed Property	50
Schedule DA – Part 1	E17	Schedule P – Part 1O – Reinsurance - Nonproportional Assumed Liability	51
Schedule DA – Verification Between Years	SI10	Schedule P – Part 1P – Reinsurance - Nonproportional Assumed Financial Lines	52
Schedule DB – Part A – Section 1	E18	Schedule P – Part 1R – Section 1 – Products Liability – Occurrence	53
Schedule DB – Part A – Section 2	E19	Schedule P – Part 1R – Section 2 – Products Liability – Claims – Made	54
Schedule DB – Part A – Verification Between Years	SI11	Schedule P – Part 1S – Financial Guaranty/Mortgage Guaranty	55
Schedule DB – Part B – Section 1	E20	Schedule P – Part 1T – Warranty	56
Schedule DB – Part B – Section 2	E21	Schedule P – Part 2, Part 3 and Part 4 - Summary	34
Schedule DB – Part B – Verification Between Years	SI11	Schedule P – Part 2A – Homeowners/Farmowners	57
Schedule DB – Part C – Section 1	SI12	Schedule P – Part 2B – Private Passenger Auto Liability/Medical	57
Schedule DB – Part C – Section 2	SI13	Schedule P – Part 2C – Commercial Auto/Truck Liability/Medical	57
Schedule DB - Part D - Section 1	E22	Schedule P – Part 2D – Workers' Comp (Excluding Excess Workers' Comp)	57
Schedule DB - Part D - Section 2	E23	Schedule P – Part 2E – Commercial Multiple Peril	57
Schedule DB - Verification	SI14	Schedule P – Part 2F – Section 1 – Medical Professional Liability	
Schedule DL - Part 1	E24	– Occurrence	58
Schedule DL - Part 2	E25	Schedule P - Part 2F - Medical Professional Liability - Claims - Made	58
Schedule E – Part 1 – Cash	E26	Schedule P – Part 2G – Special Liability (Ocean Marine, Aircraft (All Perils),	
Schedule E – Part 2 – Cash Equivalents	E27	Boiler and Machinery)	58

## ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

Schedule P – Part 2H – Section 1 – Other Liability – Occurrence	58	Schedule P – Part 4I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary and Theft)	69
Schedule P – Part 2H – Section 2 – Other Liability – Claims – Made	58	Schedule P – Part 4J – Auto Physical Damage	69
Schedule P – Part 2I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	59	Schedule P – Part 4K – Fidelity/Surety	69
Schedule P – Part 2J – Auto Physical Damage	59	Schedule P – Part 4L – Other (Including Credit, Accident and Health)	69
Schedule P – Part 2K – Fidelity, Surety	59	Schedule P – Part 4M – International	69
Schedule P – Part 2L – Other (Including Credit, Accident and Health)	59	Schedule P – Part 4N – Reinsurance - Nonproportional Assumed Property	70
Schedule P – Part 2M – International	59	Schedule P – Part 4O – Reinsurance - Nonproportional Assumed Liability	70
Schedule P – Part 2N – Reinsurance - Nonproportional Assumed Property	60	Schedule P – Part 4P – Reinsurance - Nonproportional Assumed Financial Lines	70
Schedule P – Part 2O – Reinsurance - Nonproportional Assumed Liability	60	Schedule P – Part 4R – Section 1 – Products Liability – Occurrence	71
Schedule P – Part 2P – Reinsurance - Nonproportional Assumed Financial Lines	60	Schedule P – Part 4R – Section 2 – Products Liability – Claims-Made	71
Schedule P – Part 2R – Section 1 – Products Liability – Occurrence	61	Schedule P – Part 4S – Financial Guaranty/Mortgage Guaranty	71
Schedule P – Part 2R – Section 2 – Products Liability – Claims-Made	61	Schedule P – Part 4T – Warranty	71
Schedule P – Part 2S – Financial Guaranty/Mortgage Guaranty	61	Schedule P – Part 5A – Homeowners/Farmowners	72
Schedule P – Part 2T – Warranty	61	Schedule P – Part 5B – Private Passenger Auto Liability/Medical	73
Schedule P – Part 3A – Homeowners/Farmowners	62	Schedule P – Part 5C – Commercial Auto/Truck Liability/Medical	74
Schedule P – Part 3B – Private Passenger Auto Liability/Medical	62	Schedule P – Part 5D – Workers' Comp (Excluding Excess Workers' Comp)	75
Schedule P – Part 3C – Commercial Auto/Truck Liability/Medical	62	Schedule P – Part 5E – Commercial Multiple Peril	76
Schedule P – Part 3D – Workers' Comp (Excluding Excess Workers' Comp)	62	Schedule P – Part 5F – Medical Professional Liability – Claims-Made	78
Schedule P – Part 3E – Commercial Multiple Peril	62	Schedule P – Part 5F – Medical Professional Liability – Occurrence	77
Schedule P – Part 3F – Section 1 – Medical Professional Liability – Occurrence	63	Schedule P – Part 5H – Other Liability – Claims-Made	80
Schedule P – Part 3F – Section 2 – Medical Professional Liability – Claims-Made	63	Schedule P – Part 5H – Other Liability – Occurrence	79
Schedule P – Part 3G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	63	Schedule P – Part 5R – Products Liability – Claims-Made	82
Schedule P – Part 3H – Section 1 – Other Liability – Occurrence	63	Schedule P – Part 5R – Products Liability – Occurrence	81
Schedule P – Part 3H – Section 2 – Other Liability – Claims-Made	63	Schedule P – Part 5T – Warranty	83
Schedule P – Part 3I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	63	Schedule P – Part 6C – Commercial Auto/Truck Liability/Medical	84
Schedule P – Part 3J – Auto Physical Damage	63	Schedule P – Part 6D – Workers' Comp (Excluding Excess Workers' Comp)	84
Schedule P – Part 3K – Fidelity/Surety	63	Schedule P – Part 6E – Commercial Multiple Peril	85
Schedule P – Part 3L – Other (Including Credit, Accident and Health)	63	Schedule P – Part 6H – Other Liability – Claims-Made	86
Schedule P – Part 3M – International	63	Schedule P – Part 6H – Other Liability – Occurrence	85
Schedule P – Part 3N – Reinsurance - Nonproportional Assumed Property	64	Schedule P – Part 6M – International	86
Schedule P – Part 3O – Reinsurance - Nonproportional Assumed Liability	64	Schedule P – Part 6N – Reinsurance - Nonproportional Assumed Property	87
Schedule P – Part 3P – Reinsurance - Nonproportional Assumed Financial Lines	64	Schedule P – Part 6O – Reinsurance - Nonproportional Assumed Liability	87
Schedule P – Part 3R – Section 1 – Products Liability – Occurrence	65	Schedule P – Part 6R – Products Liability – Claims-Made	88
Schedule P – Part 3R – Section 2 – Products Liability – Claims-Made	65	Schedule P – Part 6R – Products Liability – Occurrence	88
Schedule P – Part 3S – Financial Guaranty/Mortgage Guaranty	65	Schedule P – Part 7A – Primary Loss Sensitive Contracts	89
Schedule P – Part 3T – Warranty	65	Schedule P – Part 7B – Reinsurance Loss Sensitive Contracts	91
Schedule P – Part 4A – Homeowners/Farmowners	66	Schedule P Interrogatories	93
Schedule P – Part 4B – Private Passenger Auto Liability/Medical	66	Schedule T – Exhibit of Premiums Written	94
Schedule P – Part 4C – Commercial Auto/Truck Liability/Medical	66	Schedule T – Part 2 – Interstate Compact	95
Schedule P – Part 4D – Workers' Comp (Excluding Excess Workers' Comp)	66	Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group	96
Schedule P – Part 4E – Commercial Multiple Peril	66	Schedule Y - Part 1A - Detail of Insurance Holding Company System	97
Schedule P – Part 4F – Section 1 – Medical Professional Liability – Occurrence	67	Schedule Y – Part 2 – Summary of Insurer's Transactions With Any Affiliates	98
Schedule P – Part 4F – Section 2 – Medical Professional Liability – Claims-Made	67	Statement of Income	4
Schedule P – Part 4G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	67	Summary Investment Schedule	SI01
Schedule P – Part 4H – Section 1 – Other Liability – Occurrence	67	Supplemental Exhibits and Schedules Interrogatories	99
Schedule P – Part 4H – Section 2 – Other Liability – Claims-Made	67	Underwriting and Investment Exhibit Part 1	6
		Underwriting and Investment Exhibit Part 1A	7
		Underwriting and Investment Exhibit Part 1B	8
		Underwriting and Investment Exhibit Part 2	9
		Underwriting and Investment Exhibit Part 2A	10
		Underwriting and Investment Exhibit Part 3	11