ANNUAL STATEMENT

OF THE

GOLDEN EAGLE INSURANCE CORPORATION

of KEENE

in the state of NEW HAMPSHIRE

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2012

PROPERTY AND CASUALTY

2012

10836201220100100

ANNUAL STATEMENT

For the Year Ended December 31, 2012

OF THE CONDITION AND AFFAIRS OF THE

Golden Eagle Insurance Corporation

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) **NAIC Company Code** 10836 **Employer's ID Number** 33-0763205

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

Country of Domicile United States of America

Incorporated/Organized July 9, 1997 **Commenced Business** August 22, 1997

Statutory Home Office 62 Maple Avenue (Street and Number) , Keene, NH, US 03431 (City or Town, State, Country and Zip Code)

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

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

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

Internet Web Site Address www.LibertyMutualGroup.com

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

OFFICERS

Chairman of the Board

James Paul Condrin, III

	Name	Title
1.	James Paul Condrin, III	President and Chief Executive Officer
2.	Dexter Robert Legg	Vice President and Secretary
3.	Laurance Henry Soyer Yahia #	Vice President and Treasurer

VICE-PRESIDENTS

Name	Title	Name	Title
John Derek Doyle #	Vice President and Comptroller	Michael Joseph Fallon #	Vice President and Chief Financial Officer
Anthony Alexander Fontanes	Vice President and Chief Investment Officer	Kathryn Mary Winn #	Vice President and General Counsel

DIRECTORS OR TRUSTEES

Kristen Maria Bessette #	James Paul Condrin, III	John Derek Doyle	Michael Joseph Fallon
Michael Henry Hughes #	Dexter Robert Legg	Kathryn Mary Winn #	

State of Massachusetts

County of Suffolk ss

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

(Signature)	(Signature)	(Signature)
James Paul Condrin, III	Dexter Robert Legg	Laurance Henry Soyer Yahia #
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President and Chief Executive Officer	Vice President and Secretary	Vice President and Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to (or affirmed) before me on this
22nd day of January , 2013, by

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

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	489,966,177		489,966,177	626,283,507
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	9,675,368		9,675,368	
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 ($ 6,129,360, Schedule E - Part 2), and short-term investments ($ 27,632,162, Schedule DA)	33,761,522		33,761,522	29,588,803
6. Contract loans (including $ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities	903,429		903,429	
10. Securities lending reinvested collateral assets (Schedule DL)				11,036,740
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	534,306,496		534,306,496	666,909,050
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	4,203,471		4,203,471	6,212,366
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	11,099,322	1,563,520	9,535,802	12,021,535
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 766,839 earned but unbilled premiums)	96,299,542	76,684	96,222,858	90,463,452
15.3 Accrued retrospective premiums	2,272	227	2,045	138,528
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	293,816		293,816	758,487
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset	17,537,000	7,865,801	9,671,199	17,330,122
19. Guaranty funds receivable or on deposit	283,712		283,712	360,699
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				5,823,094
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	3,030,242	390,692	2,639,550	2,565,031
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	667,055,873	9,896,924	657,158,949	802,582,364
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	667,055,873	9,896,924	657,158,949	802,582,364

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	1,817,650		1,817,650	1,771,880
2502. Equities and deposits in pools and associations	812,334		812,334	785,855
2503. Other assets	400,258	390,692	9,566	7,296
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	3,030,242	390,692	2,639,550	2,565,031

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	265,244,935	270,431,143
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	17,980,226	20,185,384
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	60,660,135	59,797,149
4.	Commissions payable, contingent commissions and other similar charges	9,696,867	8,419,611
5.	Other expenses (excluding taxes, licenses and fees)	4,967,261	4,714,273
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	2,107,361	2,225,806
7.1	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))	6,369,056	944,008
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 $ 131,594,938 and including warranty reserves of $ 0 and accrued accident and healthexperience rating refunds including $ 0 for medical loss ratio rebate per the Public Health Service Act)	157,357,815	151,173,662
10.	Advance premium	1,175,955	1,031,925
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders	42,125	41,395
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	393,938	296,735
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	10,353,717	10,682,219
19.	Payable to parent, subsidiaries and affiliates	4,717,553	3,457,749
20.	Derivatives		
21.	Payable for securities	1,014,137	20,718
22.	Payable for securities lending		11,036,740
23.	Liability for amounts held under uninsured plans		
24.	Capital notes $ 0 and interest thereon $ 0		
25.	Aggregate write-ins for liabilities	4,566,297	4,984,284
26.	Total liabilities excluding protected cell liabilities (Lines 1 through 25)	546,647,378	549,442,801
27.	Protected cell liabilities		
28.	Total liabilities (Lines 26 and 27)	546,647,378	549,442,801
29.	Aggregate write-ins for special surplus funds	526,417	2,001,215
30.	Common capital stock	2,600,000	2,600,000
31.	Preferred capital stock		
32.	Aggregate write-ins for other than special surplus funds		
33.	Surplus notes		
34.	Gross paid in and contributed surplus	105,609,473	162,189,768
35.	Unassigned funds (surplus)	1,775,681	86,348,580
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)	110,511,571	253,139,563
38.	Totals (Page 2, Line 28, Col. 3)	657,158,949	802,582,364

	DETAILS OF WRITE-IN LINES		
2501.	Retroactive reinsurance reserves	2,481,247	2,661,151
2502.	Other liabilities	1,933,127	2,161,534
2503.	Amounts held under uninsured plans	151,923	161,599
2598.	Summary of remaining write-ins for Line 25 from overflow page		
2599.	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	4,566,297	4,984,284
2901.	Special surplus from retroactive reinsurance	526,417	630,673
2902.	SSAP 10R incremental change		1,370,542
2903.			
2998.	Summary of remaining write-ins for Line 29 from overflow page		
2999.	Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	526,417	2,001,215
3201.			
3202.			
3203.			
3298.	Summary of remaining write-ins for Line 32 from overflow page		
3299.	Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	322,092,858	314,137,216
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	174,789,955	194,350,566
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	39,920,699	37,950,141
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	105,364,595	101,280,327
5. Aggregate write-ins for underwriting deductions		(32,109)
6. Total underwriting deductions (Lines 2 through 5)	320,075,249	333,548,925
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	2,017,609	(19,411,709)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	27,394,512	28,349,356
10. Net realized capital gains (losses) less capital gains tax of $ 4,775,833 (Exhibit of Capital Gains (Losses))	8,869,404	(655,029)
11. Net investment gain (loss) (Lines 9 + 10)	36,263,916	27,694,327
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 4,916 amount charged off $ 855,457)	(850,541)	(702,144)
13. Finance and service charges not included in premiums	2,754,739	2,652,250
14. Aggregate write-ins for miscellaneous income	(517,704)	(982,604)
15. Total other income (Lines 12 through 14)	1,386,494	967,502
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	39,668,019	9,250,120
17. Dividends to policyholders	772,426	630,848
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)	38,895,593	8,619,272
19. Federal and foreign income taxes incurred	4,042,167	878,708
20. Net income (Line 18 minus Line 19) (to Line 22)	34,853,426	7,740,564
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	253,139,563	247,043,592
22. Net income (from Line 20)	34,853,426	7,740,564
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of $ 440,529	818,125	126,260
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(5,729,471)	23,656
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(199,530)	(377,476)
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		240,395
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	(56,580,295)	
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(114,419,705)	
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	(1,370,542)	(1,657,428)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(142,627,992)	6,095,971
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	110,511,571	253,139,563

DETAILS OF WRITE-IN LINES		
0501. Private passenger auto escrow		(32,109)
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)		(32,109)
1401. Retroactive reinsurance gain/(loss)	1,058,865	(64,038)
1402. Other income/(expense)	(1,576,569)	(918,566)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(517,704)	(982,604)
3701. SSAP 10R incremental change	(1,370,542)	(1,657,428)
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(1,370,542)	(1,657,428)

CASH FLOW

		1	2
	Cash from Operations	Current Year	Prior Year
1.	Premiums collected net of reinsurance	324,927,502	314,612,504
2.	Net investment income	30,519,130	29,407,762
3.	Miscellaneous income	1,447,543	963,908
4.	Total (Lines 1 through 3)	356,894,175	344,984,174
5.	Benefit and loss related payments	182,045,152	186,631,666
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	143,010,510	136,795,169
8.	Dividends paid to policyholders	771,695	617,574
9.	Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	3,392,953	(2,905,310)
10.	Total (Lines 5 through 9)	329,220,310	321,139,099
11.	Net cash from operations (Line 4 minus Line 10)	27,673,865	23,845,075
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	362,111,086	91,818,555
	12.2 Stocks	1,102,056	199,980
	12.3 Mortgage loans		
	12.4 Real estate		
	12.5 Other invested assets	67,143,950	65,400,453
	12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
	12.7 Miscellaneous proceeds	(903,428)	
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	429,453,664	157,418,988
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	211,253,321	88,855,188
	13.2 Stocks	11,529,694	
	13.3 Mortgage loans		
	13.4 Real estate		
	13.5 Other invested assets	56,107,210	67,552,690
	13.6 Miscellaneous applications	(993,419)	8,401,782
	13.7 Total investments acquired (Lines 13.1 to 13.6)	277,896,806	164,809,660
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)	151,556,858	(7,390,672)
	Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes		
	16.2 Capital and paid in surplus, less treasury stock	(56,580,295)	
	16.3 Borrowed funds		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders	114,419,705	
	16.6 Other cash provided (applied)	(4,058,004)	(6,077,815)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(175,058,004)	(6,077,815)
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	4,172,719	10,376,588
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	29,588,803	19,212,215
	19.2 End of year (Line 18 plus Line 19.1)	33,761,522	29,588,803

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

20.0001	12.1 - Proceeds from investments sold, matured or repaid - Bonds	166,211,535	2,160,000
20.0002	16.2 - Capital and paid in surplus, less treasury stock	56,580,295	
20.0003	16.5 - Dividends to stockholders	111,487,832	

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	6,445,475	3,194,650	3,384,862	6,255,263
2. Allied lines	5,693,440	2,730,550	3,107,709	5,316,281
3. Farmowners multiple peril	2,651,338	1,254,632	1,343,564	2,562,406
4. Homeowners multiple peril	56,579,330	26,651,673	30,271,632	52,959,371
5. Commercial multiple peril	55,516,858	28,068,870	27,127,515	56,458,213
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	5,271,517	2,444,621	2,501,320	5,214,818
10. Financial guaranty				
11.1 Medical professional liability—occurrence	22,011	8,734	7,699	23,046
11.2 Medical professional liability—claims-made	1,967	1,374	529	2,812
12. Earthquake	1,069,048	545,983	543,077	1,071,954
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	23,878,130	10,308,593	8,286,679	25,900,044
17.1 Other liability—occurrence	15,987,200	7,841,003	7,735,982	16,092,221
17.2 Other liability—claims-made	681,612	306,449	289,595	698,466
17.3 Excess workers' compensation				
18.1 Products liability—occurrence	419,620	198,176	211,400	406,396
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	60,626,124	23,606,670	26,733,731	57,499,063
19.3,19.4 Commercial auto liability	23,046,518	11,840,189	11,024,740	23,861,967
21. Auto physical damage	48,084,466	19,066,359	21,527,111	45,623,714
22. Aircraft (all perils)				
23. Fidelity	184,593	157,735	150,469	191,859
24. Surety	21,356,869	13,038,438	12,469,475	21,925,832
26. Burglary and theft	8,725	4,200	4,283	8,642
27. Boiler and machinery	21,592	1,777	2,877	20,492
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-nonproportional assumed property				
32. Reinsurance-nonproportional assumed liability				
33. Reinsurance-nonproportional assumed financial lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	327,546,433	151,270,676	156,724,249	322,092,860

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	3,384,861	2			3,384,863
2. Allied lines	3,107,706	2			3,107,708
3. Farmowners multiple peril	1,343,487	77			1,343,564
4. Homeowners multiple peril	30,271,632				30,271,632
5. Commercial multiple peril	27,305,939	852	(179,276)		27,127,515
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	2,501,215	106			2,501,321
10. Financial guaranty					
11.1 Medical professional liability—occurrence	7,699				7,699
11.2 Medical professional liablity—claims-made	529				529
12. Earthquake	543,076				543,076
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	8,753,327	89	(464,466)	(2,272)	8,286,678
17.1 Other liability—occurrence	7,674,278	36,676	25,028		7,735,982
17.2 Other liability—claims-made	305,270	1,294	(16,969)		289,595
17.3 Excess workers' compensation					
18.1 Products liability—occurrence	206,995	16	4,390		211,401
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	26,733,731				26,733,731
19.3,19.4 Commercial auto liability	11,023,196	1,544			11,024,740
21. Auto physical damage	21,526,869	243			21,527,112
22. Aircraft (all perils)					
23. Fidelity	56,279	94,190			150,469
24. Surety	8,840,763	3,628,713			12,469,476
26. Burglary and theft	4,283				4,283
27. Boiler and machinery	2,877				2,877
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-nonproportional assumed property					
32. Reinsurance-nonproportional assumed liability					
33. Reinsurance-nonproportional assumed financial lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	153,594,012	3,763,804	(631,293)	(2,272)	156,724,251
36. Accrued retrospective premiums based on experience					2,272
37. Earned but unbilled premiums					631,293
38. Balance (Sum of Lines 35 through 37)					157,357,816

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	Reinsurance Assumed 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	Reinsurance Ceded 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	225,841	6,445,475		225,841		6,445,475
2. Allied lines	239,270	5,693,440		239,270		5,693,440
3. Farmowners multiple peril	4,794	2,651,338		4,794		2,651,338
4. Homeowners multiple peril		56,579,330				56,579,330
5. Commercial multiple peril	149,763,084	55,516,858		149,763,084		55,516,858
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	241,615	5,271,517		241,615		5,271,517
10. Financial guaranty						
11.1 Medical professional liability--occurrence		22,011				22,011
11.2 Medical professional liability--claims-made		1,967				1,967
12. Earthquake	3,098,137	1,069,048		3,098,137		1,069,048
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	45	23,878,130		45		23,878,130
17.1 Other liability—occurrence	30,831,904	15,987,200		30,831,904		15,987,200
17.2 Other liability—claims-made	2,246	681,612		2,246		681,612
17.3 Excess workers' compensation						
18.1 Products liability—occurrence	14,345	419,620		14,345		419,620
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability		60,626,124				60,626,124
19.3,19.4 Commercial auto liability	62,308,355	23,046,518		62,308,355		23,046,518
21. Auto physical damage	19,799,208	48,084,466		19,799,208		48,084,466
22. Aircraft (all perils)						
23. Fidelity		184,593				184,593
24. Surety		21,356,869				21,356,869
26. Burglary and theft	2,447	8,725		2,447		8,725
27. Boiler and machinery	19,379	21,592		19,379		21,592
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-nonproportional assumed property	X X X					
32. Reinsurance-nonproportional assumed liability	X X X					
33. Reinsurance-nonproportional assumed financial lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	266,550,670	327,546,433		266,550,670		327,546,433

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 – LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage 1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire	1,383	2,290,226	1,383	2,290,226	1,014,564	1,008,304	2,296,486	36.713
2. Allied lines	129,094	3,457,957	129,094	3,457,957	718,254	888,326	3,287,885	61.846
3. Farmowners multiple peril		1,375,968		1,375,968	472,276	507,343	1,340,901	52.330
4. Homeowners multiple peril		32,408,186		32,408,186	13,331,117	14,304,039	31,435,264	59.357
5. Commercial multiple peril	46,902,278	31,512,282	46,902,278	31,512,282	53,965,685	55,739,448	29,738,519	52.674
6. Mortgage guaranty								
8. Ocean marine		12		12		724	(712)	
9. Inland marine	28,096	1,734,924	28,096	1,734,924	281,832	305,468	1,711,288	32.816
10. Financial guaranty								
11.1 Medical professional liability—occurrence		2,421		2,421	89,347	80,781	10,987	47.674
11.2 Medical professional liability—claims-made					16,880	15,874	1,006	35.775
12. Earthquake					(6,220)	48	(6,268)	(0.585)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health		22,441		22,441	1,352,250	1,392,685	(17,994)	
16. Workers' compensation	3,247,520	19,155,920	3,894,687	18,508,753	91,498,469	88,430,863	21,576,359	83.306
17.1 Other liability—occurrence	6,387,553	4,483,979	6,387,553	4,483,979	27,240,395	25,718,531	6,005,843	37.321
17.2 Other liability—claims-made		232,820		232,820	988,164	1,075,326	145,658	20.854
17.3 Excess workers' compensation								
18.1 Products liability—occurrence		357,337		357,337	993,011	963,423	386,925	95.209
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability		32,558,767		32,558,767	38,651,762	40,228,458	30,982,071	53.883
19.3,19.4 Commercial auto liability	23,418,974	14,805,923	23,418,974	14,805,923	30,025,150	28,196,769	16,634,304	69.711
21. Auto physical damage	9,342,164	27,613,733	9,342,164	27,613,733	1,452,441	1,614,126	27,452,048	60.171
22. Aircraft (all perils)		10,204		10,204	10,484	13,895	6,793	
23. Fidelity		41,128		41,128	54,403	63,592	31,939	16.647
24. Surety		8,346,771		8,346,771	2,249,904	3,941,640	6,655,035	30.352
26. Burglary and theft		218		218	80	90	208	2.407
27. Boiler and machinery		(192)		(192)	703	(2,591)	3,102	15.138
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-nonproportional assumed property	XXX							
32. Reinsurance-nonproportional assumed liability	XXX	212,306		212,306	843,986	5,943,982	(4,887,690)	
33. Reinsurance-nonproportional assumed financial lines	XXX							
34. Aggregate write-ins for other lines of business								
35. TOTALS	89,457,062	180,623,331	90,104,229	179,976,164	265,244,937	270,431,144	174,789,957	54.267

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

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

	Reported Losses				Incurred But Not Reported			8	9
Line of Business	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire		784,581		784,581	2,163	229,983	2,163	1,014,564	103,233
2. Allied lines	32,499	525,670	32,499	525,670	1,903	192,584	1,903	718,254	148,337
3. Farmowners multiple peril		434,827		434,827	(428)	37,449	(428)	472,276	167,032
4. Homeowners multiple peril		8,845,616		8,845,616		4,485,500		13,331,116	2,511,447
5. Commercial multiple peril	44,619,309	33,543,329	44,619,309	33,543,329	40,965,721	20,422,355	40,965,721	53,965,684	22,476,835
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine	5,999	318,566	5,999	318,566	4,425	(36,735)	4,425	281,831	63,918
10. Financial guaranty									
11.1 Medical professional liablity—occurrence		12,861		12,861		76,486		89,347	46,042
11.2 Medical professional liablity—claims-made		1,500		1,500		15,380		16,880	3,721
12. Earthquake		23		23	(81,255)	(6,243)	(81,255)	(6,220)	460
13. Group accident and health								(a)	(77)
14. Credit accident and health (group and individual)									
15. Other accident and health		279,731		279,731		1,072,519		(a) 1,352,250	160,119
16. Workers' compensation	34,747,302	63,606,389	43,382,056	54,971,635	17,699,630	37,574,493	18,747,290	91,498,468	10,686,724
17.1 Other liability—occurrence	5,489,601	10,034,089	5,489,601	10,034,089	42,343,411	17,206,306	42,343,411	27,240,395	6,386,749
17.2 Other liability—claims-made		576,575		576,575	269	411,589	269	988,164	515,541
17.3 Excess workers' compensation									11
18.1 Products liability—occurrence		780,597		780,597	4,611	212,414	4,611	993,011	286,885
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability		33,676,280		33,676,280	(18,607)	4,975,483	(18,607)	38,651,763	9,093,940
19.3,19.4 Commercial auto liability	34,736,246	18,441,044	34,736,246	18,441,044	21,395,930	11,584,107	21,395,930	30,025,151	4,217,805
21. Auto physical damage	857,727	755,264	857,727	755,264	(598,402)	697,176	(598,402)	1,452,440	730,068
22. Aircraft (all perils)		10,414		10,414		70		10,484	445
23. Fidelity		(218)		(218)		54,621		54,403	24,965
24. Surety		(2,654,243)		(2,654,243)	42,494	4,904,147	42,494	2,249,904	3,032,182
26. Burglary and theft		25		25	(52)	55	(52)	80	411
27. Boiler and machinery		38		38	(143)	664	(143)	702	1,322
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-nonproportional assumed property	XXX				XXX				
32. Reinsurance-nonproportional assumed liability	XXX				XXX	843,986		843,986	2,018
33. Reinsurance-nonproportional assumed financial lines	XXX				XXX				
34. Aggregate write-ins for other lines of business									
35. TOTALS	120,488,683	169,972,958	129,123,437	161,338,204	121,761,670	104,954,389	122,809,330	265,244,933	60,660,133

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

(a) Including $ 0 for present value of life indemnity claims.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	9,719,658			9,719,658
1.2 Reinsurance assumed	15,433,991			15,433,991
1.3 Reinsurance ceded	9,722,772			9,722,772
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	15,430,877			15,430,877
2. Commission and brokerage:				
2.1 Direct, excluding contingent		41,634,602		41,634,602
2.2 Reinsurance assumed, excluding contingent		48,858,359		48,858,359
2.3 Reinsurance ceded, excluding contingent		41,634,602		41,634,602
2.4 Contingent—direct				
2.5 Contingent—reinsurance assumed		5,947,225		5,947,225
2.6 Contingent—reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1+2.2-2.3+2.4+2.5-2.6+2.7)		54,805,584		54,805,584
3. Allowances to manager and agents	2,341	12,491		14,832
4. Advertising	165,582	1,813,136	1,283	1,980,001
5. Boards, bureaus and associations	126,217	609,282	65	735,564
6. Surveys and underwriting reports	4,167	2,111,407	22,375	2,137,949
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	14,862,623	17,766,675	812,212	33,441,510
8.2 Payroll taxes	343,211	1,770,748	5,259	2,119,218
9. Employee relations and welfare	2,532,306	8,622,543	39,544	11,194,393
10. Insurance	652,483	241,758	18,724	912,965
11. Directors' fees	45	235		280
12. Travel and travel items	1,065,612	1,411,037	30,559	2,507,208
13. Rent and rent items	563,065	1,897,696	9,719	2,470,480
14. Equipment	508,171	1,284,454	13,917	1,806,542
15. Cost or depreciation of EDP equipment and software	91,139	1,172,056	27,651	1,290,846
16. Printing and stationery	222,699	284,175	2,308	509,182
17. Postage, telephone and telegraph, exchange and express	1,321,997	1,029,777	26,403	2,378,177
18. Legal and auditing	58,198	182,386	71,290	311,874
19. Totals (Lines 3 to 18)	22,519,856	40,209,856	1,081,309	63,811,021
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 66,357		6,918,982		6,918,982
20.2 Insurance department licenses and fees		1,016,415		1,016,415
20.3 Gross guaranty association assessments		36,527		36,527
20.4 All other (excluding federal and foreign income and real estate)		766,142		766,142
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		8,738,066		8,738,066
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	1,969,967	1,611,092	235,309	3,816,368
25. Total expenses incurred	39,920,700	105,364,598	1,316,618	(a) 146,601,916
26. Less unpaid expenses—current year	60,660,135	16,771,489		77,431,624
27. Add unpaid expenses—prior year	59,797,149	15,359,690		75,156,839
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	39,057,714	103,952,799	1,316,618	144,327,131

DETAILS OF WRITE-IN LINES				
2401. Other expenses	1,969,967	1,611,092	235,309	3,816,368
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)	1,969,967	1,611,092	235,309	3,816,368

(a) Includes management fees of $ 3,647,049 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) 3,624,313	3,581,104
1.1	Bonds exempt from U.S. tax	(a) 7,557,007	6,680,796
1.2	Other bonds (unaffiliated)	(a) 18,906,548	17,816,217
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	438,830	438,830
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) 47,290	48,147
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	146,035	146,035
10.	Total gross investment income	30,720,023	28,711,129
11.	Investment expenses		(g) 1,316,617
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15)		1,316,617
17.	Net investment income (Line 10 minus Line 16)		27,394,512

	DETAILS OF WRITE-IN LINES		
0901.	Miscellaneous Income/(Expense)	146,035	146,035
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)	146,035	146,035
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 $ 638,124 accrual of discount less $ 1,753,848 amortization of premium and less $ 421,538 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 $ 5,836 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.
(f) Includes $ 0 accrual of discount less $ 0 amortization of premium.
(g) Includes $ 0 investment expenses and $ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $ 0 interest on surplus notes and $ 0 interest on capital notes.
(i) Includes $ 0 depreciation on real estate and $ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds					
1.1	Bonds exempt from U.S. tax	6,686,619		6,686,619		
1.2	Other bonds (unaffiliated)	7,349,136	(320,430)	7,028,706	1,940,834	
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)					
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)	(70,088)		(70,088)	(682,181)	
2.21	Common stocks of affiliates					
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments					
7.	Derivative instruments					
8.	Other invested assets					
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	13,965,667	(320,430)	13,645,237	1,258,653	

	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	1,563,520	1,553,202	(10,318)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	76,684	18,792	(57,892)
15.3 Accrued retrospective premiums	227	15,376	15,149
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	7,865,801	6,376,878	(1,488,923)
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	390,692	362,603	(28,089)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	9,896,924	8,326,851	(1,570,073)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	9,896,924	8,326,851	(1,570,073)

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	390,692	362,603	(28,089)
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)	390,692	362,603	(28,089)

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 New Hampshire, the accompanying financial statements of Golden Eagle Insurance Corporation (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

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

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

C. Accounting Policies

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

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

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).

2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.

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

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

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

6. Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.

7. Investments in SCA companies are carried in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88,* and the SVO Manual.

8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies,* and the SVO Manual.

9. Derivative Securities, refer to Note 8.

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

11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.

12. The Company did not change its capitalization policy in 2012.

13. The Company has no pharmaceutical rebate receivables.

Note 2 - Accounting Changes and Correction of Errors

Effective January 1, 2012, the Company adopted SSAP No. 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10* ("SSAP No. 101"). There was no cumulative effect adjustment resulting from the adoption of SSAP No. 101.

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

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

NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

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

C. Impairment Loss

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

Note 4 - Discontinued Operations

The Company has no discontinued operations.

Note 5 - Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

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 2012 as of December 31, 2012: None

3. Each Loan Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2012:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than-temporary impairment	Amortized cost after other-than-temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
81375BAM 4	7,745	774	6,971	774	775	9/30/2009
12544LAK7	2,930,731	2,856,570	74,161	2,856,570	2,856,570	3/31/2011
12544LAK7	2,856,272	2,826,552	29,720	2,826,552	2,824,365	9/30/2011
12544LAK7	2,693,575	2,661,544	32,031	2,661,544	2,659,843	12/31/2011
12544LAK7	2,573,927	2,253,927	49,967	2,523,960	2,524,358	3/31/2012
12544LAK7	2,410,940	2,385,545	25,395	2,385,545	2,395,029	6/30/2012
76200RAG3	1,937,933	1,852,580	85,353	1,852,580	1,744,240	12/31/2010
76200RAG3	1,852,367	1,851,380	987	1,851,380	1,735,298	3/31/2011
76200RAG3	1,851,380	1,850,700	680	1,850,700	1,680,168	6/30/2011
76200RAG3	1,793,632	1,788,204	5,428	1,788,204	1,570,118	12/31/2011
76200RAG3	1,656,361	1,643,291	13,071	1,643,291	1,623,796	6/30/2012
12545CAU4	1,978,197	1,819,864	158,333	1,819,864	1,730,158	6/30/2011
12545CAU4	1,721,762	1,686,459	35,303	1,686,459	1,542,486	12/31/2011
12545CAU4	1,627,180	1,602,261	24,919	1,602,261	1,503,413	3/31/2012
12545CAU4	1,547,086	1,504,235	42,851	1,504,235	1,380,076	6/30/2012
94985RAQ5	1,844,744	1,680,517	164,227	1,680,517	1,676,939	6/30/2012

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, 2012:

a. The aggregate amount of unrealized losses:

1. Less than 12 Months $ (29,515)
2. 12 Months or Longer $ -

b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 Months $ 2,139,455
2. 12 Months or Longer $ -

NOTES TO FINANCIAL STATEMENTS

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

E. Repurchase Agreements and Securities Lending

The Company did not have any open securities lending positions as of December 31, 2012.

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

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

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

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

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

Note 7 - Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2012.

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.

	12/31/2012		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
(a) Gross Deferred Tax Assets	$ 23,022,742	$ 828,258	$ 23,851,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	23,022,742	828,258	23,851,000
(d) Deferred Tax Assets Nonadmitted	7,865,801	-	7,865,801
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	15,156,941	828,258	15,985,199
(f) Deferred Tax Liabilities	2,178,050	4,135,950	6,314,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	$ 12,978,891	$ (3,307,692)	$ 9,671,199

NOTES TO FINANCIAL STATEMENTS

	12/31/2011		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
(a) Gross Deferred Tax Assets	$ 24,358,364	$ 2,014,636	$ 26,373,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	24,358,364	2,014,636	26,373,000
(d) Deferred Tax Assets Nonadmitted	4,362,242	2,014,636	6,376,878
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	19,996,122	-	19,996,122
(f) Deferred Tax Liabilities	2,666,000	-	2,666,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	$ 17,330,122	$ -	$ 17,330,122

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
(a) Gross Deferred Tax Assets	$ (1,335,622)	$ (1,186,378)	$ (2,522,000)
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	(1,335,622)	(1,186,378)	(2,522,000)
(d) Deferred Tax Assets Nonadmitted	3,503,559	(2,014,636)	1,488,923
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	(4,839,181)	828,258	(4,010,923)
(f) Deferred Tax Liabilities	(487,950)	4,135,950	3,648,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	$ (4,351,231)	$ (3,307,692)	$ (7,658,923)

2.

	12/31/2012		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	$ 9,671,199	$ -	$ 9,671,199
(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.			16,619,699
(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	2,178,050	4,135,950	6,314,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	$ 11,849,249	$ 4,135,950	$ 15,985,199

	12/31/2011		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	$ 1,563,902	$ -	$ 1,563,902
(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)	15,766,220	-	15,766,220
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	15,766,220	-	15,766,220
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			34,226,909
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross	2,666,000	-	2,666,000

NOTES TO FINANCIAL STATEMENTS

Deferred Tax Liabilities			
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	$ 19,996,122	$ -	$ 19,996,122

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	$ 8,107,297	$ -	$ 8,107,297
(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)	(15,766,220)	-	(15,766,220)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	(15,766,220)	-	(15,766,220)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			(17,607,210)
(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	(487,950)	4,135,950	3,648,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	$ (8,146,873)	$ 4,135,950	$ (4,010,923)

3.

	2012	2011
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	354.19%	837.20%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	100,840,372	235,809,441

4.

	12/31/2012			12/31/2011			Change		
	(1) Ordinary Percent	(2) Capital Percent	(3) (Col 1+2) Total Percent	(4) Ordinary Percent	(5) Capital Percent	(6) (Col 4+5) Total Percent	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital Percent	(9) (Col 7+8) Total Percent
Impact of Tax-Planning Strategies									
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0%	0%	0%	0%	0%	0%	0%	0%	0%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	0%	0%	0%	0%	0%	0%	0%	0%	0%

(c) 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) 12/31/2012	(2) 12/31/2011	(3) (Col 1-2) Change
1. Current Income Tax			
(a) Federal	$ 4,042,167	$ 878,708	$ 3,163,459
(b) Foreign	-	-	-
(c) Subtotal	4,042,167	878,708	3,163,459
(d) Federal income tax on net capital gains	4,775,833	(352,708)	5,128,541
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	$ 8,818,000	$ 526,000	$ 8,292,000
2. Deferred Tax Assets:			
(a) Ordinary			
(1) Discounting of unpaid losses	$ 8,533,000	$ 9,329,000	$ (796,000)
(2) Unearned premium reserve	11,077,000	10,654,000	423,000

NOTES TO FINANCIAL STATEMENTS

(3) Policyholder reserves	-	-	-
(4) Investments	361,000	277,000	84,000
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	181,000	474,000	(293,000)
(8) Compensation and benefits accrual	600,000	666,000	(66,000)
(9) Pension accrual	-	121,000	(121,000)
(10) Receivables – nonadmitted	711,000	683,000	28,000
(11) Net operating loss carry-forward	-	-	-
(12) Tax credit carry-forward	-	-	-
(13) Other (including items <5% of total ordinary tax assets)	1,559,742	2,154,364	(594,622)
(99) Subtotal	23,022,742	24,358,364	(1,335,622)
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	7,865,801	4,362,242	3,503,559
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	15,156,941	19,996,122	(4,839,181)
(e) Capital			
(1) Investments	828,258	2,014,636	(1,186,378)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	828,258	2,014,636	(1,186,378)
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	-	2,014,636	(2,014,636)
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	828,258	-	828,258
(i) Admitted deferred tax assets (2d + 2h)	15,985,199	19,996,122	(4,010,923)
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	569,000	551,000	18,000
(2) Fixed assets	58,000	338,000	(280,000)
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total capital tax liabilities)	1,551,050	1,777,000	(225,950)
(99) Subtotal	2,178,050	2,666,000	(487,950)
(b) Capital:			
(1) Investments	4,135,950	-	4,135,950
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	4,135,950	-	4,135,950
(c) Deferred tax liabilities (3a99 + 3b99)	6,314,000	2,666,000	3,648,000
4. Net deferred tax assets/liabilities (2i – 3c)	$ 9,671,199	$ 17,330,122	$ (7,658,923)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax exempt interest, unearned premium reserves, discounting of unpaid losses and LAE reserves, allowance for doubtful accounts, and deferred intercompany transactions.

E. The Company has no net operating loss carry-forwards available to offset future net income subject to Federal income tax.

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.

NOTES TO FINANCIAL STATEMENTS

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

C. There have been no material transactions with the Company's affiliates during 2012.

D. At December 31, 2012, the Company reported a net $4,717,553 due from 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 for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.

F. Refer to Note 26 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

The Company is a party to a management services agreement (the "Agreement") with PIC. . The Agreement allows PIC to provide services related to common management function including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resource services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

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

The Company is party to a management services agreement with San Diego Insurance Company.

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

The Company is party to a revolving credit agreement under which the Company may lend funds to the following affiliated company for the purpose of accommodating fluctuations in daily cash flow and to promote efficient management of investments:

Company	***Credit Line***
Liberty Mutual Insurance Company	$50,000,000

There were no outstanding borrowings as of December 31, 2012.

The Company is party to revolving credit agreement under which the Company may borrow funds from the following affiliated company for the purpose of accommodating fluctuations in daily cash flow and to promote efficient management of investments:

Company	***Credit Line***
Liberty Mutual Insurance Company	$50,000,000

There were no outstanding borrowings as of December 31, 2012.

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

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

I. The Company does not own investments in subsidiary, controlled or affiliated entities.

J. The Company does not own any investments in subsidiary, controlled or affiliated entities, as such no impairments were recognized.

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

1. The Company has 1,000,000 shares authorized and 26,000 shares issued and outstanding as of December 31, 2012. All shares have a stated par value of $100.

2. Preferred Stock

   Not applicable.

3. There are no dividend restrictions.

4. The Company paid dividends to its parent in 2012 of:

	Ordinary	Extraordinary	Total Dividends
March	$0	$0	$0
June	0	0	0
September	0	0	0
December	25,313,956	145,686,044	171,000,000
Total	$ 25,313,956	$145,686,044	$ 171,000,000

5. The maximum amount of dividends that can be paid to shareholders by New Hampshire-domiciled insurance companies without prior approval of the Insurance Commissioner is 10% of surplus. The maximum dividend payout that may be made without prior approval in 2013 is $11,051,157.

6. As of December 31, 2012, the Company has pre-tax restricted surplus of $526,417 resulting from retroactive reinsurance contracts.

7. The Company had no advances to surplus.

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

9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2012.

10. The portion of unassigned funds (surplus) represented by cumulative net unrealized losses is $(470,405) after applicable deferred taxes of $403,708.

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 accrued a liability for guaranty funds and other assessments of $1,041,705 that is offset by future premium tax credits of $137,096. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2013. During 2012 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

NOTES TO FINANCIAL STATEMENTS

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

a.	Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	$ 157,405
b.	Decreases current year: Premium tax offset applied	20,309
c.	Increases current year: Premium tax offset increase	-
d.	Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	$ 137,096

C. Gain Contingencies

Not applicable

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

The Company did not have claims related extra contractual obligation losses or bad faith losses stemming from lawsuits in the current period.

E. Product Warranties

The Company does not write product warranty business.

F. All Other Contingencies

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

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

Note 15 - Leases

A. Lessee Leasing Arrangements

1. The Company leases office space, plant and equipment under various non-cancelable operating lease arrangements.

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

Year Ending December 31,	Operating Leases
2013	$ 1,294,953
2014	1,241,098
2015	973,921
2016	860,161
2017	625,982
2018 & thereafter	340,049
Total	$ 5,336,164

   The amount of liability the Company recognized in its financial statements for lease agreements for which it is no longer using the leased property benefits is $406,656.

2. The Company is not involved in any material sale-leaseback transactions.

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

NOTES TO FINANCIAL STATEMENTS

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.

The Company does not have any open security lending positions as of December 31, 2012.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

In 2008, certain members of the PIC Amended and Restated Reinsurance Pooling Agreement (refer to Note 26) agreed to become participating insurers of the California Earthquake Authority ("CEA"), a publicly-managed, privately funded organization that provides residential earthquake insurance in California. As participating insurers of the CEA, the companies act as third party administrators and perform certain administrative services on behalf of the CEA, including underwriting, policy issuance, premium collection, and claims payment. The CEA reimburses the companies for commissions and claims paid on behalf of the CEA. The companies also receive an administrative fee equal to 3.43% of premium and 9% of claims paid. These administrative fees are subject to the inter-company pooling agreement. In 2012, the Company recorded net CEA administrative fees of $32,846.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20 - Fair Value Measurements

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

The following table summarizes the Company's assets and liabilities that are measured at fair value at December 31, 2012:

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations		$3,423,789		$3,423,789
Residential Mortgage-Backed Securities				-
Total Bonds		$3,423,789		$3,423,789
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)				
Total Preferred Stocks				
Common Stocks				
Industrial and Miscellaneous	$9,675,368			$9,675,368
Total Common Stocks	$9,675,368			$9,675,368
Total assets at fair value	$9,675,368	$3,423,789		$13,099,157
Liabilities at fair value				
Derivative Liabilities				
Total liabilities at fair value	$0	$0	$0	$0

The Company did not have significant transfers between Levels 1 and 2 during the period ended December 31, 2012.

2. Rollforward of Level 3 Items

The Company has no assets or liabilities measured at fair value in the Level 3 category.

3. Policy on Transfers Into and Out of Level 3

The Company holds NAIC designated 3-6 securities at the lower of cost or market as defined by SSAP No. 26. Market fluctuations cause securities to change from being held at cost to fair value or vice versa. These changes result in a transfer in or out of Level 3. In addition, the Company also transfers securities in or out of level 3 as a result of re-evaluation of the observability of pricing inputs.

4. Inputs and Techniques Used for Fair Value

Fixed Maturities

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

U.S. government and agency

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

Mortgage-Backed Securities

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

Asset-Backed Securities

Asset-backed securities ("ABS") include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, credit card receivables, and collateralized loan obligation

NOTES TO FINANCIAL STATEMENTS

securities originated by a variety of financial institutions. The fair value of ABS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of ABS is primarily classified within Level 2.

Municipals

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

Corporate debt and other

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

Foreign government securities

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

Equity Securities

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

Other Investments

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

5. Derivative Fair Values

Not applicable

B. 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	$33,761,522	$33,761,522	$33,761,522			
Bonds	519,529,843	489,966,177	24,169,449	495,360,394		
Preferred Stock	-					
Common Stock	9,675,368	9,675,368	9,675,368			
Securities Lending	-					
Mortgage Loans	-					
Surplus Notes	-					
Total	$562,966,733	$533,403,067	$67,606,339	$495,360,394	$0	

D. Not Practicable to Estimate Fair Value

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 21 - Other Items

A. Extraordinary Items

The Company has no extraordinary items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

1) Assets in the amount of $9,169,118 and $8,880,881 as of December 31, 2012 and 2011, respectively, were on deposit with government authorities or trustees as required by law.

2) Interrogatory 6.1

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

Interrogatory 6.2

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

Interrogatory 6.3

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

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable and Non-transferable Tax Credits

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

G. Subprime-Mortgage-Related Risk Exposure

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

2. The Company does not have any direct exposure through investments in subprime mortgage loans.

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

Actual Cost	Book Adjusted Carrying Value	Fair Value	Other-Than-Temporary Impairments Recognized
$735,437	$735,277	$764,195	$0

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

Note 22 - Events Subsequent

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

There were no events subsequent to December 31, 2012 that would require disclosure.

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverable

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

B. Reinsurance Recoverable in Dispute

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

NOTES TO FINANCIAL STATEMENTS

C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2012.

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	$ 157,357,815	$ 23,603,672	$ 131,594,938	$ 19,739,237	$ 25,762,877	$ 3,864,435
b. All Other	-	-	-	-	-	-
c. TOTAL	$ 157,357,815	$ 23,603,672	$ 131,594,938	$ 19,739,237	$ 25,762,877	$ 3,864,435
d. Direct Unearned Premium Reserve $131,594,938						

2. Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2012 are as follows:

	Direct	Assumed	Ceded	Net
a. Contingent Commission	$ -	$9,600,537	$ -	$9,600,537
b. Sliding Scale Adjustments	-	-	-	-
c. Other Profit Commission Arrangements	-	-	-	-
d. TOTAL	$ -	$9,600,537	$ -	$9,600,537

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

D. Uncollectible Reinsurance

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

E. Commutation of Ceded Reinsurance

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

F. Retroactive Reinsurance

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

	Reported Company	
	As:	
	Assumed	Ceded
a. Reserves Transferred:		
1. Initial Reserves	$14,244,498	$ -
2. Adjustments – Prior Year (s)	(11,583,347)	-
3. Adjustments – Current Year	(179,905)	-
4. Current Total	$2,481,247	$ -
b. Consideration Paid or Received:		
1. Initial Consideration	$11,721,671	$ -
2. Adjustments – Prior Year (s)	446,788	-
3. Adjustments – Current Year	-	-
4. Current Total	$12,168,459	$ -
c. Paid Losses Reimbursed or Recovered:		
1. Prior Year (s)	$14,633,341	$ -
2. Current Year	282,039	-
3. Current Total	$14,915,380	$ -
d. Special Surplus from the Retroactive Reinsurance:		
1. Initial Surplus Gain or Loss	$(2,961,986)	$ -
2. Adjustments – Prior Year (s)	(2,603,206)	-
3. Adjustments – Current Year	(102,134)	-
4. Current Year Restricted Surplus	526,417	-
5. Cumulative Total Transferred to Unassigned Funds	$(6,193,744)	$ -
e. All cedents and reinsurers involved in all transactions included in summary totals above:		
Company	Assumed Amount	Ceded Amount
Peerless Insurance Company	$2,481,247	$ -

NOTES TO FINANCIAL STATEMENTS

Total	$2,481,247	$ -

f. There are no Paid Loss/LAE amounts recoverable or amounts recoverable from unauthorized reinsurers.

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, 2012.

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

1. Reporting Entity Ceding to Certified Reinsurer Downgraded or Status Subject to Revocation

   The Company has not entered into any reinsurance contracts with Certified Reinsurers.

2. Reporting Entity's Certified Reinsurer Rating Downgraded or Status Subject to Revocation

   The Company is not a Certified Reinsurer.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

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

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

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

D. Medical Loss Ratio Rebates

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

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

a.	Total accrued retro premium	$ 2,272
b.	Unsecured amount	
c.	Less: Nonadmitted amount (10%)	227
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	
e.	Admitted amount (a) - (c) - (d)	$ 2,045

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributable to insured events on prior years has decreased through the fourth quarter of 2012. This decrease was primarily the result of an updated reserve analysis and improving loss trends in the Nonproportional Assumed Liability, Commercial Multiple Peril, Other Liability Occurrence, Fidelity/Surety, Homeowners and Farmowners lines. This increase was partially offset by deteriorating loss trends in the Workers' Compensation, Commercial Auto and Truck Liability lines. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 26 - Intercompany Pooling Arrangements

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

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Peerless Insurance Company ("PIC")	24198	25.20%	All Lines
Affiliated Pool	The Ohio Casualty Insurance Company ("OCIC")	24074	20.40%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	15.20%	All Lines

NOTES TO FINANCIAL STATEMENTS

Companies:	General Insurance Company of America ("GICA")	24732	9.20%	All Lines
	American States Insurance Company ("ASIC")	19704	7.60%	All Lines
	American Economy Insurance Company ("AEIC")	19690	5.60%	All Lines
	Indiana Insurance Company ("IIC")	22659	4.80%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	3.00%	All Lines
	Peerless Indemnity Insurance Company ("PIIC")	18333	3.00%	All Lines
	Safeco Insurance Company of Illinois ("SICIL")	39012	2.00%	All Lines
	The Netherlands Insurance Company ("NIC")	24171	1.80%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.80%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.80%	All Lines
	American Fire and Casualty Company ("AFCIC")	24066	0.60%	All Lines
	America First Insurance Company ("AFIC")	12696	0.00%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines
	American States Lloyds Insurance Company ("ASLCO")	31933	0.00%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.00%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.00%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%	All Lines
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%	All Lines
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%	All Lines
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%	All Lines
	National Insurance Association ("NIA")	27944	0.00%	All Lines
	Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%	All Lines
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%	All Lines
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%	All Lines
	Safeco National Insurance Company ("SNIC")	24759	0.00%	All Lines
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%	All Lines
	West American Insurance Company ("WAIC")	44393	0.00%	All Lines
			100.0%	

100% Quota Share Affiliated Companies:	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%	All Lines
	North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	All Lines

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

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

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

(c) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.

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

(e) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.

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

(g) Amounts due (to)/from affiliated entities participating in the PIC Amended and Restated Reinsurance Pooling Agreement as of December 31, 2012:

Affiliate:	Amount:
Peerless Insurance Company	$ (5,158,176)

Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2013, the Peerless Amended and Restated Reinsurance Pooling Agreement (the PIC Pool) was terminated and concurrently the participants in the PIC Pool became participants in the Liberty Mutual Second Amended and Restated Inter-Company Reinsurance Agreement (The Liberty Pool).

NOTES TO FINANCIAL STATEMENTS

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.

Effective January 1, 2013, Liberty Northwest Insurance Company, 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.

Effective January 1, 2013, the Liberty Pool structure is as follows:

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Liberty Mutual Insurance Company ("LMIC")	23043	50.0%	All Lines
Affiliated Pool Companies:	Peerless Insurance Company ("PIC")	24198	20.0%	All Lines
	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
	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	6.0%	All Lines
	American Economy Insurance Company ("AEIC")	19690	0.0%	All Lines
	America First Insurance Company ("AFIC")	12696	0.0%	All Lines
	America Fire and Casualty Company ("AFCIC")	24066	0.0%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.0%	All Lines
	American States Insurance Company ("ASIC")	19704	0.0%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.0%	All Lines
	American States Lloyd's Insurance Company ("ASLCO")	31933	0.0%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.0%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.0%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.0%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.0%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.0%	All Lines
	The First Liberty Insurance Corporation ("FST")	33588	0.0%	All Lines
	General Insurance Company of America ("GICA")	24732	0.0%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	0.0%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.0%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.0%	All Lines
	Indiana Insurance Company ("IIC")	22659	0.0%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	0.0%	All Lines
	Liberty Insurance Underwriters, Inc. ("LIU")	19917	0.0%	All Lines
	Liberty County Mutual Insurance Company ("LCMIC")	19544	0.0%	All Lines
	LM General Insurance Company ("LMGIC")	36447	0.0%	All Lines
	Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.0%	All Lines
	LM Insurance Corporation ("LMC")	33600	0.0%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.0%	All Lines
	Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.0%	All Lines
	Liberty Northwest Insurance Corporation ("LNW")	41939	0.0%	All Lines
	Liberty Personal Insurance Company (LPIC")	11746	0.0%	All Lines
	Liberty Surplus Insurance Corporation ("LSI")	10725	0.0%	All Lines
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.0%	All Lines
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.0%	All Lines
	The Midwestern Indemnity Company ("MWIC")	23515	0.0%	All Lines
	National Insurance Association ("NIA")	27944	0.0%	All Lines
	The Netherlands Insurance Company ("NIC")	24171	0.0%	All Lines
	North Pacific Insurance Company ("NPIC")	23892	0.0%	All Lines
	Ohio Security Insurance Company ("OSIC")	24082	0.0%	All Lines
	Oregon Automobile Insurance Company ("OAIC")	23922	0.0%	All Lines
	Peerless Indemnity Insurance Company ("PIIC")	18333	0.0%	All Lines
	Safeco Insurance Company of Illinois ("SICIL")	39012	0.0%	All Lines
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.0%	All Lines
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.0%	All Lines
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.0%	All Lines
	Safeco National Insurance Company ("SNIC")	24759	0.0%	All Lines
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.0%	All Lines
	Wausau Business Insurance Company ("WBIC")	26069	0.0%	All Lines

NOTES TO FINANCIAL STATEMENTS

	Wausau General Insurance Company ("WGIC")	26425	0.0%	All Lines
	Wausau Underwriters Insurance Company ("WUIC")	26042	0.0%	All Lines
	West American Insurance Company ("WAIC")	44393	0.0%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Bridgefield Employers Insurance Company ("BEIC")	10701	0.0%	All Lines
	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.0%	All Lines
	LM Property and Casualty Insurance Company ("LMPAC")	32352	0.0%	All Lines

Note 27 - Structured Settlements

A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of $3,440,349 after applying Intercompany Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was $3,440,349 as of December 31, 2012.

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

Life Insurance Company and Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
Symetra Life Insurance Company Bellevue, Washington	Yes	1,430,752

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	12/31/2012
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

For workers Compensation the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Stastical Plan tables as approved by their respective states at an annual discount rate of 4.0%.

A. The amount of tabular discount for case and IBNR reserves is as follows:

Schedule P Lines of Business	Tabular Discount Included in Schedule P, Part 1*	
	1 Case	2 IBNR
1. Homeowners/Farmowners	-	-
2. Private Passenger Auto Liability/Medical	-	-
3. Commercial Auto/Truck Liability/Medical	-	-
4. Workers' Compensation	2,174,031	1,510,768
5. Commercial Multiple Peril	-	-
6. Medical Professional Liability – occurrence	-	-
7. Medical Professional Liability – claims-made	-	-
8. Special Liability	-	-
9. Other Liability - occurrence	-	-
10. Other Liability – claims-made	-	-
11. Special Property	-	-
12. Auto Physical Damage	-	-
13. Fidelity, Surety	-	-

NOTES TO FINANCIAL STATEMENTS

14. Other (including Credit, Accident & Health)	-	-
15. International	-	-
16. Reinsurance Nonproportional Assumed Property	-	-
17. Reinsurance Nonproportional Assumed Liability	-	-
18. Reinsurance Nonproportional Assumed Financial Lines	-	-
19. Products Liability – occurrence	-	-
20. Products Liability – claims-made	-	-
21. Financial Guaranty/Mortgage Guaranty	-	-
22. Warranty	-	-
23. Total	2,174,031	1,510,768

* Must exclude medical loss reserves and all loss adjustment expense reserves.

B. Nontabular Discount:

Not applicable

Note 33 - Asbestos/Environmental Reserves

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

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

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

In the third quarter of 2011, the Company completed asbestos ground-up and aggregate environmental reserve studies. These studies were completed by a multi-disciplinary team of internal claims, legal, reinsurance and actuarial personnel, and included all major business segments of the Company’s direct, assumed, and ceded asbestos and environmental unpaid claim liabilities. As part of the internal review, policyholders with the largest direct asbestos unpaid claim liabilities were individually evaluated using the Company's proprietary stochastic ground-up model, which is consistent with published actuarial methods of asbestos reserving. Among the factors reviewed in depth by the team of specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, injury type, jurisdiction and legal defenses. Reinsurance recoveries for these policyholders were then separately evaluated by the Company’s reinsurance and actuarial personnel. Asbestos and environmental unpaid claim liabilities for all other policyholders were evaluated using aggregate methods that utilized information and experience specific to these policyholders. The studies resulted in an increase to reserves.

Uncertainty Regarding Reserving Methodologies
As a result of the significant uncertainty inherent in determining a company's asbestos and environmental liabilities and establishing related reserves, the amount of reserves required to adequately fund the Company's asbestos and environmental claims cannot be accurately estimated using conventional reserving methodologies based on historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment. In that regard, the estimation of asbestos claims and associated liabilities and the analysis of environmental claims considered prevailing applicable law and certain inconsistencies of court decisions as to coverage, plaintiffs’ expanded theories of liability, and the risks inherent in major litigation and other uncertainties, the Company believes that in future periods it is possible that the outcome of the continued uncertainties regarding asbestos and environmental related claims could result in an aggregate liability that differs from current reserves by an amount that could be material to the Company’s future operating results and financial condition.

Effect of Uncertainty in Reserving For Asbestos and Environmental Claims on Company's Financial Condition
The methods of determining estimates for reported and unreported losses and establishing resulting reserves and related reinsurance recoverables are periodically reviewed and updated, and adjustments resulting from this review are reflected in income currently.

NOTES TO FINANCIAL STATEMENTS

The following tables summarize the activity for the Company's asbestos and environmental claims and claim adjustment expenses, a component of the Company's unpaid claims and claim adjustment expenses, for the years ended December 31, 2012, 2011, 2010, 2009, and 2008:

Asbestos:

	2008	2009	2010	2011	2012
Direct Basis					
Beginning Reserves	4,853,206	5,021,470	4,698,004	4,227,605	3,080,299
Incurred losses and LAE	739,960	64,130	(389)	(851,253)	(138,379)
Calendar year payments	571,695	387,597	470,010	296,053	276,383
Ending Reserves	5,021,470	4,698,004	4,227,605	3,080,299	2,665,538
Assumed Reinsurance Basis					
Beginning Reserves	3,990,167	3,415,554	4,758,244	4,151,674	4,604,102
Incurred losses and LAE	(135,581)	1,688,382	(1,673)	736,083	133,943
Calendar year payments	439,032	345,693	604,897	283,656	354,626
Ending Reserves	3,415,554	4,758,244	4,151,674	4,604,102	4,383,419
Net of Ceded Reinsurance Basis					
Beginning Reserves	7,165,705	6,874,117	8,094,192	7,119,581	6,222,634
Incurred losses and LAE	361,267	1,906,290	3,809	(53,404)	(192,058)
Calendar year payments	652,854	686,215	978,420	843,543	183,186
Ending Reserves	6,874,117	8,094,192	7,119,581	6,222,634	5,847,390

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	1,033,313
Assumed Reinsurance Basis	2,692,555
Net of Ceded Reinsurance Basis	3,196,371
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	762,885
Assumed Reinsurance Basis	93,649
Net of Ceded Reinsurance Basis	572,942

Environmental:	2008	2009	2010	2011	2012
Direct Basis					
Beginning Reserves	5,578,007	4,765,406	4,059,335	3,633,553	3,841,714
Incurred losses and LAE	122,816	(206,855)	(21,710)	730,306	(27,416)
Calendar year payments	935,417	499,216	404,071	522,145	425,740
Ending Reserves	4,765,406	4,059,335	3,633,553	3,841,714	3,388,558
Assumed Reinsurance Basis					
Beginning Reserves	1,070,983	1,029,826	741,293	678,342	520,930
Incurred losses and LAE	60	(262,462)	13,645	(72,876)	88,836
Calendar year payments	41,218	26,071	76,596	84,535	94,146
Ending Reserves	1,029,826	741,293	678,342	520,930	515,620
Net of Ceded Reinsurance Basis					
Beginning Reserves	6,136,545	5,233,627	4,186,793	3,728,157	4,017,571
Incurred losses and LAE	(108,054)	(553,055)	2,333	(450)	897,000
Calendar year payments	794,864	493,779	460,969	(289,865)	1,390,469
Ending Reserves	5,233,627	4,186,793	3,728,157	4,017,571	3,524,103

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	1,399,093
Assumed Reinsurance Basis	320,182
Net of Ceded Reinsurance Basis	1,450,128
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	625,757
Assumed Reinsurance Basis	25,723
Net of Ceded Reinsurance Basis	564,112

Note 34 - Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

NOTES TO FINANCIAL STATEMENTS

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 [X] No [ ]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] N/A [ ]

1.3 State Regulating? New Hampshire

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2008

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. 12/31/2008

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/01/2010

3.4 By what department or departments?
State of New Hampshire Insurance Department

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 [X]

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

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [ ] No [X]
4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [ ] No [X]
4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

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

GENERAL INTERROGATORIES

6.2 If yes, give full information:

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

7.2 If yes,

7.21 State the percentage of foreign control. 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 [X] 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?
Kristen M. Bessette, FCAS, MAAA
175 Berkeley Street Boston, MA 02116
Sr. Vice President & Chief Actuary

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

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

12.2 If yes, provide explanation:

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

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

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

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

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

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

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

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

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

14.21 If the response to 14.2 is yes, provide information related to amendment(s).
During Q1 and Q3, 2012, Liberty Mutual Insurance Group published certain non-material changes to its Code of Business Ethics and Conduct designed to clarify existing Code provisions.

GENERAL INTERROGATORIES

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

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

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance 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	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]

GENERAL INTERROGATORIES

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

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

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

INVESTMENT

24.01 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 [X] 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 [X] No [ ] N/A [ ]

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. $ 0

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 [X] No [ ] N/A [ ]

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [X] 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 [X] 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	$ 0
24.102	Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	$ 0
24.103	Total payable for securities lending reported on the liability page	$ 0

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 [X] No [ ]

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

25.21	Subject to repurchase agreements	$ 0
25.22	Subject to reverse repurchase agreements	$ 0
25.23	Subject to dollar repurchase agreements	$ 0
25.24	Subject to reverse dollar repurchase agreements	$ 0
25.25	Pledged as collateral	$ 0
25.26	Placed under option agreements	$ 0
25.27	Letter stock or securities restricted as to sale	$ 0
25.28	On deposit with state or other regulatory body	$ 9,169,118
25.29	Other	$ 0

GENERAL INTERROGATORIES

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		0
		0
		0

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

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

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
Bank of New York Mellon	601 Travis Street, Houston, TX 77002

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]

GENERAL INTERROGATORIES

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

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	522,597,325	552,160,993	29,563,668
30.2 Preferred stocks	0	0	0
30.3 Totals	522,597,325	552,160,993	29,563,668

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

GENERAL INTERROGATORIES

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	$ 0
	$ 0

34.1 Amount of payments for legal expenses, if any? $ 53,974

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
	$ 0

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 7,165

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
	$ 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
0

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. $ 0
1.5 Indicate total incurred claims on all Medicare Supplement insurance. $ 0
1.6 Individual policies:

Most current three years:
1.61 Total premium earned $ 0
1.62 Total incurred claims $ 0
1.63 Number of covered lives 0

All years prior to most current three years:
1.64 Total premium earned $ 0
1.65 Total incurred claims $ 0
1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:
1.71 Total premium earned $ 0
1.72 Total incurred claims $ 0
1.73 Number of covered lives 0

All years prior to most current three years:
1.74 Total premium earned $ 0
1.75 Total incurred claims $ 0
1.76 Number of covered lives 0

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$ 0	$ 0
2.2	Premium Denominator	$ 322,092,858	$ 314,137,216
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 1,512,293	$ 1,578,104
2.5	Reserve Denominator	$ 501,129,639	$ 501,587,338
2.6	Reserve Ratio (2.4/2.5)	0.00	0.00

3.1 Does the reporting entity issue both participating and non-participating policies? Yes [ ] No [X]
3.2 If yes, state the amount of calendar year premiums written on:
3.21 Participating policies $ 0
3.22 Non-participating policies $ 0

4. For Mutual reporting entities and Reciprocal Exchanges only:
4.1 Does the reporting entity issue assessable policies? Yes [ ] No [X]
4.2 Does the reporting entity issue non-assessable policies? Yes [ ] No [X]
4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? 0 %
4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. $ 0

5. For Reciprocal Exchanges Only:
5.1 Does the exchange appoint local agents? Yes [ ] No [X]
5.2 If yes, is the commission paid:
5.21 Out of Attorney's-in-fact compensation Yes [ ] No [ ] N/A [X]
5.22 As a direct expense of the exchange Yes [ ] No [ ] N/A [X]

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

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

5.5 If yes, give full information

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:
See Note 21C2

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 21C2

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 21C2

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
Refer to Note 21C

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 [ ] No [X]

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [X] No [ ] N/A [ ]

11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes [ ] No [X]
11.2 If yes, give full information

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
12.11 Unpaid losses $ 10,167,045
12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 964,278

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? $ 2,272

12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [X] No [ ] N/A [ ]

12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
12.41 From 0.00 %
12.42 To 9.00 %

12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting 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 [X] No [ ]

12.6 If yes, state the amount thereof at December 31 of current year:
12.61 Letters of Credit $ 22,308,867
12.62 Collateral and other funds $ 4,268,704

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 9,630,000

13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [ ] No [X]

13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1

14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [ ] No [X]

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

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

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

14.5 If the answer to 14.4 is no, please explain:
0

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

15.2 If yes, give full information

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

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

* Disclose type of coverage:

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5. Yes [ ] No [X]

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

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

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

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

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

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

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

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

FIVE – YEAR HISTORICAL DATA

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

	1 2012	2 2011	3 2010	4 2009	5 2008
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	217,820,077	207,841,505	200,408,244	178,261,568	226,354,091
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	90,179,189	81,817,358	78,997,885	71,404,627	51,557,992
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	264,556,375	239,438,793	219,423,475	172,599,164	178,786,641
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	21,541,462	22,466,729	21,916,418	19,919,709	40,989,762
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)				3	
6. Total (Line 35)	594,097,103	551,564,385	520,746,022	442,185,071	497,688,486
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,19.4)	124,663,182	125,891,208	129,022,431	123,257,754	186,387,152
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	66,572,671	62,063,976	62,029,090	59,190,476	44,346,340
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	114,769,118	108,577,757	103,317,269	77,043,587	101,111,811
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	21,541,462	22,466,729	21,916,418	19,919,709	40,989,762
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)				3	
12. Total (Line 35)	327,546,433	318,999,670	316,285,208	279,411,529	372,835,065
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	2,017,609	(19,411,709)	(4,446,539)	13,199,996	12,501,110
14. Net investment gain (loss) (Line 11)	36,263,916	27,694,327	29,235,594	27,858,207	50,962,963
15. Total other income (Line 15)	1,386,494	967,502	(2,447,046)	(524,186)	(5,896,939)
16. Dividends to policyholders (Line 17)	772,426	630,848	(105,728)	1,344,750	2,733,319
17. Federal and foreign income taxes incurred (Line 19)	4,042,167	878,708	330,923	3,938,831	9,829,945
18. Net income (Line 20)	34,853,426	7,740,564	22,116,814	35,250,436	45,003,870
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	657,158,949	802,582,364	790,995,792	816,433,607	957,210,808
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	9,535,802	12,021,535	10,769,340	11,885,796	14,444,337
20.2 Deferred and not yet due (Line 15.2)	96,222,858	90,463,452	86,612,612	84,394,960	111,482,530
20.3 Accrued retrospective premiums (Line 15.3)	2,045	138,528	274,825	489,891	2,145,674
21. Total liabilities excluding protected cell business (Page 3, Line 26)	546,647,378	549,442,801	543,952,200	589,942,439	776,354,776
22. Losses (Page 3, Line 1)	265,244,935	270,431,143	267,916,372	282,008,945	413,714,835
23. Loss adjustment expenses (Page 3, Line 3)	60,660,135	59,797,149	59,795,304	67,141,367	94,736,410
24. Unearned premiums (Page 3, Line 9)	157,357,815	151,173,662	145,594,731	138,034,024	177,063,114
25. Capital paid up (Page 3, Lines 30 & 31)	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
26. Surplus as regards policyholders (Page 3, Line 37)	110,511,571	253,139,563	247,043,592	226,491,168	180,856,032
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	27,673,865	23,845,075	(12,231,609)	(127,908,582)	25,518,951
Risk-Based Capital Analysis					
28. Total adjusted capital	110,511,571	253,139,563	247,043,592	226,491,168	180,856,032
29. Authorized control level risk-based capital	28,470,829	28,166,508	28,191,131	28,504,157	39,106,042
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	91.7	93.9	95.7	91.2	88.6
31. Stocks (Lines 2.1 & 2.2)	1.8		0.0	0.0	4.5
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	6.3	4.4	2.9	8.8	7.0
35. Contract loans (Line 6)					
36. Derivatives (Line 7)				XXX	XXX
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)	0.2				
39. Securities lending reinvested collateral assets (Line 10)		1.7	1.3	XXX	XXX
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Lines 42 to 47					
49. 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)					

FIVE – YEAR HISTORICAL DATA
(Continued)

		1 2012	2 2011	3 2010	4 2009	5 2008
	Capital and Surplus Accounts (Page 4)					
51.	Net unrealized capital gains (losses) (Line 24)	818,125	126,260	(440,025)	7,641,486	(15,180,388)
52.	Dividends to stockholders (Line 35)	(114,419,705)				(97,244,156)
53.	Change in surplus as regards policyholders for the year (Line 38)	(142,627,992)	6,095,971	20,552,424	45,635,136	(131,564,371)
	Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
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)	104,651,214	103,826,980	128,733,377	218,360,151	127,245,313
55.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	44,597,795	42,655,890	37,963,790	35,944,695	32,310,757
56.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	112,208,738	116,206,824	90,834,849	109,890,907	128,377,957
57.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	8,410,340	5,663,092	4,336,834	6,621,003	(2,971,958)
58.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	212,306	236,566	642,329	(5,565,497)	49,477
59.	Total (Line 35)	270,080,393	268,589,352	262,511,179	365,251,259	285,011,546
	Net Losses Paid (Page 9, Part 2, Col. 4)					
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)	70,950,000	76,206,211	95,638,013	173,610,382	92,365,014
61.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	35,097,058	35,218,542	31,786,125	32,623,665	29,999,660
62.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	65,306,460	74,511,384	55,063,399	83,811,931	106,045,479
63.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	8,410,340	5,663,092	4,336,834	6,621,003	(2,971,958)
64.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	212,306	236,566	642,329	(5,565,497)	49,477
65.	Total (Line 35)	179,976,164	191,835,795	187,466,700	291,101,484	225,487,672
	Operating Percentages (Page 4) (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)	54.3	61.9	56.0	50.7	52.4
68.	Loss expenses incurred (Line 3)	12.4	12.1	11.8	11.9	10.8
69.	Other underwriting expenses incurred (Line 4)	32.7	32.2	33.6	33.2	33.8
70.	Net underwriting gain (loss) (Line 8)	0.6	(6.2)	(1.4)	4.2	3.0
	Other Percentages					
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	31.7	31.4	33.6	37.5	39.5
72.	Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	66.7	73.9	67.8	62.6	63.2
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)	296.4	126.0	128.0	123.4	206.2
	One Year Loss Development (000 omitted)					
74.	Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(12,574)	(8,450)	(3,641)	(23,139)	(37,275)
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)	(5.0)	(3.4)	(1.6)	(12.8)	(11.9)
	Two Year Loss Development (000 omitted)					
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)	(16,129)	(7,584)	(18,494)	(33,344)	(64,385)
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)	(6.5)	(3.3)	(10.2)	(10.7)	(23.0)

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

If no, please explain:
Not Applicable

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY

($000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1–2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	X X X	X X X	X X X	4,006	2,575	951	213	227	(333)	179	2,729	X X X
2. 2003	298,597	24,939	273,658	146,601	12,849	10,391	753	21,918	1,041	9,158	164,267	X X X
3. 2004	321,339	17,729	303,610	150,541	6,168	9,625	341	21,497	460	11,476	174,694	X X X
4. 2005	334,763	13,559	321,204	154,819	6,386	10,191	373	22,600	354	10,911	180,497	X X X
5. 2006	334,319	14,931	319,388	157,307	3,812	10,264	425	23,079	511	9,559	185,902	X X X
6. 2007	341,229	16,665	324,564	158,490	3,531	10,555	361	22,881	322	10,637	187,712	X X X
7. 2008	340,559	12,661	327,898	176,931	5,498	10,483	419	25,569	263	9,272	206,803	X X X
8. 2009	319,518	19,983	299,535	145,532	9,027	7,897	454	22,713	193	8,718	166,468	X X X
9. 2010	315,811	6,386	309,425	140,688	955	6,048	37	24,274	46	10,215	169,972	X X X
10. 2011	319,944	5,806	314,138	148,809	483	4,083	44	22,200	40	12,656	174,525	X X X
11. 2012	327,976	5,883	322,093	97,669	263	1,414	14	18,596	1	7,209	117,401	X X X
12. Totals	X X X	X X X	X X X	1,481,393	51,547	81,902	3,434	225,554	2,898	99,990	1,730,970	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR						
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior	40,235	10,618	16,051	2,654	1,336	139	2,916	395	3,472	2	1,556	50,202	X X X
2. 2003	2,040	334	1,013	244	53		264	22	205		227	2,975	X X X
3. 2004	2,817	628	1,131	268	70		301	26	285		331	3,682	X X X
4. 2005	3,170	227	1,439	325	79		521	27	363		479	4,993	X X X
5. 2006	3,214	674	2,126	403	107		776	60	424		1,620	5,510	X X X
6. 2007	6,137	323	3,223	471	161		978	86	574	1	603	10,192	X X X
7. 2008	8,519	707	3,893	625	222	2	2,023	126	838	2	1,695	14,033	X X X
8. 2009	13,802	513	6,428	718	322	5	3,339	152	1,474	8	1,374	23,969	X X X
9. 2010	20,602	142	9,986	956	377	2	6,176	213	2,326	13	2,147	38,141	X X X
10. 2011	31,032	161	19,478	929	553	16	8,243	119	4,214	19	4,888	62,276	X X X
11. 2012	44,228	132	47,323	592	503	2	11,084	49	7,627	60	8,568	109,930	X X X
12. Totals	175,796	14,459	112,091	8,185	3,783	166	36,621	1,275	21,802	105	23,488	325,903	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	43,014	7,188
2. 2003	182,485	15,243	167,242	61.114	61.121	61.114			3.000	2,475	500
3. 2004	186,267	7,891	178,376	57.966	44.509	58.752			3.000	3,052	630
4. 2005	193,182	7,692	185,490	57.707	56.730	57.748			3.000	4,057	936
5. 2006	197,297	5,885	191,412	59.015	39.415	59.931			3.000	4,263	1,247
6. 2007	202,999	5,095	197,904	59.491	30.573	60.975			3.000	8,566	1,626
7. 2008	228,478	7,642	220,836	67.089	60.359	67.349			3.000	11,080	2,953
8. 2009	201,507	11,070	190,437	63.066	55.397	63.578			3.000	18,999	4,970
9. 2010	210,477	2,364	208,113	66.647	37.018	67.258			3.000	29,490	8,651
10. 2011	238,612	1,811	236,801	74.579	31.192	75.381			3.000	49,420	12,856
11. 2012	228,444	1,113	227,331	69.653	18.919	70.579			3.000	90,827	19,103
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	265,243	60,660

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

SCHEDULE P – PART 2 – SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior	172,967	173,284	175,231	176,791	177,473	172,754	181,733	185,480	187,840	186,827	(1,013)	1,347
2. 2003	155,542	152,691	148,887	148,118	149,140	147,993	147,452	146,857	146,727	146,311	(416)	(546)
3. 2004	X X X	174,924	170,681	168,459	161,129	160,149	158,302	157,873	157,513	157,240	(273)	(633)
4. 2005	X X X	X X X	182,538	175,593	166,912	165,849	163,828	163,388	162,893	163,036	143	(352)
5. 2006	X X X	X X X	X X X	179,646	175,982	171,386	167,555	168,103	168,392	168,598	206	495
6. 2007	X X X	X X X	X X X	X X X	192,556	187,448	175,729	175,637	175,155	174,973	(182)	(664)
7. 2008	X X X	X X X	X X X	X X X	X X X	208,417	198,938	198,160	195,841	194,884	(957)	(3,276)
8. 2009	X X X	X X X	X X X	X X X	X X X	X X X	177,918	172,310	169,356	166,628	(2,728)	(5,682)
9. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	188,570	184,209	181,752	(2,457)	(6,818)
10. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	215,495	210,598	(4,897)	X X X
11. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	201,274	X X X	X X X
									12. Totals		(12,574)	(16,129)

SCHEDULE P – PART 3 – SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
1. Prior	000	44,893	74,737	93,122	105,342	115,001	120,966	127,891	135,910	138,080	X X X	X X X
2. 2003	72,623	104,580	119,902	129,896	136,644	139,590	141,364	142,321	142,974	143,390	X X X	X X X
3. 2004	X X X	75,350	113,160	130,795	141,269	147,456	150,514	151,981	153,043	153,658	X X X	X X X
4. 2005	X X X	X X X	77,140	114,539	132,447	144,086	151,376	154,903	156,737	158,250	X X X	X X X
5. 2006	X X X	X X X	X X X	78,561	116,718	133,334	146,749	155,037	160,080	163,334	X X X	X X X
6. 2007	X X X	X X X	X X X	X X X	81,637	121,259	139,464	152,657	160,875	165,153	X X X	X X X
7. 2008	X X X	X X X	X X X	X X X	X X X	94,656	139,970	159,705	172,885	181,497	X X X	X X X
8. 2009	X X X	X X X	X X X	X X X	X X X	X X X	79,063	114,594	131,745	143,949	X X X	X X X
9. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	86,839	127,002	145,744	X X X	X X X
10. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	109,384	152,366	X X X	X X X
11. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	98,806	X X X	X X X

SCHEDULE P – PART 4 – SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Prior	72,230	50,522	39,494	34,397	28,264	26,064	27,778	27,300	21,643	17,933
2. 2003	43,493	21,660	12,387	8,578	6,243	4,575	3,108	1,972	1,636	1,163
3. 2004	X X X	54,609	27,176	17,945	9,675	7,115	3,849	2,825	2,110	1,324
4. 2005	X X X	X X X	61,002	30,337	15,339	9,510	5,417	3,737	2,717	1,763
5. 2006	X X X	X X X	X X X	55,022	27,700	16,888	8,133	4,619	3,112	2,617
6. 2007	X X X	X X X	X X X	X X X	56,885	29,674	13,982	7,606	4,664	3,845
7. 2008	X X X	X X X	X X X	X X X	X X X	61,854	27,215	16,236	9,114	5,355
8. 2009	X X X	X X X	X X X	X X X	X X X	X X X	54,221	27,455	16,052	9,074
9. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	53,540	25,366	15,172
10. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	55,406	26,824
11. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	57,871

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

States, Etc.		1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken 2 Direct Premiums Written	 3 Direct Premiums Earned	4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	N								
2. Alaska	AK	N								
3. Arizona	AZ	L	35,123	41,116		75,283	(133,759)	178,477	212	
4. Arkansas	AR	N								
5. California	CA	L	266,515,547	254,191,346		89,381,780	116,821,555	242,069,878	1,606,227	
6. Colorado	CO	N								
7. Connecticut	CT	N								
8. Delaware	DE	N								
9. District of Columbia	DC	N								
10. Florida	FL	N								
11. Georgia	GA	N								
12. Hawaii	HI	N								
13. Idaho	ID	N								
14. Illinois	IL	N								
15. Indiana	IN	N								
16. Iowa	IA	N								
17. Kansas	KS	N								
18. Kentucky	KY	N								
19. Louisiana	LA	N								
20. Maine	ME	N								
21. Maryland	MD	N								
22. Massachusetts	MA	N								
23. Michigan	MI	N								
24. Minnesota	MN	N								
25. Mississippi	MS	N								
26. Missouri	MO	N								
27. Montana	MT	N								
28. Nebraska	NE	N								
29. Nevada	NV	N								
30. New Hampshire	NH	L								
31. New Jersey	NJ	N								
32. New Mexico	NM	N								
33. New York	NY	N					1,999	1,999		
34. North Carolina	NC	N								
35. North Dakota	ND	N								
36. Ohio	OH	N								
37. Oklahoma	OK	N								
38. Oregon	OR	N								
39. Pennsylvania	PA	N								
40. Rhode Island	RI	N								
41. South Carolina	SC	N								
42. South Dakota	SD	N								
43. Tennessee	TN	N								
44. Texas	TX	N								
45. Utah	UT	N								
46. Vermont	VT	N								
47. Virginia	VA	N								
48. Washington	WA	N								
49. West Virginia	WV	N								
50. Wisconsin	WI	N								
51. Wyoming	WY	N								
52. American Samoa	AS	N								
53. Guam	GU	N								
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N								
56. Northern Mariana Islands	MP	N								
57. Canada	CAN	N								
58. Aggregate Other Alien	OT	XXX								
59. Totals		(a) 3	266,550,670	254,232,462		89,457,063	116,689,795	242,250,354	1,606,439	

DETAILS OF WRITE-INS									
58001.	XXX								
58002.	XXX								
58003.	XXX								
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX								
58999. Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	XXX								

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

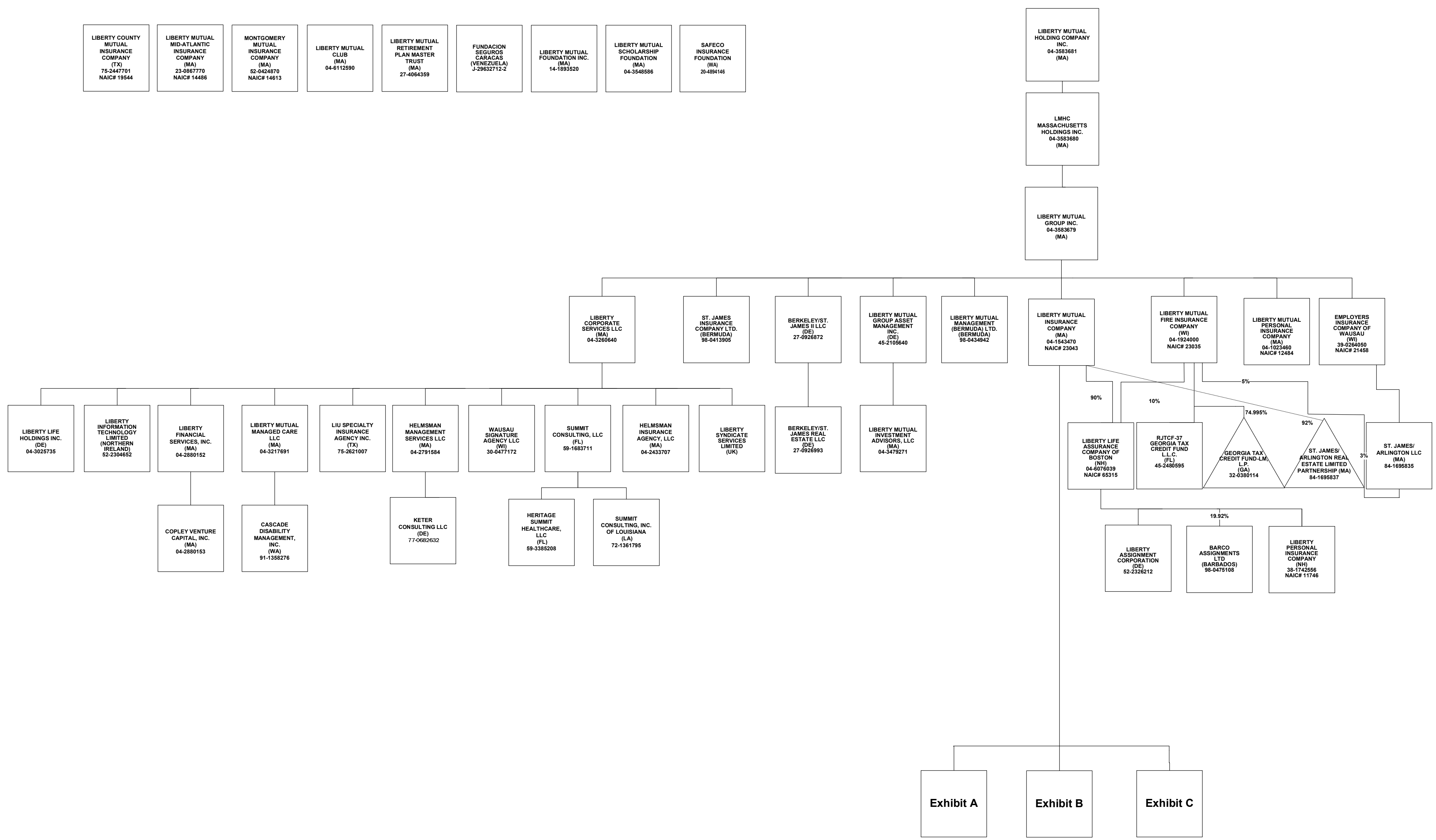
Explanation of basis of allocation of premiums by states, etc.

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

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

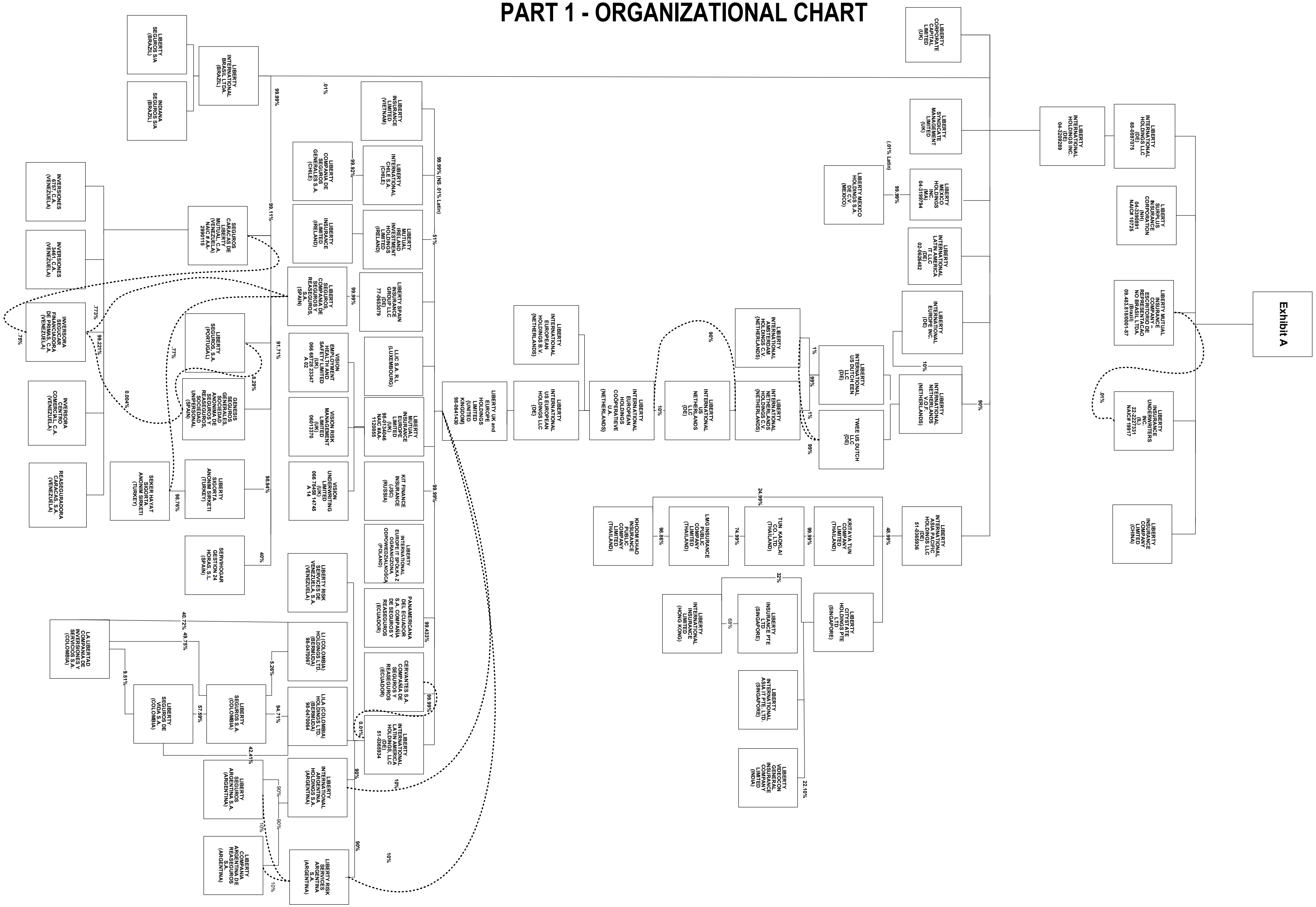
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



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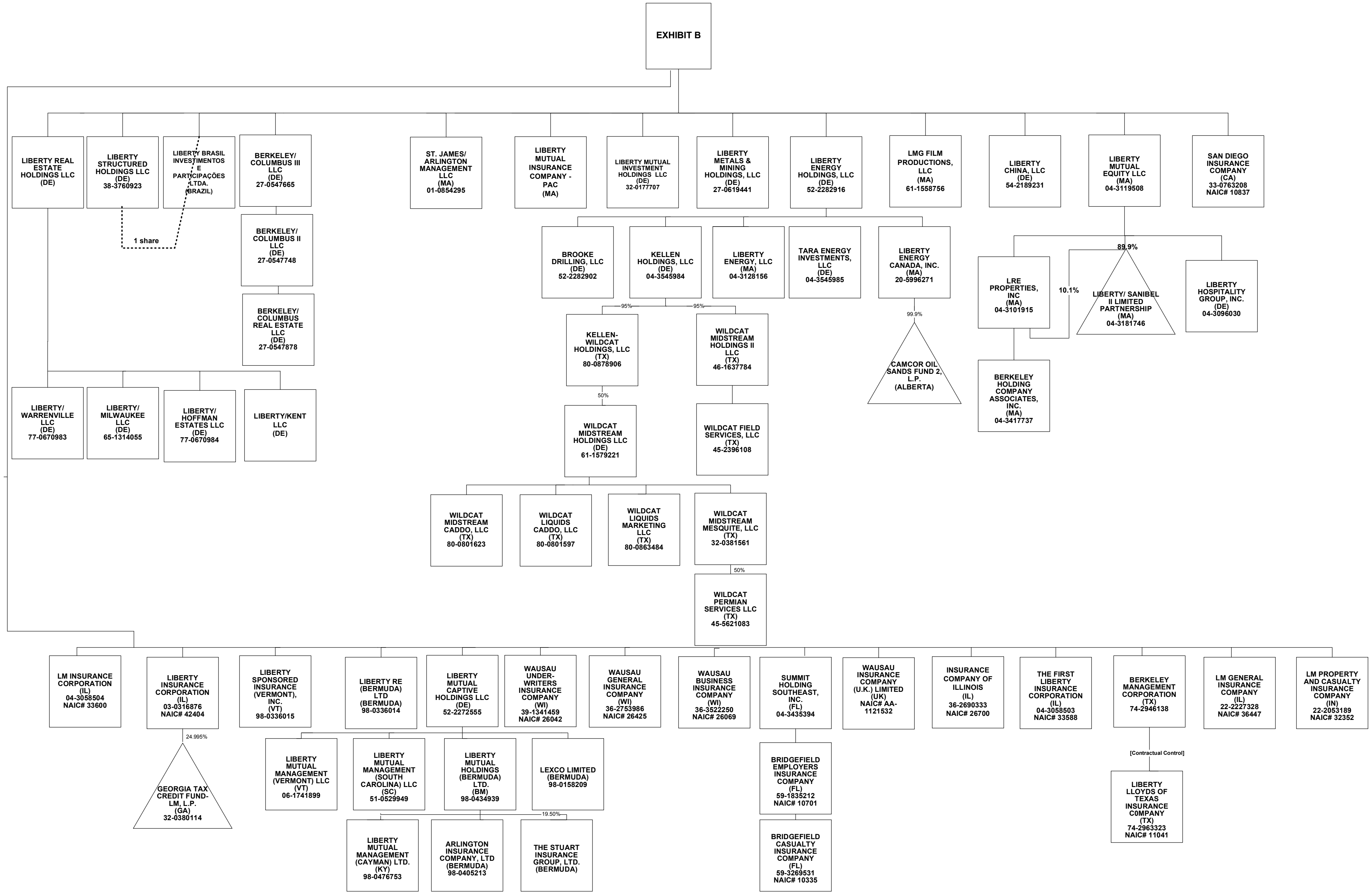
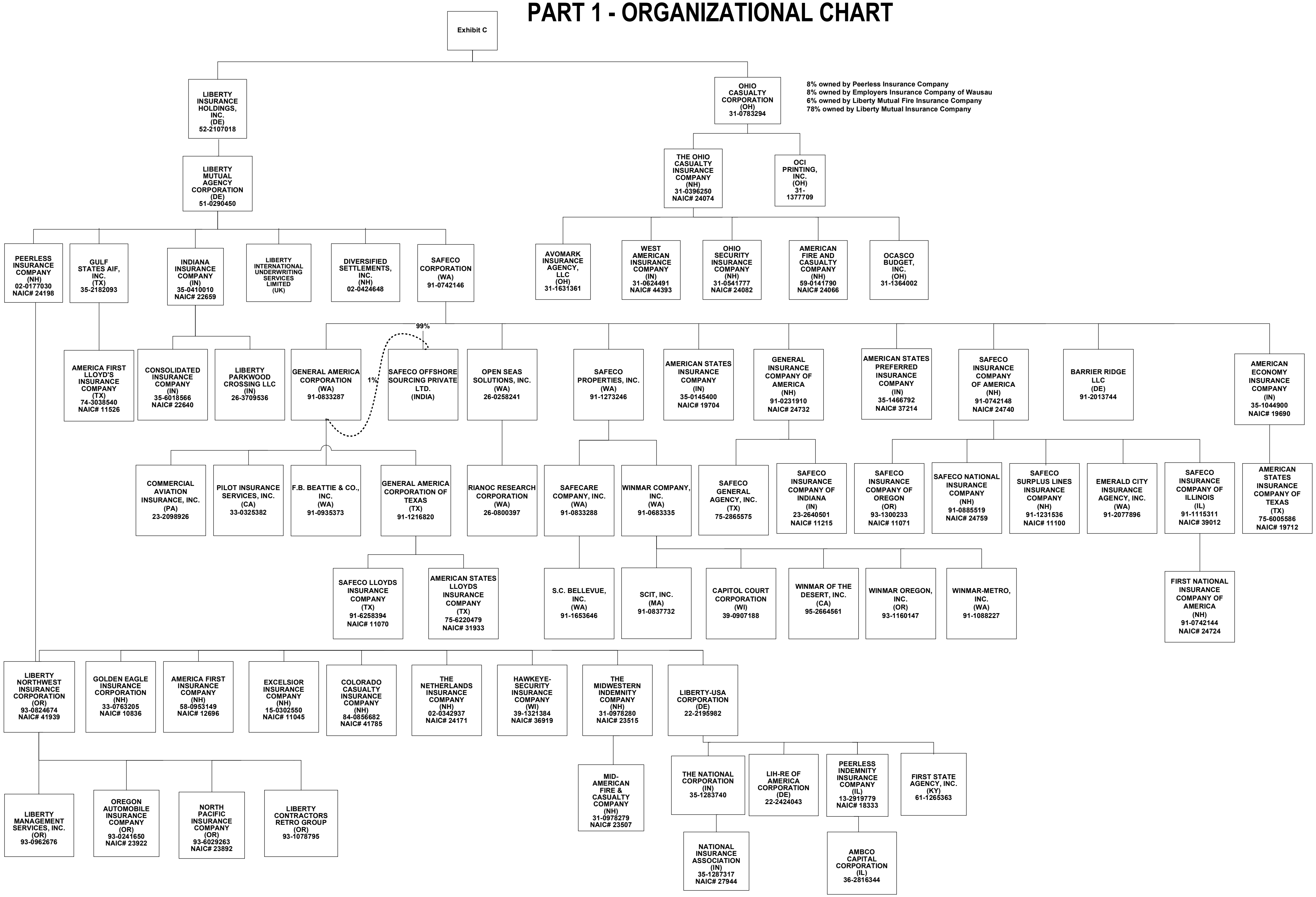


SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT