

**ANNUAL STATEMENT**

**OF THE**

**GENERAL INSURANCE COMPANY OF AMERICA**

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**of SEATTLE**

**in the state of WASHINGTON**

**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2011**

**PROPERTY AND CASUALTY**

**2011**



ANNUAL STATEMENT

For the Year Ended December 31, 2011
OF THE CONDITION AND AFFAIRS OF THE

General Insurance Company of America

NAIC Group Code 0111, NAIC Company Code 24732, Employer's ID Number 91-0231910, Organized under the Laws of Washington, State of Domicile or Port of Entry Washington, Country of Domicile United States of America, Statutory Home Office 1001 Fourth Avenue, Safeco Plaza, Main Administrative Office 175 Berkeley Street, Mail Address 175 Berkeley Street, Primary Location of Books and Records 175 Berkeley Street, Internet Web Site Address WWW.SAFECO.COM, Statutory Statement Contact Pamela Heenan

OFFICERS

Chairman of the Board
James Paul Condrin, III #

Table with 2 columns: Name, Title. Rows include James Paul Condrin, III # (President and Chief Executive Officer), Dexter Robert Legg (Secretary), James Paul McKenney # (Treasurer and Chief Financial Officer)

VICE-PRESIDENTS

Table with 4 columns: Name, Title, Name, Title. Row 1: Anthony Alexander Fontanes (EVP and Chief Investment Officer), Michael Joseph Fallon # (Executive Vice President)

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Row 1: James Paul Condrin, III #, John Derek Doyle, Michael Joseph Fallon, Dexter Robert Legg #

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 and Title section for James Paul Condrin, III #, Dexter Robert Legg, and James Paul McKenney #.

Subscribed and sworn to (or affirmed) before me on this 23rd day of January, 2012, 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			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	1,466,103,126		1,466,103,126	1,499,461,479
2. Stocks (Schedule D):				
2.1 Preferred stocks				13,754,650
2.2 Common stocks	86,610,892		86,610,892	60,008,492
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	43,312,849		43,312,849	39,652,419
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 (\$ 36,612, Schedule E - Part 1), cash equivalents (\$ 3,335,755, Schedule E - Part 2), and short-term investments (\$ 46,571,333, Schedule DA)	49,943,700		49,943,700	40,425,026
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	128,757		128,757	126,866
9. Receivables for securities	19,120,267		19,120,267	246,227
10. Securities lending reinvested collateral assets (Schedule DL)	22,163,555		22,163,555	9,727,485
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	1,687,383,146		1,687,383,146	1,663,402,644
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	16,994,758		16,994,758	17,610,975
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	41,629,186	4,763,154	36,866,032	33,025,969
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 576,276 earned but unbilled premiums)	277,478,881	57,628	277,421,253	265,612,010
15.3 Accrued retrospective premiums	471,973	47,152	424,821	842,799
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	13,644,563		13,644,563	16,752,137
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	2,078,991		2,078,991	19,455,370
18.2 Net deferred tax asset	78,627,000	26,666,355	51,960,645	52,530,692
19. Guaranty funds receivable or on deposit	1,106,143		1,106,143	1,554,508
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	18,684,394		18,684,394	767,562
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	8,978,274	1,111,981	7,866,293	8,060,576
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	2,147,077,309	32,646,270	2,114,431,039	2,079,615,242
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	2,147,077,309	32,646,270	2,114,431,039	2,079,615,242

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	5,433,764		5,433,764	5,348,219
2502. Equities and deposits in pools and associations	2,409,954		2,409,954	2,433,673
2503. Other assets	1,134,556	1,111,981	22,575	278,684
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	8,978,274	1,111,981	7,866,293	8,060,576

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	829,322,172	821,610,206
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	61,901,843	55,127,920
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	183,377,922	183,372,265
4. Commissions payable, contingent commissions and other similar charges	25,820,141	24,815,752
5. Other expenses (excluding taxes, licenses and fees)	14,457,103	7,262,867
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	6,825,806	8,299,059
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 127,951,652 and including warranty reserves of \$ 0 and accrued accident and health experience rating refunds including \$ 0 for medical loss ratio rebate per the Public Health Service Act)	463,599,229	446,490,508
10. Advance premium	3,164,571	3,026,169
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	126,944	86,237
12. Ceded reinsurance premiums payable (net of ceding commissions)	19,847,700	17,395,573
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	909,987	615,711
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	32,758,805	30,114,197
19. Payable to parent, subsidiaries and affiliates	11,389,409	27,436,521
20. Derivatives		
21. Payable for securities	5,388,345	18,864,751
22. Payable for securities lending	22,163,555	9,727,485
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	15,286,746	15,758,874
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	1,696,340,278	1,670,004,095
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	1,696,340,278	1,670,004,095
29. Aggregate write-ins for special surplus funds	18,684,214	11,663,352
30. Common capital stock	5,000,000	5,000,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	170,891,058	170,891,058
35. Unassigned funds (surplus)	223,515,489	222,056,737
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)	418,090,761	409,611,147
38. Totals (Page 2, Line 28, Col. 3)	2,114,431,039	2,079,615,242

DETAILS OF WRITE-IN LINES		
2501. Retroactive reinsurance reserves	8,160,865	8,776,896
2502. Other liabilities	6,630,310	4,773,501
2503. Amounts held under uninsured plans	495,571	989,992
2598. Summary of remaining write-ins for Line 25 from overflow page		1,218,485
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	15,286,746	15,758,874
2901. SSAP 10R incremental change	16,750,151	9,673,485
2902. Special surplus from retroactive reinsurance	1,934,063	1,989,867
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	18,684,214	11,663,352
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

## STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	963,354,130	948,904,559
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	596,008,400	531,680,660
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	116,380,432	112,019,397
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	310,593,002	318,892,463
5. Aggregate write-ins for underwriting deductions	(98,468)	(51,907)
6. Total underwriting deductions (Lines 2 through 5)	1,022,883,366	962,540,613
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(59,529,236)	(13,636,054)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	71,042,688	74,401,483
10. Net realized capital gains (losses) less capital gains tax of \$ 79,734 (Exhibit of Capital Gains (Losses))	148,077	8,806,644
11. Net investment gain (loss) (Lines 9 + 10)	71,190,765	83,208,127
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 34,120 amount charged off \$ 2,187,363)	(2,153,243)	(3,987,182)
13. Finance and service charges not included in premiums	8,133,566	8,373,206
14. Aggregate write-ins for miscellaneous income	(3,023,272)	(11,890,182)
15. Total other income (Lines 12 through 14)	2,957,051	(7,504,158)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	14,618,580	62,067,915
17. Dividends to policyholders	1,934,602	(324,233)
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)	12,683,978	62,392,148
19. Federal and foreign income taxes incurred	(464,734)	(2,905,339)
20. Net income (Line 18 minus Line 19) (to Line 22)	13,148,712	65,297,487
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	409,611,147	547,998,085
22. Net income (from Line 20)	13,148,712	65,297,487
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (1,579,888)	(2,604,492)	2,055,218
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	9,530,112	(12,683,528)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(19,408,597)	12,462,454
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	737,213	
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		(206,000,000)
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	7,076,666	481,431
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	8,479,614	(138,386,938)
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	418,090,761	409,611,147

<b>DETAILS OF WRITE-IN LINES</b>		
0501. Private passenger auto escrow	(98,468)	(51,907)
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)	(98,468)	(51,907)
1401. Retroactive reinsurance gain/(loss)	(196,384)	(11,750,955)
1402. Other income/(expense)	(2,826,888)	(139,227)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(3,023,272)	(11,890,182)
3701. SSAP 10R incremental change	7,076,666	1,040,814
3702. Other changes in surplus		(559,383)
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	7,076,666	481,431

## CASH FLOW

Cash from Operations	1 Current Year	2 Prior Year
1. Premiums collected net of reinsurance	967,263,806	987,422,224
2. Net investment income	77,430,039	86,628,791
3. Miscellaneous income	2,879,084	(13,408,743)
4. Total (Lines 1 through 3)	1,047,572,929	1,060,642,272
5. Benefit and loss related payments	575,770,328	573,784,137
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	419,505,183	474,739,458
8. Dividends paid to policyholders	1,893,895	370,608
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(17,761,379)	24,120,521
10. Total (Lines 5 through 9)	979,408,027	1,073,014,724
11. Net cash from operations (Line 4 minus Line 10)	68,164,902	(12,372,452)
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	319,360,829	844,408,438
12.2 Stocks	27,215,988	11,257,920
12.3 Mortgage loans	1,108,830	693,100
12.4 Real estate		
12.5 Other invested assets	76,772,252	
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	(18,874,040)	(246,227)
12.8 Total investment proceeds (Lines 12.1 to 12.7)	405,583,859	856,113,231
13. Cost of investments acquired (long-term only):		
13.1 Bonds	290,978,549	638,203,428
13.2 Stocks	44,817,055	44,678,296
13.3 Mortgage loans	4,769,464	24,715,585
13.4 Real estate		
13.5 Other invested assets	89,208,322	9,854,351
13.6 Miscellaneous applications	13,476,406	(3,437,067)
13.7 Total investments acquired (Lines 13.1 to 13.6)	443,249,796	714,014,593
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)	(37,665,937)	142,098,638
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		206,000,000
16.6 Other cash provided (applied)	(20,980,291)	12,738,984
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(20,980,291)	(193,261,016)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	9,518,674	(63,534,830)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	40,425,026	103,959,856
19.2 End of year (Line 18 plus Line 19.1)	49,943,700	40,425,026

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

20.0001	12.1 - Proceeds from investments sold, matured or repaid - Bonds	223,945,513
20.0002	12.2 - Proceeds from investments sold, matured or repaid - Stocks	9,085,665
20.0003	16.5 - Dividends to Stockholders	157,861,033

## 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	18,568,068	9,175,867	9,796,926	17,947,009
2. Allied lines	15,414,386	7,619,016	8,373,688	14,659,714
3. Farmowners multiple peril	7,670,761	3,570,735	3,847,538	7,393,958
4. Homeowners multiple peril	153,668,894	73,688,090	81,731,799	145,625,185
5. Commercial multiple peril	171,622,141	87,330,602	86,077,867	172,874,876
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	15,536,927	7,486,689	7,496,837	15,526,779
10. Financial guaranty				
11.1 Medical professional liability—occurrence	67,664	33,243	26,785	74,122
11.2 Medical professional liability—claims-made	9,145	3,842	4,213	8,774
12. Earthquake	3,240,653	1,599,452	1,674,348	3,165,757
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	81,343,052	35,005,697	31,613,018	84,735,731
17.1 Other liability—occurrence	49,109,558	24,565,740	24,045,744	49,629,554
17.2 Other liability—claims-made	2,089,566	983,309	939,776	2,133,099
17.3 Excess workers' compensation				
18.1 Products liability—occurrence	1,202,997	684,771	607,739	1,280,029
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	177,116,831	65,254,686	72,393,788	169,977,729
19.3,19.4 Commercial auto liability	75,127,566	37,594,584	36,309,914	76,412,236
21. Auto physical damage	137,543,683	53,780,324	58,470,166	132,853,841
22. Aircraft (all perils)				
23. Fidelity	592,637	492,402	483,721	601,318
24. Surety	68,305,332	40,094,815	39,984,542	68,415,605
26. Burglary and theft	25,810	13,723	12,879	26,654
27. Boiler and machinery	9,990	7,619	5,448	12,161
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	978,265,661	448,985,206	463,896,736	963,354,131

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	9,796,926				9,796,926
2. Allied lines	8,373,688				8,373,688
3. Farmowners multiple peril	3,847,538				3,847,538
4. Homeowners multiple peril	81,731,799				81,731,799
5. Commercial multiple peril	85,749,898	648	322,139	5,182	86,077,867
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	7,477,942	18,895			7,496,837
10. Financial guaranty					
11.1 Medical professional liability—occurrence	26,785				26,785
11.2 Medical professional liability—claims-made	4,196	17			4,213
12. Earthquake	1,674,348				1,674,348
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	31,735,685		349,305	(471,973)	31,613,017
17.1 Other liability—occurrence	23,857,472	96,977	96,477	(5,182)	24,045,744
17.2 Other liability—claims-made	928,385	10,949	442		939,776
17.3 Excess workers' compensation					
18.1 Products liability—occurrence	606,624		1,115		607,739
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	72,393,788				72,393,788
19.3,19.4 Commercial auto liability	36,033,408	276,505			36,309,913
21. Auto physical damage	58,424,289	45,877			58,470,166
22. Aircraft (all perils)					
23. Fidelity	171,053	312,668			483,721
24. Surety	27,494,182	12,490,361			39,984,543
26. Burglary and theft	12,879				12,879
27. Boiler and machinery	5,448				5,448
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	450,346,333	13,252,897	769,478	(471,973)	463,896,735
36. Accrued retrospective premiums based on experience					471,973
37. Earned but unbilled premiums					(769,478)
38. Balance (Sum of Lines 35 through 37)					463,599,230

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

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



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	3,579,784	18,568,068		3,579,784		18,568,068
2. Allied lines	3,406,605	15,414,386		3,406,605		15,414,386
3. Farmowners multiple peril		7,670,761				7,670,761
4. Homeowners multiple peril	20,183,696	153,668,894		20,183,696		153,668,894
5. Commercial multiple peril	49,788,450	171,622,141		49,788,450		171,622,141
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	771,977	15,536,927		771,977		15,536,927
10. Financial guaranty						
11.1 Medical professional liability--occurrence	698,654	67,664		698,654		67,664
11.2 Medical professional liability--claims-made	99,403	9,145		99,403		9,145
12. Earthquake	445,102	3,240,653		445,102		3,240,653
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	3,490,719	81,343,052		3,490,719		81,343,052
17.1 Other liability—occurrence	12,932,583	49,109,558		12,932,583		49,109,558
17.2 Other liability—claims-made	19,396,529	2,089,566		19,396,529		2,089,566
17.3 Excess workers' compensation						
18.1 Products liability—occurrence	361,023	1,202,997		361,023		1,202,997
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	56,945,501	177,116,831		56,945,501		177,116,831
19.3,19.4 Commercial auto liability	45,748,107	75,127,566		45,748,107		75,127,566
21. Auto physical damage	51,395,266	137,543,683		51,395,266		137,543,683
22. Aircraft (all perils)						
23. Fidelity	22,142	592,637		22,142		592,637
24. Surety	4,044,723	68,305,332		4,044,723		68,305,332
26. Burglary and theft	2,311	25,810		2,311		25,810
27. Boiler and machinery	175,476	9,990		175,476		9,990
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	273,488,051	978,265,661		273,488,051		978,265,661

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 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	648,643	1,979,227	648,643	1,979,227	129,879	1,112,905	129,879	3,092,132	256,620
2. Allied lines	797,494	2,469,210	797,494	2,469,210	59,767	254,988	59,767	2,724,198	163,747
3. Farmowners multiple peril		1,536,763		1,536,763		19,088		1,555,851	506,007
4. Homeowners multiple peril	3,406,920	28,888,462	3,406,920	28,888,462	2,407,039	14,977,256	2,407,039	43,865,718	6,766,157
5. Commercial multiple peril	37,566,738	104,359,935	37,566,738	104,359,935	20,116,063	66,574,372	20,116,063	170,934,307	70,103,341
6. Mortgage guaranty									
8. Ocean marine		2,608		2,608		(389)		2,219	6
9. Inland marine	16,200	993,083	16,200	993,083	37,316	(56,316)	37,316	936,767	152,701
10. Financial guaranty									
11.1 Medical professional liability—occurrence		36,236		36,236	2,037,279	211,492	2,037,279	247,728	127,410
11.2 Medical professional liability—claims-made					529,129	48,680	529,129	48,680	13,758
12. Earthquake		146		146				146	1,543
13. Group accident and health								(a)	(235)
14. Credit accident and health (group and individual)									
15. Other accident and health		938,423		938,423		3,332,478		(a)	568,853
16. Workers' compensation	62,747,368	170,859,303	62,747,368	170,859,303	24,975,496	100,328,681	24,975,496	271,187,984	32,198,662
17.1 Other liability—occurrence	19,396,124	30,702,083	19,396,124	30,702,083	28,802,430	48,168,079	28,802,430	78,870,162	22,317,194
17.2 Other liability—claims-made	14,406,608	1,350,697	14,406,608	1,350,697	20,547,172	1,946,968	20,547,172	3,297,665	2,152,091
17.3 Excess workers' compensation									32
18.1 Products liability—occurrence	8,790,045	2,167,226	8,790,045	2,167,226	283,526	787,272	283,526	2,954,498	1,076,203
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	28,249,682	105,831,397	28,249,682	105,831,397	3,778,643	17,535,875	3,778,643	123,367,272	24,019,694
19.3,19.4 Commercial auto liability	41,575,595	55,633,175	41,575,595	55,633,175	21,020,649	30,836,917	21,020,649	86,470,092	13,154,054
21. Auto physical damage	712,025	2,565,172	712,025	2,565,172	912,488	2,384,814	912,488	4,949,986	894,238
22. Aircraft (all perils)		42,425		42,425		186		42,611	
23. Fidelity	380,491	41,039	380,491	41,039	(493,994)	153,977	(493,994)	195,016	70,488
24. Surety	696,677	(6,966,682)	696,677	(6,966,682)	1,633,312	19,054,377	1,633,312	12,087,695	8,329,877
26. Burglary and theft		28		28		247		275	1,207
27. Boiler and machinery	8,000	(6,668)	8,000	(6,668)	2,737	(1,277)	2,737	(7,945)	3,458
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-nonproportional assumed property	X X X				X X X				
32. Reinsurance-nonproportional assumed liability	X X X	7,748,429		7,748,429	X X X	10,479,783		18,228,212	500,817
33. Reinsurance-nonproportional assumed financial lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	219,398,610	511,171,717	219,398,610	511,171,717	126,778,931	318,150,453	126,778,931	829,322,170	183,377,923

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

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	35,275,806			35,275,806
1.2 Reinsurance assumed	45,194,569			45,194,569
1.3 Reinsurance ceded	35,275,806			35,275,806
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	45,194,569			45,194,569
2. Commission and brokerage:				
2.1 Direct, excluding contingent		40,842,706		40,842,706
2.2 Reinsurance assumed, excluding contingent		145,490,569		145,490,569
2.3 Reinsurance ceded, excluding contingent		40,842,706		40,842,706
2.4 Contingent—direct		47,063		47,063
2.5 Contingent—reinsurance assumed		13,623,530		13,623,530
2.6 Contingent—reinsurance ceded		47,063		47,063
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)		159,114,099		159,114,099
3. Allowances to manager and agents	7,136	52,414		59,550
4. Advertising	651,972	7,470,335	28,344	8,150,651
5. Boards, bureaus and associations	143,767	2,014,514	813	2,159,094
6. Surveys and underwriting reports	10,926	5,973,273	20,164	6,004,363
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	41,396,835	52,536,407	1,821,714	95,754,956
8.2 Payroll taxes	1,127,850	5,951,858	61,175	7,140,883
9. Employee relations and welfare	6,035,239	21,177,474	233,162	27,445,875
10. Insurance	3,144,743	847,412	33,550	4,025,705
11. Directors' fees	127	183	1	311
12. Travel and travel items	2,993,638	3,932,709	61,844	6,988,191
13. Rent and rent items	1,854,782	6,731,892	74,803	8,661,477
14. Equipment	1,489,660	3,631,287	40,585	5,161,532
15. Cost or depreciation of EDP equipment and software	365,683	3,389,577	86,640	3,841,900
16. Printing and stationery	649,606	825,466	7,784	1,482,856
17. Postage, telephone and telegraph, exchange and express	3,946,690	3,233,488	84,440	7,264,618
18. Legal and auditing	197,090	627,150	123,932	948,172
19. Totals (Lines 3 to 18)	64,015,744	118,395,439	2,678,951	185,090,134
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 299,900		21,631,178		21,631,178
20.2 Insurance department licenses and fees		2,719,311		2,719,311
20.3 Gross guaranty association assessments		174,698		174,698
20.4 All other (excluding federal and foreign income and real estate)		1,916,156		1,916,156
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		26,441,343		26,441,343
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	7,170,121	6,642,119	520,283	14,332,523
25. Total expenses incurred	116,380,434	310,593,000	3,199,234	(a) 430,172,668
26. Less unpaid expenses—current year	183,377,922	47,103,050		230,480,972
27. Add unpaid expenses—prior year	183,372,265	40,377,677		223,749,942
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)	116,374,777	303,867,627	3,199,234	423,441,638

DETAILS OF WRITE-IN LINES				
2401. Other expenses	7,170,121	6,642,119	520,283	14,332,523
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)	7,170,121	6,642,119	520,283	14,332,523

(a) Includes management fees of \$ 9,638,289 to affiliates and \$ 107,732 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 6,095,699	6,070,245
1.1 Bonds exempt from U.S. tax	(a) 28,025,137	27,250,697
1.2 Other bonds (unaffiliated)	(a) 35,651,703	35,959,581
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 906,073	718,100
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	1,025,151	1,066,376
2.21 Common stocks of affiliates		
3. Mortgage loans	(c) 2,730,998	2,749,718
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 50,997	54,824
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	372,379	372,379
10. Total gross investment income	74,858,137	74,241,920
11. Investment expenses		(g) 3,199,232
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)		3,199,232
17. Net investment income (Line 10 minus Line 16)		71,042,688

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	372,379	372,379
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)	372,379	372,379
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 \$ 2,353,705 accrual of discount less \$ 8,124,838 amortization of premium and less \$ 638,835 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 \$ 7,862 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

## EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	(1,231)		(1,231)		
1.1 Bonds exempt from U.S. tax	70,877	(3,100,647)	(3,029,770)	2,733,589	
1.2 Other bonds (unaffiliated)	3,142,757	(16,995)	3,125,762	(2,033,290)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	356,553		356,553	(879,650)	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	601,878	(825,177)	(223,299)	(4,336,505)	
2.21 Common stocks of affiliates				329,584	
3. Mortgage loans	(204)		(204)		
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets				1,891	
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	4,170,630	(3,942,819)	227,811	(4,184,381)	

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

## EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	4,763,154	3,984,304	(778,850)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	57,628	6,160	(51,468)
15.3 Accrued retrospective premiums	47,152	93,495	46,343
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	26,666,355	14,986,308	(11,680,047)
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	1,111,981	1,244,073	132,092
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	32,646,270	20,314,340	(12,331,930)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	32,646,270	20,314,340	(12,331,930)

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	1,111,981	1,244,073	132,092
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)	1,111,981	1,244,073	132,092

## NOTES TO FINANCIAL STATEMENTS

### **Note 1 - Summary of Significant Accounting Policies**

- A. The accompanying financial statements of General Insurance Company of America (the "Company") have been prepared on the basis of accounting practices prescribed or permitted by the Washington Insurance Department.

The state of Washington requires insurance companies domiciled in the state of Washington to prepare their statutory financial statements in accordance with the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by the Washington Insurance Department.

There are no differences between the Washington prescribed or permitted practices and NAIC statutory accounting practices that resulted in a difference for the Company.

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

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

- C. Accounting Policies

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

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

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
3. Common stocks are carried at fair value, except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1C(7).
4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).
5. Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. Investments in SCA companies are carried in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88*, and the SVO Manual.
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
9. Derivative Securities, refer to Note 8.
10. Investment income is anticipated as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*. Refer to Note 30.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2011.
13. The Company has no pharmaceutical rebate receivables.

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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

#### A. Statutory Purchase Method

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

#### B. Statutory Mergers

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

#### C. Impairment Loss

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

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

The Company has no discontinued operations.

### **Note 5 - Investments**

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

During 2011, the Company participated in direct investment in commercial mortgage loans using an experienced external manager, StanCorp Mortgage Investors.

- (1) The maximum and minimum lending rates for mortgage loans during 2011 were 7.00% and 5.00%, respectively.
- (2) During 2011, the Company did not reduce interest rates of any outstanding mortgage loans.
- (3) The maximum loan to value of any loan written during 2011 was 75%.
- (4) As of year end, GICA held no loans with interest more than 180 days past due.
  - a) No loans had interest due on mortgages with interest more than 180 days past due.
- (5) There were \$2,493 in taxes, assessments and any amounts advanced and not included in the mortgage loan.
- (6) There were no impaired mortgage loans.
- (7) There was no recorded investment in impaired loans without a related allowance for credit losses.
- (8) There was no recorded investment in impaired loans during 2011.
- (9) There was no interest income recognized for impaired loans during 2011.
- (10) There was no interest income recognized on a cash basis for impaired loans during 2011.
  - a) The balance in the allowance for credit losses at the beginning of 2011 was \$0 and at the beginning of 2010 was \$0.
  - b) There were no additions to the allowance charged to operations in 2011 and \$32,300 in 2010.
  - c) There were no direct write-downs charged against the allowance in 2011 and \$32,300 in 2010.
  - d) There were no recoveries of amounts previously charged off.
  - e) The balance in the allowance for credit losses was \$0 in 2011 and \$0 in 2010.
- (11) The Company recognizes interest income on its impaired loans upon receipt.

#### B. Troubled Debt Restructuring for Creditors

- (1) There was \$8,133 of recorded investment in mortgage loans for which impairment has been recognized.
- (2) There was no realized capital loss.
- (3) There were no commitments to lend additional funds to debtors owing receivables whose terms have been modified in trouble debt restructuring.
- (4) The Company accrues interest income on impaired loans to the extent it is deemed collectible and the loan continues to perform under its original or restructured contractual terms. Interest income on non performing loans is generally recognized on a cash basis.

#### C. Reverse Mortgages

The Company has no reverse mortgages.

#### D. Loaned Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
2. All Loan-Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2011 as of December 31, 2011: None



## NOTES TO FINANCIAL STATEMENTS

3. Each Loan-Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2011:

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
30605AAX1	2,634,629	1,204,593	1,430,036	1,204,593	1,189,300	3/31/2010
59023XAB2	670,877	586,824	84,053	586,824	586,823	3/31/2009
59023XAB2	444,875	386,128	58,747	386,128	386,128	12/31/2009
59023XAB2	294,274	287,282	6,992	287,282	275,008	3/31/2010
59023XAB2	200,124	198,276	1,848	198,276	137,447	9/30/2011
59023XAB2	182,893	167,745	15,147	167,745	132,953	12/31/2011
61749BAB9	700,147	665,046	35,101	665,046	665,047	12/31/2009
61749BAB9	584,967	579,799	5,168	579,799	568,632	3/31/2010
61749BAB9	472,189	469,899	2,290	469,899	436,622	12/31/2010
30604VAD0	2,180,596	1,749,745	430,851	1,749,745	1,749,745	12/31/2010

4. All impaired Loan-Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2011:

	1	2
	Less Than 12 Months	12 Months or Longer
Gross Unrealized Loss	(7,813)	(1,143,262)
Fair Value of Securities with Unrealized Losses	2,380,308	10,232,996

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 has not entered into any repurchase agreements during the year. Refer to Note 17B for the policy on requiring collateral related to securities lending.
- The Company has not pledged any of its assets as collateral as of December 31, 2011.
- Aggregate Amount of Contractually open cash collateral positions:

Aging of Collateral	Total Fair Value
Open	\$ 22,163,555
30 Days or Less	-
31 to 60 Days	-
61 to 90 Days	-
Greater than 90 Days	-
Sub-Total	22,163,555
Securities Received	-
Total Collateral Received	\$ 22,163,555

- Securities Lending Transactions Administered by an Affiliated Agent

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

## NOTES TO FINANCIAL STATEMENTS

### 5. Collateral Reinvestment

#### a. Aggregate Amount Cash Collateral Reinvested

	Amortized Cost	Fair Value
Open	\$ -	\$ -
30 Days or Less	5,491,376	5,491,394
31 to 60 Days	10,839,842	10,840,031
61 to 90 Days	5,834,314	5,834,667
90 to 120 Days	-	-
121 to 180 Days	-	-
181 to 365 Days	-	-
1 to 2 Years	-	-
2 to 3 Years	-	-
Greater than 3 Years	-	-
Subtotal	22,165,532	22,166,092
Securities Received	-	-
Total Collateral Reinvested	\$22,165,532	\$22,166,092

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

### F. Real Estate

The Company does not have 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 has no impairments on any investments in joint ventures, partnerships, or limited liability companies.

### **Note 7 - Investment Income**

#### A. Accrued Investment Income

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

#### B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2011.

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross Deferred Tax Assets	79,488,637	4,365,363	83,854,000	76,169,175	2,527,525	78,696,700	3,319,462	1,837,838	5,157,300
Statutory Valuation Allowance Adjustment	-	-	-	-	-	-	-	-	-
Adjusted Gross Deferred Tax Assets	79,488,637	4,365,363	83,854,000	76,169,175	2,527,525	78,696,700	3,319,462	1,837,838	5,157,300
Deferred Tax Liabilities	(4,976,050)	(250,950)	(5,227,000)	(10,903,217)	(276,483)	(11,179,700)	5,927,167	25,533	5,952,700
Net DTA (DTL)	74,512,587	4,114,413	78,627,000	65,265,958	2,251,042	67,517,000	9,246,629	1,863,371	11,110,000
Deferred Tax Assets Nonadmitted	(22,671,476)	(3,994,879)	(26,666,355)	(14,764,322)	(221,986)	(14,986,308)	7,907,154	3,772,893	11,680,047
Net Admitted DTA (DTL)	51,841,111	119,534	51,960,645	50,501,636	2,029,056	52,530,692	1,339,475	(1,909,522)	(570,047)

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

The Company does not utilize tax planning strategies.

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10a.)	1,709,227	963	1,710,190	25,316,679	2,029,056	27,345,735	(23,607,452)	(2,028,093)	(25,635,545)
Lesser of:									
Expected to be recognized within one year (10bi.)	43,578,768	118,570	43,697,338	15,511,472	-	15,511,472	28,067,296	118,570	28,185,866
10% of adjusted capital and surplus (10bii.)			33,500,303	32,535,256	-	32,535,256	846,477	118,570	965,047
Adj. gross DTAs offset against existing DTLs (10c.)	4,976,050	250,950	5,227,000	10,903,217	276,483	11,179,700	(5,927,167)	(25,533)	(5,952,700)
Total	40,067,010	370,483	40,437,493	51,731,368	2,305,539	54,036,907	(11,664,358)	(1,935,056)	(13,599,414)

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	1,709,227	963	1,710,190	25,316,679	2,029,056	27,345,735	(23,607,452)	(2,028,093)	(25,635,545)
Lesser of:									
Expected to be recognized within three years (10eii.)	51,008,999	118,570	51,127,569	25,184,957	-	25,184,957	25,824,042	118,570	25,942,612
15% of adjusted capital and surplus (10eib.)			50,250,454	48,802,884	-	48,802,884	1,329,000	118,570	1,447,570
Adj. gross DTAs offset against existing DTLs (10eiii.)	4,976,050	250,950	5,227,000	10,903,217	276,483	11,179,700	(5,927,167)	(25,533)	(5,952,700)
Total	56,817,161	370,483	57,187,644	61,404,853	2,305,539	63,710,392	(4,587,692)	(1,935,056)	(6,522,748)

	December 31, 2011	December 31, 2010	Change
Used in SSAP No. 10R, Paragraph 10.d.			
Total Adjusted Capital	401,340,610	399,937,662	1,402,948
Authorized Control Level	86,728,117	86,606,260	121,857

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	35,090,960	119,533	35,210,493	40,828,151	2,029,056	42,857,207	(5,737,191)	(1,909,523)	(7,646,714)
Admitted Assets			2,097,680,888			2,069,941,757			
Adjusted Statutory Surplus			335,003,030			325,352,558			
Total Adjusted Capital from DTAs	35,090,960	119,533	35,210,493	40,828,151	2,029,056	42,857,207	(5,737,191)	(1,909,523)	(7,646,714)

## NOTES TO FINANCIAL STATEMENTS

Increase due to SSAP No. 10R, Paragraph 10.e.	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	16,750,151	-	16,750,151	9,673,485	-	9,673,485	7,076,666	-	7,076,666
Admitted Assets	16,750,151	-	16,750,151	9,673,485	-	9,673,485	7,076,666	-	7,076,666
Adjusted Statutory Surplus	16,750,151	-	16,750,151	9,673,485	-	9,673,485	7,076,666	-	7,076,666

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

	2011	2010
Federal	(464,734)	(2,905,339)
Foreign	-	-
Realized capital gains	79,734	4,742,039
Federal and foreign income taxes incurred	(385,000)	1,836,700

The Company's DTAs and DTLs result primarily from limits on unearned premium reserves, discounting of unpaid losses and LAE reserves, accrued benefits, statutory nonadmitted assets, permanent impairments and net operating loss carry-forward.

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

	2011
Change in net deferred income tax (without unrealized gain or loss)	9,530,112
Change in tax effect of unrealized (gains) losses	1,579,888
Total change in net deferred income tax	11,110,000

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, net operating losses generated in 2011, unearned premium reserves, and discounting of unpaid losses and LAE reserves.
- E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is none from the current year and none from the preceding year.

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

Year Generated	Amount	Expiration
2011	7,212,000	2031

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

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

Access Insurance Services, Co. (Dissolved 10/24/2011)	Liberty Mutual Holding Company Inc.
AMBCO Capital Corporation	Liberty Mutual Insurance Company
America First Insurance Company	Liberty Mutual Personal Insurance Company
America First Lloyds Insurance Company	Liberty Northwest Insurance Corporation
American Economy Insurance Company	Liberty Personal Insurance Company
American Fire & Casualty Company	Liberty RE (Bermuda) Limited
American States Insurance Company	Liberty Sponsored Insurance (Vermont) Inc.
American States Insurance Company of Texas	Liberty Surplus Insurance Corporation
American States Lloyds Insurance Company	LIH-RE of America Corporation
American States Preferred Insurance Company	LIU Specialty Insurance Agency Inc.
Barrier Ridge LLC	LM General Insurance Company
Berkeley Holding Company Associates, Inc.	LM Insurance Corporation
Berkeley Management Corporation	LM Property & Casualty Insurance Company
Bridgefield Casualty Insurance Company	LMHC Massachusetts Holdings Inc.
Bridgefield Employers Insurance Company	LRE Properties, Inc.
Capitol Court Corporation	Mid-American Fire & Casualty Company
Capitol Agency, Inc., The (Arizona corporation) (Dissolved 1/20/2011)	North Pacific Insurance Company
Cascade Disability Management, Inc.	OCASCO Budget, Inc.
Colorado Casualty Insurance Company	OCI Printing, Inc.
Commercial Aviation Insurance, Inc.	Ohio Casualty Corporation
Consolidated Insurance Company	Ohio Security Insurance Company
	Open Seas Solutions, Inc.

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

- A. All of the outstanding shares of capital stock of the Company are held by Safeco Corporation (“Safeco”), an insurance holding company incorporated in Washington. Safeco 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. (“LMHC”), a Massachusetts company.
- B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.
- C. There have been no material transactions with the Company’s affiliates during 2011.
- D. At December 31, 2011, the Company reported a net \$7,294,985 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, written or otherwise for the benefit of affiliates.

## NOTES TO FINANCIAL STATEMENTS

- 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 Peerless Insurance Company ("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 with Liberty Mutual Group Asset Management Inc. ("LMGAM"), an investment management agreement with Liberty Mutual Investment Advisors LLC ("LMIA") and a cash management agreement with LMIA. Under these agreements, LMGAM and LMIA provide services to the Company.

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

The Company is a party to a revolving credit agreement under which the Company may borrow up to \$100,000,000 from LMIC. The purpose of the extension of credit is for operating liquidity to accommodate fluctuations in daily cash flow and to promote efficient management of investments. As of December 31, 2011, there have been no drawings under this agreement.

The Company is a party to a revolving credit agreement under which the Company may borrow up to \$50,000,000 from LMIC. The purpose of the extension of credit is for operating liquidity to accommodate fluctuations in daily cash flow and to promote efficient management of investments. As of December 31, 2011, there have been no drawings under this agreement.

The Company is a party to an Amended and Restated Short Term Borrowing Agreement with Safeco Corporation and affiliates.

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

- B. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

- C. Federal Home Loan Bank Agreements

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

### **Note 12 - Retirement Plans, Deferred Compensation, 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 20,000 shares authorized, issued and outstanding as of December 31, 2011. All shares have a stated par value of \$250.
2. Preferred Stock  
Not applicable
3. There are no dividend restrictions.
4. The Company did not pay any dividends to its parent during 2011.
5. The maximum amount of dividends that can be paid to shareholders by Washington-domiciled insurance companies without prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, subject to the availability of accumulated undistributed earnings, or (b) net income. The maximum dividend payout that may be made without prior approval in 2012 is \$41,809,076.

## NOTES TO FINANCIAL STATEMENTS

6. As of December 31, 2011, the Company has restricted surplus of \$16,750,151 from recording the increase in admitted deferred tax assets as a result of applying the revised guidance in SSAP No. 10R, *Income Taxes*, and pre-tax restricted surplus of \$1,934,063 resulting from retroactive reinsurance contracts.
7. The Company had no advances to surplus.
8. The Company does not hold stock for special purposes.
9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2011 and from the adoption of the revised guidance on calculating admitted deferred tax assets in SSAP 10R.
10. The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is \$668,706 after applicable deferred taxes of \$1,742,463.
11. Surplus Notes  
Not applicable
12. Quasi-reorganization (dollar impact)  
Not applicable
13. Quasi-reorganization (effective date)  
Not applicable

### **Note 14 - Contingencies**

#### A. Contingent Commitments

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

#### B. Assessments

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

The Company has accrued a liability for guaranty funds and other assessments of \$3,755,886 that is offset by future premium tax credits of \$482,708. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2012. During 2011 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

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

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$ 766,788
b. Decreases current year:	
Premium tax offset applied	284,080
c. Increases current year:	
Premium tax offset increase	-
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$ 482,708

#### C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$206,963

## NOTES TO FINANCIAL STATEMENTS

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

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

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

( f ) Per Claim [ X ]                      ( g ) Per Claimant [ ]

E. Product Warranties

The Company does not write product warranty business.

F. All Other Contingencies

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

**Note 15 - Leases**

A. Lessee Leasing Arrangements

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

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

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2012	\$ 521,874	\$ 3,707,300
2013	521,874	3,693,612
2014	43,490	3,428,160
2015	-	2,672,789
2016	-	2,431,292
2017 & thereafter	-	2,995,725
Total	<u>\$ 1,087,238</u>	<u>\$ 18,928,879</u>

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 \$1,314,030.

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

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

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

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

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

A. Transfers of Receivables Reported as Sales

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



## NOTES TO FINANCIAL STATEMENTS

### B. Transfers and Servicing of Financial Assets

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

At December 31, 2011 the total fair value of securities on loan was \$21,705,747, with corresponding collateral value of \$22,163,555 of which \$22,163,555 represents cash collateral.

### C. Wash Sales

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

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

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

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 2011, the Company recorded net CEA administrative fees of \$ 105,361.

#### 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.

The following table summarizes the Company's assets and liabilities that are measured at fair value at December 31, 2011:

## NOTES TO FINANCIAL STATEMENTS

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	-	\$ 108,116,660	-	\$ 108,116,660
Residential Mortgage-Backed Securities	-	250,215	-	250,215
Commercial Mortgage-Backed Securities	-	4,579,950	-	4,579,950
Total Bonds	-	\$ 112,946,825	-	\$ 112,946,825
Preferred Stocks	-	-	-	-
Common Stocks				
Industrial and Miscellaneous	\$ 72,504,708	-	\$ 12,052	\$ 72,516,760
Total Common Stocks	\$ 72,504,708	-	\$ 12,052	\$ 72,516,760
Total assets at fair value	\$ 72,504,708	\$ 112,946,825	\$ 12,052	\$ 185,463,585
Liabilities at fair value	-	-	-	-
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, 2011.

### 2. Rollforward of Level 3 Items

The following tables set forth the fair values of assets basis classified as Level 3 within the fair value hierarchy:

1	2	3	4	5	6	7	8	9	10	11
	Balance at 12/31/2010	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at 12/31/2011
Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Preferred Stock	-	-	-	-	-	-	-	-	-	-
Common Stock	12,052	-	-	-	-	-	-	-	-	12,052
Total	\$ 12,052	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,052

### 3. Policy on Transfers Into and Out of Level 3

Transfers in and/or out of Level 3 are due to 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.

## NOTES TO FINANCIAL STATEMENTS

### 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 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. Reasons Not Practical to Estimate Fair Value

Not applicable

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

#### A. Extraordinary Items

The Company has no extraordinary items to report.

#### B. Troubled Debt Restructuring: Debtors

Not applicable

## NOTES TO FINANCIAL STATEMENTS

### C. Other Disclosures

- 1) Assets in the amount of \$72,463,511 and \$80,334,833 as of December 31, 2011 and 2010, respectively, were on deposit with government authorities or trustees as required by law.
- 2) Interrogatory 6.2

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

#### Interrogatory 6.3

In 2011, the Company ceded 100% of its business to Peerless Insurance Company and had the benefit, together with its affiliates that cede business to the Peerless Insurance Company or that are members of the inter-company reinsurance pool of which Peerless Insurance Company is the lead company, of traditional prop cat excess of loss reinsurance with limits of \$742,500,000 part of \$825,000,000 xs \$500,000,000 purchased by Peerless Insurance Company and covering Peerless' direct and assumed from affiliates property business.

- 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

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

<u>Description of State Transferable and Non-transferable Tax Credits</u>	<u>State</u>	<u>Carrying Value</u>	<u>Unused Amount</u>
Historical Rehabilitation Credit	CT	\$80,000	\$80,000
<b>Total</b>		<b>\$80,000</b>	<b>\$80,000</b>

- (2) Method of estimating utilization of remaining transferable and non-transferable state tax credits or other projected recovery of the current carrying value; and

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

- (3) Impairment amount recognized by the reporting period, if any.

The Company has not recognized any impairment losses associate with its transferable and non-transferable state tax credits during the reporting period.

- (4) Identify state tax credit by transferable and non-transferable classification, and identify the admitted and nonadmitted portions of each classification.

<u>Description of State Transferable and Non-transferable Tax Credits</u>	<u>State</u>		<u>Transferable</u>	<u>Non-Transferable</u>
Historical Rehabilitation Credit	CT	Admitted	-	\$80,000
Historical Rehabilitation Credit	CT	Non Admitted	-	-
<b>Total</b>				<b>\$80,000</b>

### 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 acquisition of collateral assets at the termination of a securities lending agreement in 2008.
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.

<u>Actual Cost</u>	<u>Book Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Other-Than-Temporary Impairments Recognized</u>
\$1,198,481	\$1,227,626	\$1,209,953	\$209,345

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

## NOTES TO FINANCIAL STATEMENTS

### Note 22 - Events Subsequent

- A. The Company evaluated subsequent events through February 24, 2012, the date the financial statements were available to be issued.

Effective January 13, 2012, with the approval of the appropriate state insurance departments, the Company re-domesticated from Washington to New Hampshire.

### 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.

- 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, 2011.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$ 463,599,229	\$ 69,539,884	\$ 127,951,652	\$19,192,748	\$ 335,647,577	\$ 50,347,137
All Other	-	-	-	-	-	-
Total	\$ 463,599,229	\$ 69,539,884	\$ 127,951,652	\$19,192,748	\$ 335,647,577	\$ 50,347,137

Direct Unearned Premium Reserve: \$ 127,951,652

2. Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2011 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$ -	\$ 25,654,018	\$ -	\$ 25,654,018
Sliding scale adjustments	-	-	-	-
Other profit commissions	-	-	-	-
Totals	\$ -	\$ 25,654,018	\$ -	\$ 25,654,018

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

- D. Uncollectible Reinsurance

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

- E. Commutation of Ceded Reinsurance

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

- F. Retroactive Reinsurance

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

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial	\$ 43,683,128	-
	2. Adjustments – Prior Year(s)	(34,906,233)	-
	3. Adjustments – Current Year	(616,031)	-
	4. Total	\$ 8,160,865	-
b.	Consideration Paid or Received:		
	1. Initial	\$ 35,946,459	-
	2. Adjustments – Prior Year(s)	1,370,150	-
	3. Adjustments – Current Year	-	-
	4. Total	\$ 37,316,609	-
c.	Amounts Recovered / Paid – Cumulative:		
	1. Initial		
	2. Adjustments – Prior Year(s)	\$ 44,204,732	-
	3. Adjustments – Current Year	670,846	-
	4. Total	\$ 44,875,579	-

## NOTES TO FINANCIAL STATEMENTS

d.	Special Surplus from Retroactive Reinsurance:		
	1. Initial Surplus Gain or Loss	\$ (9,083,423)	-
	2. Adjustments – Prior Year(s)	(7,928,350)	-
	3. Adjustments – Current Year	(54,815)	-
	4. Current Year Special Surplus	1,934,063	-
	5. Cumulative Total Transferred to Unassigned Funds	\$ (19,000,652)	-
e.	All cedents and reinsurers included in the above transactions:		
		\$ 8,160,865	-
	Total	\$ 8,160,865	-

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

**G. Reinsurance Accounted for as a Deposit**

The Company has not entered into any reinsurance agreements that have been accounted for as deposits as of December 31, 2011.

**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. Effective January 1, 2009, the Peerless Insurance Company (PIC) Amended and Restated Reinsurance Pooling Agreement was amended to add the Company as a party to the agreement. Pursuant to the terms of agreement and upon the Company's entry into the intercompany pool, all of the Company's assumed external reinsurance was assigned to PIC, the lead company in the pool. The company did not have any unaffiliated ceded reinsurance in 2008. As of January 1, 2009, the top four individual assumed balances assigned and the aggregate assumed balances assigned to PIC were:**

Assumed Balances

<u>FEIN</u>	<u>NAIC #</u>	<u>Reinsured</u>	<u>#</u>	<u>Premium</u>	<u>Total Paid Loss &amp; Case Reserve</u>
74-1327046	29297	Home State County Mutual	1	\$ 89,440,000	\$ 21,234,176
13-4924125	10227	Munich Reinsurance America Inc.	1	-	53,192
		Aggregate of all other reinsureds including Pools and Associations	9	1,221,970	19,371,642
		Aggregate assumed balances assigned (excluding affiliated pooling)	11	\$ 90,661,970	\$ 40,659,010

**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 nonadmitted.

1.	Total accrued retro premium	\$471,973
2.	Unsecured amount	
3.	Less: Nonadmitted amount (10%)	47,152
4.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	
5.	Admitted amount (a) - (c) - (d)	\$424,821

## NOTES TO FINANCIAL STATEMENTS

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

Incurred loss and loss adjustment expense attributed to insured events on prior years has decreased \$26,965,671 during 2011. This decrease was primarily the result of updated reserving analysis and improving loss trends in the Commercial Multiple Peril \$11,523,436, Other Liability \$10,153,900, Fidelity/Surety \$8,164,375, and Private Passenger Auto Liability / Medical \$7,343,511 lines. This was partially offset by deteriorating loss trends in the Workers Compensation \$10,274,847 line. Prior estimates are revised as additional information becomes known regarding individual claims.

### Note 26 - Intercompany Pooling Arrangements

The Company is a member of the 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 Companies:	The Ohio Casualty Insurance Company ("OCIC")	24074	20.40%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	15.20%	All Lines
	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
			<u>100.0%</u>	
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.

## NOTES TO FINANCIAL STATEMENTS

- (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, 2011:

Affiliate:	Amount:
Peerless Insurance Company	\$ (556,231)

### **Note 27 - Structured Settlements**

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$ 11,279,178 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 \$ 11,279,178 as of December 31, 2011.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

Life Insurance Company and Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
Symetra Life Insurance Company Bellevue, Washington	Yes	\$ 4,534,270

### **Note 28 - Health Care Receivables**

Not applicable

### **Note 29 - Participating Policies**

Not applicable

### **Note 30 - Premium Deficiency Reserves**

1. Liability carried for premium deficiency reserves	\$ -
2. Date of the most recent evaluation of this liability	12/31/2011
3. Was anticipated investment income utilized in the calculation?	Yes

### **Note 31 - High Dollar Deductible Policies**

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 Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2011 liabilities subject to discount were carried at a value representing a discount of \$12,221,260 net of all reinsurance.

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

### **Note 33 - Asbestos/Environmental Reserves**

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



## NOTES TO FINANCIAL STATEMENTS

### Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

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

In the last few years the Company, as well as the industry generally, has seen decreases in the number of asbestos claims being filed. This turn to a more favorable trend is due to a number of factors. Screening activity used by some lawyers to find new plaintiffs utilized questionable practices discovered in the Federal Silica Multi District Litigation. Court decisions in several key states (e.g., Mississippi) have been favorable to defendants. Most importantly, several states have enacted and sustained legislation in the past few years that contain medical criteria provisions aimed at reducing the number of lawsuits filed by unimpaired plaintiffs and providing prompt and fair compensation to those who meet the criteria.

In the third quarter of 2011, the Company completed ground-up asbestos and environmental reserve studies. The studies were completed by a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel, and they included all major segments of the Company's direct, assumed, and ceded asbestos and environmental claims. As part of the internal reviews, potential exposures of certain policyholders were individually evaluated using the Company's proprietary stochastic model, which is consistent with published actuarial papers on asbestos reserving. Among the factors reviewed in depth by the team of specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, types of injury, state jurisdictions, legal defenses, and reinsurance potential. The remaining policyholders (those with less potential exposure) were evaluated using aggregate methods that utilized information and experience specific to these insureds. The studies resulted in an increase to reserves. Between comprehensive studies, the Company monitors asbestos and environmental activity to determine whether or not any adjustment to reserves is warranted.

### Uncertainty Regarding Reserving Methodologies

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

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

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

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

#### Asbestos:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Direct Basis</b>					
Beginning Reserves	15,776,234	14,883,165	15,399,176	14,407,212	12,964,654
Incurred losses and LAE	861,685	2,269,209	196,666	(1,193)	(2,610,508)
Calendar year payments	1,570,752	1,753,198	1,188,630	1,441,365	907,895
Ending Reserves	<u>15,067,167</u>	<u>15,399,176</u>	<u>14,407,212</u>	<u>12,964,654</u>	<u>9,446,251</u>
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	9,907,753	12,236,513	10,474,367	14,591,949	12,731,801
Incurred losses and LAE	2,819,373	(415,782)	5,177,706	(5,131)	2,257,322
Calendar year payments	949,222	1,346,364	1,060,124	1,855,017	869,878
Ending Reserves	<u>11,777,904</u>	<u>10,474,367</u>	<u>14,591,949</u>	<u>12,731,801</u>	<u>14,119,245</u>

## NOTES TO FINANCIAL STATEMENTS

**Net of Ceded Reinsurance Basis**

Beginning Reserves	20,748,129	21,974,828	21,080,626	24,822,188	21,833,382
Incurring losses and LAE	3,044,000	1,107,884	5,845,956	11,682	(163,774)
Calendar year payments	2,098,093	2,002,086	2,104,394	3,000,488	2,586,865
Ending Reserves	21,694,036	21,080,626	24,822,188	21,833,382	19,082,743

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

Direct Basis	1,421,738
Assumed Reinsurance Basis	71,686
Net of Ceded Reinsurance Basis	736,117

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

Direct Basis	2,773,640
Assumed Reinsurance Basis	120,223
Net of Ceded Reinsurance Basis	1,872,789

**Environmental:**

	2007	2008	2009	2010	2011
<b>Direct Basis</b>					
Beginning Reserves	17,991,416	17,105,887	14,613,911	12,448,627	11,142,896
Incurring losses and LAE	4,733,484	376,637	(634,355)	(66,579)	2,239,605
Calendar year payments	3,420,639	2,868,613	1,530,929	1,239,152	1,601,246
Ending Reserves	19,304,261	14,613,911	12,448,627	11,142,896	11,781,255

**Assumed Reinsurance Basis**

Beginning Reserves	3,379,138	3,284,348	3,158,132	2,273,299	2,080,250
Incurring losses and LAE	49,357	185	(804,884)	41,844	(223,488)
Calendar year payments	86,168	126,401	79,950	234,893	259,242
Ending Reserves	3,342,327	3,158,132	2,273,298	2,080,250	1,597,520

**Net of Ceded Reinsurance Basis**

Beginning Reserves	18,819,692	18,818,738	16,049,789	12,839,497	11,433,014
Incurring losses and LAE	5,222,653	(331,366)	(1,696,036)	7,154	(1,380)
Calendar year payments	2,902,564	2,437,583	1,514,256	1,413,637	(888,919)
Ending Reserves	21,139,781	16,049,789	12,839,497	11,433,014	12,320,553

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

Direct Basis	858,195
Assumed Reinsurance Basis	3,066
Net of Ceded Reinsurance Basis	718,336

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

Direct Basis	1,996,591
Assumed Reinsurance Basis	20,682
Net of Ceded Reinsurance Basis	1,825,629

Upon entering the PIC Pool, effective January 1, 2008 (refer to Note 26), the Ohio Casualty Companies' asbestos and environmental claims coding was revised to reflect the definition employed by the PIC Pool, which is consistent with industry practice. As a result, the 2007 ending balances for asbestos and environmental reserves, which is the sum of the former PIC Pool's amounts and the Ohio Casualty Companies' Pool amounts, differ from the 2008 beginning balances, which reflect a single common definition.

**Note 34 - Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 35 - Multiple Peril Crop Insurance**

Not applicable

**Note 36 - Financial Guaranty Insurance**

Not applicable

# GENERAL INTERROGATORIES

## PART 1 – COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes  No
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  N/A
- 1.3 State Regulating? \_\_\_\_\_ Washington \_\_\_\_\_
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes  No
- 2.2 If yes, date of change: \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. \_\_\_\_\_ 12/31/2009 \_\_\_\_\_
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. \_\_\_\_\_ 12/31/2009 \_\_\_\_\_
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). \_\_\_\_\_ 06/21/2011 \_\_\_\_\_
- 3.4 By what department or departments?  
 Washington State Office of the Insurance Commissioner  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes  No  N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  No  N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes  No
- 4.12 renewals? Yes  No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes  No
- 4.22 renewals? Yes  No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
_____	00000	_____
_____	00000	_____
_____	00000	_____

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

## GENERAL INTERROGATORIES

6.2 If yes, give full information:

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

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [ ] No [X]

7.2 If yes,

7.21 State the percentage of foreign control.

0.00 %

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

1 Nationality	2 Type of Entity
.....	.....

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [ ] No [X]

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

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

8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [ ] No [X]

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

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

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

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

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?

Yes [ ] No [X]

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

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

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation?

Yes [ ] No [X]

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

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

## GENERAL INTERROGATORIES

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes  No  N/A

10.6 If the response to 10.5 is no or n/a, please explain:

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

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Kristen M. Bessette, FCAS, MAAA  
 175 Berkeley Street Boston, MA 02116  
 Sr. Vice President & Chief Actuary of Liberty Mutual Agency Corporation

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

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

	0
\$	0

12.2 If yes, provide explanation:

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

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

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

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

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

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

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

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

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules, and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

Yes  No

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

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

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

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

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

.....  
 .....

## GENERAL INTERROGATORIES

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

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

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

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

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

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

## BOARD OF DIRECTORS

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

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

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

22.2 If answer is yes:

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

## GENERAL INTERROGATORIES

- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes  No
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

### INVESTMENT

- 24.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.3) Yes  No
- 24.2 If no, give full and complete information, relating thereto:  
 .....  
 .....  
 .....
- 24.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided):  
 Please reference Note 17B. ....  
 .....  
 .....
- 24.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes  No  N/A
- 24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. \$ 22,163,555
- 24.6 If answer to 24.4 is no, report amount of collateral for other programs. \$ 0
- 24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes  No  N/A
- 24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes  No  N/A
- 24.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes  No  N/A
- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.3). Yes  No

- 25.2 If yes, state the amount thereof at December 31 of the current year:
- |  |       |  |                      |
|--|-------|--|----------------------|
|  | 25.21 | Subject to repurchase agreements                 | \$ <u>0</u>          |
|  | 25.22 | Subject to reverse repurchase agreements         | \$ <u>0</u>          |
|  | 25.23 | Subject to dollar repurchase agreements          | \$ <u>0</u>          |
|  | 25.24 | Subject to reverse dollar repurchase agreements  | \$ <u>0</u>          |
|  | 25.25 | Pledged as collateral                            | \$ <u>0</u>          |
|  | 25.26 | Placed under option agreements                   | \$ <u>0</u>          |
|  | 25.27 | Letter stock or securities restricted as to sale | \$ <u>0</u>          |
|  | 25.28 | On deposit with state or other regulatory body   | \$ <u>72,463,511</u> |
|  | 25.29 | Other  | \$ <u>0</u>          |

25.3 For category (25.27) provide the following:

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

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes  No
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes  No  N/A   
 If no, attach a description with this statement.

## GENERAL INTERROGATORIES

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

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

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

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

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase	1 Chase Manhattan Plaza, New York, NY 10005
Bank of New York	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 Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Group Asset Managemen	175 Berkeley Street, Boston, MA 02116
N/A	Stancorp Mortgage Investors	1100 SW Sixth Avenue, Portland, OR 97204

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

29.2 If yes, complete the following schedule:

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



## GENERAL INTERROGATORIES

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

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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	1,512,674,460	1,583,159,643	70,485,183
30.2 Preferred stocks	0	0	0
30.3 Totals	1,512,674,460	1,583,159,643	70,485,183

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

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

.....

.....

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

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [ ] No [ ]

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

.....

.....

.....

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

32.2 If no, list exceptions:

.....

.....

.....

### OTHER

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

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

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

34.1 Amount of payments for legal expenses, if any? \$ \_\_\_\_\_ 193,893

## GENERAL INTERROGATORIES

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

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

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

\$ 47,106

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

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

# GENERAL INTERROGATORIES

## PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

.....

.....

.....

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

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ 0

1.62 Total incurred claims \$ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned \$ 0

1.65 Total incurred claims \$ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ 0

1.72 Total incurred claims \$ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned \$ 0

1.75 Total incurred claims \$ 0

1.76 Number of covered lives 0

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ <u>0</u>	\$ <u>0</u>
2.2 Premium Denominator	\$ <u>963,354,130</u>	\$ <u>948,904,559</u>
2.3 Premium Ratio (2.1/2.2)	<u>0.00</u>	<u>0.00</u>
2.4 Reserve Numerator	\$ <u>4,839,519</u>	\$ <u>4,636,361</u>
2.5 Reserve Denominator	\$ <u>1,538,201,166</u>	\$ <u>1,507,720,924</u>
2.6 Reserve Ratio (2.4/2.5)	<u>0.00</u>	<u>0.00</u>

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

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

3.21 Participating policies \$ 0

3.22 Non-participating policies \$ 0

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

.....

.....

.....

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

5.5 If yes, give full information

.....

.....

.....

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:  
 In 2011, the Company was a member of an intercompany reinsurance pooling arrangement where it ceded its business to Peerless Insurance Company.

.....

.....

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:  
See Note 21C  
.....  
.....
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?  
See Note 21C  
.....  
.....
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes  No
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss  
.....  
.....
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes  No
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. \_\_\_\_\_ 0
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes  No
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes  No
- 8.2 If yes, give full information  
.....  
.....
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
(c) Aggregate stop loss reinsurance coverage;  
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes  No
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes  No
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes  No
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
(a) The entity does not utilize reinsurance; or, Yes  No   
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes  No   
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes  No

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes  No  N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes  No
- 11.2 If yes, give full information  
 .....  
 .....
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |   |  |    |                  |
|---|--|----|------------------|
| 12.11 Unpaid losses   |  | \$ | 31,519,802       |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) |  | \$ | <u>2,932,045</u> |
- 12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 392,104
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes  No  N/A
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- |            |  |  |               |
|------------|--|--|---------------|
| 12.41 From |  |  | 0.00 %        |
| 12.42 To   |  |  | <u>9.00 %</u> |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes  No
- 12.6 If yes, state the amount thereof at December 31 of current year:
- |                                  |  |    |                   |
|----------------------------------|--|----|-------------------|
| 12.61 Letters of Credit          |  | \$ | 73,067,459        |
| 12.62 Collateral and other funds |  | \$ | <u>16,385,824</u> |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 42,995,800
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes  No
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes  No
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
 .....  
 .....
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes  No
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes  No
- 14.5 If the answer to 14.4 is no, please explain:  
 .....  
 .....
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes  No
- 15.2 If yes, give full information  
 .....  
 .....
- 16.1 Does the reporting entity write any warranty business? Yes  No   
 If yes, disclose the following information for each of the following types of warranty coverage:

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

\* Disclose type of coverage: \_\_\_\_\_

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

Yes [ ] No [X]

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

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

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	\$ <u>0</u>
17.19 Unfunded portion of Interrogatory 17.18	\$ <u>0</u>
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$ <u>0</u>
17.21 Case reserves portion of Interrogatory 17.18	\$ <u>0</u>
17.22 Incurred but not reported portion of Interrogatory 17.18	\$ <u>0</u>
17.23 Unearned premium portion of Interrogatory 17.18	\$ <u>0</u>
17.24 Contingent commission portion of Interrogatory 17.18	\$ <u>0</u>

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

Yes [ ] No [X]

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

\$ 0

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

Yes [ ] No [X]

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

\$ 0

**FIVE – YEAR HISTORICAL DATA**

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

	1	2	3	4	5
	2011	2010	2009	2008	2007
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	525,738,898	548,260,874	579,391,011	773,491,159	843,478,819
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	249,930,572	255,427,801	215,277,207	508,013,126	601,552,546
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	403,119,408	379,987,972	356,423,054	379,131,460	423,512,058
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	72,964,834	69,971,572	53,652,971	109,872,047	95,307,263
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)			10	2,455	254
6. Total (Line 35)	1,251,753,712	1,253,648,219	1,204,744,253	1,770,510,247	1,963,850,940
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	386,066,379	395,668,789	433,042,214	511,916,829	555,931,468
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	190,329,527	190,222,541	158,506,060	310,584,442	322,922,816
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	332,971,786	316,839,625	288,257,482	302,198,913	332,346,864
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	68,897,969	67,210,349	51,218,974	103,716,469	89,711,882
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)			10	2,455	254
12. Total (Line 35)	978,265,661	969,941,304	931,024,740	1,228,419,108	1,300,913,284
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	(59,529,236)	(13,636,054)	40,479,716	33,878,242	83,535,267
14. Net investment gain (loss) (Line 11)	71,190,765	83,208,127	80,476,846	60,157,872	124,565,428
15. Total other income (Line 15)	2,957,051	(7,504,158)	(1,625,861)	2,066,492	4,083,469
16. Dividends to policyholders (Line 17)	1,934,602	(324,233)	4,123,899	1,528,468	1,091,252
17. Federal and foreign income taxes incurred (Line 19)	(464,734)	(2,905,339)	27,483,031	20,532,444	42,250,530
18. Net income (Line 20)	13,148,712	65,297,487	87,723,771	74,041,694	168,842,382
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	2,114,431,039	2,079,615,242	2,260,231,867	2,302,042,774	2,432,373,782
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	36,866,032	33,025,969	36,449,767	114,460,712	156,705,443
20.2 Deferred and not yet due (Line 15.2)	277,421,253	265,612,010	258,811,213	192,480,558	170,011,887
20.3 Accrued retrospective premiums (Line 15.3)	424,821	842,799	1,502,332	537,089	468,585
21. Total liabilities excluding protected cell business (Page 3, Line 26)	1,696,340,278	1,670,004,095	1,712,233,782	1,854,423,971	1,838,026,406
22. Losses (Page 3, Line 1)	829,322,172	821,610,206	864,827,432	891,773,290	878,701,037
23. Loss adjustment expenses (Page 3, Line 3)	183,377,922	183,372,265	205,900,191	207,882,820	209,208,686
24. Unearned premiums (Page 3, Line 9)	463,599,229	446,490,508	423,304,339	464,642,504	507,766,123
25. Capital paid up (Page 3, Lines 30 & 31)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
26. Surplus as regards policyholders (Page 3, Line 37)	418,090,761	409,611,147	547,998,085	447,618,803	594,347,376
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	68,164,902	(12,372,452)	(52,997,703)	95,069,666	149,637,541
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	418,090,761	409,611,147	547,998,085	447,618,803	594,347,376
29. Authorized control level risk-based capital	86,737,443	86,611,961	89,691,682	105,596,083	113,439,557
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	86.9	90.1	91.6	85.3	81.5
31. Stocks (Lines 2.1 & 2.2)	5.1	4.4	2.0	2.6	17.2
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	2.6	2.4	0.8		
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	3.0	2.4	5.6	11.7	1.3
35. Contract loans (Line 6)					
36. Derivatives (Line 7)			X X X	X X X	X X X
37. Other invested assets (Line 8)	0.0	0.0			0.0
38. Receivables for securities (Line 9)	1.1	0.0		0.3	0.0
39. Securities lending reinvested collateral assets (Line 10)	1.3	0.6	X X X	X X X	X X X
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	14,094,132	13,764,548	13,461,491	13,017,640	12,570,000
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	14,094,132	13,764,548	13,461,491	13,017,640	12,570,000
49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	3.4	3.4	2.5	2.9	2.1

## FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2011	2010	2009	2008	2007
<b>Capital and Surplus Accounts (Page 4)</b>					
50. Net unrealized capital gains (losses) (Line 24)	(2,604,492)	2,055,218	5,665,895	(63,901,178)	(24,712,419)
51. Dividends to stockholders (Line 35)		(206,000,000)		(123,000,000)	(425,000,000)
52. Change in surplus as regards policyholders for the year (Line 38)	8,479,614	(138,386,938)	100,379,282	(146,728,573)	(282,249,235)
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
53. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	434,491,258	388,958,632	362,597,376	496,946,725	548,819,203
54. Property lines (Lines 1, 2, 9, 12, 21 & 26)	141,869,248	136,445,301	169,484,882	273,704,542	295,269,063
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	270,514,448	205,900,092	186,666,067	255,007,682	190,089,390
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	17,430,860	13,634,990	6,476,901	5,400,655	(737,546)
57. Nonproportional reinsurance lines (Lines 31, 32 & 33)	725,470	1,969,810	41,628,040	5,925,868	4,105,764
58. Total (Line 35)	865,031,284	746,908,825	766,853,266	1,036,985,472	1,037,545,874
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
59. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	233,699,041	293,289,908	228,227,063	293,734,129	336,461,323
60. Property lines (Lines 1, 2, 9, 12, 21 & 26)	108,003,531	97,477,450	109,317,858	176,639,184	179,099,810
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	228,501,578	168,861,089	142,776,221	201,239,486	154,451,706
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	17,366,815	13,299,628	7,016,330	5,246,594	(720,454)
63. Nonproportional reinsurance lines (Lines 31, 32 & 33)	725,470	1,969,810	28,421,541	4,859,322	3,192,809
64. Total (Line 35)	588,296,435	574,897,885	515,759,013	681,718,715	672,485,194
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1) x 100.0					
65. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
66. Losses incurred (Line 2)	61.9	56.0	50.7	55.5	53.1
67. Loss expenses incurred (Line 3)	12.1	11.8	11.9	11.5	9.7
68. Other underwriting expenses incurred (Line 4)	32.2	33.6	33.2	30.3	30.7
69. Net underwriting gain (loss) (Line 8)	(6.2)	(1.4)	4.2	2.7	6.5
<b>Other Percentages</b>					
70. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	31.4	33.6	34.6	31.2	30.0
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	73.9	67.8	62.6	67.0	62.9
72. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	234.0	236.8	169.9	274.4	218.9
<b>One Year Loss Development (000 omitted)</b>					
73. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(25,921)	(11,150)	(70,964)	(35,823)	(33,792)
74. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100.0)	(6.3)	(2.0)	(15.9)	(6.0)	(3.9)
<b>Two Year Loss Development (000 omitted)</b>					
75. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(23,259)	(56,711)	(102,257)	(51,404)	(70,869)
76. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0)	(4.2)	(12.7)	(17.2)	(5.9)	(8.7)

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

Yes [ ] No [ X ]

If no, please explain:

Not applicable



## SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

### SCHEDULE P – PART 1 – SUMMARY

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	22,738	2,701	3,145	169	1,215	260	305	23,968	X X X
2. 2002	838,748	82,456	756,292	462,927	46,268	35,068	3,294	59,435	3,005	27,230	504,863	X X X
3. 2003	915,697	76,479	839,218	448,493	39,259	31,520	2,299	67,170	3,188	28,029	502,437	X X X
4. 2004	985,440	54,370	931,070	460,093	18,693	28,966	1,034	65,864	1,402	34,696	533,794	X X X
5. 2005	1,026,606	41,581	985,025	470,558	19,075	30,288	1,110	69,113	1,085	33,163	548,689	X X X
6. 2006	1,025,245	45,788	979,457	473,105	10,724	29,820	1,290	70,031	1,565	28,947	559,377	X X X
7. 2007	1,046,436	51,106	995,330	476,013	10,482	28,904	1,086	69,585	986	31,169	561,948	X X X
8. 2008	1,044,379	38,828	1,005,551	520,493	15,855	26,688	1,146	77,125	807	27,398	606,498	X X X
9. 2009	979,856	61,280	918,576	415,402	27,201	17,115	1,298	67,678	585	24,459	471,111	X X X
10. 2010	968,488	19,584	948,904	381,536	2,612	10,648	100	71,695	136	24,625	461,031	X X X
11. 2011	981,160	17,806	963,354	332,330	1,182	4,337	39	56,387	110	18,652	391,723	X X X
12. Totals	X X X	X X X	X X X	4,463,688	194,052	246,499	12,865	675,298	13,129	278,673	5,165,439	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded			
1. Prior	111,960	39,122	55,373	8,112	3,774	865	10,772	1,285	9,075	2	2,637	141,568	X X X
2. 2002	20,051	3,129	2,600	1,086	228	19	774	67	876		17	20,228	X X X
3. 2003	7,447	1,115	3,660	510	160	1	1,479	56	710		404	11,774	X X X
4. 2004	9,282	2,289	5,169	629	246	1	1,475	72	944		1,709	14,125	X X X
5. 2005	11,466	1,268	5,965	878	348	1	2,873	105	1,203		2,047	19,603	X X X
6. 2006	17,748	2,356	6,052	891	556	1	4,007	191	1,776		5,523	26,700	X X X
7. 2007	29,940	1,412	10,940	2,200	964	2	5,359	427	2,777		2,023	45,939	X X X
8. 2008	41,672	912	21,099	4,192	1,700	12	10,819	502	5,109		6,646	74,781	X X X
9. 2009	65,513	1,379	37,009	3,882	2,040	59	16,127	640	7,777		6,939	122,506	X X X
10. 2010	96,298	881	56,712	3,728	2,246	17	25,176	927	13,495		11,492	188,374	X X X
11. 2011	154,429	773	141,447	1,770	1,841	2	30,128	172	22,345	378	19,302	347,095	X X X
12. Totals	565,806	54,636	346,026	27,878	14,103	980	108,989	4,444	66,087	380	58,739	1,012,693	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	120,099	21,469
2. 2002	581,959	56,868	525,091	69,384	68,968	69,430			9.200	18,436	1,792
3. 2003	560,639	46,428	514,211	61,225	60,707	61,273			9.200	9,482	2,292
4. 2004	572,039	24,120	547,919	58,049	44,363	58,848			9.200	11,533	2,592
5. 2005	591,814	23,522	568,292	57,648	56,569	57,693			9.200	15,285	4,318
6. 2006	603,095	17,018	586,077	58,824	37,167	59,837			9.200	20,553	6,147
7. 2007	624,482	16,595	607,887	59,677	32,472	61,074			9.200	37,268	8,671
8. 2008	704,705	23,426	681,279	67,476	60,333	67,752			9.200	57,667	17,114
9. 2009	628,661	35,044	593,617	64,159	57,187	64,624			9.200	97,261	25,245
10. 2010	657,806	8,401	649,405	67,921	42,897	68,437			9.200	148,401	39,973
11. 2011	743,244	4,426	738,818	75,752	24,857	76,692			9.200	293,333	53,762
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	829,318	183,375

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

**SCHEDULE P – PART 2 – SUMMARY**

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT		
	1	2	3	4	5	6	7	8	9	10	11	12	
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	One Year	Two Year	
1. Prior	481,576	514,622	519,946	536,015	542,483	548,342	536,968	561,688	573,741	574,130	389	12,442	
2. 2002	484,292	481,822	477,469	467,375	465,687	461,917	458,819	461,635	461,539	468,392	6,853	6,757	
3. 2003	X X X	476,996	468,253	456,588	454,227	457,364	453,847	452,186	450,362	449,963	(399)	(2,223)	
4. 2004	X X X	X X X	536,435	523,420	516,607	494,130	491,123	485,459	484,145	483,040	(1,105)	(2,419)	
5. 2005	X X X	X X X	X X X	559,784	538,485	511,864	508,604	502,406	501,058	499,538	(1,520)	(2,868)	
6. 2006	X X X	X X X	X X X	X X X	550,915	539,677	525,583	513,834	515,517	516,402	885	2,568	
7. 2007	X X X	X X X	X X X	X X X	X X X	590,505	574,842	538,901	538,620	537,141	(1,479)	(1,760)	
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	639,147	610,077	607,691	600,579	(7,112)	(9,498)	
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	545,616	528,419	519,358	(9,061)	(26,258)	
10. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	578,281	564,909	(13,372)	X X X	
11. 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	X X X	660,851	X X X	X X X	
											12. Totals	(25,921)	(23,259)

**SCHEDULE P – PART 3 – SUMMARY**

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011		
1. Prior	000	142,933	231,865	289,332	328,301	355,697	378,942	393,796	411,355	434,369	X X X	X X X
2. 2002	220,705	323,077	371,818	405,873	423,284	433,362	439,737	443,176	446,855	448,434	X X X	X X X
3. 2003	X X X	222,710	320,713	367,698	398,348	419,043	428,077	433,515	436,453	438,455	X X X	X X X
4. 2004	X X X	X X X	231,074	347,024	401,104	433,226	452,198	461,575	466,074	469,332	X X X	X X X
5. 2005	X X X	X X X	X X X	236,563	351,254	406,170	441,862	464,220	475,035	480,661	X X X	X X X
6. 2006	X X X	X X X	X X X	X X X	240,921	357,936	408,889	450,030	475,448	490,911	X X X	X X X
7. 2007	X X X	X X X	X X X	X X X	X X X	250,353	371,862	427,690	468,149	493,349	X X X	X X X
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	290,279	429,241	489,763	530,180	X X X	X X X
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	242,461	351,422	404,019	X X X	X X X
10. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	266,307	389,473	X X X	X X X
11. 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	X X X	335,446	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
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Prior	183,391	146,741	112,376	96,530	87,448	74,449	71,826	77,690	79,257	63,545
2. 2002	147,073	74,766	42,559	24,586	18,036	12,226	8,102	7,495	4,462	2,827
3. 2003	X X X	133,380	66,423	37,985	26,305	19,144	14,029	9,532	6,046	5,018
4. 2004	X X X	X X X	167,468	83,341	55,032	29,671	21,819	11,804	8,662	6,470
5. 2005	X X X	X X X	X X X	187,073	93,032	47,041	29,165	16,611	11,461	8,333
6. 2006	X X X	X X X	X X X	X X X	168,734	84,947	51,789	24,941	14,164	9,544
7. 2007	X X X	X X X	X X X	X X X	X X X	174,448	91,001	42,879	23,325	14,302
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	189,686	83,458	49,789	27,951
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	166,277	84,196	49,226
10. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	164,191	77,789
11. 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	X X X	169,910

## 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		4	5	6	7	8	9
			2	3						
1. Alabama	AL	L	1,326,967	1,656,674		1,136,177	118,192	2,736,551	16,178	116,599
2. Alaska	AK	L	317,438	246,532		16,395,437	16,400,991	99,145	3,870	66,792
3. Arizona	AZ	L	1,197,962	1,199,381		1,886,375	1,594,609	5,106,335	14,605	150,909
4. Arkansas	AR	L	499,093	516,468		136,146	148,451	540,370	6,085	41,649
5. California	CA	L	41,021,427	40,757,265		17,511,336	3,491,004	63,896,730	500,108	865,283
6. Colorado	CO	L	2,602,269	2,640,272		1,045,754	28,992	1,963,189	31,725	105,985
7. Connecticut	CT	L	10,822,750	7,893,398		6,853,132	6,621,329	7,010,011	131,944	81,650
8. Delaware	DE	L	164,594	191,281		6,000	86,375	230,066	2,007	15,713
9. District of Columbia	DC	L	200,361	199,733		29,710	(114,306)	151,767	2,443	53,001
10. Florida	FL	L	16,006,489	16,454,060		8,992,354	10,209,503	19,522,281	195,141	474,838
11. Georgia	GA	L	6,526,530	6,634,038		4,516,490	4,090,447	4,300,254	79,567	193,023
12. Hawaii	HI	L	11,563	11,957			(93,170)	17,778	141	11,313
13. Idaho	ID	L	1,430,211	1,518,105		1,503,886	(807,541)	2,980,473	17,436	39,345
14. Illinois	IL	L	3,557,120	3,584,513		3,997,983	(213,143)	12,892,490	43,366	158,353
15. Indiana	IN	L	1,487,405	1,558,644		782,445	(370,166)	1,444,379	18,134	50,828
16. Iowa	IA	L	205,228	192,250		137,863	212,334	364,239	2,502	11,035
17. Kansas	KS	L	777,855	855,701		220,710	180,576	1,780,661	9,483	22,924
18. Kentucky	KY	L	1,204,151	1,166,055		450,081	876,408	2,734,370	14,680	66,991
19. Louisiana	LA	L	44,685,870	42,210,618		21,899,258	20,089,894	16,256,442	544,783	242,686
20. Maine	ME	L	49,451	47,758		(1,090)	(80,851)	34,345	603	29,816
21. Maryland	MD	L	527,246	601,864		303,268	(168,119)	1,326,658	6,428	168,871
22. Massachusetts	MA	L	1,546,955	1,306,305		251,948	187,755	1,859,531	18,860	242,149
23. Michigan	MI	L	2,112,029	2,012,133		479,834	1,290,613	4,101,137	25,749	59,237
24. Minnesota	MN	L	1,495,439	1,568,407		1,658,763	630,093	11,217,700	18,231	41,326
25. Mississippi	MS	L	808,985	846,879		358,770	(414,044)	1,818,498	9,863	103,458
26. Missouri	MO	L	1,674,389	1,729,401		957,813	697,777	2,438,196	20,413	68,109
27. Montana	MT	L	2,234,482	2,368,807		3,690,632	151,782	4,183,488	27,241	28,802
28. Nebraska	NE	L	155,130	157,344		36,688	98,098	297,933	1,891	10,386
29. Nevada	NV	L	816,534	863,096		2,053,883	61,331	1,309,663	9,955	62,028
30. New Hampshire	NH	L	541,801	599,576		162,877	92,026	336,319	6,605	42,658
31. New Jersey	NJ	L	2,120,225	1,972,909		2,672,347	1,476,619	7,403,811	25,848	240,097
32. New Mexico	NM	L	733,724	834,504		443,440	(1,804,613)	1,953,551	8,945	53,681
33. New York	NY	L	15,264,854	15,892,963		9,403,278	7,027,316	48,276,427	186,100	599,493
34. North Carolina	NC	L	4,242,996	4,425,336		1,810,119	2,261,072	2,871,812	51,728	161,814
35. North Dakota	ND	L	191,921	199,698		79,209	11,294	240,731	2,340	5,342
36. Ohio	OH	L	847,118	843,958		165,354	(4,833,118)	2,315,663	10,328	124,500
37. Oklahoma	OK	L	1,039,486	1,064,983		726,998	246,232	1,955,927	12,673	38,818
38. Oregon	OR	L	7,326,269	8,010,857		102,663,804	62,280,067	23,354,991	89,317	118,480
39. Pennsylvania	PA	L	6,691,536	6,784,040		4,482,382	4,734,887	9,239,306	81,579	246,071
40. Rhode Island	RI	L	167,137	167,331		6,189	(154,081)	72,235	2,038	32,985
41. South Carolina	SC	L	1,238,583	1,353,027		785,669	315,428	1,529,043	15,100	98,460
42. South Dakota	SD	L	342,020	345,556		152,911	322,952	567,331	4,170	4,174
43. Tennessee	TN	L	4,571,335	4,048,617		6,236,363	5,824,793	11,610,930	55,731	88,467
44. Texas	TX	L	37,079,881	36,844,042		24,318,956	14,923,760	21,401,078	452,055	458,904
45. Utah	UT	L	1,082,020	1,211,450		784,762	733,284	1,825,955	13,191	35,621
46. Vermont	VT	L	7,582,895	6,922,989		4,027,256	3,534,701	2,458,669	92,446	25,649
47. Virginia	VA	L	16,100,640	14,921,311		8,966,218	9,543,841	7,017,392	196,289	137,636
48. Washington	WA	L	17,611,477	18,222,915		10,248,101	3,518,128	26,393,268	214,708	194,805
49. West Virginia	WV	L	1,823,779	1,827,920		846,157	1,156,627	864,544	22,234	52,416
50. Wisconsin	WI	L	196,191	208,715		289,266	662,691	1,331,029	2,392	30,199
51. Wyoming	WY	L	837,692	875,875		171,552	113,688	506,412	10,213	13,747
52. American Samoa	AS	N								
53. Guam	GU	L		77						
54. Puerto Rico	PR	L	314,101	291,246			718	28,333		
55. U.S. Virgin Islands	VI	L	11,222	11,143			1,320	1,320	137	
56. Northern Mariana Islands	MP	N								
57. Canada	CN	N	12,668	3,505			(889,808)			
58. Aggregate Other Alien	OT	X X X	50,564	108,880			(190)	6,780		
59. Totals	(a) 54		273,488,058	268,982,362		276,734,854	176,104,848	346,177,537	3,329,599	6,387,116

DETAILS OF WRITE-INS										
5801. Other Alien	X X X		50,564	108,880				(190)	6,780	
5802.	X X X									
5803.	X X X									
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X									
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X		50,564	108,880				(190)	6,780	

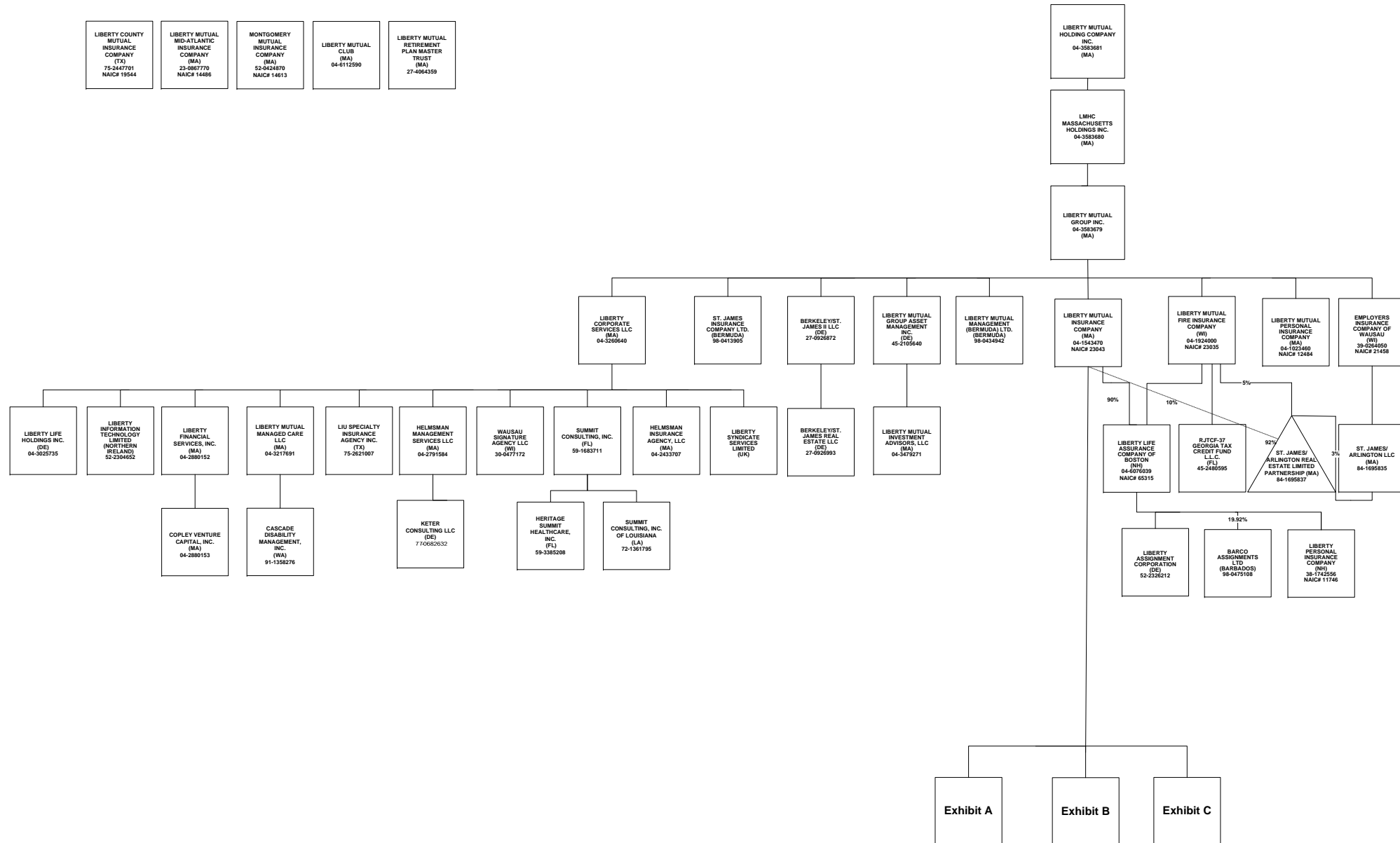
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

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

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

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

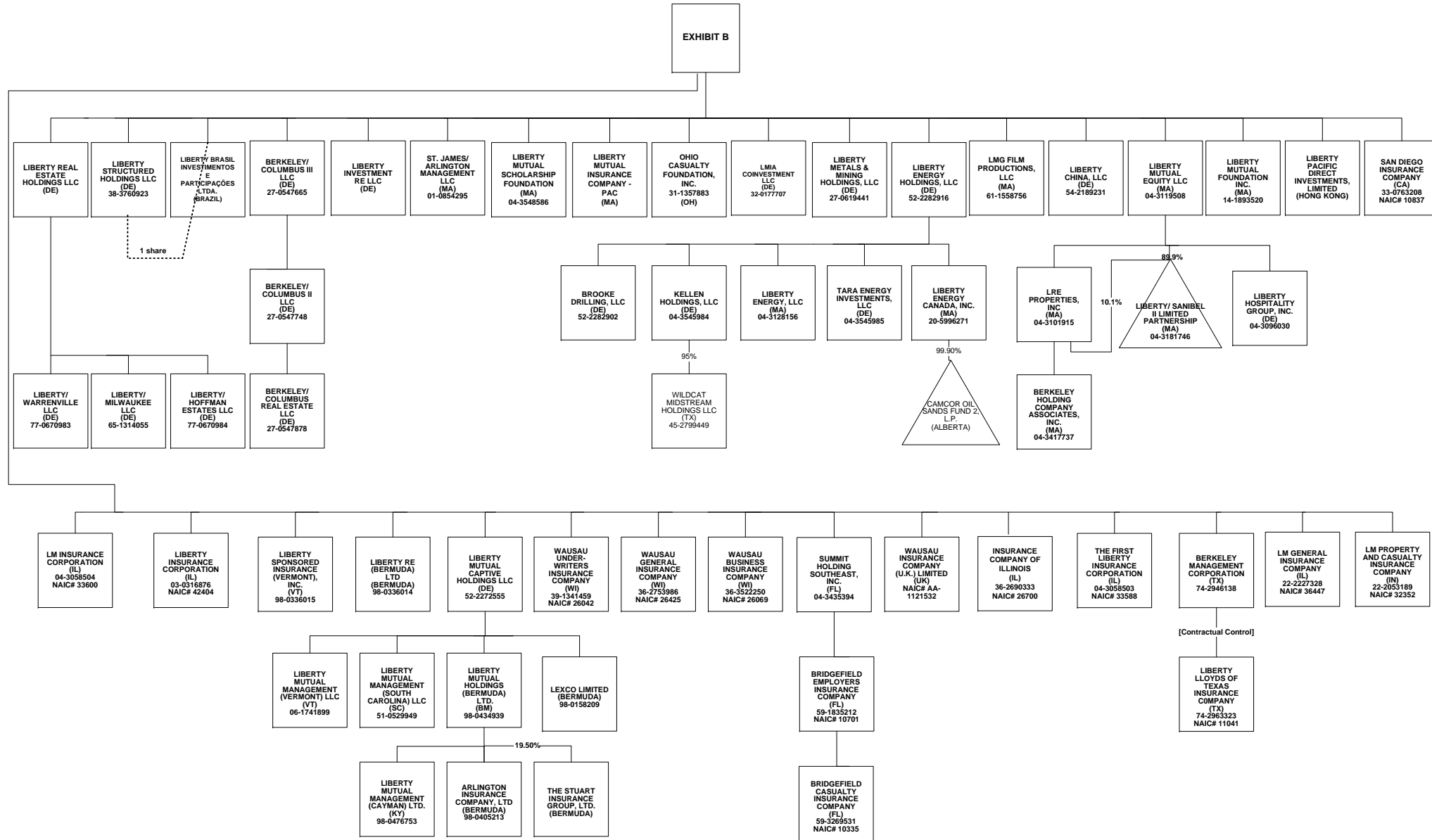
## PART 1 - ORGANIZATIONAL CHART





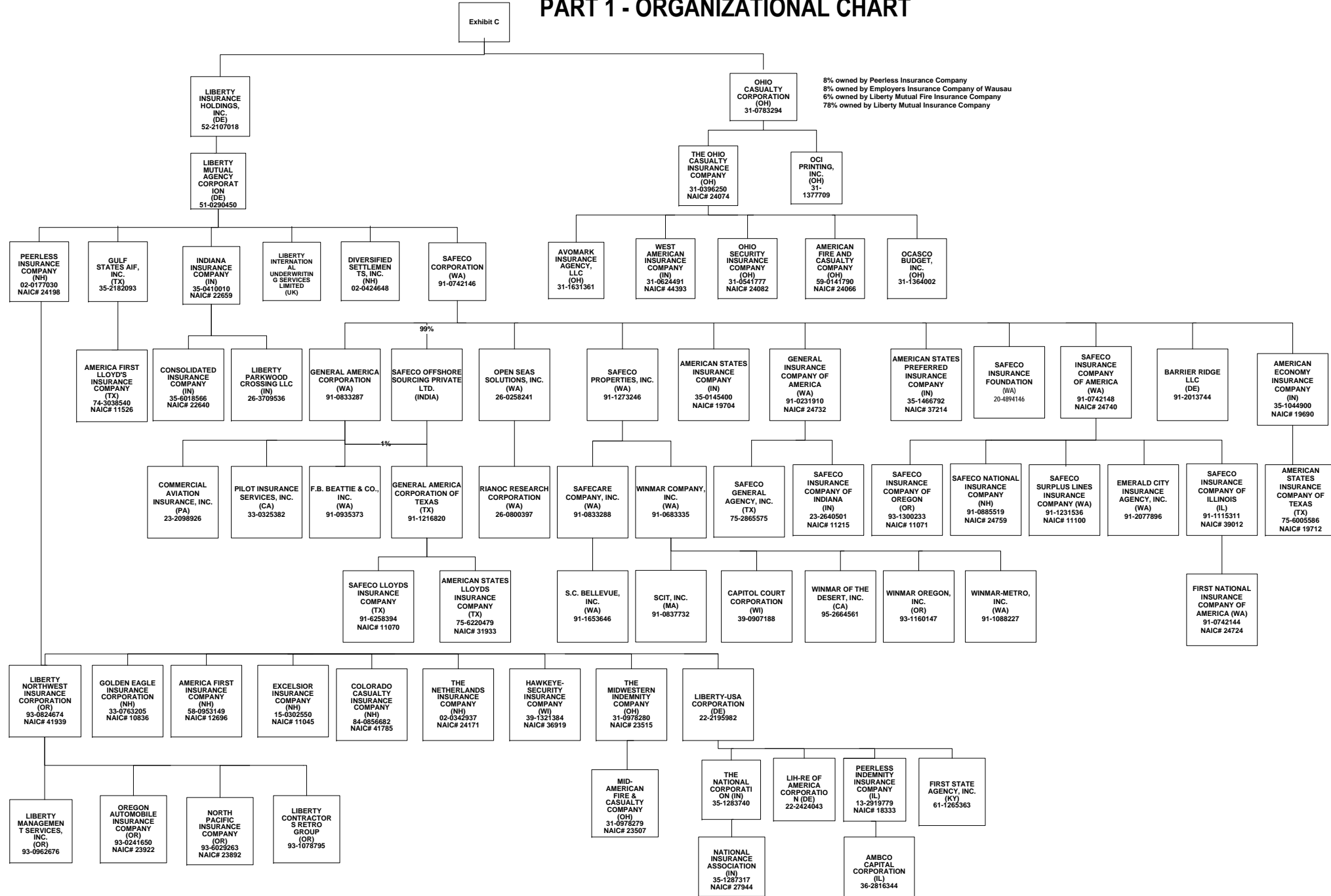
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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**OVERFLOW PAGE FOR WRITE-INS**

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<b>REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES</b>	Current Year	Prior Year
2504. Accrued return retrospective premiums .....		1,120,025
2505. Private passenger auto escrow .....		98,460
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)		1,218,485



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