

ANNUAL STATEMENT

OF THE

INDIANA INSURANCE COMPANY

of **INDIANAPOLIS**

in the state of **INDIANA**

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2011

PROPERTY AND CASUALTY

2011



22659201120100100

ANNUAL STATEMENT

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

Indiana Insurance Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) NAIC Company Code 22659 Employer's ID Number 35-0410010
Organized under the Laws of Indiana, State of Domicile or Port of Entry Indiana
Country of Domicile United States of America
Incorporated/Organized February 13, 1851 Commenced Business February 13, 1851
Statutory Home Office 350 East 96th Street, Indianapolis, IN 46240
Main Administrative Office 175 Berkeley Street, Boston, MA 02116
Mail Address 175 Berkeley Street, Boston, MA 02116
Primary Location of Books and Records 175 Berkeley Street, Boston, MA 02116
Internet Web Site Address www.lmac.com
Statutory Statement Contact Pamela Heenan, Statutory.Compliance@LibertyMutual.com

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, Kevin John Kirschner.

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)	729,552,777		729,552,777	734,224,552
2. Stocks (Schedule D):				
2.1 Preferred stocks				50,160
2.2 Common stocks	58,286,126		58,286,126	49,878,908
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 4,754,231, Schedule E - Part 1), cash equivalents (\$ 4,179,942, Schedule E - Part 2), and short-term investments (\$ 31,385,101, Schedule DA)	40,319,274		40,319,274	16,902,390
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	38,652,196		38,652,196	42,227,481
9. Receivables for securities				
10. Securities lending reinvested collateral assets (Schedule DL)	27,481,038		27,481,038	31,818,233
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	894,291,411		894,291,411	875,101,724
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	7,387,926		7,387,926	7,727,351
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	21,719,576	2,485,124	19,234,452	17,230,942
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 300,666 earned but unbilled premiums)	144,771,590	30,067	144,741,523	138,580,179
15.3 Accrued retrospective premiums	246,247	24,601	221,646	439,721
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				4,799,096
18.2 Net deferred tax asset	42,424,000	17,015,238	25,408,762	30,323,357
19. Guaranty funds receivable or on deposit	577,118		577,118	811,048
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)	8,729	8,729		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	5,553,835		5,553,835	675,519
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	4,684,213	580,164	4,104,049	4,205,518
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,121,664,645	20,143,923	1,101,520,722	1,079,894,455
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	1,121,664,645	20,143,923	1,101,520,722	1,079,894,455

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	2,835,007		2,835,007	2,790,375
2502. Equities and deposits in pools and associations	1,257,367		1,257,367	1,269,742
2503. Other assets	591,839	580,164	11,675	145,401
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	4,684,213	580,164	4,104,049	4,205,518

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	432,689,829	428,666,195
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	32,296,614	28,762,393
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	95,675,438	95,672,486
4. Commissions payable, contingent commissions and other similar charges	13,471,378	12,947,349
5. Other expenses (excluding taxes, licenses and fees)	7,542,837	3,789,322
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	3,561,290	4,329,943
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	257,247	
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 \$ 132,852,014 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)	241,877,858	232,951,570
10. Advance premium	1,651,081	1,578,871
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	66,232	44,993
12. Ceded reinsurance premiums payable (net of ceding commissions)		
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	474,776	286,316
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	17,091,551	15,711,755
19. Payable to parent, subsidiaries and affiliates	7,319,242	2,158,179
20. Derivatives		
21. Payable for securities	1,983,742	
22. Payable for securities lending	27,481,038	31,818,233
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	7,974,853	8,222,016
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	891,415,006	866,939,621
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	891,415,006	866,939,621
29. Aggregate write-ins for special surplus funds	9,478,663	5,752,731
30. Common capital stock	4,000,000	4,000,000
31. Preferred capital stock	1,850,000	1,850,000
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	45,442,432	45,442,432
35. Unassigned funds (surplus)	149,334,621	155,909,671
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)	210,105,716	212,954,834
38. Totals (Page 2, Line 28, Col. 3)	1,101,520,722	1,079,894,455

DETAILS OF WRITE-IN LINES		
2501. Retroactive reinsurance reserves	4,257,842	4,579,250
2502. Other liabilities	3,458,452	2,490,518
2503. Amounts held under uninsured plans	258,559	516,517
2598. Summary of remaining write-ins for Line 25 from overflow page		635,731
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	7,974,853	8,222,016
2901. SSAP 10R incremental change	8,469,587	4,714,540
2902. Special surplus from retroactive reinsurance	1,009,076	1,038,191
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	9,478,663	5,752,731
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	502,619,546	495,080,640
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	310,960,905	277,398,605
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	60,720,225	58,444,903
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	162,048,523	166,378,676
5. Aggregate write-ins for underwriting deductions	(51,375)	(27,082)
6. Total underwriting deductions (Lines 2 through 5)	533,678,278	502,195,102
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(31,058,732)	(7,114,462)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	34,569,563	35,899,333
10. Net realized capital gains (losses) less capital gains tax of \$ (179,236) (Exhibit of Capital Gains (Losses))	(332,866)	4,521,136
11. Net investment gain (loss) (Lines 9 + 10)	34,236,697	40,420,469
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 17,802 amount charged off \$ 1,141,233)	(1,123,431)	(2,080,269)
13. Finance and service charges not included in premiums	4,243,600	4,368,629
14. Aggregate write-ins for miscellaneous income	(1,381,749)	(5,960,861)
15. Total other income (Lines 12 through 14)	1,738,420	(3,672,501)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	4,916,385	29,633,506
17. Dividends to policyholders	1,009,358	(169,165)
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)	3,907,027	29,802,671
19. Federal and foreign income taxes incurred	(621,764)	(3,341,008)
20. Net income (Line 18 minus Line 19) (to Line 22)	4,528,791	33,143,679
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	212,954,834	332,728,412
22. Net income (from Line 20)	4,528,791	33,143,679
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (561,948)	(1,053,574)	2,751,209
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	4,835,292	(3,714,569)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(14,403,907)	2,511,752
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	384,633	
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	(895,400)	(154,895,400)
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	3,755,047	429,751
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(2,849,118)	(119,773,578)
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	210,105,716	212,954,834

DETAILS OF WRITE-IN LINES		
0501. Private passenger auto escrow	(51,375)	(27,082)
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)	(51,375)	(27,082)
1401. Retroactive reinsurance gain/(loss)	(102,461)	(6,130,933)
1402. Other income/(expense)	(1,279,288)	170,072
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(1,381,749)	(5,960,861)
3701. SSAP 10R incremental change	3,755,047	721,603
3702. Other changes in surplus		(291,852)
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	3,755,047	429,751

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	503,380,006	506,666,415
2. Net investment income	36,520,141	38,040,619
3. Miscellaneous income	1,732,673	(6,307,441)
4. Total (Lines 1 through 3)	541,632,820	538,399,593
5. Benefit and loss related payments	302,023,254	300,334,499
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	218,872,270	247,690,152
8. Dividends paid to policyholders	988,119	193,361
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(5,857,342)	11,893,658
10. Total (Lines 5 through 9)	516,026,301	560,111,670
11. Net cash from operations (Line 4 minus Line 10)	25,606,519	(21,712,077)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	115,038,055	341,208,949
12.2 Stocks	6,236,221	604,232
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	90,889,364	983,352
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	212,163,640	342,796,533
13. Cost of investments acquired (long-term only):		
13.1 Bonds	112,549,370	202,854,316
13.2 Stocks	15,754,728	24,400,290
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	83,371,123	31,818,233
13.6 Miscellaneous applications	(1,983,743)	6,175,313
13.7 Total investments acquired (Lines 13.1 to 13.6)	209,691,478	265,248,152
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)	2,472,162	77,548,381
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	895,400	154,895,400
16.6 Other cash provided (applied)	(3,766,396)	(7,535,409)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(4,661,796)	(162,430,809)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	23,416,885	(106,594,505)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	16,902,390	123,496,895
19.2 End of year (Line 18 plus Line 19.1)	40,319,275	16,902,390

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

20.0001	12.1 - Proceeds from investments sold, matured or repaid - Bonds	2,160,000	165,067,226
20.0002	12.5 - Proceeds from investments sold, matured or repaid - Other invested assets		978,280
20.0003	13.1 Cost of Investment Acquired - Bonds	2,160,000	
20.0004	16.5 - Dividends to stockholders		121,150,397

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	9,687,687	4,787,409	5,111,439	9,363,657
2. Allied lines	8,042,289	3,975,139	4,368,881	7,648,547
3. Farmowners multiple peril	4,002,136	1,862,992	2,007,411	3,857,717
4. Homeowners multiple peril	80,175,075	38,445,960	42,642,678	75,978,357
5. Commercial multiple peril	89,541,987	45,563,792	44,910,191	90,195,588
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	8,106,223	3,906,099	3,911,393	8,100,929
10. Financial guaranty				
11.1 Medical professional liability—occurrence	35,303	17,344	13,975	38,672
11.2 Medical professional liability—claims-made	4,771	2,004	2,198	4,577
12. Earthquake	1,690,775	834,497	873,573	1,651,699
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	42,439,853	18,263,842	16,493,748	44,209,947
17.1 Other liability—occurrence	25,622,378	12,816,908	12,545,606	25,893,680
17.2 Other liability—claims-made	1,090,209	513,031	490,318	1,112,922
17.3 Excess workers' compensation				
18.1 Products liability—occurrence	627,650	357,272	317,081	667,841
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	92,408,781	34,045,923	37,770,672	88,684,032
19.3,19.4 Commercial auto liability	39,196,991	19,614,566	18,944,303	39,867,254
21. Auto physical damage	71,761,922	28,059,299	30,506,174	69,315,047
22. Aircraft (all perils)				
23. Fidelity	309,202	256,905	252,376	313,731
24. Surety	35,637,565	20,919,034	20,861,500	35,695,099
26. Burglary and theft	13,466	7,160	6,719	13,907
27. Boiler and machinery	5,212	3,975	2,843	6,344
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	510,399,475	234,253,151	242,033,079	502,619,547

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	5,111,439				5,111,439
2. Allied lines	4,368,881				4,368,881
3. Farmowners multiple peril	2,007,411				2,007,411
4. Homeowners multiple peril	42,642,678				42,642,678
5. Commercial multiple peril	44,739,077	338	168,072	2,704	44,910,191
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	3,901,535	9,858			3,911,393
10. Financial guaranty					
11.1 Medical professional liability—occurrence	13,975				13,975
11.2 Medical professional liability—claims-made	2,189	9			2,198
12. Earthquake	873,573				873,573
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	16,557,749		182,246	(246,247)	16,493,748
17.1 Other liability—occurrence	12,447,377	50,597	50,336	(2,704)	12,545,606
17.2 Other liability—claims-made	484,375	5,713	231		490,319
17.3 Excess workers' compensation					
18.1 Products liability—occurrence	316,499		582		317,081
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	37,770,672				37,770,672
19.3,19.4 Commercial auto liability	18,800,039	144,264			18,944,303
21. Auto physical damage	30,482,238	23,936			30,506,174
22. Aircraft (all perils)					
23. Fidelity	89,245	163,131			252,376
24. Surety	14,344,790	6,516,710			20,861,500
26. Burglary and theft	6,719				6,719
27. Boiler and machinery	2,843				2,843
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	234,963,304	6,914,556	401,467	(246,247)	242,033,080
36. Accrued retrospective premiums based on experience					246,247
37. Earned but unbilled premiums					(401,467)
38. Balance (Sum of Lines 35 through 37)					241,877,860

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

(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	2,248,766	9,687,687		2,248,766		9,687,687
2. Allied lines	1,714,817	8,042,289		1,714,817		8,042,289
3. Farmowners multiple peril	5,240,936	4,002,136		5,240,936		4,002,136
4. Homeowners multiple peril	62,932,473	80,175,075		62,932,473		80,175,075
5. Commercial multiple peril	36,132,407	89,541,987		36,132,407		89,541,987
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	3,445,133	8,106,223		3,445,133		8,106,223
10. Financial guaranty						
11.1 Medical professional liability--occurrence		35,303				35,303
11.2 Medical professional liability--claims-made		4,771				4,771
12. Earthquake	3,066,451	1,690,775		3,066,451		1,690,775
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	21,374,581	42,439,853		21,374,581		42,439,853
17.1 Other liability—occurrence	31,562,731	25,622,378		31,562,731		25,622,378
17.2 Other liability—claims-made	180,017	1,090,209		180,017		1,090,209
17.3 Excess workers' compensation						
18.1 Products liability—occurrence	56,780	627,650		56,780		627,650
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	50,700,142	92,408,781		50,700,142		92,408,781
19.3,19.4 Commercial auto liability	13,149,041	39,196,991		13,149,041		39,196,991
21. Auto physical damage	40,112,857	71,761,922		40,112,857		71,761,922
22. Aircraft (all perils)						
23. Fidelity		309,202				309,202
24. Surety	2,057	35,637,565		2,057		35,637,565
26. Burglary and theft	2,114	13,466		2,114		13,466
27. Boiler and machinery	36,413	5,212		36,413		5,212
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	271,957,716	510,399,475		271,957,716		510,399,475

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	712,781	1,032,640	712,781	1,032,640	54,931	580,646	54,931	1,613,286	133,889
2. Allied lines	881,913	1,288,284	881,913	1,288,284	25,610	133,037	25,610	1,421,321	85,433
3. Farmowners multiple peril	980,931	801,789	980,931	801,789	145,884	9,959	145,884	811,748	264,004
4. Homeowners multiple peril	15,129,652	15,072,241	15,129,652	15,072,241	7,511,352	7,814,221	7,511,352	22,886,462	3,530,169
5. Commercial multiple peril	30,076,476	54,448,662	30,076,476	54,448,662	22,138,901	34,734,455	22,138,901	89,183,117	36,575,656
6. Mortgage guaranty									
8. Ocean marine		1,360		1,360		(203)		1,157	3
9. Inland marine	188,999	518,131	188,999	518,131	98,860	(29,382)	98,860	488,749	79,670
10. Financial guaranty									
11.1 Medical professional liability—occurrence		18,906		18,906		110,343		129,249	66,475
11.2 Medical professional liability—claims-made						25,398		25,398	7,178
12. Earthquake		76		76				76	805
13. Group accident and health								(a)	(122)
14. Credit accident and health (group and individual)									
15. Other accident and health		489,612		489,612		1,738,684		(a)	296,793
16. Workers' compensation	35,701,674	89,143,984	35,701,674	89,143,984	16,337,476	52,345,399	16,337,476	141,489,383	16,799,302
17.1 Other liability—occurrence	15,645,914	16,018,478	15,645,914	16,018,478	31,978,169	25,131,172	31,978,169	41,149,650	11,643,753
17.2 Other liability—claims-made	60,250	704,712	60,250	704,712	67,179	1,015,810	67,179	1,720,522	1,122,830
17.3 Excess workers' compensation		1		1				1	17
18.1 Products liability—occurrence	31,900	1,130,727	31,900	1,130,727	67,098	410,751	67,098	1,541,478	561,497
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	43,179,236	55,216,381	43,179,236	55,216,381	7,077,784	9,149,152	7,077,784	64,365,533	12,532,014
19.3,19.4 Commercial auto liability	10,671,967	29,026,004	10,671,967	29,026,004	6,422,019	16,088,826	6,422,019	45,114,830	6,862,985
21. Auto physical damage	1,616,622	1,338,350	1,616,622	1,338,350	1,065,768	1,244,251	1,065,768	2,582,601	466,559
22. Aircraft (all perils)		22,135		22,135		97		22,232	
23. Fidelity		21,411		21,411		80,336		101,747	36,776
24. Surety		(3,634,791)		(3,634,791)	309	9,941,414	309	6,306,623	4,346,023
26. Burglary and theft		15		15		129		144	630
27. Boiler and machinery		(3,479)		(3,479)	634	(666)	634	(4,145)	1,804
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	4,042,659		4,042,659	X X X	5,467,713		9,510,372	261,296
33. Reinsurance-nonproportional assumed financial lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	154,878,315	266,698,288	154,878,315	266,698,288	92,991,974	165,991,542	92,991,974	432,689,830	95,675,439

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	12,883,078			12,883,078
1.2 Reinsurance assumed	23,579,775			23,579,775
1.3 Reinsurance ceded	12,883,078			12,883,078
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	23,579,775			23,579,775
2. Commission and brokerage:				
2.1 Direct, excluding contingent		38,562,451		38,562,451
2.2 Reinsurance assumed, excluding contingent		75,908,123		75,908,123
2.3 Reinsurance ceded, excluding contingent		38,562,451		38,562,451
2.4 Contingent—direct		1,296,301		1,296,301
2.5 Contingent—reinsurance assumed		7,107,929		7,107,929
2.6 Contingent—reinsurance ceded		1,296,301		1,296,301
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)		83,016,052		83,016,052
3. Allowances to manager and agents	3,723	27,347		31,070
4. Advertising	340,159	3,897,566	13,526	4,251,251
5. Boards, bureaus and associations	75,009	1,051,051	388	1,126,448
6. Surveys and underwriting reports	5,700	3,116,490	9,622	3,131,812
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	21,598,349	27,410,299	869,308	49,877,956
8.2 Payroll taxes	588,444	3,105,317	29,192	3,722,953
9. Employee relations and welfare	3,148,820	11,049,117	111,263	14,309,200
10. Insurance	1,640,735	442,128	16,010	2,098,873
11. Directors' fees	66	95		161
12. Travel and travel items	1,561,898	2,051,848	29,512	3,643,258
13. Rent and rent items	967,712	3,512,292	35,695	4,515,699
14. Equipment	777,214	1,894,584	19,367	2,691,165
15. Cost or depreciation of EDP equipment and software	190,791	1,768,475	41,344	2,000,610
16. Printing and stationery	338,925	430,678	3,714	773,317
17. Postage, telephone and telegraph, exchange and express	2,059,142	1,687,037	40,294	3,786,473
18. Legal and auditing	102,830	327,208	59,139	489,177
19. Totals (Lines 3 to 18)	33,399,517	61,771,532	1,278,374	96,449,423
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 156,469		11,285,832		11,285,832
20.2 Insurance department licenses and fees		1,418,771		1,418,771
20.3 Gross guaranty association assessments		91,147		91,147
20.4 All other (excluding federal and foreign income and real estate)		999,734		999,734
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		13,795,484		13,795,484
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	3,740,933	3,465,453	248,275	7,454,661
25. Total expenses incurred	60,720,225	162,048,521	1,526,649	(a) 224,295,395
26. Less unpaid expenses—current year	95,675,438	24,575,504		120,250,942
27. Add unpaid expenses—prior year	95,672,486	21,066,614		116,739,100
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)	60,717,273	158,539,631	1,526,649	220,783,553

DETAILS OF WRITE-IN LINES				
2401. Other expenses	3,740,933	3,465,453	248,275	7,454,661
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)	3,740,933	3,465,453	248,275	7,454,661

(a) Includes management fees of \$ 4,942,366 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 6,273,267	6,096,304
1.1 Bonds exempt from U.S. tax	(a) 7,688,508	7,734,655
1.2 Other bonds (unaffiliated)	(a) 21,338,415	21,112,583
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	504,181	519,748
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 22,718	24,374
7. Derivative instruments	(f)	
8. Other invested assets	365,122	365,122
9. Aggregate write-ins for investment income	243,428	243,428
10. Total gross investment income	36,435,639	36,096,214
11. Investment expenses		(g) 1,526,650
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		1,526,650
17. Net investment income (Line 10 minus Line 16)		34,569,564

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income / (Expense)	243,428	243,428
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)	243,428	243,428
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 \$ 634,398 accrual of discount less \$ 2,245,551 amortization of premium and less \$ 189,981 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	988		988		
1.1 Bonds exempt from U.S. tax	(12,438)		(12,438)		
1.2 Other bonds (unaffiliated)	(374,395)	(1,980)	(376,375)	(184,111)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	149,820		149,820		
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	106,073	(380,170)	(274,097)	(1,421,456)	
2.21 Common stocks of affiliates				384,283	
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets				(394,239)	
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	(129,952)	(382,150)	(512,102)	(1,615,523)	

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	2,485,124	2,078,767	(406,357)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	30,067	3,214	(26,853)
15.3 Accrued retrospective premiums	24,601	48,780	24,179
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	17,015,238	6,703,403	(10,311,835)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets	8,729	11,819	3,090
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	580,164	649,081	68,917
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	20,143,923	9,495,064	(10,648,859)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	20,143,923	9,495,064	(10,648,859)

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	580,164	649,081	68,917
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)	580,164	649,081	68,917

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of Indiana, the accompanying financial statements of Indiana Insurance Company (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

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

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

C. Accounting Policies

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

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

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

Note 2 - Accounting Changes and Correction of Errors

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

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

NOTES TO FINANCIAL STATEMENTS

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

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

B. Statutory Mergers

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

C. Impairment Loss

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

Note 4 - Discontinued Operations

The Company has no discontinued operations.

Note 5 - Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company does not invest in mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
2. All Loan-Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2011 as of December 31, 2011: None
3. Each Loan-Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2011: None
4. All impaired Loan-Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2011:

	1	2
	Less Than 12 Months	12 Months or Longer
Gross Unrealized Loss	(620)	(14,471)
Fair Value of Securities with Unrealized Losses	1,408,197	784,146

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

E. Repurchase Agreements and Securities Lending

1. The Company did not enter into any repurchase agreements during the year. Refer to Note 17B for the policy on requiring collateral for securities lending.
2. The Company has not pledged any of its assets as collateral as of December 31, 2011.

NOTES TO FINANCIAL STATEMENTS

3. Aggregate Amount of Contractually open cash collateral positions:

Aging of Collateral	Total Fair Value
Open	\$ 27,481,038
30 Days or Less	-
31 to 60 Days	-
61 to 90 Days	-
Greater than 90 Days	-
Sub-Total	27,481,038
Securities Received	-
Total Collateral Received	\$ 27,481,038

4. Securities Lending Transactions Administered by an Affiliated Agent

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

5. Collateral Reinvestment

a. Aggregate Amount Cash Collateral Reinvested

	Amortized Cost	Fair Value
Open	-	-
30 Days or Less	\$ 6,808,868	\$ 6,808,890
31 to 60 Days	13,440,538	13,440,772
61 to 90 Days	7,234,083	7,234,521
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	27,483,489	27,484,184
Securities Received	-	-
Total Collateral Reinvested	\$27,483,489	\$ 27,484,184

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

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

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

The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of its admitted assets.

B. Impairments, partnerships or limited liability companies

The Company does not own any investments in joint ventures, partnerships, and limited liability companies that exceed 10% of its admitted assets.

Note 7 - Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2011.

NOTES TO FINANCIAL STATEMENTS

Note 8 - Derivative Instruments

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

Note 9 - Income Taxes

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross Deferred Tax Assets	42,103,174	3,665,826	45,769,000	36,104,783	3,993,357	40,098,140	5,998,391	(327,531)	5,670,860
Statutory Valuation Allowance Adjustment	-	-	-	-	-	-	-	-	-
Adjusted Gross Deferred Tax Assets	42,103,174	3,665,826	45,769,000	36,104,783	3,993,357	40,098,140	5,998,391	(327,531)	5,670,860
Deferred Tax Liabilities	(3,345,000)	-	(3,345,000)	(2,921,658)	(149,722)	(3,071,380)	(423,342)	149,722	(273,620)
Net DTA (DTL)	38,758,174	3,665,826	42,424,000	33,183,125	3,843,635	37,026,760	5,575,049	(177,809)	5,397,240
Deferred Tax Assets Nonadmitted	(13,349,412)	(3,665,826)	(17,015,238)	(6,703,403)	-	(6,703,403)	(6,646,009)	(3,665,826)	(10,311,835)
Net Admitted DTA (DTL)	25,408,762	-	25,408,762	26,479,722	3,843,635	30,323,357	(1,070,960)	(3,843,635)	(4,914,595)

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

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10a.)	-	-	-	14,749,596	2,074,594	16,824,190	(14,749,596)	(2,074,594)	(16,824,190)
Lesser of:									
Expected to be recognized within one year (10bi.)	19,985,374	-	19,985,374	6,881,950	1,902,677	8,784,627	13,103,424	(1,902,677)	11,200,747
10% of adjusted capital and surplus (10bii.)			16,939,174			16,308,376			630,798
Adj. gross DTAs offset against existing DTLs (10c.)	3,345,000	-	3,345,000	2,921,658	149,722	3,071,380	423,342	(149,722)	273,620
Total	20,284,174	-	20,284,174	24,553,204	4,126,993	28,680,197	(4,269,030)	(4,126,993)	(8,396,023)

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.)	-	-	-	14,749,596	2,074,594	16,824,190	(14,749,596)	(2,074,594)	(16,824,190)
Lesser of:									
Expected to be recognized within three years (10eii.)	26,126,907	-	26,126,907	11,596,490	1,902,677	13,499,167	14,530,417	(1,902,677)	12,627,740
15% of adjusted capital and surplus (10eib.)			25,408,762			24,462,564			946,198
Adj. gross DTAs offset against existing DTLs (10eiii.)	3,345,000	-	3,345,000	2,921,658	149,722	3,071,380	423,342	(149,722)	273,620
Total	28,753,762	-	28,753,762	29,267,744	4,126,993	33,394,737	(513,982)	(4,126,993)	(4,640,975)

	December 31, 2011	December 31, 2010	Change
Used in SSAP No. 10R, Paragraph 10.d.			
Total Adjusted Capital	201,636,129	208,240,294	(6,604,165)
Authorized Control Level	45,264,410	45,194,418	69,992

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
Impact of Tax Planning Strategies	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0%	0%	0%	0%	0%	0%	0%	0%	0%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Gross DTAs)	0%	0%	0%	0%	6%	6%	0%	(6%)	(6%)

NOTES TO FINANCIAL STATEMENTS

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	16,939,174	-	16,939,174	21,765,182	3,843,635	25,608,817	(4,826,008)	(3,843,635)	(8,669,643)
Admitted Assets			1,093,051,134			1075,179,915			
Adjusted Statutory Surplus*			169,391,745			163,083,761			
Total Adjusted Capital from DTAs	16,939,174	-	16,939,174	21,765,182	3,843,635	25,608,817	(4,826,008)	(3,843,635)	(8,669,643)

* As reported on the statutory balance sheet for the most recently filed statement with the domiciliary state commissioner adjusted in accordance with SSAP No.10R, Paragraph 10bii

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	8,469,588	-	8,469,588	4,714,540	-	4,714,540	3,755,048	-	3,755,048
Admitted Assets	8,469,588	-	8,469,588	4,714,540	-	4,714,540	3,755,048	-	3,755,048
Adjusted Statutory Surplus	8,469,588	-	8,469,588	4,714,540	-	4,714,540	3,755,048	-	3,755,048

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	(621,764)	(3,341,008)
Foreign	0	0
Realized capital gains	(179,236)	2,434,458
Federal and foreign income taxes incurred	(801,000)	(906,550)

The Company's DTAs and DTLs result primarily from discounting of unpaid loss and LAE reserves, limitations on unearned premium reserve deductions, net operating loss carry-forward, allowance for doubtful accounts, investment impairments, deferred intercompany transactions, and non-admitted assets.

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

	2011
Change in net deferred income tax (without unrealized gain or loss)	4,835,292
Change in tax effect of unrealized (gains) losses	561,948
Total change in net deferred income tax	5,397,240

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

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	12,575,000	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

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual 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.

NOTES TO FINANCIAL STATEMENTS

- B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.
- C. As of December 31, 2011, the Company had the following capital transactions with its parent and subsidiaries:
 - 1. Received return of capital distributions of \$3,181,046.
 - 2. Received dividends in the amount of \$365,122.
- D. At December 31, 2011, the Company reported a net \$1,765,407 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.
- E. The Company has not made any guarantees or initiated any undertakings, written or otherwise for the benefit of affiliates.
- 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"), 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 \$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.

- 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 did not recognize any impairment write down for its investments in subsidiary, controlled, or affiliated entities during the statement period.
- K. The Company does not hold investments in foreign subsidiaries.
- L. The Company does not hold investments in downstream non-insurance holding companies.

Note 11 - Debt

- A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

- B. Federal Home Loan Bank Agreements

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

Note 12 - Retirement Plans, Deferred Compensation, 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 4,800,000 common shares authorized, and 3,200,000 shares issued and outstanding as of December 31, 2011. All shares have a stated par value of \$1.25.

The Company has 4,500,000 preferred shares authorized and 925,000 shares are issued and outstanding as of December 31, 2011. All shares have a stated par value of \$2.00.
- 2. The Company paid \$223,850 in dividends on the last business day of each calendar quarter. The dividend rate is equal to the yield on 5 year U.S. Treasury Notes as of the issue date, adjusted every five years. The stock is redeemable at \$20 per share with 30 days notice. In the event of liquidation, holders of the preferred stock are entitled to receive an amount equal to \$20 per share.

NOTES TO FINANCIAL STATEMENTS

3. There are no dividend restrictions.
4. The Company paid dividends to its parent in 2011 of:

	Ordinary	Total Dividends
March	\$ 223,850	\$ 223,850
June	223,850	223,850
September	223,850	223,850
December	223,850	223,850
Total	\$ 895,400	\$ 895,400

5. The maximum amount of dividends which can be paid to shareholders by Indiana-domiciled insurance companies without the prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus or (b) net income, subject to the availability of accumulated undistributed earnings. The maximum dividend payout which may be made without prior approval in 2012 is \$21,010,572.
6. As of December 31, 2011, the Company has restricted surplus of \$8,469,587 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 \$1,009,076 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 \$17,588,724 after applicable deferred taxes of \$412,226.
11. Surplus Notes
Not applicable
12. Quasi-reorganization (dollar impact)
Not applicable
13. Quasi-reorganization (effective date)
Not applicable

Note 14 - Contingencies

- A. Contingent Commitments
 1. The Company has made no commitments or contingent commitments on behalf of affiliates.
 2. The Company has made no guarantees on behalf of affiliates.
- B. Assessments

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

The Company has accrued a liability for guaranty funds and other assessments of \$1,959,593 that is offset by future premium tax credits of \$251,848. 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	\$ 400,064
b. Decreases current year:	
Premium tax offset applied	148,216
c. Increases current year:	
Premium tax offset increase	-
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$ 251,848

NOTES TO FINANCIAL STATEMENTS

C. Gain Contingencies

Not applicable

D. Claims related extra contractual obligation 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	\$2,025,195

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	\$ 272,282	\$ 1,934,244
2013	272,282	1,927,102
2014	22,690	1,788,605
2015	-	1,394,499
2016	-	1,268,500
2017 & thereafter	-	1,562,987
Total	<u>\$ 567,255</u>	<u>\$ 9,875,937</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 \$685,581.

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.

NOTES TO FINANCIAL STATEMENTS

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

A. Transfers of Receivables Reported as Sales

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

B. Transfers and Servicing of Financial Assets

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

At December 31, 2011 the total fair value of securities on loan was \$26,928,437, with corresponding collateral value of \$27,481,038 of which \$27,481,038 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 intercompany pooling agreement. In 2011, the Company recorded net CEA administrative fees of \$54,971.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20 - Fair Value Measurements

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

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

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

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

- Level 1 — Valuations based on unadjusted observable quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 — Valuations based on directly or indirectly observable inputs (other than Level 1 prices) at the measurement date, such as quoted prices in active markets or prices in markets that are not active for similar assets or liabilities or other inputs that are observable.
- Level 3 — Valuations based on inputs that are unobservable and reflect the Company's own assumptions about the assumptions that market participants might use.

NOTES TO FINANCIAL STATEMENTS

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

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	-	\$ 43,281,472	-	\$ 43,281,472
Commercial Mortgage-Backed Securities	-	-	-	-
Total Bonds	-	\$ 43,281,472	-	\$ 43,281,472
Preferred Stocks	-	-	-	-
Common Stocks				
Industrial and Miscellaneous	\$ 33,687,642	-	-	\$ 33,687,642
Total Common Stocks	\$ 33,687,642	-	-	\$ 33,687,642
Total assets at fair value	\$ 33,687,642	\$ 43,281,472	-	\$ 76,969,114
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	\$ -	\$ 220	\$ (220)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Preferred Stock	-	-	-	-	-	-	-	-	-	-
Common Stock	-	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ 220	\$ (220)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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.

NOTES TO FINANCIAL STATEMENTS

Mortgage-Backed Securities

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

Asset-Backed Securities

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

NOTES TO FINANCIAL STATEMENTS

Note 21 - Other Items

A. Extraordinary Items

The Company has no extraordinary items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

1) Assets in the amount of \$1,601,706 and \$1,709,612 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 intercompany reinsurance pool of which Peerless Insurance Company is the lead company, of traditional prop cat excess of loss reinsurance with limits of \$742,500,000,000 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

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

G. Subprime-Mortgage-Related Risk Exposure

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

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

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

<u>Actual Cost</u>	<u>Book Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Other-Than-Temporary Impairments Recognized</u>
\$179,451	\$196,106	\$221,110	\$71,790

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

Note 22 - Events Subsequent

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

There were no events subsequent to December 31, 2011 that would require disclosure.

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverable

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

B. Reinsurance Recoverable in Dispute

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

NOTES TO FINANCIAL STATEMENTS

C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2011.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$ 241,877,858	\$ 36,281,679	\$ 132,852,014	\$ 19,927,802	\$ 109,025,844	\$ 16,353,877
All Other	-	-	-	-	-	-
Total	\$ 241,877,858	\$ 36,281,679	\$ 132,852,014	\$ 19,927,802	\$ 109,025,844	\$ 16,353,877

Direct Unearned Premium Reserve: \$ 132,852,014

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	\$ -	\$ 13,384,705	\$ -	\$ 13,384,705
Sliding scale adjustments	-	-	-	-
Other profit commissions	-	-	-	-
Totals	\$ -	\$ 13,384,705	\$ -	\$ 13,384,705

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	\$ 22,791,197	-
	2. Adjustments – Prior Year(s)	(18,211,947)	-
	3. Adjustments – Current Year	(321,408)	-
	4. Total	\$ 4,257,842	-
b.	Consideration Paid or Received:		
	1. Initial	\$ 18,754,674	-
	2. Adjustments – Prior Year(s)	714,861	-
	3. Adjustments – Current Year	-	-
	4. Total	\$ 19,469,535	-
c.	Amounts Recovered / Paid – Cumulative:		
	1. Initial		
	2. Adjustments – Prior Year(s)	23,063,339	-
	3. Adjustments – Current Year	350,007	-
	4. Total	\$ 23,413,345	-
d.	Special Surplus from Retroactive Reinsurance:		
	1. Initial Surplus Gain or Loss	\$ (4,739,177)	-
	2. Adjustments – Prior Year(s)	(4,136,530)	-
	3. Adjustments – Current Year	(28,599)	-
	4. Current Year Special Surplus	1,009,076	-
	5. Cumulative Total Transferred to Unassigned Funds	\$ (9,913,383)	-
e.	All cedents and reinsurers included in the above transactions:		
	Peerless Insurance Company	\$ 4,257,842	-
	Total	\$ 4,257,842	-

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.

NOTES TO FINANCIAL STATEMENTS

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.

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.

a. Total accrued retro premium	\$246,247
b. Unsecured amount	
c. Less: Nonadmitted amount (10%)	24,601
d. Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	
e. Admitted amount (a) - (c) - (d)	\$221,646

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 \$14,069,046 during 2011. This decrease was primarily the result of updated reserving analysis and improving loss trends in the Commercial Multiple Peril \$6,012,228, Other Liability \$5,297,687, Fidelity/Surety \$4,259,674, and Private Passenger Auto Liability/Medical \$3,831,397 lines. This was partially offset by deteriorating loss trends in the Workers Compensation \$5,360,790 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

NOTES TO FINANCIAL STATEMENTS

American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines
American States Lloyds Insurance Company ("ASLCO")	31933	0.00%	All Lines
Colorado Casualty Insurance Company ("CCIC")	41785	0.00%	All Lines
Consolidated Insurance Company ("CIC")	22640	0.00%	All Lines
Excelsior Insurance Company ("EIC")	11045	0.00%	All Lines
Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%	All Lines
Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%	All Lines
The Midwestern Indemnity Company ("MWIC")	23515	0.00%	All Lines
Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%	All Lines
National Insurance Association ("NIA")	27944	0.00%	All Lines
Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%	All Lines
Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%	All Lines
Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%	All Lines
Safeco National Insurance Company ("SNIC")	24759	0.00%	All Lines
Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%	All Lines
West American Insurance Company ("WAIC")	44393	0.00%	All Lines
		100.0%	

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

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

- (a) Each Affiliated Pool Company cedes its net underwriting activity to the Lead Company. Each 100% Quota Share Affiliated Company cedes its net underwriting activity to the Lead Company.
- (b) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (c) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- (d) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement that have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- (e) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- (f) The write-off of uncollectible reinsurance is pooled and the Provision for Reinsurance is recognized by the entity placing the outbound external reinsurance
- (g) Amounts due (to)/from affiliated entities participating in the PIC Amended and Restated Reinsurance Pooling Agreement as of December 31, 2011:

Affiliate:	Amount:
Peerless Insurance Company	\$ (3,526,627)

Note 27 - Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$5,884,789 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 \$5,884,789 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	\$ 2,365,706

Note 28 - Health Care Receivables

Not applicable

NOTES TO FINANCIAL STATEMENTS

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 \$6,376,309 net of all reinsurance.

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

Note 33 - Asbestos/Environmental Reserves

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

Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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>
Direct Basis					
Beginning Reserves	8,231,079	7,765,129	8,034,353	7,516,806	6,764,168
Incurred losses and LAE	449,575	1,183,935	102,608	(622)	(1,362,004)
Calendar year payments	819,523	914,712	620,155	752,016	473,684
Ending Reserves	<u>7,861,131</u>	<u>8,034,352</u>	<u>7,516,806</u>	<u>6,764,168</u>	<u>4,928,479</u>

Assumed Reinsurance Basis

Beginning Reserves	5,169,263	6,384,267	5,464,887	7,613,191	6,642,679
Incurred losses and LAE	1,470,977	(216,930)	2,701,412	(2,677)	1,177,733
Calendar year payments	495,246	702,451	553,108	967,835	453,849
Ending Reserves	<u>6,144,994</u>	<u>5,464,886</u>	<u>7,613,191</u>	<u>6,642,679</u>	<u>7,366,563</u>

Net of Ceded Reinsurance Basis

Beginning Reserves	10,825,111	11,465,128	10,998,587	12,950,707	11,391,329
Incurred losses and LAE	1,588,174	578,027	3,050,064	6,095	(85,447)
Calendar year payments	1,094,657	1,044,567	1,097,945	1,565,472	1,349,668
Ending Reserves	<u>11,318,628</u>	<u>10,998,588</u>	<u>12,950,706</u>	<u>11,391,330</u>	<u>9,956,214</u>

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

Direct Basis	741,777
Assumed Reinsurance Basis	37,401
Net of Ceded Reinsurance Basis	384,061

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

Direct Basis	1,447,117
Assumed Reinsurance Basis	62,725
Net of Ceded Reinsurance Basis	977,107

Environmental:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Direct Basis					
Beginning Reserves	9,386,826	8,924,811	7,624,649	6,494,936	5,813,685
Incurred losses and LAE	2,469,644	196,506	(330,968)	(34,737)	1,168,489
Calendar year payments	1,784,681	1,496,668	798,746	646,514	835,432
Ending Reserves	<u>10,071,789</u>	<u>7,624,649</u>	<u>6,494,935</u>	<u>5,813,685</u>	<u>6,146,742</u>

Assumed Reinsurance Basis

Beginning Reserves	1,763,028	1,713,573	1,647,721	1,186,069	1,085,347
Incurred losses and LAE	25,752	96	(419,939)	21,832	(116,602)
Calendar year payments	44,957	65,948	41,713	122,553	135,257
Ending Reserves	<u>1,743,823</u>	<u>1,647,721</u>	<u>1,186,069</u>	<u>1,085,348</u>	<u>833,489</u>

Net of Ceded Reinsurance Basis

Beginning Reserves	9,818,970	9,818,472	8,373,803	6,698,868	5,965,051
Incurred losses and LAE	2,724,862	(172,887)	(884,889)	3,732	(720)
Calendar year payments	1,514,381	1,271,783	790,046	737,550	(463,784)
Ending Reserves	<u>11,029,451</u>	<u>8,373,802</u>	<u>6,698,868</u>	<u>5,965,050</u>	<u>6,428,114</u>

NOTES TO FINANCIAL STATEMENTS

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

Direct Basis	447,754
Assumed Reinsurance Basis	1,600
Net of Ceded Reinsurance Basis	374,784

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

Direct Basis	1,041,700
Assumed Reinsurance Basis	10,791
Net of Ceded Reinsurance Basis	952,502

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? _____ Indiana _____
- 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). _____ 06/29/2011 _____
- 3.4 By what department or departments?
Indiana Department of Insurance

- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes No N/A]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No N/A]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes No]
- 4.12 renewals? Yes No]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes No]
- 4.22 renewals? Yes No]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No]
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

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

GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....

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

Yes [] No [X]

7.2 If yes,

7.21 State the percentage of foreign control.

0.00 %

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

1 Nationality	2 Type of Entity
.....

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

Yes [] No [X]

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

.....

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

Yes [] No [X]

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

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

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

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

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

Yes [] No [X]

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

.....

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

Yes [] No [X]

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

.....

GENERAL INTERROGATORIES

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

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

.....

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

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	Liberty Parkwood Crossing LLC
12.12 Number of parcels involved	2
12.13 Total book/adjusted carrying value	\$ 38,652,196

12.2 If yes, provide explanation:

Indiana Insurance Company directly owns 100% of Liberty Parkwood Crossing LLC.

.....

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. \$ 27,481,038

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>1,601,706</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

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	760,937,878	806,004,732	45,066,854
30.2 Preferred stocks	0	0	0
30.3 Totals	760,937,878	806,004,732	45,066,854

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? \$ _____ 101,162

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?

\$ 24,577

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>502,619,546</u>	\$ <u>495,080,640</u>	
2.3 Premium Ratio (2.1/2.2)	<u>0.00</u>	<u>0.00</u>	
2.4 Reserve Numerator	\$ <u>2,524,967</u>	\$ <u>2,418,971</u>	
2.5 Reserve Denominator	\$ <u>802,539,739</u>	\$ <u>786,637,004</u>	
2.6 Reserve Ratio (2.4/2.5)	<u>0.00</u>	<u>0.00</u>	

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

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

3.21 Participating policies \$ 4,052,759

3.22 Non-participating policies \$ 267,904,957

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 | | \$ | 16,445,114 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | | \$ | 1,529,762 |
- 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? \$ 204,576
- 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 | | | 9.00 % |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes No
- 12.6 If yes, state the amount thereof at December 31 of current year:
- | | | | |
|----------------------------------|--|----|------------|
| 12.61 Letters of Credit | | \$ | 38,122,153 |
| 12.62 Collateral and other funds | | \$ | 8,549,126 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 22,432,600
- 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
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	318,449,228	336,834,351	361,296,222	369,419,218	337,494,790
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	149,892,500	155,246,795	164,174,208	115,491,596	114,366,792
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	278,066,639	272,779,648	259,996,304	240,452,710	280,261,326
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	35,948,824	35,068,734	39,134,826	46,868,306	142,231
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)			5		
6. Total (Line 35)	782,357,191	799,929,528	824,601,565	772,231,830	732,265,139
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	201,425,936	206,435,890	229,291,029	232,655,134	209,120,582
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	99,302,362	99,246,544	106,417,985	58,188,505	65,826,763
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	173,724,410	165,307,629	151,957,665	136,482,621	179,928,453
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	35,946,767	35,066,269	39,132,461	46,865,952	138,729
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)			5		
12. Total (Line 35)	510,399,475	506,056,332	526,799,145	474,192,212	455,014,527
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(31,058,732)	(7,114,462)	21,119,994	14,286,984	7,445,459
14. Net investment gain (loss) (Line 11)	34,236,697	40,420,469	38,445,487	47,468,424	39,971,231
15. Total other income (Line 15)	1,738,420	(3,672,501)	(589,772)	(6,401,962)	(302,357)
16. Dividends to policyholders (Line 17)	1,009,358	(169,165)	2,151,599	3,123,793	1,061,498
17. Federal and foreign income taxes incurred (Line 19)	(621,764)	(3,341,008)	18,359,394	13,963,133	10,585,086
18. Net income (Line 20)	4,528,791	33,143,679	38,464,716	38,266,520	35,467,749
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	1,101,520,722	1,079,894,455	1,260,247,251	1,191,735,583	1,103,547,812
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	19,234,452	17,230,942	19,017,271	16,507,812	21,427,307
20.2 Deferred and not yet due (Line 15.2)	144,741,523	138,580,179	135,031,937	127,415,297	140,597,455
20.3 Accrued retrospective premiums (Line 15.3)	221,646	439,721	783,825	2,452,198	1,179,447
21. Total liabilities excluding protected cell business (Page 3, Line 26)	891,415,006	866,939,621	927,518,839	914,127,285	801,502,050
22. Losses (Page 3, Line 1)	432,689,829	428,666,195	451,214,312	472,816,954	388,247,531
23. Loss adjustment expenses (Page 3, Line 3)	95,675,438	95,672,486	107,426,187	108,270,182	88,850,313
24. Unearned premiums (Page 3, Line 9)	241,877,858	232,951,570	220,854,438	202,357,845	207,270,504
25. Capital paid up (Page 3, Lines 30 & 31)	5,850,000	5,850,000	5,850,000	5,850,000	5,850,000
26. Surplus as regards policyholders (Page 3, Line 37)	210,105,716	212,954,834	332,728,412	277,608,298	302,045,761
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	25,606,519	(21,712,077)	58,169,656	157,000,268	95,120,998
Risk-Based Capital Analysis					
28. Total adjusted capital	210,105,716	212,954,834	332,728,412	277,608,298	302,045,761
29. Authorized control level risk-based capital	45,268,264	45,197,033	45,572,863	45,039,005	43,146,376
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	81.6	83.9	82.0	83.5	82.2
31. Stocks (Lines 2.1 & 2.2)	6.5	5.7	2.2	5.2	6.9
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					2.3
34. Cash, cash equivalents and short-term investments (Line 5)	4.5	1.9	11.7	7.1	8.4
35. Contract loans (Line 6)					
36. Derivatives (Line 7)			X X X	X X X	X X X
37. Other invested assets (Line 8)	4.3	4.8	4.1	4.1	0.1
38. Receivables for securities (Line 9)					
39. Securities lending reinvested collateral assets (Line 10)	3.1	3.6	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
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	24,598,485	24,214,202	23,260,595	22,216,939	24,280,439
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	38,652,196	42,227,481	42,011,926	39,959,417	
48. Total of above Lines 42 to 47	63,250,681	66,441,683	65,272,521	62,176,356	24,280,439
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)	30.1	31.2	19.6	22.4	8.0

FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2011	2010	2009	2008	2007
Capital and Surplus Accounts (Page 4)					
50. Net unrealized capital gains (losses) (Line 24)	(1,053,574)	2,751,209	7,339,899	(8,338,224)	(219,778)
51. Dividends to stockholders (Line 35)	(895,400)	(154,895,400)	(895,400)	(55,243,899)	(1,108,651)
52. Change in surplus as regards policyholders for the year (Line 38)	(2,849,118)	(119,773,578)	55,120,114	(24,437,463)	33,285,919
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
53. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	187,498,158	246,194,365	205,659,570	113,323,311	163,088,141
54. Property lines (Lines 1, 2, 9, 12, 21 & 26)	90,679,387	79,966,417	84,180,057	62,849,261	50,007,384
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	209,660,893	148,680,886	167,984,133	184,580,095	139,326,179
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	9,060,947	6,938,936	5,531,566	(3,943,484)	41,346
57. Nonproportional reinsurance lines (Lines 31, 32 & 33)	378,506	1,027,727	(8,927,622)	34,453	17,952
58. Total (Line 35)	497,277,891	482,808,331	454,427,704	356,843,636	352,481,002
Net Losses Paid (Page 9, Part 2, Col. 4)					
59. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	121,929,934	153,020,822	138,808,773	41,328,299	93,092,731
60. Property lines (Lines 1, 2, 9, 12, 21 & 26)	56,349,669	50,857,800	50,092,555	33,268,516	28,824,694
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	119,218,213	88,101,439	91,130,319	95,327,133	75,774,093
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	9,060,947	6,938,936	5,531,566	(3,943,484)	41,626
63. Nonproportional reinsurance lines (Lines 31, 32 & 33)	378,506	1,027,727	(8,927,622)	34,453	17,952
64. Total (Line 35)	306,937,269	299,946,724	276,635,591	166,014,917	197,751,096
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
65. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
66. Losses incurred (Line 2)	61.9	56.0	50.7	52.4	51.4
67. Loss expenses incurred (Line 3)	12.1	11.8	11.9	10.8	11.3
68. Other underwriting expenses incurred (Line 4)	32.2	33.6	33.2	33.8	35.6
69. Net underwriting gain (loss) (Line 8)	(6.2)	(1.4)	4.2	3.0	1.7
Other Percentages					
70. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 12 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	31.4	33.6	31.8	35.5	34.6
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	63.2	62.7
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)	242.9	237.6	158.3	170.8	150.6
One Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(13,523)	(5,831)	(37,023)	(42,591)	(33,047)
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)	(6.4)	(1.8)	(13.3)	(14.1)	(12.3)
Two Year Loss Development (000 omitted)					
75. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(12,134)	(29,593)	(53,349)	(73,569)	(27,596)
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)	(3.6)	(10.7)	(17.7)	(27.4)	(7.8)

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

Yes [] No [X]

If no, please explain:

Not applicable

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

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4	5	6	7	8	9			
				Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	X X X	X X X	X X X	11,863	1,409	1,641	88	634	136	159	12,505	X X X
2. 2002	437,608	43,020	394,588	241,527	24,140	18,297	1,718	31,009	1,568	14,207	263,407	X X X
3. 2003	477,755	39,902	437,853	233,996	20,483	16,445	1,199	35,045	1,663	14,624	262,141	X X X
4. 2004	514,143	28,367	485,776	240,048	9,753	15,113	539	34,364	731	18,102	278,502	X X X
5. 2005	535,620	21,694	513,926	245,509	9,952	15,802	579	36,059	566	17,302	286,273	X X X
6. 2006	534,911	23,890	511,021	246,838	5,595	15,558	673	36,538	817	15,103	291,849	X X X
7. 2007	545,966	26,664	519,302	248,354	5,469	15,080	566	36,305	514	16,262	293,190	X X X
8. 2008	544,894	20,258	524,636	271,561	8,272	13,924	598	40,239	421	14,295	316,433	X X X
9. 2009	511,229	31,972	479,257	216,732	14,192	8,930	677	35,310	305	12,761	245,798	X X X
10. 2010	505,298	10,218	495,080	199,062	1,363	5,556	52	37,406	71	12,848	240,538	X X X
11. 2011	511,910	9,290	502,620	173,390	617	2,263	20	29,419	57	9,731	204,378	X X X
12. Totals	X X X	X X X	X X X	2,328,880	101,245	128,609	6,709	352,328	6,849	145,394	2,695,014	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13	14	15	16	17	18	19	20	21	22			
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	58,414	20,412	28,890	4,232	1,969	451	5,620	671	4,735	1	1,376	73,861	X X X
2. 2002	10,461	1,632	1,357	566	119	10	404	35	457		9	10,555	X X X
3. 2003	3,885	582	1,910	266	83	1	771	29	371		211	6,142	X X X
4. 2004	4,843	1,194	2,697	328	128		769	38	493		892	7,370	X X X
5. 2005	5,982	662	3,112	458	182		1,499	55	628		1,068	10,228	X X X
6. 2006	9,260	1,229	3,158	465	290	1	2,091	99	927		2,881	13,932	X X X
7. 2007	15,621	737	5,708	1,148	503	1	2,796	223	1,449		1,055	23,968	X X X
8. 2008	21,742	476	11,008	2,187	887	6	5,645	262	2,665		3,467	39,016	X X X
9. 2009	34,181	720	19,309	2,025	1,064	31	8,414	334	4,058		3,620	63,916	X X X
10. 2010	50,243	460	29,589	1,945	1,172	9	13,135	484	7,041		5,996	98,282	X X X
11. 2011	80,572	403	73,798	924	961	1	15,719	90	11,658	197	10,071	181,093	X X X
12. Totals	295,204	28,507	180,536	14,544	7,358	511	56,863	2,320	34,482	198	30,646	528,363	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26	27	28	29	30	31	32	33		35	36
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense		Losses Unpaid	Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	62,660	11,201
2. 2002	303,631	29,669	273,962	69.384	68.966	69.430			4.800	9,620	935
3. 2003	292,506	24,223	268,283	61.225	60.706	61.272			4.800	4,947	1,195
4. 2004	298,455	12,583	285,872	58.049	44.358	58.849			4.800	6,018	1,352
5. 2005	308,773	12,272	296,501	57.648	56.569	57.693			4.800	7,974	2,254
6. 2006	314,660	8,879	305,781	58.825	37.166	59.837			4.800	10,724	3,208
7. 2007	325,816	8,658	317,158	59.677	32.471	61.074			4.800	19,444	4,524
8. 2008	367,671	12,222	355,449	67.476	60.332	67.752			4.800	30,087	8,929
9. 2009	327,998	18,284	309,714	64.159	57.188	64.624			4.800	50,745	13,171
10. 2010	343,204	4,384	338,820	67.921	42.905	68.437			4.800	77,427	20,855
11. 2011	387,780	2,309	385,471	75.752	24.855	76.692			4.800	153,043	28,050
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	432,689	95,674

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	251,257	268,498	271,276	279,660	283,035	286,092	280,157	293,054	299,343	299,546	203	6,492
2. 2002	252,674	251,385	249,114	243,848	242,967	241,000	239,384	240,853	240,803	244,379	3,576	3,526
3. 2003	X X X	248,867	244,306	238,220	236,988	238,625	236,790	235,923	234,972	234,763	(209)	(1,160)
4. 2004	X X X	X X X	279,879	273,089	269,534	257,807	256,238	253,283	252,598	252,021	(577)	(1,262)
5. 2005	X X X	X X X	X X X	292,061	280,949	267,059	265,359	262,125	261,421	260,628	(793)	(1,497)
6. 2006	X X X	X X X	X X X	X X X	287,434	281,571	274,217	268,087	268,965	269,427	462	1,340
7. 2007	X X X	X X X	X X X	X X X	X X X	308,090	299,917	281,166	281,019	280,248	(771)	(918)
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	333,468	318,301	317,056	313,346	(3,710)	(4,955)
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	284,669	275,697	270,970	(4,727)	(13,699)
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	301,712	294,735	(6,977)	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	344,792	X X X	X X X
12. Totals											(13,523)	(12,133)

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	74,574	120,973	150,956	171,288	185,581	197,709	205,459	214,620	226,627	X X X	X X X
2. 2002	115,151	168,562	193,992	211,760	220,844	226,102	229,428	231,222	233,142	233,966	X X X	X X X
3. 2003	X X X	116,197	167,328	191,843	207,834	218,631	223,344	226,182	227,714	228,759	X X X	X X X
4. 2004	X X X	X X X	120,560	181,056	209,272	226,031	235,930	240,822	243,169	244,869	X X X	X X X
5. 2005	X X X	X X X	X X X	123,424	183,263	211,915	230,537	242,202	247,844	250,780	X X X	X X X
6. 2006	X X X	X X X	X X X	X X X	125,698	186,749	213,334	234,798	248,060	256,127	X X X	X X X
7. 2007	X X X	X X X	X X X	X X X	X X X	130,619	194,015	223,142	244,252	257,400	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	151,450	223,952	255,529	276,615	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	126,501	183,351	210,792	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	138,943	203,203	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	175,015	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	95,682	76,561	58,631	50,364	45,625	38,843	37,475	40,534	41,352	33,154
2. 2002	76,734	39,008	22,205	12,827	9,410	6,379	4,227	3,910	2,328	1,475
3. 2003	X X X	69,589	34,656	19,818	13,724	9,988	7,320	4,973	3,154	2,618
4. 2004	X X X	X X X	87,374	43,482	28,712	15,480	11,384	6,159	4,520	3,376
5. 2005	X X X	X X X	X X X	97,603	48,539	24,543	15,217	8,666	5,980	4,347
6. 2006	X X X	X X X	X X X	X X X	88,035	44,320	27,020	13,013	7,390	4,980
7. 2007	X X X	X X X	X X X	X X X	X X X	91,017	47,479	22,372	12,170	7,462
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	98,967	43,543	25,977	14,583
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	86,753	43,928	25,683
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	85,665	40,586
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	88,649

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

States, Etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
		2	3						
	Active Status	Direct Premiums Written	Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	N							
2. Alaska	AK	N							
3. Arizona	AZ	N							
4. Arkansas	AR	N							
5. California	CA	N							
6. Colorado	CO	N							
7. Connecticut	CT	N							
8. Delaware	DE	N							
9. District of Columbia	DC	N							
10. Florida	FL	L			686	(20)	2,424		
11. Georgia	GA	N							
12. Hawaii	HI	N							
13. Idaho	ID	N							
14. Illinois	IL	L	40,414,177	51,598,480	1,479	32,245,980	32,678,878	60,317,476	223,779
15. Indiana	IN	L	121,629,527	122,842,289	1,255	81,557,386	92,158,251	87,805,854	673,478
16. Iowa	IA	L	281,354	290,144	(21,154)	89,806	97,666	110,199	1,558
17. Kansas	KS	N							
18. Kentucky	KY	L	34,181,432	37,169,068		20,011,310	18,921,955	26,268,931	189,267
19. Louisiana	LA	N							
20. Maine	ME	N							
21. Maryland	MD	N							
22. Massachusetts	MA	N							
23. Michigan	MI	L	3,448,446	3,547,407	19,537	2,916,606	2,531,050	9,374,405	19,094
24. Minnesota	MN	L	626,982	843,128		103,731	162,409	1,036,779	3,472
25. Mississippi	MS	N							
26. Missouri	MO	N							
27. Montana	MT	N							
28. Nebraska	NE	N							
29. Nevada	NV	N							
30. New Hampshire	NH	N				16,399	16,399		
31. New Jersey	NJ	L	23,883,091	22,344,921	235,547	10,569,287	18,506,284	25,915,879	132,244
32. New Mexico	NM	N							
33. New York	NY	Q							
34. North Carolina	NC	N							
35. North Dakota	ND	N							
36. Ohio	OH	L	8,312,325	6,902,812		1,214,952	1,785,574	3,946,518	46,026
37. Oklahoma	OK	N							
38. Oregon	OR	N							
39. Pennsylvania	PA	N							
40. Rhode Island	RI	N							
41. South Carolina	SC	N							
42. South Dakota	SD	N							
43. Tennessee	TN	L	37,508,031	38,680,233		40,458,277	46,281,348	29,045,975	207,687
44. Texas	TX	N							
45. Utah	UT	N							
46. Vermont	VT	N							
47. Virginia	VA	N							
48. Washington	WA	L	3,983	3,980		217,500	498,465	1,479,344	22
49. West Virginia	WV	N							
50. Wisconsin	WI	L	1,668,367	1,726,729	645,468	955,100	2,541,315	2,550,114	9,238
51. Wyoming	WY	N							
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	N							
55. U.S. Virgin Islands	VI	N							
56. Northern Mariana Islands	MP	N							
57. Canada	CN	N							
58. Aggregate Other Alien	OT	X X X							
59. Totals	(a) 12		271,957,715	285,949,191	882,132	190,340,621	216,179,574	247,870,297	1,505,865

DETAILS OF WRITE-INS									
5801.		X X X							
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							

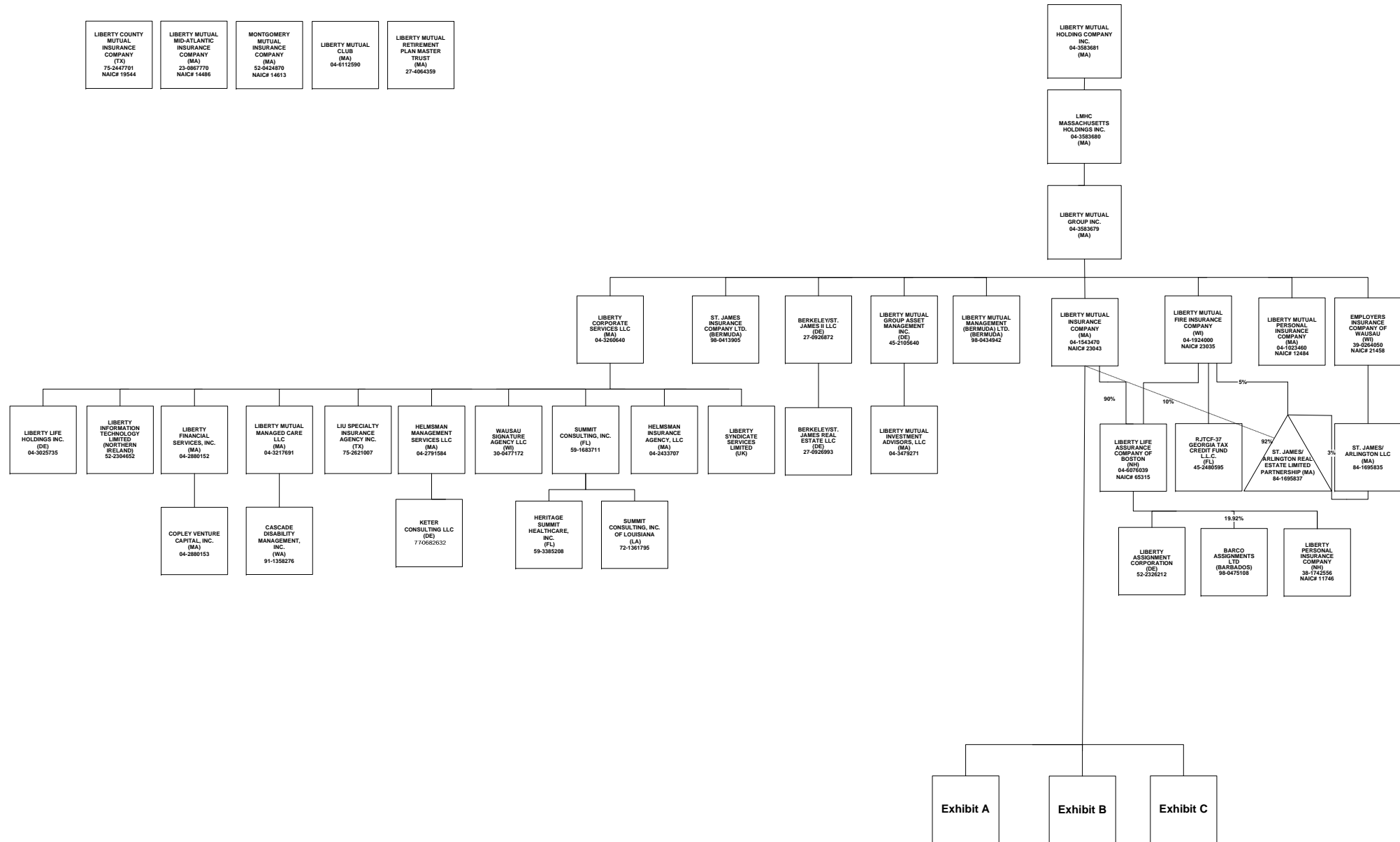
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

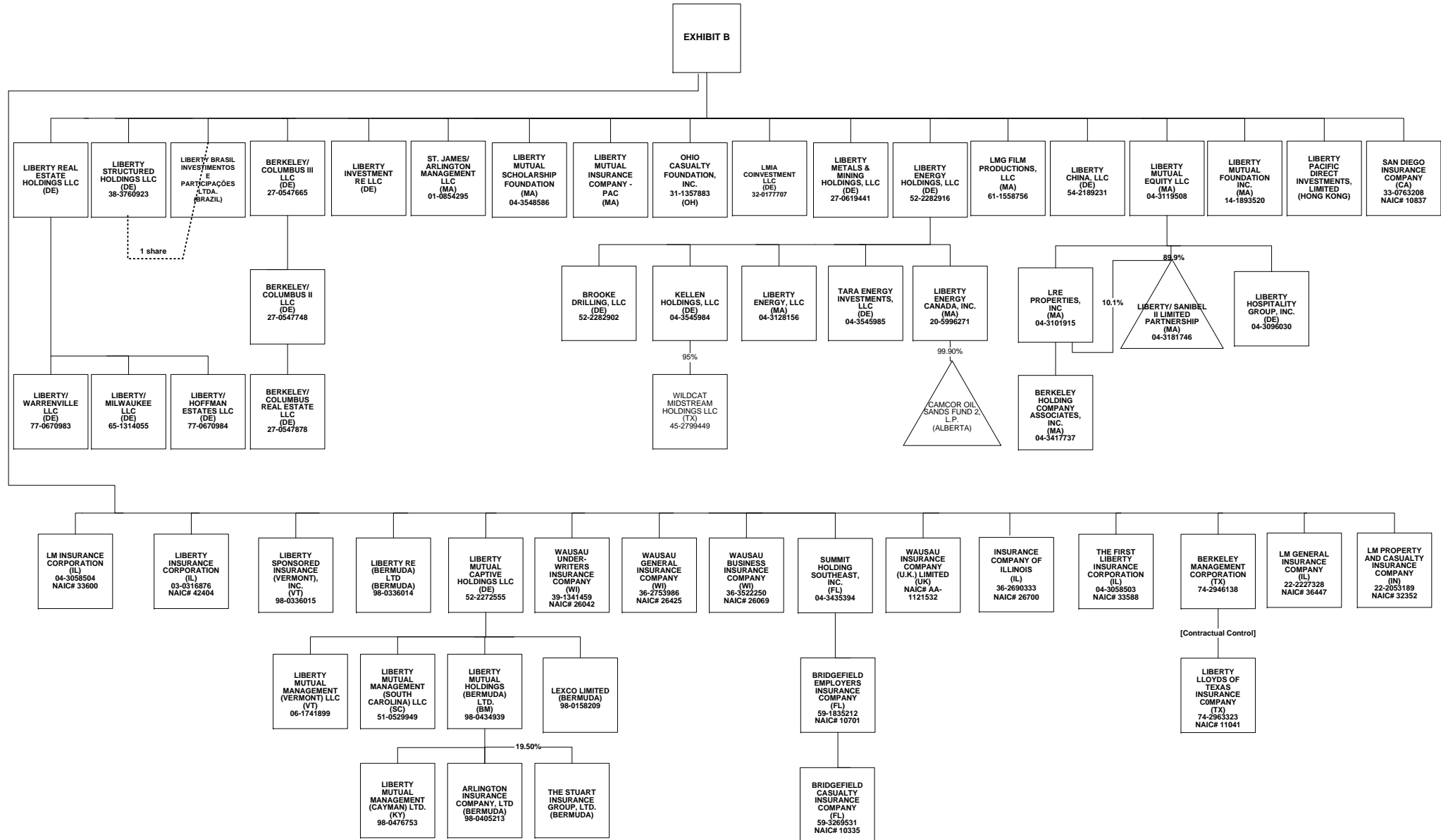
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



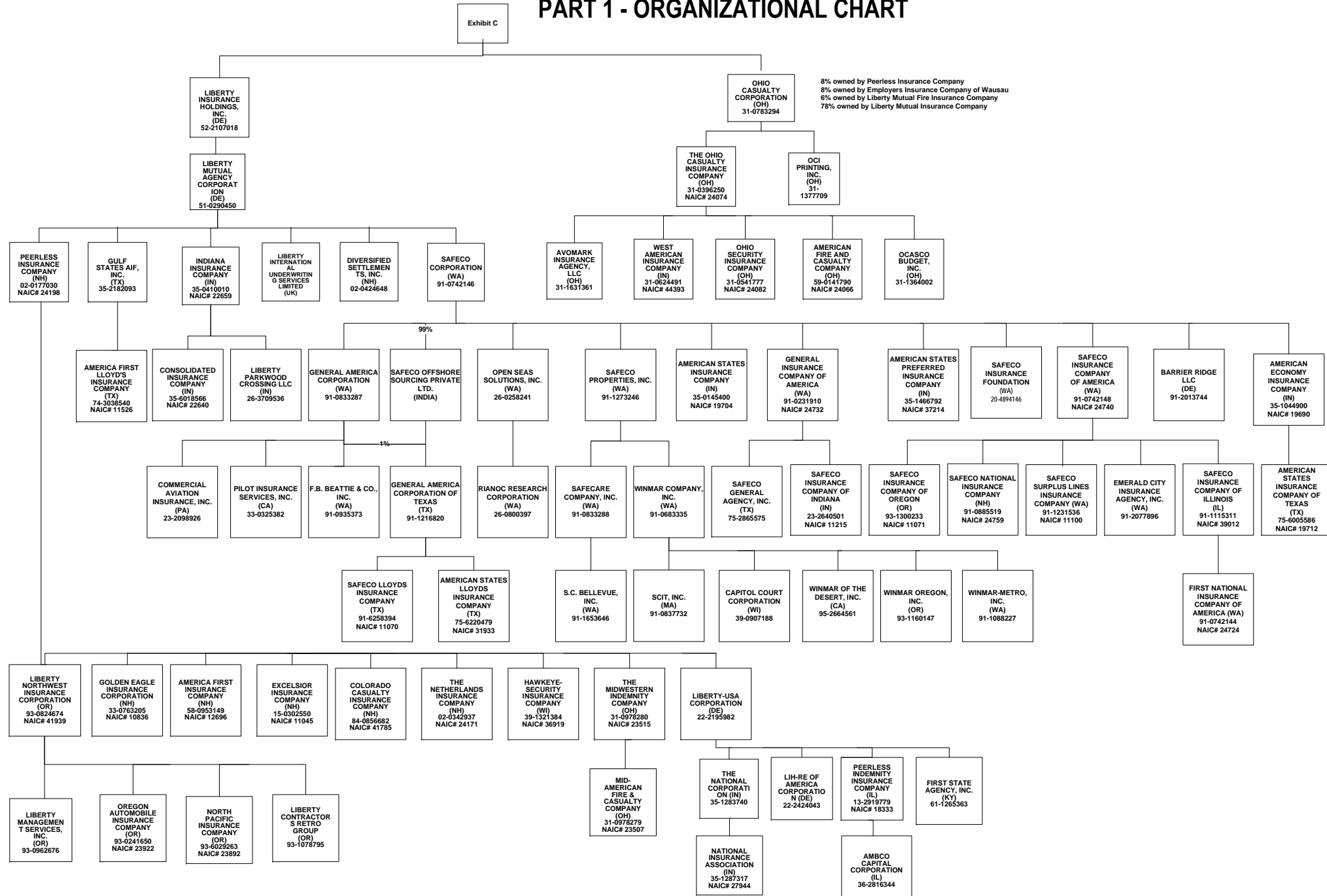
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

	1	2
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES	Current Year	Prior Year
2504. Accrued return retrospective premiums		584,361
2505. Private passenger auto escrow		51,370
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)		635,731

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