

**ANNUAL STATEMENT**

**OF THE**

**INDIANA INSURANCE COMPANY**

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**of** \_\_\_\_\_ **INDIANAPOLIS** \_\_\_\_\_

**in the state of** \_\_\_\_\_ **INDIANA** \_\_\_\_\_

**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2008**

**PROPERTY AND CASUALTY**

**2008**



22659200820100010

# ANNUAL STATEMENT

For the Year Ended December 31, 2008  
OF THE CONDITION AND AFFAIRS OF THE

## Indiana Insurance Company

NAIC Group Code 0111 0111 NAIC Company Code 22659 Employer's ID Number 35-0410010  
(Current Period) (Prior Period)

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  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office: 350 East 96th Street  
(Street and Number)

Indianapolis, IN 46240 317-581-6400  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

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

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

Internet Website Address: www.LibertyMutualAgencyMarkets.com

Statutory Statement Contact: Joanne Connolly 617-357-9500 x44393  
(Name) (Area Code) (Telephone Number) (Extension)  
Joanne.Connolly@LibertyMutual.com 617-574-5955  
(E-Mail Address) (Fax Number)

### OFFICERS

#### Chairman of the Board

Gary Richard Gregg

	Name	Title
1.	<u>Gary Richard Gregg</u>	<u>President and Chief Executive Officer</u>
2.	<u>Dexter Robert Legg #</u>	<u>Secretary</u>
3.	<u>Michael Joseph Fallon #</u>	<u>Treasurer and Chief Financial Officer</u>

#### VICE-PRESIDENTS

Name	Title	Name	Title
<u>Anthony Alexander Fontanes</u>	<u>EVP and Chief Investment Officer</u>	<u>Joseph Anthony Gilles</u>	<u>Executive Vice President</u>
<u>Scott Rhodes Goodby</u>	<u>EVP and Chief Operating Officer</u>		

#### DIRECTORS OR TRUSTEES

<u>Michael Joseph Fallon #</u>	<u>John Derek Doyle</u>	<u>Joseph Anthony Gilles</u>	<u>Scott Rhodes Goodby</u>
<u>Gary Richard Gregg</u>	<u>Christopher Charles Mansfield</u>	<u>Kevin John Kirschner</u>	

State of Massachusetts

County of Suffolk ss

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

<u>(Signature)</u> <u>Gary Richard Gregg</u> <u>(Printed Name)</u> 1. <u>President and Chief Executive Officer</u> <u>(Title)</u>	<u>(Signature)</u> <u>Dexter Robert Legg #</u> <u>(Printed Name)</u> 2. <u>Secretary</u> <u>(Title)</u>	<u>(Signature)</u> <u>Michael Joseph Fallon #</u> <u>(Printed Name)</u> 3. <u>Treasurer and Chief Financial Officer</u> <u>(Title)</u>
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Subscribed and sworn to before me this  
2nd day of February, 2009

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

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	826,518,719		826,518,719	744,832,548
2. Stocks (Schedule D):				
2.1 Preferred stocks	23,100		23,100	2,310,000
2.2 Common stocks	51,922,896		51,922,896	60,544,420
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)				21,029,277
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 11,480,994, Schedule E - Part 1), cash equivalents (\$ 28,409,944, Schedule E - Part 2), and short-term investments (\$ 30,378,114, Schedule DA)	70,269,052		70,269,052	75,962,984
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	41,049,230		41,049,230	1,091,611
8. Receivables for securities				2,597
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	989,782,997		989,782,997	905,773,437
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	9,149,366		9,149,366	8,162,482
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	18,569,959	2,062,147	16,507,812	21,427,307
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 2,997,846 earned but unbilled premiums)	127,935,934	520,637	127,415,297	140,597,455
13.3 Accrued retrospective premiums	2,694,460	242,262	2,452,198	1,179,447
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers				
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset	56,015,000	29,728,120	26,286,880	22,538,158
17. Guaranty funds receivable or on deposit	633,366		633,366	550,986
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0)	50,312	50,312		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	11,674,811		11,674,811	129,600
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	7,880,314	47,458	7,832,856	3,188,940
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,224,386,519	32,650,936	1,191,735,583	1,103,547,812
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	1,224,386,519	32,650,936	1,191,735,583	1,103,547,812

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)				
2301. Other assets	78,320	47,458	30,862	248,356
2302. Cash Surrender Value Life Insurance	4,422,363		4,422,363	
2303. Equities and deposits in pools and associations	3,379,631		3,379,631	2,940,584
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	7,880,314	47,458	7,832,856	3,188,940

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	472,816,954	388,247,531
2. Reinsurance payable on paid losses and loss adjustment expenses	24,725,919	20,163,533
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	108,270,182	88,850,313
4. Commissions payable, contingent commissions and other similar charges	12,868,554	14,322,479
5. Other expenses (excluding taxes, licenses and fees)	15,789,486	14,014,242
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	9,780,197	8,725,100
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	1,046,227	10,761,764
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 \$ 149,837,825 and including warranty reserves of \$ 0)	202,357,845	207,270,504
10. Advance premium	1,320,573	968,617
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	287,236	87,646
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	892,013	237,149
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	2,901,264	
19. Payable to parent, subsidiaries and affiliates	18,521,949	9,244,636
20. Payable for securities		
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	42,548,886	38,608,536
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	914,127,285	801,502,050
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	914,127,285	801,502,050
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	4,000,000	4,000,000
29. Preferred capital stock	1,850,000	1,850,000
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	45,442,432	45,442,432
33. Unassigned funds (surplus)	226,315,866	250,753,329
34. Less treasury stock, at cost:		
34.1 0 shares common (value included in Line 28 \$ 0)		
34.2 0 shares preferred (value included in Line 29 \$ 0)		
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	277,608,298	302,045,761
36. Totals (Page 2, Line 26, Col. 3)	1,191,735,583	1,103,547,811

DETAILS OF WRITE-IN LINES		
2301. Other liabilities	4,553,452	4,865,321
2302. Retroactive retroactive reinsurance	10,034,697	
2303. Collateral held for securities loaned	27,960,737	33,743,215
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	42,548,886	38,608,536
2701. ....		
2702. ....		
2703. ....		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		
3001. ....		
3002. ....		
3003. ....		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

## STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	478,501,985	441,064,371
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	250,584,342	226,493,624
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	51,866,665	49,989,900
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	161,763,994	157,135,388
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	464,215,001	433,618,912
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	14,286,984	7,445,459
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	49,472,900	39,910,978
10. Net realized capital gains (losses) less capital gains tax of \$ (1,079,333) (Exhibit of Capital Gains (Losses))	(2,004,476)	60,253
11. Net investment gain (loss) (Lines 9 + 10)	47,468,424	39,971,231
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 49,225 amount charged off \$ 1,934,462)	(1,885,237)	(902,391)
13. Finance and service charges not included in premiums	394,538	594,314
14. Aggregate write-ins for miscellaneous income	(4,911,263)	5,720
15. Total other income (Lines 12 through 14)	(6,401,962)	(302,357)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	55,353,446	47,114,333
17. Dividends to policyholders	3,123,793	1,061,498
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)	52,229,653	46,052,835
19. Federal and foreign income taxes incurred	13,963,133	10,585,086
20. Net income (Line 18 minus Line 19) (to Line 22)	38,266,520	35,467,749
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	302,045,761	268,759,842
22. Net income (from Line 20)	38,266,520	35,467,749
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (3,378,698)	(8,338,224)	(219,778)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	14,826,302	4,475,620
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(15,651,746)	(5,329,021)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(55,243,899)	(1,108,651)
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	1,703,584	
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(24,437,463)	33,285,919
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	277,608,298	302,045,761

<b>DETAILS OF WRITE-IN LINES</b>		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401. Other income/(expense)	(4,999,359)	5,720
1402. Retroactive reinsurance gain/(loss)	88,096	
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(4,911,263)	5,720
3701. Other changes in surplus	1,703,584	
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	1,703,584	

**CASH FLOW**

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	489,445,339	451,749,548
2. Net investment income	49,610,095	39,965,006
3. Miscellaneous income	(6,234,828)	(1,654,977)
4. Total (Lines 1 through 3)	532,820,606	490,059,577
5. Benefit and loss related payments	158,551,269	196,060,885
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	191,745,528	194,194,237
8. Dividends paid to policyholders	2,924,204	1,155,481
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	22,599,337	3,527,976
10. Total (Lines 5 through 9)	375,820,338	394,938,579
11. Net cash from operations (Line 4 minus Line 10)	157,000,268	95,120,998
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	119,747,618	84,594,337
12.2 Stocks		2,000,000
12.3 Mortgage loans		
12.4 Real estate	33,809,840	
12.5 Other invested assets		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	2,598	644,779
12.8 Total investment proceeds (Lines 12.1 to 12.7)	153,560,056	87,239,116
13. Cost of investments acquired (long-term only):		
13.1 Bonds	202,959,077	163,511,301
13.2 Stocks	2,798,097	5,944,140
13.3 Mortgage loans		
13.4 Real estate	13,471,769	6,333,548
13.5 Other invested assets	39,959,417	
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	259,188,360	175,788,989
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)	(105,628,304)	(88,549,873)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	55,243,899	1,108,651
16.6 Other cash provided (applied)	(1,821,997)	(12,055,916)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(57,065,896)	(13,164,567)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(5,693,932)	(6,593,442)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	75,962,984	82,556,426
19.2 End of year (Line 18 plus Line 19.1)	70,269,052	75,962,984

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

20.0001		
20.0002		
20.0003		

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	3,365,177	2,146,614	2,149,232	3,362,559
2. Allied lines	3,764,121	1,900,845	2,015,444	3,649,522
3. Farmowners multiple peril	2,430,496	2,302,896	1,676,043	3,057,349
4. Homeowners multiple peril	31,398,510	19,866,192	14,813,336	36,451,366
5. Commercial multiple peril	102,656,584	66,373,131	55,222,591	113,807,124
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	9,321,540	6,076,707	4,562,225	10,836,022
10. Financial guaranty				
11.1 Medical malpractice—occurrence	175	(505)		(330)
11.2 Medical malpractice—claims-made				
12. Earthquake	958,732	868,872	436,580	1,391,024
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	1,291			1,291
16. Workers' compensation	113,963,823	26,627,360	23,044,242	117,546,941
17.1 Other liability—occurrence	31,678,893	12,040,905	14,078,033	29,641,765
17.2 Other liability—claims-made	132,230		41,067	91,163
18.1 Products liability—occurrence	1,535,892	341,251	566,321	1,310,822
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	37,972,760	17,035,561	18,197,292	36,811,029
19.3,19.4 Commercial auto liability	47,371,361	27,127,623	24,269,606	50,229,378
21. Auto physical damage	40,763,387	20,770,920	20,110,063	41,424,244
22. Aircraft (all perils)				
23. Fidelity	868,155	15,982	404,685	479,452
24. Surety	45,996,506	70,861	17,747,631	28,319,736
26. Burglary and theft	15,548	24,827	9,511	30,864
27. Boiler and machinery	(2,969)	71,476	7,842	60,665
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	474,192,212	203,661,518	199,351,744	478,501,986

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	2,149,227	6			2,149,233
2. Allied lines	2,015,428	16			2,015,444
3. Farmowners multiple peril	1,676,008	35			1,676,043
4. Homeowners multiple peril	14,813,336				14,813,336
5. Commercial multiple peril	56,005,040	1,529	(788,485)	4,506	55,222,590
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	4,497,480	64,745			4,562,225
10. Financial guaranty					
11.1 Medical malpractice—occurrence					
11.2 Medical malpractice—claims-made					
12. Earthquake	436,579	2			436,581
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	24,745,727	58	(1,693,288)	(8,256)	23,044,241
17.1 Other liability—occurrence	14,439,112	148,813	(505,386)	(4,506)	14,078,033
17.2 Other liability—claims-made	41,093		(26)		41,067
18.1 Products liability—occurrence	576,963	19	(10,661)		566,321
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	18,197,292				18,197,292
19.3,19.4 Commercial auto liability	23,799,160	470,446			24,269,606
21. Auto physical damage	20,026,660	83,403			20,110,063
22. Aircraft (all perils)					
23. Fidelity	127,725	276,960			404,685
24. Surety	13,353,851	4,393,780			17,747,631
26. Burglary and theft	9,511				9,511
27. Boiler and machinery	7,842				7,842
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	196,918,034	5,439,812	(2,997,846)	(8,256)	199,351,744
36. Accrued retrospective premiums based on experience					8,256
37. Earned but unbilled premiums					2,997,846
38. Balance (Sum of Lines 35 through 37)					202,357,846

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 Daily pro rata



## 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	2,074,795	3,365,177		2,074,795		3,365,177
2. Allied lines	1,995,278	3,764,121		1,995,278		3,764,121
3. Farmowners multiple peril	4,358,359	2,430,496		4,358,359		2,430,496
4. Homeowners multiple peril	61,104,848	31,398,510		61,104,848		31,398,510
5. Commercial multiple peril	38,506,556	102,656,584		38,506,556		102,656,584
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	3,363,306	9,321,540		3,363,306		9,321,540
10. Financial guaranty						
11.1 Medical malpractice—occurrence		175				175
11.2 Medical malpractice—claims-made						
12. Earthquake	3,277,877	958,732		3,277,877		958,732
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		1,291				1,291
16. Workers' compensation	26,831,984	113,963,823		26,831,984		113,963,823
17.1 Other liability—occurrence	35,956,494	31,678,893		35,956,494		31,678,893
17.2 Other liability—claims-made		132,230				132,230
18.1 Products liability—occurrence	130,245	1,535,892		130,245		1,535,892
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	58,413,963	37,972,760		58,413,963		37,972,760
19.3,19.4 Commercial auto liability	15,431,398	47,371,361		15,431,398		47,371,361
21. Auto physical damage	46,586,715	40,763,387		46,586,715		40,763,387
22. Aircraft (all perils)						
23. Fidelity		868,155				868,155
24. Surety	2,354	45,996,506		2,354		45,996,506
26. Burglary and theft	5,120	15,548		5,120		15,548
27. Boiler and machinery	326	(2,969)		326		(2,969)
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	298,039,618	474,192,212		298,039,618		474,192,212

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 \$

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



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

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable 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	81,399	595,678	81,399	595,678	39,254	268,795	39,254	864,473	182,876
2. Allied lines	260,042	409,963	260,042	409,963	38,584	124,784	38,584	534,747	122,431
3. Farmowners multiple peril	1,409,061	987,876	1,409,061	987,876	26,107	205,441	26,107	1,193,317	282,226
4. Homeowners multiple peril	9,985,725	7,161,192	9,985,725	7,161,192	3,730,090	3,726,086	3,730,090	10,887,278	2,260,139
5. Commercial multiple peril	27,910,314	54,965,490	27,910,314	54,965,490	55,741,850	40,359,631	55,741,850	95,325,121	40,784,089
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine	1,136,273	1,195,813	1,136,273	1,195,813	76,377	316,088	76,377	1,511,901	268,877
10. Financial guaranty									
11.1 Medical malpractice—occurrence									(5)
11.2 Medical malpractice—claims-made									
12. Earthquake	300,000	24,263	300,000	24,263				24,263	966
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health									(6)
16. Workers' compensation	30,404,986	101,561,575	30,404,986	101,561,575	22,037,883	116,973,762	22,037,883	218,535,337	32,399,531
17.1 Other liability—occurrence	18,290,034	13,407,748	18,290,034	13,407,748	42,052,451	35,489,362	42,052,451	48,897,110	14,625,284
17.2 Other liability—claims-made		9,008		9,008		12,897		21,905	3,010
18.1 Products liability—occurrence	32,481	512,291	32,481	512,291	465,334	1,152,863	465,334	1,665,154	650,589
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	27,667,446	21,400,654	27,667,446	21,400,654	12,929,682	7,799,561	12,929,682	29,200,215	4,838,597
19.3,19.4 Commercial auto liability	10,090,144	28,397,059	10,090,144	28,397,059	12,214,691	20,702,815	12,214,691	49,099,874	8,601,845
21. Auto physical damage	2,549,797	2,317,008	2,549,797	2,317,008		5,104		2,322,112	202,573
22. Aircraft (all perils)									
23. Fidelity		79,265		79,265		82,536		161,801	204,132
24. Surety		1,261,633		1,261,633	(286)	11,231,665	(286)	12,493,298	2,949,838
26. Burglary and theft		4,841		4,841		933		5,774	2,066
27. Boiler and machinery					19,905	16,206	19,905	16,206	(108,875)
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	57,070		57,070	X X X			57,070	
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	130,117,702	234,348,427	130,117,702	234,348,427	149,371,922	238,468,529	149,371,922	472,816,956	108,270,183

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	33,464,337			33,464,337
1.2 Reinsurance assumed	24,477,842			24,477,842
1.3 Reinsurance ceded	33,464,337			33,464,337
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	24,477,842			24,477,842
2. Commission and brokerage:				
2.1 Direct, excluding contingent		43,196,372		43,196,372
2.2 Reinsurance assumed, excluding contingent		67,358,404		67,358,404
2.3 Reinsurance ceded, excluding contingent		43,196,372		43,196,372
2.4 Contingent—direct		458,519		458,519
2.5 Contingent—reinsurance assumed		9,872,115		9,872,115
2.6 Contingent—reinsurance ceded		458,519		458,519
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)		77,230,519		77,230,519
3. Allowances to manager and agents		2,127		2,127
4. Advertising	624,527	2,390,209	2,333	3,017,069
5. Boards, bureaus and associations	50,559	1,312,919	63	1,363,541
6. Surveys and underwriting reports	193	1,522,505	1,146	1,523,844
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	14,931,693	35,703,762	215,876	50,851,331
8.2 Payroll taxes	971,346	2,969,782	12,053	3,953,181
9. Employee relations and welfare	2,517,890	7,462,856	12,248	9,992,994
10. Insurance	40,914	227,580	425	268,919
11. Directors' fees	45	1,169		1,214
12. Travel and travel items	860,054	2,917,895	4,114	3,782,063
13. Rent and rent items	1,278,326	3,628,892	4,830	4,912,048
14. Equipment	1,037,278	2,919,505	4,397	3,961,180
15. Cost or depreciation of EDP equipment and software	1,026,149	1,702,481	1,429	2,730,059
16. Printing and stationery	205,371	761,241	599	967,211
17. Postage, telephone and telegraph, exchange and express	503,452	1,989,174	1,615	2,494,241
18. Legal and auditing	112,813	608,764	18,215	739,792
19. Totals (Lines 3 to 18)	24,160,610	66,120,861	279,343	90,560,814
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 146,738		11,910,641		11,910,641
20.2 Insurance department licenses and fees		593,391		593,391
20.3 Gross guaranty association assessments		(2,457,429)		(2,457,429)
20.4 All other (excluding federal and foreign income and real estate)		405,104		405,104
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		10,451,707		10,451,707
21. Real estate expenses			1,081,010	1,081,010
22. Real estate taxes			638,124	638,124
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	3,228,213	7,960,907	26,971	11,216,091
25. Total expenses incurred	51,866,665	161,763,994	2,025,448	(a) 215,656,107
26. Less unpaid expenses—current year	108,270,182	38,438,237		146,708,419
27. Add unpaid expenses—prior year	88,850,313	37,061,821		125,912,134
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)	32,446,796	160,387,578	2,025,448	194,859,822

DETAILS OF WRITE-IN LINES				
2401. Change in unallocated expense reserves	2,196,868			2,196,868
2402. Other expenses	1,031,345	7,960,907	26,971	9,019,223
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	3,228,213	7,960,907	26,971	11,216,091

(a) Includes management fees of \$ 306,315 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) 6,863,196	6,904,660
1.1 Bonds exempt from U.S. tax	(a) 11,687,064	11,802,257
1.2 Other bonds (unaffiliated)	(a) 20,820,580	21,372,731
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 85,140	85,140
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	2,578,481	2,825,346
2.21 Common stocks of affiliates	2,428,043	2,428,043
3. Mortgage loans	(c)	
4. Real estate	(d) 3,462,480	3,462,480
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 1,238,521	1,269,732
7. Derivative instruments	(f)	
8. Other invested assets	56,952	56,952
9. Aggregate write-ins for investment income	1,982,213	1,982,213
10. Total gross investment income	51,202,670	52,189,554
11. Investment expenses		(g) 2,025,448
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) 691,206
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		2,716,654
17. Net investment income (Line 10 minus Line 16)		49,472,900

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	1,982,213	1,982,213
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)	1,982,213	1,982,213
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 \$ 447,560 accrual of discount less \$ 878,636 amortization of premium and less \$ 926,599 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 \$ 3,462,480 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 176,250 accrual of discount less \$ 0 amortization of premium and less \$ 11,917 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 \$ 691,206 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	420,443		420,443		
1.1 Bonds exempt from U.S. tax	46,102		46,102		
1.2 Other bonds (unaffiliated)	(191,764)	(339,090)	(530,854)	(1,029,903)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)		(3,019,500)	(3,019,500)	732,600	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)				(9,356,119)	
2.21 Common stocks of affiliates				(2,063,500)	
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	274,781	(3,358,590)	(3,083,809)	(11,716,922)	

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

## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	2,062,147	923,558	(1,138,589)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	520,637	404,147	(116,490)
13.3 Accrued retrospective premiums	242,262	172,495	(69,767)
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	29,728,120	15,271,842	(14,456,278)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets	50,312	59,747	9,435
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	47,458	166,998	119,540
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	32,650,936	16,998,787	(15,652,149)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	32,650,936	16,998,787	(15,652,149)

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)			
2301. Other assets	47,458	166,998	119,540
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	47,458	166,998	119,540

## 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 uses the following accounting policies:

1. Short term investments are carried at cost adjusted where appropriate for amortization of premium or discount, or market 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 market as specified by the SVO Manual.
3. Common stocks are carried at market value, except that investments in stocks of subsidiaries and affiliates are carried according to Note 1 C (7).
4. Preferred stocks are carried at cost or market as specified by the SVO Manual.
5. The Company does not own mortgage loans.
6. Mortgage backed/asset backed securities are stated at amortized cost or market 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. The Company carries its investments in SCA companies in accordance with SSAP No. 97, *Investment in Subsidiaries, Controlled and Affiliated Entities a Replacement of SSAP No.88*, and the SVO Manual. Schedule D Part 6-Section 1 illustrates the valuation method used for each SCA company.
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. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*.
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 2008.
13. The Company has no pharmaceutical rebate receivables.

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

- A. There were no material changes in accounting principles or corrections of errors during the year.

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

- A. Statutory Purchase Method, including Mezzanine Real Estate Loans.

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

## NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

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

C. Impairment Loss

Not applicable

**Note 4- Discontinued Operations**

The Company has no discontinued operations to report.

**Note 5- Investments**

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company has no mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. The Company elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date, where historical cash flows are not readily available.

2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.

3. The Company had no negative yield situations requiring a change from the retrospective to prospective method.

E. Repurchase Agreements

1. The Company did not enter into any repurchase agreements during the year.

2. The Company maintained collateral for loaned securities.

a) For loaned securities, Company policies require a minimum of 102% of the fair value of securities loaned to be maintained as collateral.

b) The Company has not pledged any of its assets as collateral.

3. Aggregate amount of contractually obligated open collateral positions for which the borrower may request the return of on demand:

	Under 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Total
Fair value of open reinvested collateral positions	16,429,199	410,208	1,025,521	10,095,810	27,960,738

4. Sources of collateral are cash and securities. Cash collateral is reinvested by the lending agent in short-term securities. The Company does not reinvest securities received as collateral.

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

B. Impairments, partnerships and limited liability companies.

Not applicable



## NOTES TO FINANCIAL STATEMENTS

### 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.

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2008.

### 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 and liabilities recognized in the Company's Assets, Liabilities, Surplus and Other Funds are as follows:

	December 31, 2008	December 31, 2007	Change
Total of gross deferred tax assets	57,996,000	39,389,000	18,607,000
Total of deferred tax liabilities	(1,981,000)	(1,579,000)	(402,000)
Net deferred tax asset (liability)	56,015,000	37,810,000	18,205,000
Net deferred tax asset non-admitted	(29,728,000)	(15,271,842)	(14,456,158)
Net admitted deferred tax asset (liability)	26,287,000	22,538,158	3,748,842

B. The Company does not have any deferred tax liabilities described in SSAP No. 10, Income Taxes, paragraph 6d.

C. The provisions for incurred taxes on earnings for the years ended December 31 are:

	2008	2007
Federal tax on operations	13,963,133	10,585,086
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	13,963,133	10,585,086
Tax on capital (losses) gains	(1,079,333)	32,444
Total income tax incurred	12,883,800	10,617,530

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, statutory non-admitted assets, and unrealized gains/losses.

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

	2008
Change in net deferred income tax (without unrealized gain or loss)	14,826,302
Tax effect of unrealized (gains) losses	3,378,698
Total change in net deferred income tax	18,205,000

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, dividends-received deductions, goodwill, partnership investments, discounting of unpaid loss and LAE reserves, depreciation, and permanent impairments.

E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$11,717,000 from the current year and \$13,368,000 from the preceding year.

The Company has no net loss carryforward available to offset future net income subject to Federal income taxes.

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

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

Access Insurance Services, Co.	Liberty Mutual Group Inc.
AMBCO Capital Corporation	Liberty Mutual Holding Company Inc.
America First Insurance Company	Liberty Mutual Insurance Company
America First Lloyds Insurance Company	Liberty Mutual Personal Insurance Company
American Ambassador Casualty 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

## NOTES TO FINANCIAL STATEMENTS

American States Lloyds Insurance Company*	LIH U.S. P&C Corporation
American States Preferred Insurance*	LIH-RE of America Corporation
Avomark Insurance Company	LIU Specialty Insurance Agency Inc.
Berkeley Holding Company Associates, Inc.	LM General Insurance Company
Berkeley Management Corporation	LM Insurance Corporation
Bridgefield Casualty Insurance Company	LM Personal Insurance Company
Bridgefield Employers Insurance Company	LM Property & Casualty Insurance Company
Capitol Court Corporation*	LMHC Massachusetts Holdings Inc.
Capitol Agency, Inc., The (Arizona corporation)	LRE Properties, Inc.
Capitol Agency, Inc., The (Ohio corporation)	Mid-American Agency, Inc.
Capitol Agency, Inc., The (Tennessee corporation)	Mid-American Fire & Casualty Company
Cascade Disability Management, Inc.	Missouri Agency, Inc.
Colorado Casualty Insurance Company	North Pacific Insurance Company
Commercial Aviation Insurance, Inc.*	OCASCO Budget, Inc.
Companies Agency Insurance Services of California (dissolved 8/15/2008)	OCI Printing, Inc.
Companies Agency of Alabama, Inc. (dissolved 8/18/2008)	Ohio Casualty Corporation
Companies Agency of Georgia, Inc. (dissolved 8/15/2008)	Ohio Casualty of New Jersey, Inc.
Companies Agency of Kentucky, Inc. (dissolved 8/14/2008)	Ohio Life Brokerage Services, Inc.
Companies Agency of Massachusetts, Inc. (dissolved 8/29/08)	Ohio Security Insurance Company
Companies Agency of Michigan, Inc. (dissolved 8/15/2008)	Open Seas Solutions, Inc.*
Companies Agency of New York, Inc.	Oregon Automobile Insurance Company
Companies Agency of Pennsylvania, Inc.	Peerless Indemnity Insurance Company
Companies Agency of Phoenix, Inc.	Peerless Insurance Company
Consolidated Insurance Company	Pilot Insurance Services, Inc.*
Copley Venture Capital, Inc.	Rianoc Research Corporation*
Countrywide Services Corporation (dissolved 10/17/2008)	S.C. Bellevue, Inc.*
Diversified Settlements, Inc.	Safecare Company, Inc.*
Emerald City Insurance Agency, Inc.*	Safeco Corporation*
Employers Insurance Company of Wausau	Safeco General Agency, Inc.*
Excelsior Insurance Company	Safeco Insurance Company of America*
F.B. Beattie & Company, Inc.*	Safeco Insurance Company of Illinois*
First National Insurance Company of America*	Safeco Insurance Company of Indiana*
Florida State Agency, Inc.	Safeco Insurance Company of Oregon*
General America Corporation*	Safeco Lloyds Insurance Company*
General America Corporation of Texas *	Safeco National Insurance Company*
General Insurance Company of America*	Safeco Properties, Inc.*
Globe American Casualty Company	Safeco Surplus Lines Insurance Company*
Golden Eagle Insurance Corporation	San Diego Insurance Company
Gulf States AIF, Inc.	SCIT, Inc. *
Hawkeye-Security Insurance Company	St. James Insurance Company Ltd.
Heritage-Summit HealthCare, Inc.	State Agency, Inc. (Indiana corporation)
Indiana Insurance Company	State Agency, Inc. (Wisconsin corporation)
Insurance Company of Illinois*	Summit Consulting, Inc.
LEXCO Limited	Summit Consulting, Inc. of Louisiana
Liberty - USA Corporation	Summit Holding Southeast, Inc.
Liberty Assignment Corporation	The First Liberty Insurance Corporation
Liberty Energy Canada, Inc.	The Midwestern Indemnity Company
Liberty Financial Services, Inc.	The National Corporation
Liberty Hospitality Group, Inc.	The Netherlands Insurance Company
Liberty Insurance Company of America	The Ohio Casualty Insurance Company
Liberty Insurance Corporation	Wausau Business Insurance Company
Liberty Insurance Holdings, Inc.	Wausau General Insurance Company
Liberty Insurance Underwriters, Inc.	Wausau Service Corporation
Liberty Life Assurance Company of Boston	Wausau Underwriters Insurance Company
Liberty Life Holdings, Inc.	West American Insurance Company
Liberty Lloyds of Texas Insurance Company	Winmar Company, Inc.*
Liberty Management Services, Inc.	Winmar of the Desert, Inc.*
Liberty Mexico Holdings, Inc.	Winmar Oregon, Inc.*
Liberty Mutual Fire Insurance Company	Winmar-Metro, Inc.*

\* This company joined the consolidated group in 2008 and its activity from the date it joined the group is included in the consolidated return.

## NOTES TO FINANCIAL STATEMENTS

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. The Company is a wholly owned subsidiary of LIH US P&C Corporation, an insurance holding company incorporated in the state of Delaware. All of the outstanding shares of LIH US P&C Corporation are owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in the state of Delaware. LIH US P&C Corporation is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in the state of Delaware. Liberty Insurance Holdings, Inc. is wholly owned by Liberty Mutual Insurance Company (LMIC 93% ) a Massachusetts insurance company, Liberty Mutual Fire Insurance Company (LMFIC 4%), a Wisconsin insurance company and Employers Insurance Company of Wausau (EICOW 3%), a Wisconsin insurance company. The ultimate parent of LMIC, LMFIC and EICOW is Liberty Mutual Holding Company, Inc., a Massachusetts company.

B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.

As of December 31, 2008, the Company had the following capital transactions with its parent and affiliates:

1. The Company contributed its real estate holdings, at a statutory book value of \$39,959,417 to Parkland Crossings LLC.
2. Received dividends in the amount of \$2,428,043.

C. Refer to Notes 10F, 22 and 25.

D. At December 31, 2008, the Company reported \$6,847,137 due to affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.

E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.

F. Refer to Note 25 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

The Company entered into a services agreement (the "Agreement"), effective January 1, 1999, with Peerless Insurance Company ("PIC") and other affiliates. The Agreement allows parties to the Agreement to provide services related to common management functions including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resources services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

The Company entered into investment management agreements, effective January 1, 2007 with LMIC, and effective May 1, 2000 with Liberty Mutual Investment Advisors LLC (LMIA). Under these agreements, LMIC and LMIA provide investment management services to the Company.

The Company entered into a cash management agreement with LMIA effective January 28, 2000.

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

The Company entered into a management services agreement, effective December 15, 2001, with LMIC. Under the agreement, LMIC may provide services related to common management functions including, but not limited to, accounting, financial, tax and auditing, information technology and support, purchasing, payroll, and employee benefits, policy administration, real estate management, legal, general administration, as well as consulting and other services as the parties may request.

The Company entered into an agreement for a loan or extension of credit effective May 22, 2006; namely 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, 2008, there have been no drawings on this agreement.

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

H. The Company does not own shares of an upstream company, either directly or indirectly.

I. The Company has no 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 subsidiary, controlled, or affiliated companies during the statement period.

K. The Company does not hold investments in foreign subsidiaries.

L. Investments in downstream non-insurance holding companies

The company does not hold investments in downstream non-insurance holding companies.

## NOTES TO FINANCIAL STATEMENTS

### **Note 11- Debt**

Not applicable.

### **Note 12- Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences 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 10 F.

### **Note 13- Capital and Surplus, Shareholders' Dividend restrictions and Quasi-Reorganizations**

#### 1. Common Stock

The Company has 4,800,000 shares authorized, and 3,200,000 shares issued and outstanding as of December 31, 2008. All shares have a stated par value of \$1.25.

#### 2. Preferred Stock

The Company has 4,500,000 shares authorized, and 925,000 shares issued and outstanding as of December 31, 2008. All shares have a stated par value of \$2.00.

The dividend rate is equal to the yield on 5 year Treasury Notes as of the issue date, adjusted every five years. Dividends are paid on the last business day of each calendar quarter. The Company paid \$223,850 in dividends on the last business day of each calendar quarter. 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.

#### 3. Dividend Restrictions

There are no dividend restrictions.

#### 4. The Company made ordinary quarterly preferred dividends to the LIH US P&C Corporation of \$223,850 in March, June, September, and December (refer to Note 13-2). The Company also made an ordinary dividend of \$34,348,499 and an extraordinary dividend of \$20,000,000 to the LIH US P&C Corporation in June.

#### 5. The maximum amount of dividends which can be paid by Indiana-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, or (b) net income. The maximum dividend payout which may be made without prior approval in 2009 is 38,266,520.

#### 6. The Company does not have restricted unassigned surplus.

#### 7. The Company had no advances to surplus.

#### 8. The Company did not hold stock for special purposes.

#### 9. The Company had no changes in special surplus funds.

#### 10. The portion of unassigned funds (surplus) represented by cumulative unrealized gains is \$8,954,595 after applicable deferred at taxes of \$4,097,054.

#### 11. Surplus Notes

Not applicable

#### 12. Quasi re-organization (dollar impact)

Not applicable

#### 13. Quasi re-organization (effective date)

Not applicable

### **Note 14- Contingencies**

#### A. Contingent Commitments

The Company has made no commitments or contingent commitments to affiliates except as indicated in Note 10 E. The Company has made no guarantees on behalf of affiliates.

#### B. Assessments

The Company is subject to guaranty funds and other assessments by the states in which it writes business. Guaranty funds assessments are accrued at the time of insolvencies. Other assessments are accrued either at the time of assessments or in the case of premium based assessments, at the time the premiums are written, or, in the case of loss based assessments, at the time the losses are incurred.

## NOTES TO FINANCIAL STATEMENTS

The Company has accrued a liability for guaranty funds and other assessments of \$5,243,143 that is offset by future premium tax credits of \$633,366. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2008.

During 2008 there were no material insolvencies to report. The company continues to remit payments relating to prior year insolvencies.

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	\$669,887

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

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

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

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

E. All other Contingencies

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

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

**Note 15- Leases**

A. Aside from certain sale-leaseback transactions disclosed below, the Company is not involved in material lease arrangements.

The following is a schedule of the Company's minimum lease obligations under these agreements for the next five years:

Year(s)	Operating Lease Arrangements
2009	\$1,197,677
2010	1,206,944
2011	1,025,383
2012	637,355
2013	380,548
2014 & thereafter	1,691,268
Total	<u>\$6,139,175</u>

B. Leasing as a significant part of lessor's business activities

Not applicable

**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 concentrations of credit risk.

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

A. Transfers of Receivables reported as sales:

The Company did not sell premium receivables.

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## NOTES TO FINANCIAL STATEMENTS

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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 fair value of the loaned securities. Acceptable collateral may be in the form of cash, Agency and U.S. Government securities. The fair value of the loaned securities is monitored and additional collateral is obtained if the fair value of the collateral falls below 102% of the fair 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 Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company.

At December 31, 2008 the total fair value of securities on loan was \$50,960,731 with corresponding collateral value of \$52,720,948 of which \$27,960,738 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

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

**Note 20- Other Items**

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

1. Assets in the amount of \$1,703,896 and \$1,701,621 as of December 31, 2008 and 2007, respectively, were on deposit with government authorities or trustees as required by law.

D. The Company routinely assesses the collectability of its premium receivable. Based upon Company experience, amounts in excess of non-admitted amounts are not believed to be material.

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

The Company does not hold transferable state tax credits.

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

H. The Company has not entered into Federal Home Loan Bank Agreements.

**Note 21- Events Subsequent**

There were no events subsequent to December 31, 2008 which would require disclosure.

**Note 22- Reinsurance**

A. Excluding amounts arising pursuant to the inter-company Reinsurance Agreement, as described in Note 25, there are no unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus.

## NOTES TO FINANCIAL STATEMENTS

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

C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2008.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$202,357,845	\$13,889,658		\$21,716,743	\$52,520,020	\$(7,827,085)
All Other	0	0	\$149,837,825	0	0	0
Total	\$202,357,845	\$13,889,658	\$149,837,825	\$21,716,743	\$52,520,020	\$(7,827,085)

Direct unearned premium reserve of \$149,837,825

2. There are no sliding scale adjustments, or other profit sharing commissions for direct, assumed or ceded business. Following are the contingent commissions for direct, assumed and ceded business.

Direct	\$0
Assumed	11,431,441
Ceded	0
Net	<u>\$11,431,441</u>

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

D. The Company did not write off any uncollectible balances in 2008.

E. The Company does not have ceded commutations.

F. The Company has one assumed retroactive contract that transferred liabilities for losses that had already occurred. The impact of the Inter-Company Reinsurance Agreement is also shown.

	Assumed	Ceded
a. Reserves Transferred:		
1. Initial Reserves	\$40,671,258	\$0
2. Adjustment – Prior Year(s)	(29,280,892)	0
3. Adjustment – Current Year	(1,356,249)	0
4. Total	\$10,034,117	
b. Consideration Paid or Received:		
1. Initial Reserves	40,671,258	0
2. Adjustment – Prior Year(s)	1,191,406	0
3. Adjustment – Current Year		0
4. Total	41,862,664	0
c. Amounts Recovered / Paid - Cumulative		
1. Initial Reserves		0
2. Adjustment – Prior Year(s)	35,835,445	0
3. Adjustment – Current Year	1,195,338	0
4. Total	37,030,782	0
d. Special Surplus from Retroactive Reinsurance		
1. Initial Reserves	0	0
2. Adjustment – Prior Year(s)	(,363,147)	0
3. Adjustment – Current Year	160,911	0
4. Total		0
5. Cumulative Total Transferred to Unassigned Funds	(5,202,236)	0
e. Other insurers included in the above transactions:		
Peerless Insurance Company, 24198	\$10,034,117	\$0

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

G. The Company has not entered into any deposit type reinsurance agreements as of December 31, 2008.

## NOTES TO FINANCIAL STATEMENTS

### Note 23 - 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 see Schedule P - Part 7A.
- D. Ten Percent of the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss adjustment expense reserves), or collateral as permitted by SSAP No. 66, retrospectively Rated contracts, has been non-admitted.

a. Total accrued retro premium	\$2,694,460
b. Less: Non-admitted amount	242,262
c. Admitted amount	2,452,198

### Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributed to insured events of prior years has decreased during 2008, primarily as a result of improving loss trends in the Commercial Multiple Peril, Commercial Auto Liability, Workers' Compensation, Other Liability, and Private Passenger Auto Liability lines of business. Prior estimates are revised as additional information becomes known regarding individual claims.

### Note 25- Intercompany Pooling Arrangements

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

		NAIC Co. #	Pooling %	Lines of Business
Lead Company	Peerless Insurance Company (PIC)	24198	42.00%	All Lines
Affiliated Pool Companies:	Peerless Indemnity Insurance Company (PIIC)	18333	5.00%	All Lines
	Golden Eagle Insurance Corporation (GEIC)	10836	7.00%	All Lines (Except WC)
	Indiana Insurance Company (IIC)	22659	8.00%	All Lines
	The Netherlands Insurance Company (NIC)	24171	3.00%	All Lines
	American Fire and Casualty Company (AFCC)	24066	1.00%	All Lines
	The Ohio Casualty Insurance Company (OCIC)	24074	34.00%	All Lines
	Avomark Insurance Company (AIC)	10798	0.00%	All Lines
	American Ambassador Casualty Company (AACC)	10073	0.00%	All Lines
	America First Insurance Company (AFIC)	12696	0.00%	All Lines
	America First Lloyd's Insurance Company (AFLIC)	11526	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
	Globe American Casualty Company (GACC)	11312	0.00%	All Lines
	Hawkeye-Security Insurance Company (HSIC)	36919	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company (LMMAIC)	14486	0.00%	All Lines
	Mid-American Fire & Casualty Company (MAFCC)	23507	0.00%	All Lines
	Montgomery Mutual Insurance Company (MMC)	14613	0.00%	All Lines
	The Midwestern Indemnity Insurance Company (MWIC)	23515	0.00%	All Lines
	National Insurance Association (NIA)	27944	0.00%	All Lines
	Ohio Casualty of New Jersey, Inc. (OCNJ)	10937	0.00%	All Lines
	Ohio Security Insurance Company (OSIC)	24082	0.00%	All Lines
	West American Insurance Company (WAIC)	44393	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Liberty Northwest Insurance Corporation (LNW)	41939	0.00%	All Lines
	Bridgefield Casualty Insurance Company (BCIC)	10335	0.00%	All Lines
	Bridgefield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
	North Pacific Insurance Company (NPIC)	23892	0.00%	All Lines
	Oregon Automobile Insurance Company (OAIC)	23922	0.00%	All Lines

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

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



## NOTES TO FINANCIAL STATEMENTS

- (c) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (d) 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.
- (e) 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.
- (f) 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.
- (g) The write-off of uncollectible reinsurance is pooled and the Provision for Reinsurance is recognized by the entity placing the outbound external reinsurance.
- (h) At December 31, 2008, the Company had \$634,000 due from the lead company in the Peerless Pool.

Effective January 1, 2008, the PIC Amended and Restated Reinsurance Pooling Agreement was amended to adjust pooling percentages and add the affiliates noted below. Concurrently, each company noted below terminated their existing inter-company reinsurance agreements.

American Fire and Casualty Company  
Avomark Insurance Company  
National Insurance Association  
Ohio Casualty of New Jersey, Inc.  
Ohio Security Insurance Company  
The Ohio Casualty Insurance Company  
West American Insurance Company

Effective January 1, 2008 Bridgefield Employers Insurance Company and Bridgefield Casualty Insurance Company novated their 100% quota share agreements with Liberty Mutual Insurance Company to substitute PIC as the reinsurer.

Effective January 1, 2009, the PIC Amended and Restated Reinsurance Pooling Agreement was amended to adjust pooling percentages and add the affiliates noted below. Concurrently, each company noted below terminated their existing inter-company reinsurance agreements.

American Economy Insurance Company  
American States Insurance Company  
American States Insurance Company of Texas  
American States Lloyds Insurance Company  
American States Preferred Insurance Company  
First National Insurance Company of America  
General Insurance Company of America  
Insurance Company of Illinois  
Safeco Insurance Company of America  
Safeco Insurance Company of Illinois  
Safeco Insurance Company of Indiana  
Safeco Insurance Company of Oregon  
Safeco Lloyds Insurance Company  
Safeco National Insurance Company  
Safeco Surplus Lines Insurance Company

Therefore, effective January 1, 2009, the PIC Amended and Restated Reinsurance Pooling Agreement consisted of the following affiliated companies:

		<u>NAIC</u> <u>Co. #</u>	<u>Pooling</u> <u>%</u>	<u>Lines of</u> <u>Business</u>
Lead Company	Peerless Insurance Company	24198	25.20%	All Lines
Affiliated Pool Companies:	America First Insurance Company	12696	0.00%	All Lines
	America First Lloyd's Insurance Company	11526	0.00%	All Lines
	American Ambassador Casualty Company	10073	0.00%	All Lines
	Colorado Casualty Insurance Company	41785	0.00%	All Lines
	Consolidated Insurance Company	22640	0.00%	All Lines
	Excelsior Insurance Company	11045	0.00%	All Lines
	Globe American Casualty Company	11312	0.00%	All Lines
	Golden Eagle Insurance Corporation	10836	3.00%	All Lines (Except WC)
	Hawkeye-Security Insurance Company	36919	0.00%	All Lines
	Indiana Insurance Company	22659	4.80%	All Lines

## NOTES TO FINANCIAL STATEMENTS

Liberty Mutual Mid-Atlantic Insurance Company	14486	0.00%	All Lines
Mid-American Fire & Casualty Company	23507	0.00%	All Lines
The Midwestern Indemnity Company	23515	0.00%	All Lines
Montgomery Mutual Insurance Company	14613	0.00%	All Lines
The Netherlands Insurance Company	24171	1.80%	All Lines
Peerless Indemnity Insurance Company	18333	3.00%	All Lines
National Insurance Association	27944	0.00%	All Lines
The Ohio Casualty Insurance Company	24074	20.40%	All Lines
Avomark Insurance Company	10798	0.00%	All Lines
West American Insurance Company	44393	0.00%	All Lines
American Fire and Casualty Company	24066	0.60%	All Lines
Ohio Security Insurance Company	24082	0.00%	All Lines
Ohio Casualty of New Jersey, Inc.	10937	0.00%	All Lines
Insurance Company of Illinois (ICI)	26700	0.00%	All Lines
Safeco Insurance Company of Illinois (SICIL)	39012	2.00%	All Lines
American Economy Insurance Company (AEIC)	19690	5.60%	All Lines
American States Insurance Company (ASIC)	19704	7.60%	All Lines
American States Preferred Insurance Company (ASPIC)	37214	0.80%	All Lines
Safeco Insurance Company of Indiana (SICIN)	11215	0.00%	All Lines
Safeco National Insurance Company (SNIC)	24759	0.00%	All Lines
Safeco Insurance Company of Oregon (SICO)	11071	0.00%	All Lines
American States Lloyds Insurance Company (ASLIC)	31933	0.00%	All Lines
Safeco Lloyds Insurance Company (SLIC)	11070	0.00%	All Lines
First National Insurance Company of America (FNICA)	24724	0.80%	All Lines
General Insurance Company of America (GICA)	24732	9.20%	All Lines
Safeco Insurance Company of America (SICA)	24740	15.20%	All Lines
Safeco Surplus Lines Insurance Company (SSLIC)	11100	0.00%	All Lines
American States Insurance Company of Texas (ASICT)	19712	0.00%	All Lines
		100.00%	
100% Quota Share Affiliated Companies:			
Liberty Northwest Insurance Corporation (LNW)	41939	0.00%	All Lines
Bridgefield Casualty Insurance Company (BCIC)	10335	0.00%	All Lines
Bridgefield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
North Pacific Insurance Company (NPIC)	23892	0.00%	All Lines
Oregon Automobile Insurance Company (OAIC)	23922	0.00%	All Lines

### **Note 26- Structured Settlements**

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$4,504,639 after applying Inter-Company 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 \$4,504,639 as of December 31, 2008.
- B. The Company does not have material structured settlements from life insurers for which the Company has not obtained a release of liability from the claimant.

### **Note 27 - Health Care Receivables**

Not applicable

### **Note 28 - Participating Policies**

Not applicable

### **Note 29 – Premium Deficiency Reserves**

As of December 31, 2008, the Company had no liabilities related to premium deficiency reserves. The Company considers anticipated investment income when calculating its premium deficiency reserves.

### **Note 30- High Dollar Deductible Policies**

The Company does not have any high deductible policies.

### **Note 31- 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

## NOTES TO FINANCIAL STATEMENTS

approved by the respective states at an annual discount rate of 3.5%. The December 31, 2008 liabilities subject to discount were carried at a value representing a discount of \$9,237,278 net of all reinsurance.

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

### **Note 32 - Asbestos/Environmental Reserves**

The Company has exposure to asbestos and environmental claims which 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 basis reserves for anticipated losses and bulk reserves for loss adjustment expenses and incurred but not reported losses. The Company maintained casualty excess of loss reinsurance during the relevant periods. The reserves are reported net of expected recoveries from 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 losses and loss 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.

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 has been as a result of questionable practices discovered in the Federal Silica Multi District Litigation. Court decisions in several key states have been favorable to defendants. More importantly, several states have enacted 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.

#### 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 upon historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment.

#### 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.

As a direct result of the significant uncertainties associated with estimating its asbestos and environmental exposures and establishing appropriate levels of reserves, the ultimate liability of the Company for asbestos and environmental exposures may vary materially from the reserves currently recorded. The Company and other industry members have and will continue to litigate the broadening judicial interpretation of policy coverage and the liability issues. If the courts continue to expand the scope of the coverage provided, additional liabilities could emerge for amounts in excess of reserves held. This emergence, as well as the other uncertainties noted above, cannot now be reasonably estimated, but could have a material impact on the Company's future operating results, and financial condition.

The table below summarizes reserve and loss activity for the Company's asbestos and environmental loss and loss adjustment expenses for each of the five most recent calendar years. Gross reserves for both asbestos and environmental are representative of the companies included in note 25. Net reserves for asbestos and environmental are allocated based on the Company's Inter-company Reinsurance Agreement, as discussed in Note 25.

#### **Asbestos:**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Direct Basis</b>					
Beginning Reserves	4,384,629	4,487,851	4,990,078	5,197,538	4,335,621
Incurred losses and LAE	486,486	934,690	514,713	(332,478)	229,378
Calendar year payments	383,264	432,463	307,253	369,438	357,019
Ending Reserves	<u>4,487,851</u>	<u>4,990,078</u>	<u>5,197,538</u>	<u>4,495,622</u>	<u>4,207,980</u>

## NOTES TO FINANCIAL STATEMENTS

**Assumed Reinsurance Basis**

Beginning Reserves	195,426	123,549	717,368	634,497	1,026,206
Incurred losses and LAE	34,234	638,003	(74,922)	21,641	93,828
Calendar year payments	106,111	44,184	7,949	28,722	146,644
Ending Reserves	123,549	717,368	634,497	627,416	973,390

**Net of Ceded Reinsurance Basis**

Beginning Reserves	3,590,067	3,508,813	4,247,964	4,378,386	4,031,876
Incurred losses and LAE	323,063	1,211,487	360,640	(221,147)	489,553
Calendar year payments	404,317	472,336	230,218	369,530	438,137
Ending Reserves	3,508,813	4,247,964	4,378,386	3,787,709	4,083,292

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

Direct Basis 3,384,210

Assumed Reinsurance Basis 544,746

Net of Ceded Reinsurance Basis 3,582,636

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

Direct Basis 1,531,234

Assumed Reinsurance Basis -

Net of Ceded Reinsurance Basis 1,491,998

**Environmental:**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Direct Basis</b>					
Beginning Reserves	4,273,605	5,338,241	5,757,719	5,794,611	6,842,232
Incurred losses and LAE	1,569,633	1,115,694	962,210	4,093,409	237,315
Calendar year payments	504,997	696,216	925,318	1,134,159	1,410,054
Ending Reserves	5,338,241	5,757,719	5,794,611	8,753,861	5,669,493

**Assumed Reinsurance Basis**

Beginning Reserves 478,314

Incurred losses and LAE 8,558

Calendar year payments 46,085

Ending Reserves 440,787

**Net of Ceded Reinsurance Basis**

Beginning Reserves 4,661,285

Incurred losses and LAE 1,354,533

Calendar year payments 598,941

Ending Reserves 5,416,877

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

Direct Basis 4,630,681

Assumed Reinsurance Basis 336,213

Net of Ceded Reinsurance Basis 4,271,034

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

Direct Basis 788,198

Assumed Reinsurance Basis -

Net of Ceded Reinsurance Basis 859,043

**Note 33- Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 34 - Multiple Peril Crop Insurance**

Not applicable



## 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.

\_\_\_\_\_

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

William M. Finn, FCAS, MAAA  
 62 Maple Avenue, Keene, NH 03431  
 Vice President & Chief Actuary of Liberty Mutual Agency Markets  
 .....

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [X] No [ ]

11.11 Name of real estate holding company

Liberty Parkwood Crossing LLC

11.12 Number of parcels involved

2

11.13 Total book/adjusted carrying value

\$ 39,872,511

11.2 If yes, provide explanation:

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

## GENERAL INTERROGATORIES

**12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**

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

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

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes  No

12.3 Have there been any changes made to any of the trust indentures during the year?

Yes  No

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes  No  N/A

13.1 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

13.11 If the response to 13.1 is no, please explain:

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

13.2 Has the code of ethics for senior managers been amended?

Yes  No

13.21 If the response to 13.2 is yes, provide information related to amendment(s).

Liberty Mutual Group's Code of Business Ethics and Conduct was revised effective March 2008. It continues to contain all substantive areas of company policy and requirements included in the prior Code, but has been rewritten to enhance clarity and readability and provide additional practical guidance. This applies to all Liberty Mutual Group companies.

.....

13.3 Have any provisions of the code of ethics been waived for any of the specified officers?

Yes  No

13.31 If the response to 13.3 is yes, provide the nature of any waiver(s).

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

## BOARD OF DIRECTORS

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

Yes  No

15. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes  No

16. 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

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes  No

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

18.11 To directors or other officers	\$	0
18.12 To stockholders not officers	\$	0
18.13 Trustees, supreme or grand (Fraternal only)	\$	0

## GENERAL INTERROGATORIES

- 18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- |   |    |   |
|---|----|---|
| 18.21 To directors or other officers              | \$ | 0 |
| 18.22 To stockholders not officers                | \$ | 0 |
| 18.23 Trustees, supreme or grand (Fraternal only) | \$ | 0 |
- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- |                            |    |  |
|----------------------------|----|--|
| 19.21 Rented from others   | \$ |  |
| 19.22 Borrowed from others | \$ |  |
| 19.23 Leased from others   | \$ |  |
| 19.24 Other                | \$ |  |
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]
- 20.2 If answer is yes:
- |  |    |  |
|--|----|--|
| 20.21 Amount paid as losses or risk adjustment | \$ |  |
| 20.22 Amount paid as expenses                  | \$ |  |
| 20.23 Other amounts paid                       | \$ |  |
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

## INVESTMENT

- 22.1 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 22.3)? Yes [X] No [ ]
- 22.2 If no, give full and complete information relating thereto:  
 .....  
 .....  
 .....
- 22.3 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 16 where this information is also provided)  
 Please reference Note 17B. ....  
 .....  
 .....
- 22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [X] No [ ]
- 22.5 If answer to 22.4 is yes, report amount of collateral. \$ 52,720,948
- 22.6 If answer to 22.4 is no, report amount of collateral. \$ \_\_\_\_\_
- 23.1 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 19.1 and 22.3.) Yes [X] No [ ]
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- |  |    |           |
|--|----|-----------|
| 23.21 Subject to repurchase agreements                 | \$ |           |
| 23.22 Subject to reverse repurchase agreements         | \$ |           |
| 23.23 Subject to dollar repurchase agreements          | \$ |           |
| 23.24 Subject to reverse dollar repurchase agreements  | \$ |           |
| 23.25 Pledged as collateral                            | \$ |           |
| 23.26 Placed under option agreements                   | \$ |           |
| 23.27 Letter stock or securities restricted as to sale | \$ |           |
| 23.28 On deposit with state or other regulatory body   | \$ | 1,703,895 |
| 23.29 Other  | \$ | 0         |



## GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

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

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

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

25.1 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]

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

26. 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 3, III Conducting Examinations, F – Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

26.01 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 .....	3 Chase Metro Tech Center, Brooklyn, NY 11245 .....
.....	.....

26.02 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)
.....	.....	.....
.....	.....	.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [ ] No [X]

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

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

26.05 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(s)	3 Address
N/A .....	Liberty Mutual Insurance Company .....	175 Berkeley St., Boston, MA 02116 .....
N/A .....	Liberty Mutual Investment Advisors LL .....	175 Berkeley St., Boston, MA 02116 .....

27.1 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 [X] No [ ]

## GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
42982#-10-0	LMIA HIGH YIELD FUND	29,705,958
		0
		0
27.2999 TOTAL		29,705,958

27.3 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
LMIA HIGH YIELD FUND	J P. MORGAN PRIME-CAPITA	1,919,515	12/31/2008
LMIA HIGH YIELD FUND	ALLIED WASTE NORTH AMER	827,526	12/31/2008
LMIA HIGH YIELD FUND	DRS TECHNOLOGIES INC	625,718	12/31/2008
LMIA HIGH YIELD FUND	MULTIPLAN INC	561,624	12/31/2008
LMIA HIGH YIELD FUND	VENTAS REALTY LP/CAP CR	492,260	12/31/2008
LMIA HIGH YIELD FUND	WILLIAMS PARTNERS LP/WIL	485,411	12/31/2008

28. 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 (+)
28.1 Bonds	885,306,776	862,229,419	(23,077,357)
28.2 Preferred stocks	23,100	23,100	0
28.3 Totals	885,329,876	862,252,519	(23,077,357)

28.4 Describe the sources or methods utilized in determining the fair values:  
 IDC, Bloomberg, NAIC-SVO, Broker Quotes, Analytically Determined

29.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes  No

29.2 If no, list exceptions:

.....

.....

.....

### OTHER

30.1 Amount of payments to Trade associations, service organizations and statistical or Rating Bureaus, if any?

\$ 74,911

30.2 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
NCCI Holdings Inc.	39,448
Michigan Basic Property Insurance Association	33,806
	0

31.1 Amount of payments for legal expenses, if any?

\$ 1,000

## GENERAL INTERROGATORIES

31.2 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
ZUKOWSKI ROGERS FLOOD & MCARDLE	1,000
	0
	0

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

\$ 16,550

32.2 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
Ohio Department of Insurance	16,550
	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. \$ \_\_\_\_\_

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

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. \$ \_\_\_\_\_

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ \_\_\_\_\_

1.62 Total incurred claims \$ \_\_\_\_\_

1.63 Number of covered lives \_\_\_\_\_

All years prior to most current three years:

1.64 Total premium earned \$ \_\_\_\_\_

1.65 Total incurred claims \$ \_\_\_\_\_

1.66 Number of covered lives \_\_\_\_\_

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ \_\_\_\_\_

1.72 Total incurred claims \$ \_\_\_\_\_

1.73 Number of covered lives \_\_\_\_\_

All years prior to most current three years:

1.74 Total premium earned \$ \_\_\_\_\_

1.75 Total incurred claims \$ \_\_\_\_\_

1.76 Number of covered lives \_\_\_\_\_

2. Health Test:

	1		2	
	Current Year		Prior Year	
2.1 Premium Numerator	\$ 1,291		\$ 0	
2.2 Premium Denominator	\$ 478,501,985		\$ 441,064,371	
2.3 Premium Ratio (2.1/2.2)	0.00		0.00	
2.4 Reserve Numerator	\$ 0		\$ 0	
2.5 Reserve Denominator	\$ 808,170,900		\$ 704,531,881	
2.6 Reserve Ratio (2.4/2.5)	0.00		0.00	

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

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

3.21 Participating policies \$ 3,000,582

3.22 Non-participating policies \$ 295,039,036

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? \_\_\_\_\_

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

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 2008 the Company purchased Workers' Compensation Catastrophe reinsurance separately and/or with the Liberty Mutual Group with limits of \$1,038m part of \$1,175m xs \$25m.

.....  
 .....

## 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:  
 The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, we employ RiskLink V7.0 from RMS and AIR Classic/2 v8.0 For WC, Liberty Mutual utilizes RiskLink v7.0 from RMS.
- 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?  
 The Company has in force \$700m part of \$800m xs \$50m of traditional XOL reins. Additionally, traditional XOL reins. with limits of \$20m xs \$30m was purchased for risks in the Midwest. Also, in Dec 2008 the Company purchased a 31.725% QS treaty for its US HO portfolio.
- 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 [ X ] 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 catastrophe 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 [ X ] No [ ]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 1
- 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 [ X ]
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [ ] No [ X ]
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
 (c) Aggregate stop loss reinsurance coverage;  
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No [ X ]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [ ] No [ X ]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [ X ]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
 (a) The entity does not utilize reinsurance; or, Yes [ ] No [ X ]  
 (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [ X ]  
 (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [ X ] No [ ]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [ X ] No [ ] N/A [ ]

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? Yes [ ] No [X]  
 11.2 If yes, give full information  
 .....
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |   |  |    |                  |
|---|--|----|------------------|
| 12.11 Unpaid losses   |  | \$ | <u>7,788,727</u> |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) |  | \$ | <u>574,975</u>   |
- 12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 2,175,303
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [X] No [ ] N/A [ ]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- |            |  |             |
|------------|--|-------------|
| 12.41 From |  | 0.00        |
| 12.42 To   |  | <u>9.00</u> |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [X] No [ ]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- |                                  |  |    |                   |
|----------------------------------|--|----|-------------------|
| 12.61 Letters of Credit          |  | \$ | <u>59,302,461</u> |
| 12.62 Collateral and other funds |  | \$ | <u>12,077,191</u> |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 31,471,471
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [ ] No [X]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [X] No [ ]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
 Premiums and recoverables were allocated pursuant to separate intercompany agreements.  
 .....
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [ ] No [X]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [X] No [ ]
- 14.5 If the answer to 14.4 is no, please explain:  
 .....
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No [X]
- 15.2 If yes, give full information  
 .....
- 16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]  
 If yes, disclose the following information for each of the following types of warranty coverage:
- |                  |    | 1                         | 2                       | 3                         | 4                          | 5                        |
|------------------|----|---------------------------|-------------------------|---------------------------|----------------------------|--------------------------|
|                  |    | Direct Losses<br>Incurred | Direct Losses<br>Unpaid | Direct Written<br>Premium | Direct Premium<br>Unearned | Direct Premium<br>Earned |
| 16.11 Home       | \$ | \$                        | \$                      | \$                        | \$                         | \$                       |
| 16.12 Products   | \$ | \$                        | \$                      | \$                        | \$                         | \$                       |
| 16.13 Automobile | \$ | \$                        | \$                      | \$                        | \$                         | \$                       |
| 16.14 Other*     | \$ | \$                        | \$                      | \$                        | \$                         | \$                       |

\* 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	\$ _____
17.12 Unfunded portion of Interrogatory 17.11	\$ _____
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$ _____
17.14 Case reserves portion of Interrogatory 17.11	\$ _____
17.15 Incurred but not reported portion of Interrogatory 17.11	\$ _____
17.16 Unearned premium portion of Interrogatory 17.11	\$ _____
17.17 Contingent commission portion of Interrogatory 17.11	\$ _____

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

**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
	2008	2007	2006	2005	2004
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	369,419,218	337,494,790	320,151,677	281,446,764	224,920,663
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	115,491,596	114,366,792	108,758,710	110,747,048	94,312,512
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	240,452,710	280,261,326	282,762,687	289,742,433	231,410,376
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	46,868,306	142,231	1,070,051	175,079	69,678
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6. Total (Line 35)	772,231,830	732,265,139	712,743,125	682,111,324	550,713,229
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	232,655,134	209,120,582	200,821,887	147,601,173	76,734,250
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	58,188,505	65,826,763	63,138,868	57,120,133	28,101,589
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	136,482,621	179,928,453	175,320,853	154,758,194	78,588,666
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	46,865,952	138,729	1,064,641	169,702	63,009
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12. Total (Line 35)	474,192,212	455,014,527	440,346,249	359,649,202	183,487,514
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	14,286,984	7,445,459	1,278,677	5,641,052	133,278
14. Net investment gain (loss) (Line 11)	47,468,424	39,971,231	73,268,814	32,852,645	46,811,677
15. Total other income (Line 15)	(6,401,962)	(302,357)	845,583	(96,314)	1,107,194
16. Dividends to policyholders (Line 17)	3,123,793	1,061,498	1,186,775	583,865	442,866
17. Federal and foreign income taxes incurred (Line 19)	13,963,133	10,585,086	16,546,282	11,947,049	(4,666,799)
18. Net income (Line 20)	38,266,520	35,467,749	57,660,017	25,866,469	52,276,082
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	1,191,735,583	1,103,547,812	1,024,857,370	959,695,375	785,172,871
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	16,507,812	21,427,307	29,594,768	42,775,392	15,866,954
20.2 Deferred and not yet due (Line 13.2)	127,415,297	140,597,455	129,451,062	95,001,964	91,377,387
20.3 Accrued retrospective premiums (Line 13.3)	2,452,198	1,179,447	1,407,329		
21. Total liabilities excluding protected cell business (Page 3, Line 24)	914,127,285	801,502,050	756,097,528	607,241,327	465,161,080
22. Losses (Page 3, Line 1)	472,816,954	388,247,531	359,505,001	259,056,039	210,808,710
23. Loss adjustment expenses (Page 3, Line 3)	108,270,182	88,850,313	82,487,349	62,032,517	50,541,044
24. Unearned premiums (Page 3, Line 9)	202,357,845	207,270,504	193,681,977	172,879,099	166,036,767
25. Capital paid up (Page 3, Lines 28 & 29)	5,850,000	5,850,000	5,850,000	5,850,000	5,850,000
26. Surplus as regards policyholders (Page 3, Line 35)	277,608,298	302,045,761	268,759,842	352,454,048	320,011,791
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	157,000,268	95,120,998	197,213,758	61,646,941	(158,160,224)
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	277,608,298	302,045,761	268,759,842	352,454,048	320,011,791
29. Authorized control level risk-based capital	45,039,005	43,146,376	37,941,806	33,902,454	37,182,967
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	83.5	82.2	80.1	76.8	73.6
31. Stocks (Lines 2.1 & 2.2)	5.2	6.9	7.2	13.4	15.8
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)		2.3	1.8	2.0	2.6
34. Cash, cash equivalents and short-term investments (Line 5)	7.1	8.4	9.9	7.6	7.6
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)	4.1	0.1	0.1	0.1	0.4
37. Receivables for securities (Line 8)			0.9		0.0
38. Aggregate write-ins for invested assets (Line 9)					
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)	22,216,939	24,280,439	22,490,083	55,773,959	52,962,643
43. Affiliated short-term investments (Schedule DA Verification, Col. 5, Line 10)					
44. Affiliated mortgage loans on real estate					
45. All other affiliated	39,959,417				
46. Total of above Lines 40 to 45	62,176,356	24,280,439	22,490,083	55,773,959	52,962,643
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)	22.4	8.0	8.4	15.8	16.6



**FIVE – YEAR HISTORICAL DATA**

(Continued)

	1	2	3	4	5
	2008	2007	2006	2005	2004
<b>Capital and Surplus Accounts (Page 4)</b>					
48. Net unrealized capital gains (losses) (Line 24)	(8,338,224)	(219,778)	(32,992,200)	1,407,420	2,582,747
49. Dividends to stockholders (Line 35)	(55,243,899)	(1,108,651)	(109,606,250)	(851,000)	(850,998)
50. Change in surplus as regards policyholders for the year (Line 38)	(24,437,463)	33,285,919	(83,694,206)	32,442,257	50,174,568
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	113,323,311	163,088,141	89,373,049	147,349,457	268,747,344
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	62,849,261	50,007,384	48,964,317	45,512,963	50,720,260
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	184,580,095	139,326,179	169,556,727	135,846,946	158,829,915
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(3,943,484)	41,346	244,813	87,391	249,660
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	34,453	17,952	(64,181)		872,584
56. Total (Line 35)	356,843,636	352,481,002	308,074,725	328,796,757	479,419,763
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	41,328,299	93,092,731	15,986,272	64,650,834	179,811,187
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	33,268,516	28,824,694	25,315,126	23,284,695	24,455,965
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	95,327,133	75,774,093	68,386,635	55,681,831	94,089,463
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(3,943,484)	41,626	245,133	87,908	251,785
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	34,453	17,952	(64,181)		872,584
62. Total (Line 35)	166,014,917	197,751,096	109,868,985	143,705,268	299,480,984
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	52.4	51.4	54.3	49.3	53.6
65. Loss expenses incurred (Line 3)	10.8	11.3	11.9	13.2	12.9
66. Other underwriting expenses incurred (Line 4)	33.8	35.6	33.5	35.9	33.8
67. Net underwriting gain (loss) (Line 8)	3.0	1.7	0.3	1.6	0.0
<b>Other Percentages</b>					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	35.5	34.6	31.7	35.3	58.2
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	63.2	62.7	66.2	62.5	66.5
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)	170.8	150.6	163.8	102.0	57.3
<b>One Year Loss Development (000 omitted)</b>					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(42,591)	(33,047)	(6,581)	(7,585)	2,899
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)	(14.1)	(12.3)	(1.9)	(2.4)	1.1
<b>Two Year Loss Development (000 omitted)</b>					
73. 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)	(73,569)	(27,596)	2,289	(2,119)	13,793
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	(27.4)	(7.8)	0.7	(0.8)	6.3

## SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

### SCHEDULE P – PART 1 – SUMMARY

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported - Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	4,903	692	1,153	109	633	110	107	5,778	X X X
2. 1999	311,401	29,623	281,778	215,481	28,425	15,101	1,762	24,701	2,560	9,880	222,536	X X X
3. 2000	308,906	28,877	280,029	212,847	25,248	16,039	1,704	22,763	1,504	10,636	223,193	X X X
4. 2001	319,755	29,526	290,229	199,554	24,588	14,691	878	22,235	1,631	10,988	209,383	X X X
5. 2002	384,465	61,749	322,716	210,359	35,904	14,394	2,170	20,297	2,497	9,556	204,479	X X X
6. 2003	425,106	54,972	370,134	202,646	30,733	13,997	1,644	25,261	2,665	9,715	206,862	X X X
7. 2004	447,732	36,512	411,220	185,003	13,238	11,106	683	24,028	1,187	10,029	205,029	X X X
8. 2005	473,629	25,649	447,980	184,078	12,312	11,728	624	25,610	861	8,729	207,619	X X X
9. 2006	488,642	21,461	467,181	173,159	5,473	8,726	242	25,791	1,271	6,770	200,690	X X X
10. 2007	489,487	14,612	474,875	154,350	2,543	6,096	185	24,928	749	3,229	181,897	X X X
11. 2008	493,075	14,573	478,502	123,634	4,743	2,777	6	22,234	451	188	143,445	X X X
12. Totals	X X X	X X X	X X X	1,866,014	183,899	115,808	10,007	238,481	15,486	79,827	2,010,911	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded			
1. Prior	25,722	7,738	24,549	9,269	451	26	4,336	1,388	2,760	227	692	39,170	X X X
2. 1999	6,215	2,049	2,555	924	42		734	183	580	141	87	6,829	X X X
3. 2000	5,835	1,825	2,493	871	159		711	153	599	110	105	6,838	X X X
4. 2001	4,426	1,896	4,569	1,163	101	2	1,243	194	667	93	185	7,658	X X X
5. 2002	8,313	2,768	5,105	1,609	183	24	2,052	243	764	35	209	11,738	X X X
6. 2003	8,030	1,213	9,886	1,846	165	3	3,046	282	1,157	7	294	18,933	X X X
7. 2004	12,636	2,124	15,852	2,396	175		4,149	341	1,596		395	29,547	X X X
8. 2005	22,330	2,001	19,939	2,889	272		6,646	447	2,464		696	46,314	X X X
9. 2006	33,292	2,688	34,944	4,739	488		11,507	689	4,021		964	76,136	X X X
10. 2007	57,555	1,801	53,187	7,519	780	1	18,295	1,031	7,129	5	1,847	126,589	X X X
11. 2008	78,912	2,811	100,639	2,021	1,274		20,669	176	15,100	247	5,224	211,339	X X X
12. Totals	263,266	28,914	273,718	35,246	4,090	56	73,388	5,127	36,837	865	10,698	581,091	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	33,264	5,906
2. 1999	265,409	36,044	229,365	85,231	121,676	81,399				5,797	1,032
3. 2000	261,446	31,415	230,031	84,636	108,789	82,145				5,632	1,206
4. 2001	247,486	30,445	217,041	77,399	103,113	74,783				5,936	1,722
5. 2002	261,467	45,250	216,217	68,008	73,281	66,999				9,041	2,697
6. 2003	264,188	38,393	225,795	62,146	69,841	61,004				14,857	4,076
7. 2004	254,545	19,969	234,576	56,852	54,692	57,044				23,968	5,579
8. 2005	273,067	19,134	253,933	57,654	74,599	56,684				37,379	8,935
9. 2006	291,928	15,102	276,826	59,743	70,370	59,255				60,809	15,327
10. 2007	322,320	13,834	308,486	65,849	94,676	64,962				101,422	25,167
11. 2008	365,239	10,455	354,784	74,074	71,742	74,145				174,719	36,620
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	472,824	108,267

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	
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	One Year	Two Year	
1. Prior	157,714	155,488	152,373	158,733	161,231	163,782	169,844	170,070	174,035	172,797	(1,238)	2,727	
2. 1999	189,003	194,953	196,373	199,417	201,705	203,212	205,031	206,034	207,379	207,165	(214)	1,131	
3. 2000	X X X	193,659	200,745	202,888	207,562	207,754	208,784	209,195	210,478	208,705	(1,773)	(490)	
4. 2001	X X X	X X X	194,751	192,534	196,098	196,938	197,234	195,761	198,983	196,385	(2,598)	624	
5. 2002	X X X	X X X	X X X	209,068	207,279	206,226	202,333	202,669	200,111	198,318	(1,793)	(4,351)	
6. 2003	X X X	X X X	X X X	X X X	213,342	207,384	202,606	202,338	204,982	202,685	(2,297)	347	
7. 2004	X X X	X X X	X X X	X X X	X X X	248,473	236,323	232,450	214,190	210,851	(3,339)	(21,599)	
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	260,917	250,818	232,081	227,456	(4,625)	(23,362)	
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	277,610	260,663	249,014	(11,649)	(28,596)	
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	291,110	278,045	(13,065)	X X X	
11. 2008	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	318,565	X X X	X X X	
											12. Totals	(42,591)	(73,569)

**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
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		
1. Prior	000	45,776	74,168	92,840	103,817	110,932	117,636	123,562	127,714	132,969	X X X	X X X
2. 1999	91,727	137,145	158,861	174,828	184,614	191,383	194,719	197,262	198,896	200,395	X X X	X X X
3. 2000	X X X	90,529	139,138	162,196	178,766	188,663	194,654	198,354	200,501	201,934	X X X	X X X
4. 2001	X X X	X X X	88,958	133,295	153,668	168,732	176,484	181,974	185,490	188,779	X X X	X X X
5. 2002	X X X	X X X	X X X	80,816	125,739	149,703	167,759	177,552	183,065	186,679	X X X	X X X
6. 2003	X X X	X X X	X X X	X X X	85,080	129,365	151,672	167,473	178,791	184,266	X X X	X X X
7. 2004	X X X	X X X	X X X	X X X	X X X	83,629	131,988	156,140	171,701	182,188	X X X	X X X
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	88,960	139,616	165,252	182,870	X X X	X X X
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	94,241	148,445	176,170	X X X	X X X
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	98,004	157,718	X X X	X X X
11. 2008	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	121,662	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
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Prior	54,796	40,042	28,004	26,397	25,572	20,743	18,458	15,178	15,377	21,419
2. 1999	44,486	23,922	15,159	10,531	6,896	6,028	4,399	3,957	3,140	2,562
3. 2000	X X X	47,661	28,361	19,620	13,317	9,429	6,340	6,254	4,434	2,602
4. 2001	X X X	X X X	54,524	33,110	19,918	15,250	9,205	8,358	5,390	4,977
5. 2002	X X X	X X X	X X X	81,400	44,823	26,301	17,090	12,910	8,116	5,935
6. 2003	X X X	X X X	X X X	X X X	72,374	40,718	27,441	19,983	15,054	11,440
7. 2004	X X X	X X X	X X X	X X X	X X X	100,487	59,552	42,571	24,699	17,976
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	112,541	63,758	39,129	23,985
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	108,719	66,764	41,752
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	117,628	63,794
11. 2008	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	119,528

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

### Allocated By States and Territories

	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
		2	3						
States, Etc.	Active Status	Direct Premiums Written	Direct Premiums Earned						
1. Alabama	AL	N							
2. Alaska	AK	N							
3. Arizona	AZ	N	1,079	1,079				5	
4. Arkansas	AR	N	(6,218)	(1,100)				(31)	
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			295	2,347	5,927		
11. Georgia	GA	N							
12. Hawaii	HI	N							
13. Idaho	ID	N							
14. Illinois	IL	L	61,402,064	54,641,196	27,303	35,793,041	54,530,560	83,302,317	302,699
15. Indiana	IN	L	128,373,290	126,603,470	25,611	92,478,265	85,378,259	106,363,978	632,853
16. Iowa	IA	L	101,205	64,866	4,272	81,785	(547,525)	225,048	499
17. Kansas	KS	N							
18. Kentucky	KY	L	43,391,300	40,158,774		26,989,417	27,133,190	32,241,879	213,910
19. Louisiana	LA	N							
20. Maine	ME	N							
21. Maryland	MD	N							
22. Massachusetts	MA	N							
23. Michigan	MI	L	9,048,733	10,245,310	55,893	10,695,719	7,317,309	18,089,720	44,608
24. Minnesota	MN	L	92,078	67,846		41,838	(14,440)	144,247	454
25. Mississippi	MS	N							
26. Missouri	MO	N							
27. Montana	MT	N							
28. Nebraska	NE	N					400,000	400,000	
29. Nevada	NV	N							
30. New Hampshire	NH	N							
31. New Jersey	NJ	L	15,564,983	14,552,431	425,236	7,588,679	11,519,771	11,660,063	76,732
32. New Mexico	NM	N							
33. New York	NY	Q							
34. North Carolina	NC	N							
35. North Dakota	ND	N							
36. Ohio	OH	L	3,451,279	3,754,331		1,931,249	1,763,841	5,286,220	17,014
37. Oklahoma	OK	N							
38. Oregon	OR	N							
39. Pennsylvania	PA	N	(116)	(21)					(1)
40. Rhode Island	RI	N							
41. South Carolina	SC	N							
42. South Dakota	SD	N							
43. Tennessee	TN	L	35,747,636	34,831,819	723	14,096,826	13,699,861	18,078,193	176,228
44. Texas	TX	N							
45. Utah	UT	N							
46. Vermont	VT	N							
47. Virginia	VA	N							
48. Washington	WA	L	5,748	6,233		613,656	521,743	1,710,393	28
49. West Virginia	WV	N							
50. Wisconsin	WI	L	866,556	739,082	1,660,816	517,946	1,235,134	1,981,642	4,272
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		298,039,617	285,665,316	2,199,854	190,828,716	202,940,050	279,489,627	1,469,270

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							

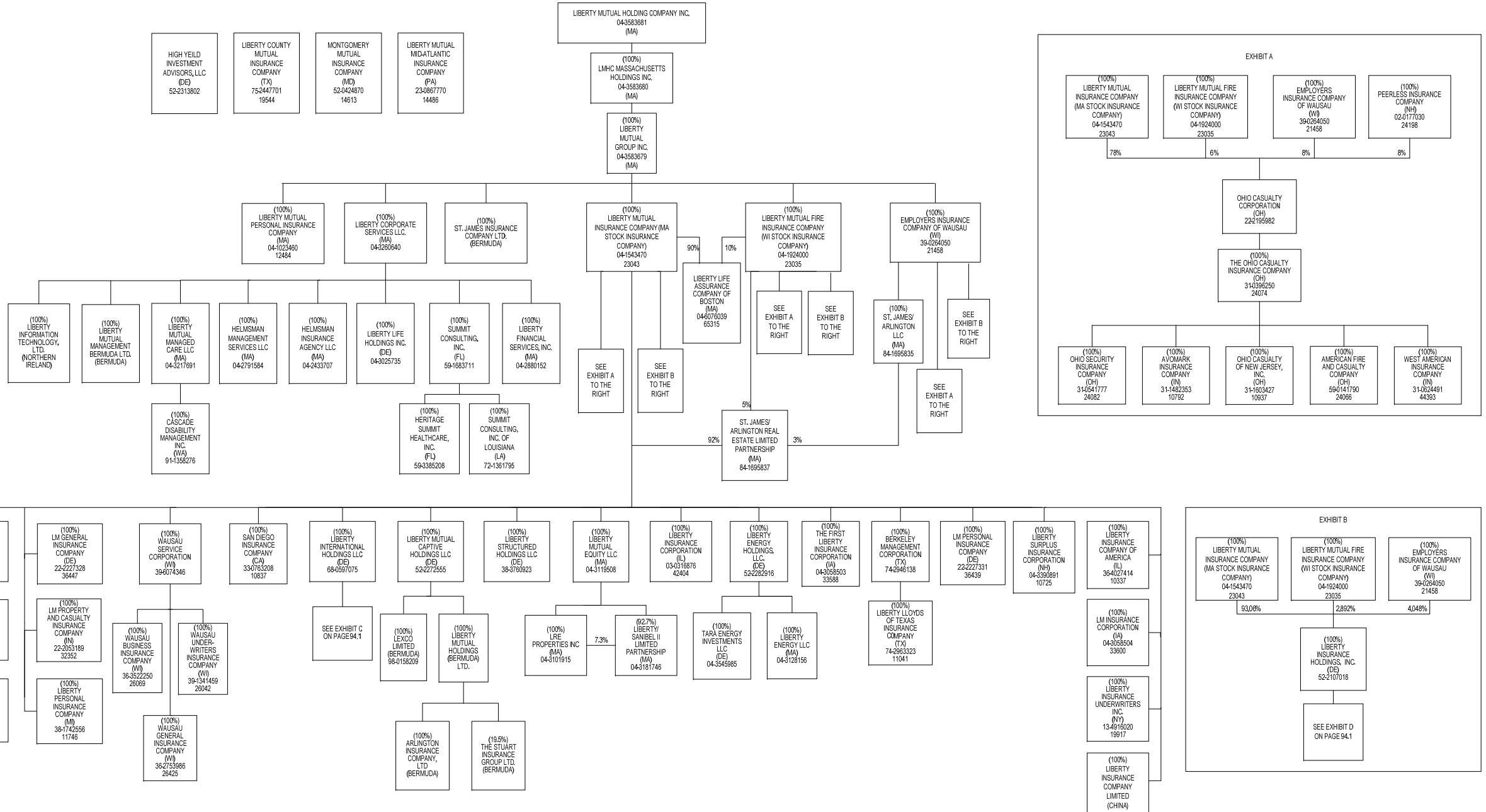
#### Explanation of basis of allocation of premiums by states, etc.

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

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

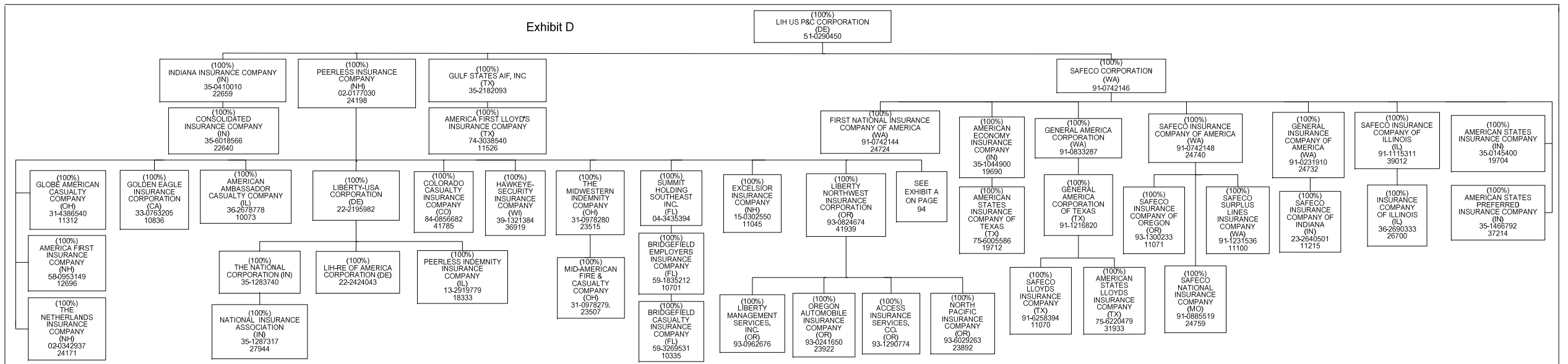
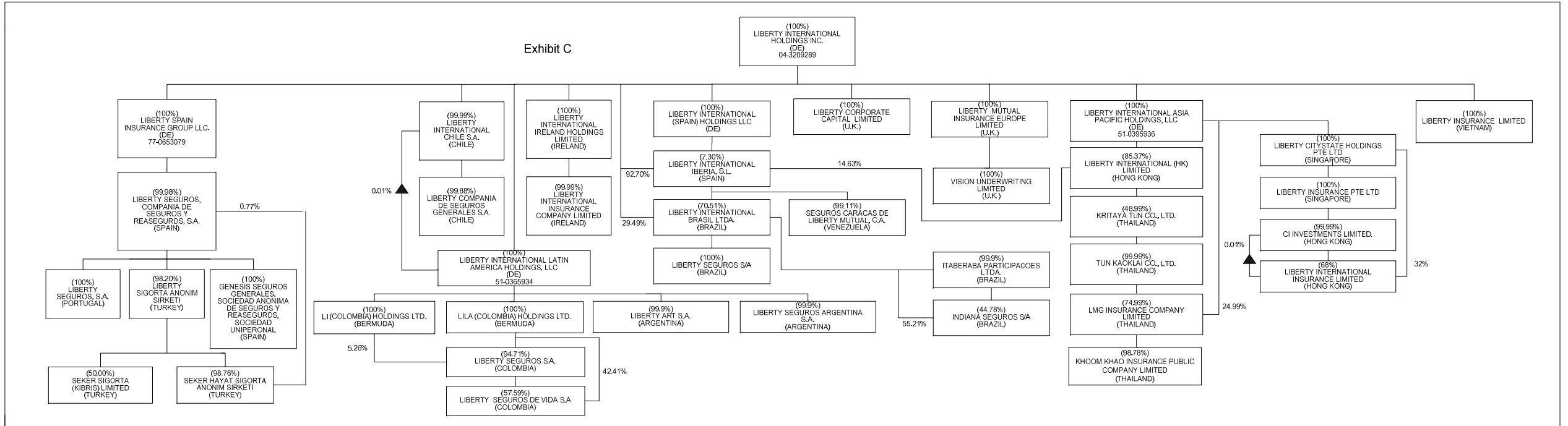
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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

## PART 1 - ORGANIZATIONAL CHART



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**OVERFLOW PAGE FOR WRITE-INS**

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