

**ANNUAL STATEMENT**

**OF THE**

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

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

**TO THE**

**Insurance Department**

**OF THE**

**STATE OF**

**FOR THE YEAR ENDED  
December 31, 2004**

**PROPERTY AND CASUALTY**

**2004**



10335200420100100

**ANNUAL STATEMENT**

For the Year Ended December 31, 2004  
OF THE CONDITION AND AFFAIRS OF THE

**Bridgefield Casualty Insurance Company**

NAIC Group Code 0111 0111 NAIC Company Code 10335 Employer's ID Number 59-3269531  
(Current Period) (Prior Period)

Organized under the Laws of \_\_\_\_\_, State of Domicile or Port of Entry FLORIDA

Country of Domicile \_\_\_\_\_

Incorporated: October 7, 1994 Commenced Business: February 16, 1995

Statutory Home Office: 2310 A - Z PARK ROAD LAKELAND, FL 33801

Main Administrative Office: 2310 A - Z PARK ROAD LAKELAND, FL 33801 863-665-6060

Mail Address: P. O. BOX 988 LAKELAND, FL 33802

Primary Location of Books and Records: 2310 A - Z PARK ROAD LAKELAND, FL 33801 863-665-6060

Internet Website Address: N/A

Statutory Statement Contact: DAVID JOHN CONWAY 863-665-6060 3680  
dconway@summitholdings.com 863-667-2738  
(E-Mail Address) (Fax Number)

Policyowner Relations Contact: 2310 A - Z PARK ROAD LAKELAND, FL 33801 000-000-0000

**OFFICERS**

	Name	Title
1.	<u>RICKY TARVER HODGES</u>	<u>PRESIDENT/CEO</u>
2.	<u>MICHAEL THOMAS JALOVEC #</u>	<u>SECRETARY</u>
3.	<u>DAVID JOHN CONWAY #</u>	<u>TREASURER</u>

**Vice-Presidents**

Name	Title	Name	Title
<u>MICHAEL RAY CHRISTIANSEN</u>	_____	<u>DAVID JOHN CONWAY #</u>	_____
<u>JAMES FRANCIS DORE</u>	_____	<u>BOB DAVID EFFINGER, JR.</u>	_____
<u>GEOFFREY EUGENE HUNT</u>	_____	<u>GARY JAY OSTROW</u>	_____
<u>CAROL PREVATT SIPE</u>	_____	<u>STEVEN ALLEN SMITHSON</u>	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

**DIRECTORS OR TRUSTEES**

<u>KENNETH PAUL BLACKWOOD #</u>	<u>MICHAEL RAY CHRISTIANSEN</u>	<u>DAVID JOHN CONWAY #</u>	<u>JAMES FRANCIS DORE</u>
<u>JOHN DEREK DOYLE #</u>	<u>BOB DAVID EFFINGER, JR.</u>	<u>RICKY TARVER HODGES</u>	<u>GEOFFREY EUGENE HUNT</u>
<u>ROGER LUCIEN JEAN</u>	<u>AMY JOHNSTON LEDDY</u>	<u>WILLIAM GEORGE MERSCH</u>	<u>ROBERT JOSEPH O'HALLORAN</u>
<u>CAROL PREVATT SIPE</u>	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

State of FLORIDA  
County of POLK ss

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

_____ (Signature) RICKY TARVER HODGES (Printed Name) 1. PRESIDENT/CEO (Title)	_____ (Signature)  (Printed Name) 2.  (Title)	_____ (Signature) DAVID JOHN CONWAY (Printed Name) 3. TREASURER (Title)
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Subscribed and sworn to before me this \_\_\_\_\_ day of FEBRUARY, 2005

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

## ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	36,130,929		36,130,929	38,977,596
2. Stocks (Schedule D):				
2.1 Preferred stocks				51,650
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ (1,031,745), Schedule E-Part 1), cash equivalents (\$ 1,498,738, Schedule E-Part 2) and short-term investments (\$ 4,380,605, Schedule DA)	4,847,599		4,847,599	1,210,678
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivable for securities	1,509		1,509	250,001
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	40,980,037		40,980,037	40,489,925
11. Investment income due and accrued	474,419		474,419	554,669
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in the course of collection	3,134,714	1,307,885	1,826,829	1,024,961
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	6,278,880	178,002	6,100,878	(3,976,244)
12.3 Accrued retrospective premiums	(517,053)		(517,053)	(532,875)
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers	30,646		30,646	(14,517)
13.2 Funds held by or deposited with reinsured companies				
13.3 Other amounts receivable under reinsurance contracts				
14. Amounts receivable relating to uninsured plans				
15.1 Current federal and foreign income tax recoverable and interest thereon	56,327		56,327	
15.2 Net deferred tax asset	481,000	481,000		367,567
16. Guaranty funds receivable or on deposit				
17. Electronic data processing equipment and software				
18. Furniture and equipment, including health care delivery assets (\$ 0 )				
19. Net adjustment in assets and liabilities due to foreign exchange rates				
20. Receivables from parent, subsidiaries and affiliates				120,904
21. Health care (\$ 0 ) and other amounts receivable				
22. Other assets nonadmitted				
23. Aggregate write-ins for other than invested assets	24,917		24,917	25,000
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	50,943,887	1,966,887	48,977,000	38,059,390
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	50,943,887	1,966,887	48,977,000	38,059,390

DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Lines 0901 through 0903 + 0998) (Line 9 above)				
2301. Miscellaneous Assets	24,917		24,917	25,000
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 + 2398) (Line 23 above)	24,917		24,917	25,000

<b>LIABILITIES, SURPLUS AND OTHER FUNDS</b>	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)		
2. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6)		
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)		
4. Commissions payable, contingent commissions and other similar charges	3,156,549	1,592,584
5. Other expenses (excluding taxes, licenses and fees)	177,312	330,328
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	17,563,204	11,048,624
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		78,731
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 5,152,028 and including warranty reserves of \$ 0 )		
10. Advance premium	952,946	884,249
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	11,211	6,051
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		1,019
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		
19. Payable to parent, subsidiaries and affiliates	6,215,809	5,603,904
20. Payable for securities	1,498,737	
21. Liability for amounts held under uninsured accident and health plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities		1,337
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	29,575,768	19,546,827
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	29,575,768	19,546,827
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	1,800,000	1,800,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	13,700,000	13,700,000
33. Unassigned funds (surplus)	3,901,232	3,012,563
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 38)	19,401,232	18,512,563
36. TOTALS (Page 2, Line 26, Col. 3)	48,977,000	38,059,390

<b>DETAILS OF WRITE-INS</b>		
2301. Other liabilities		1,337
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)		1,337
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)		

<b>UNDERWRITING AND INVESTMENT EXHIBIT STATEMENT OF INCOME</b>	1	2
<b>UNDERWRITING INCOME</b>	Current Year	Prior Year
1. Premiums earned (Part 1, Line 34, Column 4)		
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)		
3. Loss expenses incurred (Part 3, Line 25, Column 1)		
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)		
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	2,066,389	1,874,045
10. Net realized capital gains (losses) (Exhibit of Capital Gains (Losses))	191,869	266,646
11. Net investment gain (loss) (Lines 9 + 10)	2,258,258	2,140,691
<b>OTHER INCOME</b>		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0 )		
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income		
15. Total other income (Lines 12 through 14)		
16. Net income before dividends to policyholders and before federal and foreign income taxes (Lines 8 + 11 + 15)	2,258,258	2,140,691
17. Dividends to policyholders		
18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17)	2,258,258	2,140,691
19. Federal and foreign income taxes incurred	727,292	643,973
20. Net income (Line 18 minus Line 19) (to Line 22)	1,530,966	1,496,718
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2)	18,512,562	12,211,324
<b>GAINS AND (LOSSES) IN SURPLUS</b>		
22. Net income (from Line 20)	1,530,966	1,496,718
23. Change in net unrealized capital gains or (losses)	(1,650)	10,900
24. Change in net unrealized foreign exchange capital gain (loss)		
25. Change in net deferred income tax	81,432	(398,156)
26. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(722,078)	1,072,776
27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		119,000
28. Change in surplus notes		
29. Surplus (contributed to) withdrawn from protected cells		
30. Cumulative effect of changes in accounting principles		
31. Capital changes:		
31.1 Paid in		
31.2 Transferred from surplus (Stock Dividend)		
31.3 Transferred to surplus		
32. Surplus adjustments:		
32.1 Paid in		4,000,000
32.2 Transferred to capital (Stock Dividend)		
32.3 Transferred from capital		
33. Net remittances from or (to) Home Office		
34. Dividends to stockholders		
35. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
36. Aggregate write-ins for gains and losses in surplus		
37. Change in surplus as regards policyholders for the year (Lines 22 through 36)	888,670	6,301,238
38. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 37) (Page 3, Line 35)	19,401,232	18,512,562

<b>DETAILS OF WRITE-INS</b>		
0501. ....		
0502. ....		
0503. ....		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. Totals (Lines 0501 through 0503 plus Line 0598) (Line 5 above)		
1401. ....		
1402. ....		
1403. ....		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus Line 1498) (Line 14 above)		
3601. ....		
3602. ....		
3603. ....		
3698. Summary of remaining write-ins for Line 36 from overflow page		
3699. Totals (Lines 3601 through 3603 plus Line 3698) (Line 36 above)		

<b>CASH FLOW</b>	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	(11,084,037)	34,189,417
2. Net investment income	2,252,758	1,874,345
3. Miscellaneous income	(1,019)	(2,089)
4. Total (Lines 1 through 3)	(8,832,298)	36,061,673
5. Benefit and loss related payments	45,163	(268,929)
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	(7,925,180)	1,656,609
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	862,350	642,466
10. Total (Lines 5 through 9)	(7,017,667)	2,030,146
11. Net cash from operations (Line 4 minus Line 10)	(1,814,631)	34,031,527
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	10,472,179	3,856,145
12.2 Stocks	50,450	90,000
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	1,497,228	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	12,019,857	3,946,145
13. Cost of investments acquired (long-term only):		
13.1 Bonds	7,540,212	17,839,964
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		20,000
13.7 Total investments acquired (Lines 13.1 to 13.6)	7,540,212	17,859,964
14. Net increase (decrease) in policy loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	4,479,645	(13,913,819)
<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		4,000,000
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	971,905	(29,474,683)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	971,905	(25,474,683)
<b>RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash and short-term investments (Line 11, plus Lines 15 and 17)	3,636,919	(5,356,975)
19. Cash and short-term investments:		
19.1 Beginning of year	1,210,680	6,567,655
19.2 End of year (Line 18 plus Line 19.1)	4,847,599	1,210,680

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

	1	2	3	4
Line of Business	Net Premiums Written per Column 6, Part 1B	Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire				
2. Allied lines				
3. Farmowners multiple peril				
4. Homeowners multiple peril				
5. Commercial multiple peril				
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine				
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake				
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation				
17.1 Other liability - occurrence				
17.2 Other liability - claims-made				
18.1 Products liability - occurrence				
18.2 Products liability - claims-made				
19.1, 19.2 Private passenger auto liability				
19.3, 19.4 Commercial auto liability				
21. Auto physical damage				
22. Aircraft (all perils)				
23. Fidelity				
24. Surety				
26. Burglary and theft				
27. Boiler and machinery				
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property				
31. Reinsurance-Nonproportional Assumed Liability				
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS				

DETAILS OF WRITE-INS				
3301.				
3302.				
3303.				
3398. Summary of remaining write-ins for Line 33 from overflow page				
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)				

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 1A - RECAPITULATION OF ALL PREMIUMS**

(a) Gross premiums (less reinsurance) and unearned premiums on all unexpired risks and reserve for return premiums under rate credit or retrospective rating plans based upon experience, viz:

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (b)	2 Amount Unearned (Running More Than One Year from Date of Policy) (b)	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. Allied lines					
3. Farmowners multiple peril					
4. Homeowners multiple peril					
5. Commercial multiple peril					
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine					
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake					
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation					
17.1 Other liability - occurrence					
17.2 Other liability - claims-made					
18.1 Products liability - occurrence					
18.2 Products liability - claims-made					
19.1, 19.2 Private passenger auto liability					
19.3, 19.4 Commercial auto liability					
21. Auto physical damage					
22. Aircraft (all perils)					
23. Fidelity					
24. Surety					
26. Burglary and theft					
27. Boiler and machinery					
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property					
31. Reinsurance-Nonproportional Assumed Liability					
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS					
35. Accrued retrospective premiums based on experience					
36. Earned but unbilled premiums					
37. Balance (Sum of Line 34 through 36)					

DETAILS OF WRITE-INS					
3301.					
3302.					
3303.					
3398. Summary of remaining write-ins for Line 33 from overflow page					
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)					

- (a) By gross premiums is meant the aggregate of all the premiums written in the policies or renewals in force.  
 Are they so returned in this statement? Yes [ X ] No [ ]
- (b) State here basis of computation used in each case



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1B - PREMIUMS WRITTEN

Gross Premiums (Less Return Premiums), Including Policy and Membership Fees  
Written and Renewed During Year

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. Allied lines						
3. Farmowners multiple peril						
4. Homeowners multiple peril						
5. Commercial multiple peril	56			56		
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine						
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake						
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	143,747,812		18,317,019	162,006,730	58,101	(0)
17.1 Other liability - occurrence						
17.2 Other liability - claims-made						
18.1 Products liability - occurrence						
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability						
19.3, 19.4 Commercial auto liability						
21. Auto physical damage						
22. Aircraft (all perils)						
23. Fidelity						
24. Surety						
26. Burglary and theft						
27. Boiler and machinery						
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X					
31. Reinsurance-Nonproportional Assumed Liability	X X X					
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	143,747,868		18,317,019	162,006,786	58,101	(0)

DETAILS OF WRITE-INS						
3301.						
3302.						
3303.						
3398. Summary of remaining write-ins for Line 33 from overflow page						
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)						

- (a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes  No
- If yes:
1. The amount of such installment premiums \$ 143,747,812
  2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 155,981,909

**UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2 - LOSSES PAID AND INCURRED**

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire								
2. Allied lines								
3. Farmowners multiple peril								
4. Homeowners multiple peril								
5. Commercial multiple peril	233,543			233,543				
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine								
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims - made								
12. Earthquake								
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	55,307,017	926,955		56,233,972				
17.1 Other liability - occurrence								
17.2 Other liability - claims - made								
18.1 Products liability - occurrence								
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability								
19.3, 19.4 Commercial auto liability								
21. Auto physical damage								
22. Aircraft (all perils)								
23. Fidelity								
24. Surety								
26. Burglary and theft								
27. Boiler and machinery								
28. Credit								
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X							
31. Reinsurance-Nonproportional Assumed Liability	X X X							
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
33. Aggregate write-ins for other lines of business								
34. TOTALS	55,540,560	926,955		56,467,515				

6

DETAILS OF WRITE-INS							
3301.							
3302.							
3303.							
3398. Summary of remaining write-ins for Line 33 from overflow page							
3399. Totals (Lines 3301 through 3303 + 3398) (Line 33 above)							

**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 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									
2. Allied lines									
3. Farmowners multiple peril									
4. Homeowners multiple peril									
5. Commercial multiple peril	1,061,499		1,061,499		381,270		381,270		
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine									
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims - made									
12. Earthquake									
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)									
15. Other accident and health								(a)	
16. Workers' compensation	44,266,217	1,606,848	45,873,065		79,478,533	11,131,308	90,609,841		
17.1 Other liability - occurrence									
17.2 Other liability - claims - made									
18.1 Products liability - occurrence									
18.2 Products liability - claims - made									
19.1, 19.2 Private passenger auto liability									
19.3, 19.4 Commercial auto liability									
21. Auto physical damage									
22. Aircraft (all perils)									
23. Fidelity									
24. Surety									
26. Burglary and theft									
27. Boiler and machinery									
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	45,327,716	1,606,848	46,934,564		79,859,803	11,131,308	90,991,111		

DETAILS OF WRITE-INS									
3301.									
3302.									
3303.									
3398. Summary of remaining write-ins for Line 33 from overflow page									
3399. Totals (Lines 3301 through 3303 + 3398) (Line 33 above)									

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

**UNDERWRITING AND INVESTMENT EXHIBIT  
PART 3 - EXPENSES**

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	11,764,080			11,764,080
1.2 Reinsurance assumed	32,413			32,413
1.3 Reinsurance ceded	11,796,493			11,796,493
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)				
2. Commission and brokerage:				
2.1 Direct excluding contingent		14,683,175		14,683,175
2.2 Reinsurance assumed excluding contingent		5,814,900		5,814,900
2.3 Reinsurance ceded excluding contingent		50,676,883		50,676,883
2.4 Contingent-direct				
2.5 Contingent-reinsurance assumed				
2.6 Contingent-reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)		(30,178,808)		(30,178,808)
3. Allowances to manager and agents				
4. Advertising		143,015		143,015
5. Boards, bureaus and associations		310,952		310,952
6. Surveys and underwriting reports				
7. Audit of assureds' records		54,806		54,806
8. Salary and related items:				
8.1 Salaries		10,707,224		10,707,224
8.2 Payroll taxes		837,720		837,720
9. Employee relations and welfare		2,251,522		2,251,522
10. Insurance		100,393		100,393
11. Directors' fees				
12. Travel and travel items		966,527		966,527
13. Rent and rent items		1,003,822		1,003,822
14. Equipment		159,469		159,469
15. Cost or depreciation of EDP equipment and software				
16. Printing and stationery		411,756		411,756
17. Postage, telephone and telegraph, exchange and express		807,059		807,059
18. Legal and auditing		416,876		416,876
19. Totals (Lines 3 to 18)		18,171,141		18,171,141
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0		9,562,078		9,562,078
20.2 Insurance department licenses and fees		213,207		213,207
20.3 Gross guaranty association assessments		2,177,538		2,177,538
20.4 All other (excluding federal and foreign income and real estate)		(18,356)		(18,356)
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		11,934,467		11,934,467
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses		73,200	10,166	83,366
25. Total expenses incurred		(0)	10,166	(a) 10,166
26. Less unpaid expenses-current year		20,897,065		20,897,065
27. Add unpaid expenses-prior year		12,971,536		12,971,536
28. Amounts receivable relating to uninsured accident and health plans, prior year				
29. Amounts receivable relating to uninsured accident and health plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)		(7,925,529)	10,166	(7,915,363)

DETAILS OF WRITE-INS				
2401. Sundry and General		73,200	10,166	83,366
2402.				
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)		73,200	10,166	83,366

(a) Includes management fees of \$ 10,166 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) 1,023,959	998,664
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 1,055,434	998,399
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 2,228	2,228
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 74,558	76,639
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	3,235	3,235
10. Total gross investment income	2,159,414	2,079,165

11. Investment expenses		(g) 12,776
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		12,776
17. Net investment income (Line 10 minus Line 16)		2,066,389

DETAILS OF WRITE-INS			
0901. Miscellaneous Income/(Expense)		3,235	3,235
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page			
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)		3,235	3,235
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 \$ 17,707 accrual of discount less \$ 123,827 amortization of premium and less \$ 41,448 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 554 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 12,776 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

### EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds	77,083			77,083
1.1 Bonds exempt from U.S. tax				
1.2 Other bonds (unaffiliated)	114,335			114,335
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)	450		(1,650)	(1,200)
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)				
2.21 Common stocks of affiliates				
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments				
7. Derivative instruments				
8. Other invested assets				
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)	191,868		(1,650)	190,218

DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)				

**EXHIBIT OF NONADMITTED ASSETS**

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivable for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Investment income due and accrued			
12. Premiums and considerations:			
12.1 Uncollected premiums and agents' balances in the course of collection	1,307,885	1,050,189	(257,696)
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	178,002	162,617	(15,385)
12.3 Accrued retrospective premiums			
13. Reinsurance:			
13.1 Amounts recoverable from reinsurers			
13.2 Funds held by or deposited with reinsured companies			
13.3 Other amounts receivable under reinsurance contracts			
14. Amounts receivable relating to uninsured plans			
15.1 Current federal and foreign income tax recoverable and interest thereon			
15.2 Net deferred tax asset	481,000	32,002	(448,998)
16. Guaranty funds receivable or on deposit			
17. Electronic data processing equipment and software			
18. Furniture and equipment, including health care delivery assets			
19. Net adjustment in assets and liabilities due to foreign exchange rates			
20. Receivable from parent, subsidiaries and affiliates			
21. Health care and other amounts receivable			
22. Other assets nonadmitted			
23. Aggregate write-ins for other than invested assets			
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,966,887	1,244,808	(722,079)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	1,966,887	1,244,808	(722,079)

<b>DETAILS OF WRITE-INS</b>			
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. Miscellaneous Assets			
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)			

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## NOTES TO FINANCIAL STATEMENTS

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

#### A. Accounting Practices

The accompanying financial statements of Bridgfield Casualty Insurance Company (the "Company") have been prepared in accordance with the NAIC Accounting Practices and Procedures Manual and on the basis of accounting practices prescribed or permitted by the State of Florida Department of Financial Services ("Florida DFS").

#### 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 Policy

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

In addition, the Company uses the following accounting policies:

1. Investment grade 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. Investment grade bonds are carried at cost adjusted where appropriate for amortization of premium or discount, or market as specified by the SVO Manual.
3. The Company does not own common stock.
4. Preferred stocks are carried at cost or market in accordance with the SVO Manual.
5. The Company does not own mortgage loans.
6. Mortgage-backed/asset backed securities are stated at amortized value. Prepayment assumptions for single class mortgage-backed/asset backed securities and multi-class securities were obtained from internal estimates. These assumptions are consistent with the current interest rate and economic environment. The retrospective adjustment method is used to value all single class mortgage-backed/asset-backed securities and multi-class securities. Non-investment grade mortgage-backed/asset backed securities are stated at the lower of amortized value or fair value.
7. The Company does not own any subsidiaries.
8. The Company has no investments in joint ventures, partnerships and limited liability companies.
9. The Company has no derivative instruments.
10. The Company anticipates investment income as a factor in the premium deficiency calculation.
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.

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

- A. There were no material changes in accounting principles or corrections of errors except for the implementation of the installment method of recording direct written premiums in 2003.
- B. The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the Florida DFS. Effective January 1, 2001, the Florida DFS required that insurance companies domiciled in Florida prepare their statutory-basis financial statements in accordance with the NAIC Accounting Practices and Procedures Manual - Version effective March 2004, subject to any deviations prescribed or permitted by the Florida DFS.

Accounting changes adopted to conform to the provisions of the NAIC Accounting Practices and Procedures Manual- Version effective January 1, 2001, are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods. As a result of these changes, the Company reported a change of accounting principle, as an adjustment that increased unassigned funds (surplus) of \$143,616 as of January 1, 2001. Included in this total adjustment:

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**NOTES TO FINANCIAL STATEMENTS**


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Net deferred tax asset	Total	<u>\$143,616</u>
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**Note 3- Business Combinations and Goodwill**

- A. Statutory Purchase Method – None
- B. Statutory Merger - None
- C. Impairment Loss - None

**Note 4- Discontinued Operations**

The Company has no discontinued operations to report.

**Note 5- Investments**

- A. Mortgage Loans - Not Applicable
- B. Troubled Debt Restructuring for Creditors - Not Applicable
- C. Reverse Mortgages - Not Applicable
- D. Loan-Backed Securities
  - 1. The Company has no securities purchased prior to January 1, 1994.
  - 2. Prepayment assumptions for single class and multi-class mortgages-backed/asset-backed securities were based upon 1-month historical constant prepayment rates.
  - 3. The Company used Merrill Lynch pricing service. Bloomberg and Lehman Index data is used in determining the market value of its vast majority of loan-backed securities. A small number of securities are priced in other ways, such as contacting brokers.
  - 4. The Company had no negative yield situations requiring a change from the retrospective to prospective method.
- E. Repurchase Agreements
 

The Company did not enter into any repurchase agreement during 2004.
- F. Real Estate – Not Applicable

**Note 6- Joint Ventures, Partnerships & Limited Liability Companies**

- A. The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.
- B. Write-downs for Impairments – Not Applicable

**Note 7- Investment Income**

- A. All investment income due and accrued over 90 days past due are excluded from Surplus.
- B. No amounts were excluded as of December 31, 2004.

**Note 8- Derivative Instruments**

The Company has no derivative instruments.

**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:

	<u>December 31, 2004</u>	<u>December 31, 2003</u>	<u>Change</u>
Total of gross deferred tax assets	\$ 520,274	\$ 434,445	\$ 85,829
Total of deferred tax liabilities	(39,274)	(34,876)	(4,398)
Net deferred tax asset	481,000	399,569	81,431
Net deferred tax asset non-admitted	(481,000)	(32,002)	(448,998)
Net admitted deferred tax asset	<u>\$ 0</u>	<u>\$ 367,567</u>	<u>\$(367,567)</u>

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



**NOTES TO FINANCIAL STATEMENTS**

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

	<u>2004</u>	<u>2003</u>
Federal	\$ 727,292	\$ 643,973
Net operating loss benefit	0	0
Foreign	0	0
Federal and foreign income tax incurred	<u>\$ 727,292</u>	<u>\$ 643,973</u>

The Company's deferred tax assets and liabilities result primarily from differences in investment income recognition and statutory non-admitted assets.

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of revisions to prior year estimates and changes in deferred taxes related to statutory non-admitted assets.
- E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is none from the current year and none from the preceding year.

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

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

Access Insurance Services, Co.	Liberty International Holdings, Inc.
ALM Services, Inc.	Liberty Life Assurance Company of Boston
Ambco Capital Corporation	Liberty Life Holdings, Inc.
America First Insurance Company	Liberty Lloyds of Texas Insurance Company
America First Lloyds Insurance Company	Liberty Management Services, Inc.
American Ambassador Casualty Company	Liberty Mexico Holdings, Inc.
Berkeley Management Corporation	Liberty Mutual Capital Corporation (Boston)
Bridgefield Casualty Insurance Company	Liberty Mutual Fire Insurance Company
Bridgefield Employers Insurance Company	Liberty Mutual Group Inc.
Capitol Agency, Inc. (Arizona corporation)	Liberty Mutual Holding Company, Inc.
Capitol Agency, Inc. (Ohio corporation)	Liberty Mutual Insurance Company
Capitol Agency, Inc. (Tennessee corporation)	Liberty Mutual Managed Care, Inc.
Cascade Disability Management, Inc.	Liberty Northwest Insurance Corporation
Colorado Casualty Insurance Company	Liberty Personal Insurance Company
Companies Agency Insurance Services of California	Liberty RE (Bermuda) Limited
Companies Agency of Alabama, Inc.	Liberty Real Estate Corporation
Companies Agency of Georgia, Inc.	Liberty Surplus Insurance Corporation
Companies Agency of Kentucky, Inc.	Liberty-USA Corporation
Companies Agency of Massachusetts, Inc.	LIH-Re of America Corporation
Companies Agency of Michigan, Inc.	LIH U.S. P&C Corporation
Companies Agency of New York, Inc.	LIIA Insurance Agency, Inc.
Companies Agency of Pennsylvania, Inc.	LIU Specialty Agency, Inc.
Companies Agency of Phoenix, Inc.	LLS Insurance Agency of Nevada, Inc.
Companies Agency, Inc.	LM Insurance Corporation
Companies Annuity Agency of Texas, Inc.	LMHC Massachusetts Holding, Inc.
Consolidated Insurance Company	LRE Properties, Inc.
Copley Venture Capital, Inc.	Mid-American Agency, Inc.
Countrywide Services Corporation	Mid-American Fire and Casualty Company
Diversified Settlements, Inc.	Missouri Agency, Inc.
Employers Insurance Company of Wausau	North Pacific Insurance Company
Excelsior Insurance Company	Oregon Automobile Insurance Company
First State Agency, Inc.	Peerless Indemnity Insurance Company
Florida State Agency, Inc.	Peerless Insurance Company
Globe American Casualty Company	LM Personal Insurance Company
Golden Eagle Insurance Corporation	LM General Insurance Company
Gulf States AIF, Inc.	LM Property and Casualty Insurance Company
Hawkeye-Security Insurance Company	San Diego Insurance Company
Helmsman Insurance Agency of Illinois, Inc.	State Agency, Inc. (Indiana corporation)
Helmsman Insurance Agency of Texas, Inc.	State Agency, Inc. (Wisconsin corporation)
Heritage-Summit Healthcare of Florida, Inc.	St. James Insurance Company
Indiana Insurance Company	Summit Consulting, Inc.
LEXCO Limited	Summit Consulting, Inc. of Louisiana
Liberty Assignment Corporation	Summit Holding Southeast, Inc.
Liberty Corporate Services, Inc.	The First Liberty Insurance Corporation
Liberty Energy Corporation	The Midwestern Indemnity Company
Liberty Financial Services, Inc.	The National Corporation
Liberty Hospitality Group, Inc.	The Netherlands Insurance Company
Liberty Insurance Company of America	Wausau (Bermuda) Ltd.
Liberty Insurance Corporation	Wausau Business Insurance Company
Liberty Insurance Holdings, Inc.	Wausau General Insurance Company
Liberty Insurance Underwriters, Inc.	Wausau Holdings, Inc.
Liberty International Aberdeen, Inc.	Wausau Service Corporation
Liberty International Asia Pacific Holdings, Inc.	Wausau Underwriters Insurance Company

\* This company joined the consolidated group in 2004 and its activity from the date it joined the group is included in the consolidated return.

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## NOTES TO FINANCIAL STATEMENTS

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

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

- A. All the outstanding shares of common stock of the Company are held by Bridgefield Employers Insurance Company, which is owned by Summit Holding Southeast, Inc., which is owned by Liberty Mutual Insurance Company.
- B. All non-insurance transactions which the Company had with its affiliates involved less than ½ of 1% of the total assets of the largest affiliate.
- C. The Company does not own any subsidiaries.
- D. At December 31, 2004, the Company reported \$6,215,809 due to parent, subsidiaries and affiliates. In general, the terms of the inter-company arrangement require settlement at least quarterly.
- E. The Company has made no guarantees or initiated undertakings for the benefit of affiliates which results in a material contingent exposure of the Company's or affiliates assets or liabilities.
- F. There is an investment services agreement with Liberty Mutual Insurance Company. The Company has a 100% reinsurance agreement with the ultimate parent company to which all of its insurance operations are 100% reinsured.

The Company has a service agreement with the ultimate parent company in which it cedes 100% of its operating expenses to the parent.

- G. The Company is part of an insurance 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, greater than 10% of admitted assets.
- J. The Company did not recognize any impairment write down for its subsidiary, controlled or affiliated companies during the statement period.

### **Note 11- Debt**

The Company has no debt obligations.

### **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 retirement plans, deferred compensation arrangements or other post retirement benefit plans. Services for the operation of the Company are provided under provision of a cost-sharing agreement as described in Note 10(F).

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

1. The Company has 18,000 shares authorized, issued and outstanding.
2. The Company has no preferred stock outstanding.
3. Not Applicable
4. The maximum amount of dividends which can be paid by State of Florida insurance companies to shareholders without prior approval of the Insurance Commissioner is subject to restrictions relating to statutory surplus. Statutory surplus at December 31, 2004 was \$19,401,232. The maximum dividend payout which may be made without prior approval in 2005 is \$390,123. Dividends are determined by the Board of Directors and is non-cumulative. No dividends were paid in 2004.
5. Other than the dividend limitations described above in (4), there are no other restrictions on unassigned surplus.
6. Not Applicable
7. Not Applicable
8. None
9. The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

	<u>Cumulative Increase (Decrease) in Surplus</u>	<u>Current Year Increase (Decrease) in Surplus</u>
Unrealized gains/(losses)	\$ 0	\$ (1,650)
Non-admitted asset values	(1,966,886)	(722,078)
Provision for reinsurance	0	0

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**NOTES TO FINANCIAL STATEMENTS**


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Total	<u>\$(1,966,886)</u>	<u>\$ (723,728)</u>
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10. Not Applicable

11. Not Applicable

12. Not Applicable

**Note 14- Contingencies**

- A. The Company has no material contingency liabilities.
- B. The Company is subject to guaranty funds and other assessments by the states in which it writes business. Guaranty funds assessments should be accrued at the time of insolvencies. Other assessments should be 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.

The Company has accrued a liability for guaranty funds and other assessments of \$4,115,579 and a related premium tax benefit asset of \$0. These represent management's best estimates 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.

- C. None
- D. Various lawsuits against the Company may have arisen in the course of the Company's business. The Company is not aware of any contingent liabilities arising from litigation, income taxes and other matters which would have a material effect on the financial position of the Company.

**Note 15- Leases**

The Company has no material lease obligations.

**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.

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

- A. Not Applicable
- B. The Company did not have any transfers and servicing of financial assets during the year.
- C. The Company did not engage in any wash sales this year.

**Note 18-Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**

- A. Administrative Services Only (ASO) Plans - Not Applicable
- B. Administrative Services Contract (ASC) Plans - 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**

All of the Company's premiums are written through an affiliated managing general agent or third party.

- A. Name and Address of managing general agent:

Summit Consulting, Inc.  
2310 A-Z Park Road  
Lakeland, Florida 33801

- B. FEI Number 59-1683711

- C. Exclusive Contract: Yes

- D. Types of business written:

Workers Compensation, Commercial Multiple Peril (non-liability and liability)

- E. Types of Authority Granted:

## NOTES TO FINANCIAL STATEMENTS

Underwriting, claims payments, claims adjustments, reinsurance ceding, binding authority, premium collections

F. Total Direct premiums written in 2004 were \$143,747,868.

**Note 20- September 11 Events**

The Company is not aware of any events occurring subsequent to September 11, 2001, which would have a material effect on the financial position of the Company.

**Note 21- Other Items**

- A. None
- B. Troubled Debt Restructuring for Debtors - Not Applicable
- C. Other Disclosures
  - 1. Pursuant to Florida Statutes 624.424 the following pertains to the Special Disability Trust Fund
    - a. The amount of credit taken by the Company in determination of its loss reserves was \$38,565 for the prior calendar year and \$52,211 for the current reporting period.
    - b. The Company received payments from the SDTF of \$130,311 in the prior calendar year and \$142,566 in the current reporting period.
    - c. The Company was assessed by the SDTF for \$833,047 in the prior calendar year and \$1,612,856 in the current reporting period
  - 2. Pursuant to Florida Statutes 625.012 the following pertains to the Agents Balances at December 31, 2004.
 

a. Agents' Balances or Uncollected Premiums per Statement	\$1,826,829	(1)
b. Premiums collected by "Controlled or Controlling" Persons	\$ 0	(2)
c. Premiums collected by "Controlled or Controlling" Persons w/i 15 days	\$ 0	(3)
d. Amount of Applicable Trust Fund	\$ 0	(4)
e. Amount of Applicable Letter of Credit	\$ 0	(5)
f. Amount of Applicable Financial Guaranty Bond	\$ 0	(6)
g. Totals of (4), (5), & (6)	\$ 0	(7)
h. (2) minus (3) minus (7)	\$ 0	(8)
- D. The Company routinely assesses the collectibility of its premium receivable based upon Company experience. Amounts in excess of non-admitted amounts are not believed to be material.

**Note 22- Events Subsequent**

The Company is not aware of any events occurring subsequent to December 31, 2004, which would have a material effect on the financial position of the Company.

**Note 23- Reinsurance**

A. Unsecured Reinsurance Recoverables

The Company has the following unsecured reinsurance recoverable for losses and loss adjustment expense, paid and unpaid, including IBNR which exceed 3% of the policyholders' surplus (\$000 omitted):

<u>FEIN</u>	<u>NAIC #</u>		<u>AMOUNT</u>
13-4924125	10227	American Re-Insurance	\$4,226
36-2114545	20443	Continental Casualty Co.	\$3,667

B. Reinsurance Recoverable in Dispute

There are no reinsurance recoverables in dispute from an individual reinsurer which exceed 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 and Ceded

a. The following table sets forth the maximum return premium and commission due the reinsurer or the Company if all of the company's assumed and ceded reinsurance were canceled as of December 31, 2004.

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net</u>	
	<u>UEP</u>	<u>Commission Equity</u>	<u>UEP</u>	<u>Commission Equity</u>	<u>UEP</u>	<u>Commission Equity</u>
Affiliates	\$ 0	\$ 0	\$(5,152,028)	\$(1,236,487)	\$(5,152,028)	\$(1,236,487)
All Others	5,152,028	1,236,487	0	0	5,152,028	1,236,487
<b>Total</b>	<b>\$5,152,028</b>	<b>\$1,236,487</b>	<b>\$(5,152,028)</b>	<b>\$(1,236,487)</b>	<b>\$ 0</b>	<b>\$ 0</b>

Direct Unearned Premium Reserve \$0

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## NOTES TO FINANCIAL STATEMENTS

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- b. No sliding scale commission adjustment was due on reinsurance ceded.
- c. 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 NAIC instructions.

D. Uncollectable Reinsurance

The Company has not written off any balances in the current year.

E. Commutation of Ceded Reinsurance

The Company has reported in its operations in the current year as a result of commutation of reinsurance with Contractors Insurance Alliance amounts which are reflected as:

Losses incurred	\$0
Loss adjustment expenses incurred	\$0
Premiums earned	\$(48,262)
Other	\$0

F. Retroactive Reinsurance

The Company did not have any retroactive reinsurance contracts that transferred liabilities for losses that had already occurred and that would have generated special surplus transactions.

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

Accrued retrospective premiums reported in Line 12.3 of the assets have been determined based upon loss experience on business subject to such experience rating adjustment. Accrued retrospectively rated premiums, including all of those relating to bulk IBNR, have been determined by or allocated to individual policyholder accounts. All accounts have a credit balance, and therefore there is no amount that is non-admitted.

**Note 25- Change in Incurred Losses and Loss Adjustment Expenses**

No changes in incurred losses and loss adjustment expense attributable to insured events of prior years are shown because the Company cedes all reserves 100% to its ultimate parent company.

**Note 26- Intercompany Pooling Arrangements**

The Company participates in a 100% Quota Share (Fronting) Reinsurance Agreement (the Agreement) with an affiliate, Liberty Mutual Insurance Company, the lead company in the Liberty Mutual Inter-Company Reinsurance Agreement. Pursuant to the Agreement, after external reinsurance, the Company cedes its net underwriting activity to the lead company.

**Note 27- Structured Settlements**

- A. Not Applicable
- B. Not Applicable

**Note 28- Health Care Receivables**

Not Applicable

**Note 29- Participating Policies**

Not Applicable

**Note 30- Premium Deficiency Reserves**

As of December 31, 2004, the Company had no liabilities related to premium deficiency reserves. The Company considers anticipated investment income when calculating its premium deficiency reserves.

**Note 31- High Deductibles**

The Company does not write contracts with high deductibles.

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

The direct liabilities for unpaid losses have been reduced by \$102,323. The net liabilities including the \$102,323 discount have been ceded 100% to the Company's ultimate parent, therefore resulting in no impact on the Annual Statement.

## NOTES TO FINANCIAL STATEMENTS

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**Note 33- Asbestos/Environmental Reserves**

The Company does not have exposure to asbestos and environmental claims.

**Note 34- Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 35- Multiple Peril Crop Insurance**

Not Applicable

## SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	11,471,809	27.994	11,471,809	27.994
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	7,830,838	19.109	7,830,838	19.109
1.22 Issued by U.S. government sponsored agencies	2,991,094	7.299	2,991,094	7.299
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA				
1.512 Issued or guaranteed by FNMA and FHLMC				
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage- backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	13,684,387	33.393	13,684,387	33.393
2.2 Unaffiliated foreign securities	152,802	0.373	152,802	0.373
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (includes \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (\$ 0 including property acquired in satisfaction of debt)				
6. Policy loans				
7. Receivables for securities	1,509	0.004	1,509	0.004
8. Cash, cash equivalents and short-term investments	4,847,598	11.829	4,847,598	11.829
9. Other invested assets				
10. Total invested assets	40,980,037	100.000	40,980,037	100.000

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

#### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [ X ] No [ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [ X ] No [ ] N/A [ ]
- 1.3 State Regulating? FL
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [ X ]
- 2.2 If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended. \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2003
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2000
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 07/31/2002
- 3.4 By what department or departments? FLORIDA DEPARTMENT OF FINANCIAL SERVICES
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [ X ] No [ ]
- 4.12 renewals? Yes [ X ] No [ ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [ X ] No [ ]
- 4.22 renewals? Yes [ X ] No [ ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [ X ]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement.) Yes [ ] No [ X ]
- 6.2 If yes, give full information \_\_\_\_\_
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [ X ]
- 7.2 If yes,
- 7.21 State the percentage of foreign control 0 %
- 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



## GENERAL INTERROGATORIES

- 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 location (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
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO

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 a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? ROY K MORELL, FCAS, MAAA  
 135 BERKLEY STREET, BOSTON, MA 02117  
 ASSISTANT VICE PRESIDENT & SENIOR ACTUARY, LIBERTY MUTUAL INSURANCE COMPANY

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

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

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

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

11.4 If answer to (11.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

### BOARD OF DIRECTORS

12. 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 [X] No [ ]

13. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No [ ]

14. 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 which is in or is likely to conflict with the official duties of such person? Yes [X] No [ ]

### FINANCIAL

15.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):  
     15.11 To directors or other officers \$ \_\_\_\_\_  
     15.12 To stockholders not officers \$ \_\_\_\_\_  
     15.13 Trustees, supreme or grand (Fraternal only) \$ \_\_\_\_\_

15.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):  
     15.21 To directors or other officers \$ \_\_\_\_\_  
     15.22 To stockholders not officers \$ \_\_\_\_\_  
     15.23 Trustees, supreme or grand (Fraternal only) \$ \_\_\_\_\_

16.1 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]

16.2 If yes, state the amount thereof at December 31 of the current year:  
     16.21 Rented from others \$ \_\_\_\_\_  
     16.22 Borrowed from others \$ \_\_\_\_\_  
     16.23 Leased from others \$ \_\_\_\_\_  
     16.24 Other \$ \_\_\_\_\_

Disclose in Notes to Financial the nature of each obligation.

17.1 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]

17.2 If answer is yes:  
     17.21 Amount paid as losses or risk adjustment \$ \_\_\_\_\_  
     17.22 Amount paid as expenses \$ \_\_\_\_\_  
     17.23 Other amounts paid \$ \_\_\_\_\_

## GENERAL INTERROGATORIES

### INVESTMENT

18. List the following capital stock information for the reporting entity:

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price If Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
Preferred					Yes [ ] No [ ]	Yes [ ] No [ ]
Common	18,000	18,000	100	X X X	X X X X X X	X X X X X X

19.1 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, except as shown by Schedule E - Part 3 - Special Deposits? Yes [ X ] No [ ]

19.2 If no, give full and complete information, relating thereto  
 .....  
 .....

20.1 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, except as shown on Schedule E - Part 3 - Special Deposits, 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 16.1). Yes [ ] No [ X ]

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

20.21 Loaned to others	\$ _____
20.22 Subject to repurchase agreements	\$ _____
20.23 Subject to reverse repurchase agreements	\$ _____
20.24 Subject to dollar repurchase agreements	\$ _____
20.25 Subject to reverse dollar repurchase agreements	\$ _____
20.26 Pledged as collateral	\$ _____
20.27 Placed under option agreements	\$ _____
20.28 Letter stock or securities restricted as to sale	\$ _____
20.29 Other	\$ _____

20.3 For category (20.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

21.2 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.

22.1 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 ]

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

## GENERAL INTERROGATORIES

### INVESTMENT

23. Excluding items in Schedule E, 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 Part 1-General, Section IV.H-Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [ X ] No [ ]

23.01 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 METROTECH CENTER BROOKLYN, NY 11245

23.02 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)

23.03 Have there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year? Yes [ ] No [ X ]

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

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

23.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address

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

24.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
9999999	Total	

24.3 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

## GENERAL INTERROGATORIES

### INVESTMENT

25. 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 (+)
25.1 Bonds	40,511,534	41,224,143	712,608
25.2 Preferred stocks			
25.3 Totals	40,511,534	41,224,143	712,608

25.4 Describe the sources or methods utilized in determining the fair values: Fair values are based on quoted market prices when available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or values obtained from independent pricing services.

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

26.2 If no, list exceptions:

.....

.....

.....

### OTHER

27.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ 331,581

27.2 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	\$ 260,642
	\$
	\$
	\$
	\$

28.1 Amount of payments for legal expenses, if any? \$ 78,944

28.2 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
STEMMANS & ALLEY	\$ 28,118
	\$
	\$
	\$
	\$

29.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ 5,469

29.2 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 department of government during the period covered by this statement.

1 Name	2 Amount Paid
FOLEY & LARDNER	\$ 3,300
FOWLER WHITE BOGGS BANKER	\$ 2,169
	\$
	\$
	\$

**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	\$ _____	\$ _____
2.2 Premium Denominator	\$ _____	\$ _____
2.3 Premium Ratio (2.1/2.2)	_____	_____
2.4 Reserve Numerator	\$ _____	\$ _____
2.5 Reserve Denominator	\$ _____	\$ _____
2.6 Reserve Ratio (2.4/2.5)	_____	_____

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 \$ \_\_\_\_\_  
     3.22 Non-participating policies \$ \_\_\_\_\_

4. For Mutual Reporting Entities and Reciprocal Exchange 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 \_\_\_\_\_  
 \_\_\_\_\_

**GENERAL INTERROGATORIES**  
(Continued)

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

- 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 of loss: QUOTA SHARE AND EXCESS OF LOSS INSURANCE CONTRACTS
- 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 HAS EVALUATED ITS PROBABLE MAXIMUM LOSS USING A COMBINATION OF INTERNAL AND EXTERNAL ACTUARIAL LOSS DEVELOPMENT TECHNIQUES AND COMPUTER MODELING;
- 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 CARRIES CATASTROPHE INSURANCE
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? YES  NO
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract which includes a provision which would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? YES  NO
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. \_\_\_\_\_
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? YES  NO
- 8.2 If yes, give full information THE COMPANY COMMUTED ITS REINSURANCE AGREEMENT WITH CONTRACTORS INSURANCE ALLIANCE
9. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? YES  NO  N/A
- 10.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: YES  NO
- 10.2 If yes, give full information \_\_\_\_\_
- 11.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 12.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |  |   |          |
|--|---|----------|
|  | 11.11 Unpaid losses   | \$ _____ |
|  | 11.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ _____ |
- 11.2 Of the amount on Line 12.3 of the asset schedule, Page 2, state the amount which is secured by letters of credit, collateral and other funds? \$ \_\_\_\_\_
- 11.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? YES  NO  N/A
- 11.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- |  |            |               |
|--|------------|---------------|
|  | 11.41 From | _____ 2.500 % |
|  | 11.42 To   | _____ 5.000 % |
- 11.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? YES  NO
- 11.6 If yes, state the amount thereof at December 31 of current year:
- |  |                                  |          |
|--|----------------------------------|----------|
|  | 11.61 Letters of Credit          | \$ _____ |
|  | 11.62 Collateral and other funds | \$ _____ |
- 12.1 What amount of installment notes is owned and now held by the reporting entity? \$ 184,322
- 12.2 Have any of these notes been hypothecated, sold or used in any manner as security for money loaned within the past year? YES  NO
- 12.3 If yes, what amount? \$ \_\_\_\_\_
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ \_\_\_\_\_
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? YES  NO
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. \_\_\_\_\_

**GENERAL INTERROGATORIES**  
(Continued)

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

14.1 Is the company a cedant in a multiple cedant reinsurance contract? YES [ ] NO [X]

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

.....

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

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 own any securities of a real estate holding company or otherwise hold real estate indirectly? YES [ ] NO [X]

16.11 Name of real estate holding company

\_\_\_\_\_

16.12 Number of parcels involved

\_\_\_\_\_

16.13 Total book/adjusted carrying value

\$ \_\_\_\_\_

16.2 If yes, provide explanation

.....

.....

17.1 Does the reporting entity write any warranty business?

If yes, disclose the following information for each of the following types of warranty coverage:

YES [ ] NO [X]

	1	2	3	4	5
	Direct Losses Incurred	Direct Losses Unpaid	Direct Written Premium	Direct Premium Unearned	Direct Premium Earned
17.11 Home	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
17.12 Products	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
17.13 Automobile	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
17.14 Other*	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....

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

## FIVE-YEAR HISTORICAL DATA

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

	1 2004	2 2003	3 2002	4 2001	5 2000
<b>Gross Premiums Written</b> (Page 8, Part 1B, Cols. 1, 2 & 3)					
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)	162,064,831	73,182,617	82,539,694	54,044,849	31,261,176
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	56	792,512	3,185,781	1,532,470	636,546
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
6. Total (Line 34)	162,064,887	73,975,129	85,725,475	55,577,319	31,897,722
<b>Net Premiums Written</b> (Page 8, Part 1B, Col. 6)					
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)					
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
12. Total (Line 34)					
<b>Statement of Income</b> (Page 4)					
13. Net underwriting gain (loss) (Line 8)					
14. Net investment gain (loss) (Line 11)	2,258,258	2,140,691	1,223,025	790,566	451,104
15. Total other income (Line 15)					
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	727,292	643,973	1,225,385	32,538	(386,326)
18. Net income (Line 20)	1,530,966	1,496,718	(2,360)	758,028	837,430
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	48,977,000	38,059,390	63,238,926	45,528,770	19,374,387
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 12.1)	1,826,829	1,024,961	2,316,176	499,738	557,139
20.2 Deferred and not yet due (Line 12.2)	6,100,878	(3,976,244)	28,687,831	21,861,058	11,316,003
20.3 Accrued retrospective premiums (Line 12.3)	(517,053)	(532,875)			
21. Total liabilities excluding protected cell business (Page 3, Line 24)	29,575,768	19,546,827	51,027,601	32,781,511	6,778,355
22. Losses (Page 3, Lines 1 and 2)					
23. Loss adjustment expenses (Page 3, Line 3)					
24. Unearned premiums (Page 3, Line 9)					
25. Capital paid up (Page 3, Lines 28 & 29)	1,800,000	1,800,000	1,800,000	1,800,000	1,500,000
26. Surplus as regards policyholders (Page 3, Line 35)	19,401,232	18,512,563	12,211,325	12,747,257	12,596,031
<b>Risk-Based Capital Analysis</b>					
27. Total adjusted capital	19,401,232	18,512,563	12,211,325	12,747,257	12,557,935
28. Authorized control level risk-based capital	433,882	535,409	583,996	609,788	704,100
<b>Percentage Distribution of Cash and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
29. Bonds (Line 1)	88.2	96.3	78.8	92.9	55.2
30. Stocks (Lines 2.1 & 2.2)		0.1	0.4	0.6	2.3
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)					
33. Cash and short-term investments (Line 5)	11.8	3.0	20.8	6.5	42.5
34. Contract loans (Line 6)			XXX	XXX	XXX
35. Other invested assets (Line 7)					
36. Receivable for securities (Line 8)		0.6			
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)					
42. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)					
43. Affiliated mortgage loans on real estate					
44. All other affiliated					
45. Total of above Lines 39 to 44					
46. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 45 above divided by Page 3, Col. 1, Line 35 x 100.0)					



## FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2004	2 2003	3 2002	4 2001	5 2000
<b>Capital and Surplus Accounts</b> (Page 4)					
47. Net unrealized capital gains (losses) (Line 23)	(1,650)	10,900	10,360	1,006	1,000
48. Dividends to stockholders (Line 34)					
49. Change in surplus as regards policyholders for the year (Line 37)	888,670	6,301,238	(535,933)	151,226	1,277,237
<b>Gross Losses Paid</b> (Page 9, Part 2, Cols. 1 & 2)					
50. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	56,233,972	40,120,272	27,180,461	14,871,838	9,822,948
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	233,543	726,961	343,085	243,352	24,033
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
55. Total (Line 34)	56,467,515	40,847,233	27,523,546	15,115,190	9,846,981
<b>Net Losses Paid</b> (Page 9, Part 2, Col. 4)					
56. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
61. Total (Line 34)					
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
62. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
63. Losses incurred (Line 2)					
64. Loss expenses incurred (Line 3)					
65. Other underwriting expenses incurred (Line 4)					
66. Net underwriting gain (loss) (Line 8)					
<b>Other Percentages</b>					
67. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)					
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)					
69. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)					
<b>One Year Loss Development (000 omitted)</b>					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)					
71. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 70 above divided by Page 4, Line 21, Col. 1 x 100.0)					
<b>Two Year Loss Development (000 omitted)</b>					
72. 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. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 72 above divided by Page 4, Line 21, Col. 2 x 100.0)					

**SCHEDULE D - SUMMARY BY COUNTRY**

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
<b>BONDS</b>					
Governments (Including all obligations guaranteed by governments)	1. United States .....	19,302,647	19,175,686	19,362,753	19,055,838
	2. Canada .....				
	3. Other Countries .....				
	4. Totals	19,302,647	19,175,686	19,362,753	19,055,838
States, Territories and Possessions (Direct and guaranteed)	5. United States .....				
	6. Canada .....				
	7. Other Countries .....				
8. Totals					
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States .....				
	10. Canada .....				
	11. Other Countries .....				
12. Totals					
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States .....	2,991,094	2,985,010	2,989,920	3,000,000
	14. Canada .....				
	15. Other Countries .....				
16. Totals	2,991,094	2,985,010	2,989,920	3,000,000	
Public Utilities (unaffiliated)	17. United States .....	1,999,329	1,997,870	1,999,150	2,000,000
	18. Canada .....				
	19. Other Countries .....				
20. Totals	1,999,329	1,997,870	1,999,150	2,000,000	
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States .....	11,685,058	12,529,816	11,733,621	11,645,610
	22. Canada .....	152,802	155,156	158,646	150,000
	23. Other Countries .....				
24. Totals	11,837,860	12,684,972	11,892,267	11,795,610	
Parent, Subsidiaries and Affiliates	25. Totals				
	<b>26. Total Bonds</b>	<b>36,130,930</b>	<b>36,843,538</b>	<b>36,244,090</b>	<b>35,851,448</b>
<b>PREFERRED STOCKS</b>					
Public Utilities (unaffiliated)	27. United States .....				
	28. Canada .....				
	29. Other Countries .....				
30. Totals					
Banks, Trust and Insurance Companies (unaffiliated)	31. United States .....				
	32. Canada .....				
	33. Other Countries .....				
34. Totals					
Industrial and Miscellaneous (unaffiliated)	35. United States .....				
	36. Canada .....				
	37. Other Countries .....				
38. Totals					
Parent, Subsidiaries and Affiliates	39. Totals				
	<b>40. Total Preferred Stocks</b>				
<b>COMMON STOCKS</b>					
Public Utilities (unaffiliated)	41. United States .....				
	42. Canada .....				
	43. Other Countries .....				
44. Totals					
Banks, Trust and Insurance Companies (unaffiliated)	45. United States .....				
	46. Canada .....				
	47. Other Countries .....				
48. Totals					
Industrial and Miscellaneous (unaffiliated)	49. United States .....				
	50. Canada .....				
	51. Other Countries .....				
52. Totals					
Parent, Subsidiaries and Affiliates	53. Totals				
	<b>54. Total Common Stocks</b>				
	55. Total Stocks				
	56. Total Bonds and Stocks	36,130,930	36,843,538	36,244,090	

**SCHEDULE D - VERIFICATION BETWEEN YEARS**

1. Book/adjusted carrying value of bonds and stocks, prior year .....	39,029,246	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 7, Part 3 .....	7,540,212	6.1 Column 15, Part 1 .....	
3. Increase (decrease) by adjustment:		6.2 Column 19, Part 2, Section 1 .....	
3.1 Columns 12 + 13 - 14, Part 1 .....	(44,173)	6.3 Column 16, Part 2, Section 2 .....	
3.2 Column 18, Part 2, Section 1 .....		6.4 Column 15, Part 4 .....	
3.3 Column 15, Part 2, Section 2 .....		7. Book/adjusted carrying value at end of current period .....	36,130,929
3.4 Column 14, Part 4 .....	(63,597)	8. Total valuation allowance .....	
4. Total gain (loss), Column 19, Part 4 .....	191,869	9. Subtotal (Lines 7 plus 8) .....	36,130,929
5. Deduct consideration for bonds and stocks disposed of Column 7, Part 4 .....	10,522,628	10. Total nonadmitted amounts .....	
		11. Statement value of bonds and stocks, current period .....	36,130,929

**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									X X X
2. 1995												X X X
3. 1996	5,404	5,404		3,326	3,326	522	522	273	273			X X X
4. 1997	17,538	17,538		9,535	9,535	965	965	582	582			X X X
5. 1998	17,149	17,149		8,818	8,818	1,019	1,019	658	658			X X X
6. 1999	17,020	17,020		9,817	9,817	1,094	1,094	582	582			X X X
7. 2000	24,051	24,051		12,371	12,371	1,354	1,354	750	750			X X X
8. 2001	47,027	47,027		26,370	26,370	2,805	2,805	1,388	1,388			X X X
9. 2002	122,657	122,657		40,407	40,407	3,544	3,544	2,113	2,113			X X X
10. 2003	105,230	105,230		38,139	38,139	2,449	2,449	2,638	2,638			X X X
11. 2004	157,905	157,905		20,566	20,566	1,162	1,162	2,363	2,363			X X X
12. Totals	X X X	X X X	X X X	169,349	169,349	14,914	14,914	11,347	11,347			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		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior													X X X
2. 1995													X X X
3. 1996	392	392	(88)	(88)	1	1	(2)	(2)	5	5			X X X
4. 1997	401	401	2,729	2,729	19	19	232	232	10	10			X X X
5. 1998	522	522	5,100	5,100	13	13	130	130	10	10			X X X
6. 1999	586	586	227	227	53	53	(81)	(81)	15	15			X X X
7. 2000	1,166	1,166	1,325	1,325	149	149	95	95	39	39			X X X
8. 2001	4,528	4,528	915	915	380	380	158	158	149	149			X X X
9. 2002	7,353	7,353	4,623	4,623	678	678	1,228	1,228	328	328			X X X
10. 2003	12,434	12,434	20,096	20,096	1,324	1,324	3,982	3,982	735	735			X X X
11. 2004	19,552	19,552	56,064	56,064	1,336	1,336	8,491	8,491	3,750	3,750			X X X
12. Totals	46,934	46,934	90,991	90,991	3,953	3,953	14,233	14,233	5,041	5,041			X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X		
2. 1995											
3. 1996	4,429	4,429		81.958	81.958						
4. 1997	14,473	14,473		82.524	82.524						
5. 1998	16,270	16,270		94.874	94.874						
6. 1999	12,293	12,293		72.227	72.227						
7. 2000	17,249	17,249		71.718	71.718						
8. 2001	36,693	36,693		78.025	78.025						
9. 2002	60,274	60,274		49.140	49.140						
10. 2003	81,797	81,797		77.732	77.732						
11. 2004	113,284	113,284		71.742	71.742						
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X		

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
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	One Year	Two Year
1. Prior												
2. 1995												
3. 1996	X X X											
4. 1997	X X X	X X X										
5. 1998	X X X	X X X	X X X									
6. 1999	X X X	X X X	X X X	X X X								
7. 2000	X X X	X X X	X X X	X X X	X X X							
8. 2001	X X X	X X X	X X X	X X X	X X X	X X X						
9. 2002	X X X	X X X	X X X	X X X	X X X	X X X	X X X					
10. 2003	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
11. 2004	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		X X X	X X X
12. Totals												

**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 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1	2	3	4	5	6	7	8	9	10		
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004		
1. Prior	000											X X X
2. 1995												X X X
3. 1996	X X X											X X X
4. 1997	X X X	X X X										X X X
5. 1998	X X X	X X X	X X X									X X X
6. 1999	X X X	X X X	X X X	X X X								X X X
7. 2000	X X X	X X X	X X X	X X X	X X X							X X X
8. 2001	X X X	X X X	X X X	X X X	X X X	X X X						X X X
9. 2002	X X X	X X X	X X X	X X X	X X X	X X X	X X X					X X X
10. 2003	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
11. 2004	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			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
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1. Prior										
2. 1995										
3. 1996	X X X									
4. 1997	X X X	X X X								
5. 1998	X X X	X X X	X X X							
6. 1999	X X X	X X X	X X X	X X X						
7. 2000	X X X	X X X	X X X	X X X	X X X					
8. 2001	X X X	X X X	X X X	X X X	X X X	X X X				
9. 2002	X X X	X X X	X X X	X X X	X X X	X X X	X X X			
10. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X		
11. 2004	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	

**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**  
**Allocated by States and Territories**

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	YES	3,192,850	3,192,850		482,962	2,048,722	2,472,250	
2. Alaska	AK	NO							
3. Arizona	AZ	NO							
4. Arkansas	AR	YES	1,967,231	1,967,231		174,976	1,286,710	1,220,577	
5. California	CA	NO							
6. Colorado	CO	NO							
7. Connecticut	CT	NO							
8. Delaware	DE	NO							
9. Dist. Columbia	DC	NO							
10. Florida	FL	YES	35,164,520	35,299,649	(44,328)	12,815,447	18,282,765	38,911,324	
11. Georgia	GA	YES	17,033,641	17,039,204		8,162,290	11,322,694	9,104,050	
12. Hawaii	HI	NO							
13. Idaho	ID	NO							
14. Illinois	IL	NO							
15. Indiana	IN	NO							
16. Iowa	IA	NO							
17. Kansas	KS	NO							
18. Kentucky	KY	YES	12,300,572	12,300,572		4,801,714	8,075,282	7,610,534	
19. Louisiana	LA	YES	35,922,318	35,922,318	235,845	16,132,691	24,016,486	36,110,994	
20. Maine	ME	NO							
21. Maryland	MD	NO							
22. Massachusetts	MA	NO							
23. Michigan	MI	NO							
24. Minnesota	MN	NO							
25. Mississippi	MS	YES	14,122,773	14,122,773		5,025,704	9,254,764	14,727,587	
26. Missouri	MO	NO							
27. Montana	MT	NO							
28. Nebraska	NE	NO							
29. Nevada	NV	NO							
30. New Hampshire	NH	NO							
31. New Jersey	NJ	NO							
32. New Mexico	NM	NO							
33. New York	NY	NO							
34. No. Carolina	NC	YES							
35. No. Dakota	ND	NO							
36. Ohio	OH	NO							
37. Oklahoma	OK	NO							
38. Oregon	OR	NO							
39. Pennsylvania	PA	NO							
40. Rhode Island	RI	NO							
41. So. Carolina	SC	YES	5,460,895	5,460,895		1,902,464	3,687,010	3,330,624	
42. So. Dakota	SD	NO							
43. Tennessee	TN	YES	18,583,070	18,583,070		6,042,311	12,239,423	11,699,580	
44. Texas	TX	NO							
45. Utah	UT	NO							
46. Vermont	VT	NO							
47. Virginia	VA	NO							
48. Washington	WA	NO							
49. West Virginia	WV	NO							
50. Wisconsin	WI	NO							
51. Wyoming	WY	NO							
52. American Samoa	AS	NO							
53. Guam	GU	NO							
54. Puerto Rico	PR	NO							
55. U.S. Virgin Islands	VI	NO							
56. Canada	CN	NO							
57. Aggregate other alien	OT	X X X							
58. Totals	(a) 10		143,747,870	143,888,562	191,517	55,540,559	90,213,856	125,187,520	

DETAILS OF WRITE-INS									
5701.	X X X								
5702.	X X X								
5703.	X X X								
5798. Summary of remaining write-ins for Line 57 from overflow page	X X X								
5799. Totals (Lines 5701 through 5703 + 5798) (Line 57 above)	X X X								

Explanation of basis of allocation of premiums by states, etc.									
LOCATION OF RISK									

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

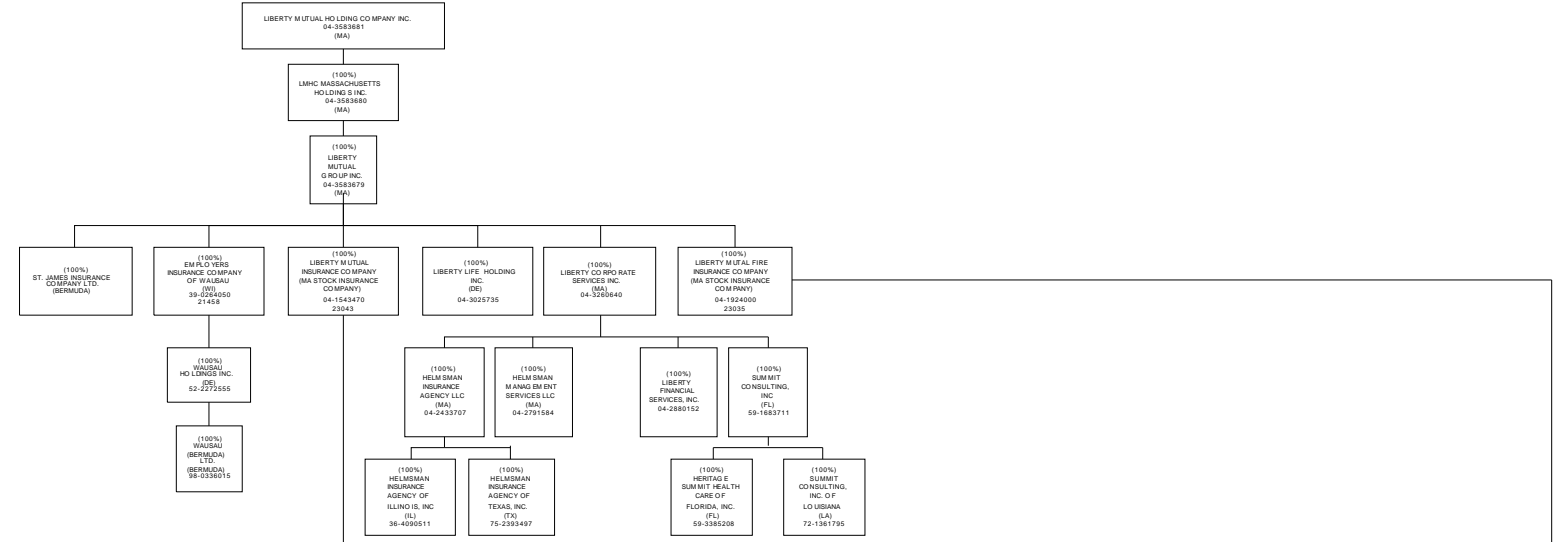
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART

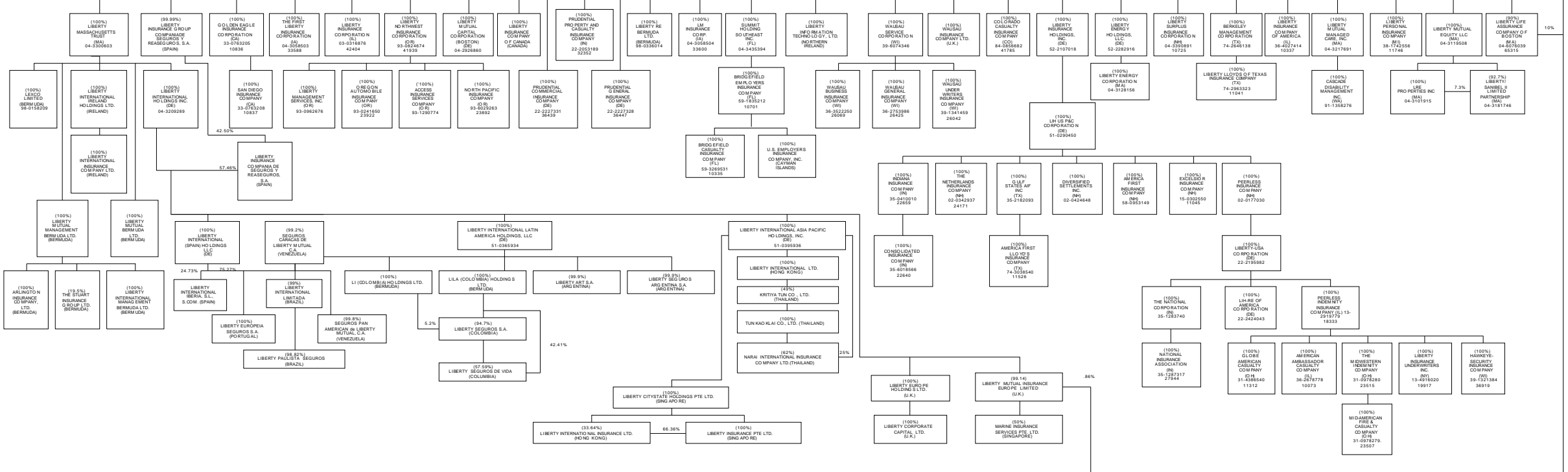
LIBERTY COUNTY MUTUAL INSURANCE COMPANY (TX) 75-2447751 19544

MONTGOMERY MUTUAL INSURANCE COMPANY (MD) 52-0424870 14813

MERCHANTS AND BUSINESS MEN'S MUTUAL INSURANCE COMPANY (PA) 23-0887770 14488



105



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**OVERFLOW PAGE FOR WRITE-INS**

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