

ANNUAL STATEMENT

OF THE

LM INSURANCE CORPORATION

of **WEST DES MOINES**

in the state of **IOWA**

TO THE

Insurance Department

OF THE

STATE OF

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

PROPERTY AND CASUALTY

2004



33600200420100100

ANNUAL STATEMENT

For the Year Ended December 31, 2004

OF THE CONDITION AND AFFAIRS OF THE

LM Insurance Corporation

NAIC Group Code 0111 0111 NAIC Company Code 33600 Employer's ID Number 04-3058504

Organized under the Laws of Iowa, State of Domicile or Port of Entry Iowa

Country of Domicile United States of America

Incorporated: June 16, 1989 Commenced Business: June 22, 1989

Statutory Home Office: 2829 Westown Parkway Suite 300 West Des Moines, IA 50265

Main Administrative Office: 175 Berkeley Street Boston, MA 02117 617-357-9500

Mail Address: 175 Berkeley Street Boston, MA 02117

Primary Location of Books and Records: 175 Berkeley Street Boston, MA 02117 617-357-9500

Internet Website Address: www.LibertyMutual.com

Statutory Statement Contact: Steven Latham 617-357-9500 43660
Steven.Latham@LibertyMutual.com 617-574-5955
(E-Mail Address) (Fax Number)

Policyowner Relations Contact: 175 Berkeley Street Boston, MA 02117 617-357-9500 41015

OFFICERS

Table with 2 columns: Name, Title. Rows include Edmund Francis Kelly (Chairman of the Board, President & CEO), Dexter Robert Legg (Vice President & Secretary), Laurance Henry Soyer Yahia (Vice President & Treasurer).

Vice-Presidents

Table with 4 columns: Name, Title, Name, Title. Lists various vice-presidents and their titles.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Lists directors or trustees and their titles.

State of Massachusetts
County of Suffolk ss

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

(Signature) Edmund Francis Kelly (Printed Name) Chairman of the Board, President & CEO (Title)
(Signature) Dexter Robert Legg (Printed Name) Vice President & Secretary (Title)
(Signature) Laurance Henry Soyer Yahia (Printed Name) Vice President & Treasurer (Title)

Subscribed and sworn to before me this day of April, 2005

a. Is this an original filing? YES [] NO [X]
b. If no: 1. State the amendment number 1
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)	48,487,153		48,487,153	42,938,849
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	661,823		661,823	607,136
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 0, Schedule E-Part 1), cash equivalents (\$ 0, Schedule E-Part 2) and short-term investments (\$ 1,722,466, Schedule DA)	1,722,466		1,722,466	451,574
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivable for securities	99,539		99,539	
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	50,970,981		50,970,981	43,997,559
11. Investment income due and accrued	567,422		567,422	536,095
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in the course of collection	1,415,831	73,052	1,342,779	1,770,804
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	3,835,566	4,009	3,831,557	3,080,398
12.3 Accrued retrospective premiums	1,705,196	171,537	1,533,659	1,593,189
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	7,582	7,582		
15.1 Current federal and foreign income tax recoverable and interest thereon				
15.2 Net deferred tax asset	2,226,000	785,326	1,440,674	1,507,700
16. Guaranty funds receivable or on deposit	112,563		112,563	91,587
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	707,324		707,324	2,647,753
21. Health care (\$ 0) and other amounts receivable				
22. Other assets nonadmitted				
23. Aggregate write-ins for other than invested assets	1,037,297	64,269	973,028	959,667
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	62,585,762	1,105,775	61,479,987	56,184,752
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	62,585,762	1,105,775	61,479,987	56,184,752

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. Other assets	122,196	51,701	70,495	76,782
2302. Cash surrender value - life insurance	378,818		378,818	331,015
2303. Equities and deposits in pools and associations	60,381		60,381	96,257
2398. Summary of remaining write-ins for Line 23 from overflow page	475,902	12,568	463,334	455,613
2399. Totals (Lines 2301 through 2303 + 2398) (Line 23 above)	1,037,297	64,269	973,028	959,667

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	26,780,483	26,374,633
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)	5,108,039	5,215,331
4. Commissions payable, contingent commissions and other similar charges	272,077	245,313
5. Other expenses (excluding taxes, licenses and fees)	981,457	782,351
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	607,117	716,551
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	26,861	159,932
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 \$ 294,962,773 and including warranty reserves of \$ 0)	8,067,839	7,670,522
10. Advance premium	75,004	76,671
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	22,023	7,016
12. Ceded reinsurance premiums payable (net of ceding commissions)		
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	3,803,974	22,624
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	736,145	813,705
19. Payable to parent, subsidiaries and affiliates		
20. Payable for securities		325
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	(2,644,982)	(2,755,071)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	43,836,037	39,329,903
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	43,836,037	39,329,903
27. Aggregate write-ins for special surplus funds	2,278,741	2,231,194
28. Common capital stock	3,600,000	3,600,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	7,400,000	7,400,000
33. Unassigned funds (surplus)	4,365,208	3,623,655
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)	17,643,949	16,854,849
36. TOTALS (Page 2, Line 26, Col. 3)	61,479,986	56,184,752

DETAILS OF WRITE-INS		
2301. Other liabilities	429,084	1,084,554
2302. Pooled retroactive reinsurance	(4,420,331)	(4,313,501)
2303. Amounts held under uninsured plans	1,346,265	472,534
2398. Summary of remaining write-ins for Line 23 from overflow page		1,342
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(2,644,982)	(2,755,071)
2701. Special surplus from retroactive reinsurance	2,278,741	2,231,194
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)	2,278,741	2,231,194
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)		

UNDERWRITING AND INVESTMENT EXHIBIT STATEMENT OF INCOME	1	2
UNDERWRITING INCOME	Current Year	Prior Year
1. Premiums earned (Part 1, Line 34, Column 4)	19,400,348	17,517,718
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	12,897,698	11,635,804
3. Loss expenses incurred (Part 3, Line 25, Column 1)	3,165,497	3,349,835
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	4,828,598	4,279,452
5. Aggregate write-ins for underwriting deductions	(3,744)	1,342
6. Total underwriting deductions (Lines 2 through 5)	20,888,049	19,266,433
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(1,487,701)	(1,748,715)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	2,640,676	2,597,581
10. Net realized capital gains (losses) (Exhibit of Capital Gains (Losses))	384,675	317,667
11. Net investment gain (loss) (Lines 9 + 10)	3,025,351	2,915,248
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 1,848 amount charged off \$ 95,267)	(93,415)	(92,577)
13. Finance and service charges not included in premiums	118,915	106,781
14. Aggregate write-ins for miscellaneous income	(395,437)	(469,657)
15. Total other income (Lines 12 through 14)	(369,937)	(455,453)
16. Net income before dividends to policyholders and before federal and foreign income taxes (Lines 8 + 11 + 15)	1,167,713	711,080
17. Dividends to policyholders	78,865	(4,803)
18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17)	1,088,848	715,883
19. Federal and foreign income taxes incurred	216,136	335,613
20. Net income (Line 18 minus Line 19) (to Line 22)	872,712	380,270
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2)	16,854,849	16,376,144
GAINS AND (LOSSES) IN SURPLUS		
22. Net income (from Line 20)	872,712	380,270
23. Change in net unrealized capital gains or (losses)	9,894	33,056
24. Change in net unrealized foreign exchange capital gain (loss)		
25. Change in net deferred income tax	88	51,529
26. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(132,831)	28,816
27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
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		
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	39,237	(14,966)
37. Change in surplus as regards policyholders for the year (Lines 22 through 36)	789,100	478,705
38. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 37) (Page 3, Line 35)	17,643,949	16,854,849
DETAILS OF WRITE-INS		
0501. North Carolina Private Passenger Auto Escrow	(3,744)	1,342
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)	(3,744)	1,342
1401. Other income/(expense)	(442,693)	(371,614)
1402. Retroactive reinsurance gain/(loss)	47,256	(98,043)
1403. Miscellaneous change in surplus		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus Line 1498) (Line 14 above)	(395,437)	(469,657)
3601. Change in accumulated translation adjustment	39,237	(14,966)
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)	39,237	(14,966)

CASH FLOW	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	19,478,416	17,999,633
2. Net investment income	2,608,618	2,639,482
3. Miscellaneous income	4,007,765	(611,005)
4. Total (Lines 1 through 3)	26,094,799	20,028,110
5. Benefit and loss related payments	12,566,068	10,149,887
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	7,988,592	7,200,351
8. Dividends paid to policyholders	63,858	101,338
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	349,207	114,584
10. Total (Lines 5 through 9)	20,967,725	17,566,160
11. Net cash from operations (Line 4 minus Line 10)	5,127,074	2,461,950
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	10,943,094	18,078,257
12.2 Stocks		19,536
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		325
12.8 Total investment proceeds (Lines 12.1 to 12.7)	10,943,094	18,098,118
13. Cost of investments acquired (long-term only):		
13.1 Bonds	16,105,994	20,589,388
13.2 Stocks	44,791	50,153
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications	99,865	
13.7 Total investments acquired (Lines 13.1 to 13.6)	16,250,650	20,639,541
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)	(5,307,556)	(2,541,423)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	1,451,374	(2,393,410)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	1,451,374	(2,393,410)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
18. Net change in cash and short-term investments (Line 11, plus Lines 15 and 17)	1,270,892	(2,472,883)
19. Cash and short-term investments:		
19.1 Beginning of year	451,574	2,924,457
19.2 End of year (Line 18 plus Line 19.1)	1,722,466	451,574

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

20.0001.		
20.0002.		
20.0003.		

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1- PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	357,024	155,177	186,558	325,643
2. Allied lines	117,662	63,119	68,222	112,559
3. Farmowners multiple peril	(7,604)	7,604		
4. Homeowners multiple peril	2,253,465	1,284,568	1,380,072	2,157,961
5. Commercial multiple peril	329,240	283,478	169,509	443,209
6. Mortgage guaranty				
8. Ocean marine	53,793	92,871	84,006	62,658
9. Inland marine	117,392	75,720	71,923	121,189
10. Financial guaranty				
11.1 Medical malpractice - occurrence	(37)	27	2	(12)
11.2 Medical malpractice - claims-made				
12. Earthquake	61,390	25,702	28,211	58,881
13. Group accident and health	(16,383)	2,337		(14,046)
14. Credit accident and health (group and individual)				
15. Other accident and health	266	4	17	253
16. Workers' compensation	6,252,391	(654,882)	(520,651)	6,118,160
17.1 Other liability - occurrence	962,813	260,406	307,848	915,371
17.2 Other liability - claims-made	187,168	138,224	131,437	193,955
18.1 Products liability - occurrence	77,112	(1,950)	17,626	57,536
18.2 Products liability - claims-made	4,725	108		4,833
19.1, 19.2 Private passenger auto liability	4,742,073	2,148,691	2,333,767	4,556,997
19.3, 19.4 Commercial auto liability	853,779	271,459	273,951	851,287
21. Auto physical damage	2,847,216	1,505,240	1,568,155	2,784,301
22. Aircraft (all perils)	127,874	22,096	37,383	112,587
23. Fidelity	7,481	4,061	3,683	7,859
24. Surety	282,017	191,720	198,581	275,156
26. Burglary and theft	770	608	586	792
27. Boiler and machinery	4,022	2,510	2,209	4,323
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property	79,374	5,671	5,229	79,816
31. Reinsurance-Nonproportional Assumed Liability	162,542	24,839	14,319	173,062
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	19,857,565	5,909,408	6,362,643	19,404,330

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	174,693	11,865			186,558
2. Allied lines	66,321	1,900			68,221
3. Farmowners multiple peril					
4. Homeowners multiple peril	1,380,061	11			1,380,072
5. Commercial multiple peril	166,709	2,799			169,508
6. Mortgage guaranty					
8. Ocean marine	84,006				84,006
9. Inland marine	71,765	158			71,923
10. Financial guaranty					
11.1 Medical malpractice - occurrence	2				2
11.2 Medical malpractice - claims-made					
12. Earthquake	26,757	1,453			28,210
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	17				17
16. Workers' compensation	866,816	110,350		(1,497,815)	(520,649)
17.1 Other liability - occurrence	321,525	76,124		(89,802)	307,847
17.2 Other liability - claims-made	131,437				131,437
18.1 Products liability - occurrence	16,999	37,478		(36,851)	17,626
18.2 Products liability - claims-made					
19.1, 19.2 Private passenger auto liability	2,333,767				2,333,767
19.3, 19.4 Commercial auto liability	358,169	3		(84,220)	273,952
21. Auto physical damage	1,567,583	577		(5)	1,568,155
22. Aircraft (all perils)	37,383				37,383
23. Fidelity	3,660	23			3,683
24. Surety	109,850	85,234		3,497	198,581
26. Burglary and theft	579	7			586
27. Boiler and machinery	1,909	301			2,210
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property	5,229				5,229
31. Reinsurance-Nonproportional Assumed Liability	14,319				14,319
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	7,739,556	328,283		(1,705,196)	6,362,643
35. Accrued retrospective premiums based on experience					1,705,196
36. Earned but unbilled premiums					
37. Balance (Sum of Line 34 through 36)					8,067,839

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 Daily pro rata.

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	17,193	357,024		17,193		357,024
2. Allied lines	39,144	117,662		39,144		117,662
3. Farmowners multiple peril		(7,604)				(7,604)
4. Homeowners multiple peril	27,766	2,253,464		27,766		2,253,464
5. Commercial multiple peril	5,666	329,240		5,666		329,240
6. Mortgage guaranty						
8. Ocean marine		53,793				53,793
9. Inland marine	7,041	117,392		7,041		117,392
10. Financial guaranty						
11.1 Medical malpractice - occurrence		(37)				(37)
11.2 Medical malpractice - claims-made						
12. Earthquake	220	61,390		220		61,390
13. Group accident and health		(16,383)				(16,383)
14. Credit accident and health (group and individual)						
15. Other accident and health		283				283
16. Workers' compensation	584,677,225	6,252,390		584,677,225		6,252,390
17.1 Other liability - occurrence	1,100,887	962,813		1,100,887		962,813
17.2 Other liability - claims-made		187,168				187,168
18.1 Products liability - occurrence	289,392	77,112		289,392		77,112
18.2 Products liability - claims-made		4,725				4,725
19.1, 19.2 Private passenger auto liability	(1,170)	4,742,073		(1,170)		4,742,073
19.3, 19.4 Commercial auto liability	3,289,518	853,764		3,289,518		853,764
21. Auto physical damage	735,260	2,847,216		735,260		2,847,216
22. Aircraft (all perils)		127,874				127,874
23. Fidelity		7,481				7,481
24. Surety	248,208	282,017		248,208		282,017
26. Burglary and theft		770				770
27. Boiler and machinery	13,407	4,022		13,407		4,022
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X	79,374				79,374
31. Reinsurance-Nonproportional Assumed Liability	X X X	162,542				162,542
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	590,449,757	19,857,565		590,449,757		19,857,565

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 [X]
 If yes: 1. The amount of such installment premiums \$ 0
 2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 0

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

Line of Business	Losses Paid Less Salvage				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		95,633		95,633	143,709	144,131	95,211	29.238
2. Allied lines		68,566		68,566	81,832	70,311	80,087	71.151
3. Farmowners multiple peril		5,862		5,862		5,862		
4. Homeowners multiple peril		1,302,958		1,302,958	618,421	532,765	1,388,614	64.348
5. Commercial multiple peril	142,257	382,996	142,257	382,996	510,708	750,781	142,923	32.247
6. Mortgage guaranty								
8. Ocean marine		41,724		41,724	128,033	113,428	56,329	89.899
9. Inland marine		50,775		50,775	85,739	83,920	52,594	43.398
10. Financial guaranty								
11.1 Medical malpractice - occurrence		150		150	220	312	58	(483.333)
11.2 Medical malpractice - claims - made								
12. Earthquake		236		236	2,572	14,647	(11,839)	(20.107)
13. Group accident and health		919,024		919,024	7,762	1,013,309	(86,523)	615.997
14. Credit accident and health (group and individual)								
15. Other accident and health		1,838		1,838	7,225	9,377	(314)	(124.111)
16. Workers' compensation	181,671,631	3,188,618	181,671,631	3,188,618	14,047,112	12,939,848	4,295,882	70.215
17.1 Other liability - occurrence	1,015,331	894,088	1,015,331	894,088	3,430,889	3,069,631	1,255,346	137.141
17.2 Other liability - claims - made		33,613		33,613	424,313	277,029	180,897	93.268
18.1 Products liability - occurrence	751,500	178,288	751,500	178,288	1,118,225	1,186,291	110,222	191.570
18.2 Products liability - claims - made		1,505		1,505	10,806	9,320	2,991	61.887
19.1, 19.2 Private passenger auto liability	1,524,538	3,252,824	1,524,538	3,252,824	3,989,274	4,356,102	2,885,996	63.331
19.3, 19.4 Commercial auto liability	628,516	572,415	628,516	572,415	1,202,799	1,264,605	510,609	59.981
21. Auto physical damage	462,435	1,336,359	462,435	1,336,359	(98,082)	(124,239)	1,362,516	48.936
22. Aircraft (all perils)		53,857		53,857	126,498	104,904	75,451	67.016
23. Fidelity		3,799		3,799	14,841	12,090	6,550	83.344
24. Surety		92,549		92,549	131,442	99,416	124,575	45.274
26. Burglary and theft		480		480	3,834	5,663	(1,349)	(170.328)
27. Boiler and machinery		475		475	209	3,293	(2,609)	(60.352)
28. Credit					30	178	(148)	
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X	(105,638)		(105,638)	237,468	35,993	95,837	120.072
31. Reinsurance-Nonproportional Assumed Liability	X X X	114,955		114,955	550,870	392,928	272,897	157.687
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	627		627	3,734	2,737	1,624	
33. Aggregate write-ins for other lines of business								
34. TOTALS	186,196,208	12,488,576	186,196,208	12,488,576	26,780,483	26,374,632	12,894,427	66.451

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		82,266		82,266	19,455	61,443	19,455	143,709	14,008
2. Allied lines		75,959		75,959	35,238	5,872	35,238	81,831	7,003
3. Farmowners multiple peril									177
4. Homeowners multiple peril		379,448		379,448		238,973		618,421	166,906
5. Commercial multiple peril	99,333	399,630	99,333	399,630	28,605	111,078	28,605	510,708	166,291
6. Mortgage guaranty									
8. Ocean marine		89,616		89,616		38,417		128,033	19,325
9. Inland marine		52,491		52,491	32,647	33,248	32,647	85,739	17,493
10. Financial guaranty									
11.1 Medical malpractice - occurrence		2,059		2,059		(1,839)		220	
11.2 Medical malpractice - claims - made									21
12. Earthquake		1,094		1,094		1,478		2,572	1,253
13. Group accident and health		9,759		9,759		(1,998)	(a)	7,761	604
14. Credit accident and health (group and individual)									
15. Other accident and health		1,938		1,938		5,287	(a)	7,225	275
16. Workers' compensation	347,980,445	10,127,289	347,980,445	10,127,289	314,835,861	3,919,823	314,835,861	14,047,112	1,726,123
17.1 Other liability - occurrence	3,243,242	2,377,669	3,243,242	2,377,669	177,165	1,053,220	177,165	3,430,889	1,046,074
17.2 Other liability - claims - made		135,463		135,463		288,850		424,313	145,456
18.1 Products liability - occurrence	260,500	776,584	260,500	776,584	231,084	341,641	231,084	1,118,225	505,302
18.2 Products liability - claims - made		4,756		4,756		6,050		10,806	6,224
19.1, 19.2 Private passenger auto liability	863,277	2,723,630	863,277	2,723,630	756,996	1,265,647	756,996	3,989,277	916,456
19.3, 19.4 Commercial auto liability	598,896	671,415	598,896	671,415	839,762	531,384	839,762	1,202,799	177,257
21. Auto physical damage		(713)		(713)	(276,387)	(97,369)	(276,387)	(98,082)	107,695
22. Aircraft (all perils)		91,753		91,753		34,745		126,498	26,017
23. Fidelity		2,628		2,628		12,213		14,841	3,877
24. Surety		35,132		35,132	72,995	96,309	72,995	131,441	37,950
26. Burglary and theft		598		598		3,236		3,834	
27. Boiler and machinery		3,367		3,367	22,456	(3,158)	22,456	209	447
28. Credit						30		30	902
29. International									2
30. Reinsurance-Nonproportional Assumed Property	X X X	103,500		103,500	X X X	133,968		237,468	14,901
31. Reinsurance-Nonproportional Assumed Liability	X X X	378,190		378,190	X X X	172,680		550,870	
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	3,793		3,793	X X X	(59)		3,734	
33. Aggregate write-ins for other lines of business									
34. TOTALS	353,045,693	18,529,314	353,045,693	18,529,314	316,775,877	8,251,169	316,775,877	26,780,483	5,108,039

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	38,577,842			38,577,842
1.2 Reinsurance assumed	1,380,388			1,380,388
1.3 Reinsurance ceded	38,577,842			38,577,842
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	1,380,388			1,380,388
2. Commission and brokerage:				
2.1 Direct excluding contingent		19,480,911		19,480,911
2.2 Reinsurance assumed excluding contingent		96,156		96,156
2.3 Reinsurance ceded excluding contingent		19,480,911		19,480,911
2.4 Contingent-direct				
2.5 Contingent-reinsurance assumed		76,857		76,857
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)		173,013		173,013
3. Allowances to manager and agents	3	7		10
4. Advertising	17,487	154,469	41	171,997
5. Boards, bureaus and associations	4,717	52,110	1	56,828
6. Surveys and underwriting reports	46	60,506		60,552
7. Audit of assureds' records	1	2		3
8. Salary and related items:				
8.1 Salaries	1,070,459	2,120,559	11,766	3,202,784
8.2 Payroll taxes	61,049	165,046	586	226,681
9. Employee relations and welfare	146,777	421,869	666	569,312
10. Insurance	95,276	24,450	21	119,747
11. Directors' fees	8	551		559
12. Travel and travel items	65,980	158,200	233	224,413
13. Rent and rent items	77,238	202,733	196	280,167
14. Equipment	66,294	150,367	274	216,935
15. Cost or depreciation of EDP equipment and software	16,961	29,197	175	46,333
16. Printing and stationery	17,695	42,911	57	60,663
17. Postage, telephone and telegraph, exchange and express	53,522	143,876	653	198,051
18. Legal and auditing	7,728	38,656	945	47,329
19. Totals (Lines 3 to 18)	1,701,241	3,765,509	15,614	5,482,364
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 22,788		720,619		720,619
20.2 Insurance department licenses and fees		18,352		18,352
20.3 Gross guaranty association assessments		12,221		12,221
20.4 All other (excluding federal and foreign income and real estate)		35,319		35,319
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		786,511		786,511
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses	83,868	103,563	1,559	188,990
25. Total expenses incurred	3,165,497	4,828,596	17,173	8,011,266
26. Less unpaid expenses-current year	5,108,039	1,970,785		7,078,824
27. Add unpaid expenses-prior year	5,215,331	1,744,215		6,959,546
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)	3,272,789	4,602,026	17,173	7,891,988

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	(4,597)			(4,597)
2402. Other expenses	88,465	103,563	1,559	193,587
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	83,868	103,563	1,559	188,990

(a) Includes management fees of \$ 17,173 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) 706,343	720,238
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 1,851,214	1,868,436
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	48,778	48,778
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) 23,001	23,211
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	(2,814)	(2,814)
10. Total gross investment income	2,626,522	2,657,849
11. Investment expenses		(g) 17,173
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)		17,173
17. Net investment income (Line 10 minus Line 16)		2,640,676
DETAILS OF WRITE-INS		
0901. Misc Income/(Expense)	(2,814)	(2,814)
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)	(2,814)	(2,814)
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 \$ 42,095 accrual of discount less \$ 41,364 amortization of premium and less \$ 108,851 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds				
1.1 Bonds exempt from U.S. tax				
1.2 Other bonds (unaffiliated)	384,675			384,675
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)				
2.11 Preferred stocks of affiliates			9,894	9,894
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)	384,675		9,894	394,569

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	73,052	26,517	(46,535)
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	4,009		(4,009)
12.3 Accrued retrospective premiums	171,537	167,924	(3,613)
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	7,582	8,703	1,121
15.1 Current federal and foreign income tax recoverable and interest thereon			
15.2 Net deferred tax asset	785,326	718,212	(67,114)
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	64,269	51,588	(12,681)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,105,775	972,944	(132,831)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	1,105,775	972,944	(132,831)

DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets	51,702	36,375	(15,327)
2302. Amounts receivable under high deductible policies	12,568	15,213	2,645
2303. Equities and deposits in pools and associations	(1)		1
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	64,269	51,588	(12,681)

NOTES TO FINANCIAL STATEMENTS

Note 1- Summary of Significant Accounting Policies

A. Accounting Practices

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

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

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

C. Accounting Policies

Premiums are earned over the terms of the related policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro-rata methods 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. Expenses 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. Common stocks are carried at market value. .
4. The Company does not own preferred stocks.
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 has no investments in subsidiaries.
8. The Company has no investments in joint ventures, limited partnerships, or limited liability companies.
9. The Company has no derivative instruments.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property-Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2004.

Note 2- Accounting Changes and Correction of Errors

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

B. The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Iowa. Effective January 1, 2001, the Iowa Division of Insurance required that insurance companies domiciled in Iowa prepare their statutory-basis financial statements in accordance with the NAIC APP Manual, effective January 1, 2001, subject to any deviations prescribed or permitted by the Iowa Insurance Commissioner.

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

B. Statutory Mergers

NOTES TO FINANCIAL STATEMENTS

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

C. Impairment Loss

Not applicable

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company does not hold any mortgage loans as investments.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. The Company has elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date, where historical cash flows are not readily available.
2. Prepayment 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 IDSI, Bloomberg, and Lehman Index data in determining the market value of the vast majority of its 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 agreements during the year.

F. Real Estate

The Company does not own real estate.

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

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

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

Not applicable

Note 7- Investment Income

A. Accrued Investment Income

All investment income due and accrued over 90 days past due is excluded from Surplus.

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2004.

Note 8- Derivative Instruments

The Company was not a party to any derivative financial instruments during the year.

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:

NOTES TO FINANCIAL STATEMENTS

	December 31, 2004	December 31, 2003	Change
Total of gross deferred tax assets	2,565,655	2,459,034	106,631
Total of deferred tax liabilities	(339,655)	(233,122)	(106,533)
Net deferred tax asset	2,226,000	2,225,912	88
Net deferred tax asset non-admitted	(785,326)	(718,212)	(67,114)
Net admitted deferred tax asset	1,440,674	1,507,700	(67,026)

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

	2004	2003
Federal	403,036	464,196
Net operating loss benefit	(186,900)	(128,583)
Foreign	0	0
Federal and foreign income tax incurred	216,136	335,613

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, deferred compensation deductions, reversal of discount accretion on bonds, fixed asset depreciation differences, bad debt expense, foreign operations, and statutory non-admitted assets.

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of foreign operations, 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 \$34,184 from the preceding year.

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

The Company has minimum tax credit of \$34,184 which does not expire.

- 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

NOTES TO FINANCIAL STATEMENTS

Liberty Energy Corporation Liberty Financial Services, Inc. Liberty Hospitality Group, Inc. Liberty Insurance Company of America Liberty Insurance Corporation Liberty Insurance Holdings, Inc. Liberty Insurance Underwriters, Inc. Liberty International Aberdeen, Inc. Liberty International Asia Pacific Holdings, Inc.	The Midwestern Indemnity Company The National Corporation The Netherlands Insurance Company Wausau (Bermuda) Ltd. Wausau Business Insurance Company Wausau General Insurance Company Wausau Holdings, Inc. Wausau Service Corporation Wausau Underwriters Insurance Company
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* This company joined the consolidated group in 2004 and its activity from the date it joined the group is included in the consolidated return.

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

Note 10- Information concerning Parent, Subsidiaries and Affiliates

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Insurance Company (the "Parent Company"), a Massachusetts company. Liberty Mutual Insurance company is wholly owned by Liberty Mutual Group, Inc., a Massachusetts 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 reporting entity.
- C. There have been no material transactions with the company's affiliates during 2004.
- D. At December 31, 2004, the Company reported \$707,324 due from affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.
- F. See Note 26 for information regarding intercompany pooling arrangement

There is a "Service Agreement" between the Company and the Parent Company, under which the Parent Company provides the Company with services of personnel employed by the Parent Company, office space, supplies, equipment, telephone and wire services, the use of computers and similar machines to the extent necessary or appropriate. The Company has an investment services agreement with the Parent Company.

- G. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of an upstream company, either directly or indirectly.
- I. The Company has no investments in subsidiary, controlled or affiliated companies greater than 10% of admitted assets.
- J. Not applicable.

Note 11- Debt

- A. The Company has no capital notes.
- B. The Company has no outstanding borrowed money.

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

The Company does not have any direct employees and therefore, does not have any direct obligations for a defined benefit plan, deferred compensation arrangements, compensated absences or other post retirement benefit plans. Services for the operation of the Company are provided under provisions of an intercompany cost-sharing arrangement as described in note 10(f).

Note 13- Capital and Surplus, Dividend restrictions and Quasi-Reorganizations

- 1. The Company has 30,000 shares authorized, issued, and outstanding as of December 31, 2004. All shares have a stated par value of \$120.
- 2. Preferred Stock

Not applicable
- 3. Dividend Restrictions

There are no dividend restrictions.
- 4. The maximum amount of dividends which can be paid by Iowa-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of policyholders' surplus, or (b) net income. The

NOTES TO FINANCIAL STATEMENTS

maximum dividend payout which may be made without prior approval in 2005 is \$1,764,395.

5. As of December 31, 2004, the Company has restricted surplus of \$2,278,740 resulting from retroactive reinsurance contracts.
6. The Company had no advances to surplus.
7. The Company did not hold stock for special purposes.
8. The Company had changes in special surplus funds since December 31, 2001 resulting from retroactive reinsurance contracts.
9. The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

	Cumulative Increase (Decrease) in Surplus	Current Year Increase (Decrease) in Surplus
a. Unrealized gains/(losses)	\$41,095	\$9,894
b. Nonadmitted asset values	(1,105,775)	(131,660)
c. Provision for reinsurance	0	0
Total	<u>(\$1,064,680)</u>	<u>(\$121,766)</u>

10. Surplus Notes

Not applicable

11. Quasi re-organization (dollar impact)

Not applicable

12. Quasi re-organization (effective date)

Not applicable

Note 14- Contingencies

A. Contingent Commitments

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

B. Assessments

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

The Company has accrued a liability for guaranty fund and other assessments of \$496,845 that is offset by future premium tax credits of \$112,563. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2005.

During 2004 there were no material insolvencies to report. The company continues to remit payments relating to prior year insolvencies.

On October 3, 2001, the Company received notification of the insolvency of the Reliance Insurance Group. It is expected the insolvency will result in a guaranty fund assessment against the company of \$85,594 that has been charged to operations in the prior year, and any remaining unpaid balance is included in the liability above.

C. Gain Contingencies

Not applicable

D. All other Contingencies

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

Note 15- Leases

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

The Company has entered into sale-leaseback arrangements with unrelated parties on certain property, plant and equipment. The transactions have been accounted for in accordance with SSAP No. 22. The Company has a purchase option for all PP&E at the end of each respective lease. The Company's minimum lease obligations under these agreements are as follows:

NOTES TO FINANCIAL STATEMENTS

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2005	\$87,881	\$214,143
2006	85,662	173,906
2007	48,225	124,791
2008	44,162	82,242
2009	34,822	54,773
2010 & thereafter	217,009	339,806
Total	<u>\$517,761</u>	<u>\$989,661</u>

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

Not applicable

Note 16- Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

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

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

- A. Transfers of Receivables reported as sales:

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

- B. Transfers and servicing of financial assets:

The Company did not have any transfers and servicing of financial assets during the year.

- C. Wash Sales

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

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

- A. Administrative Services Only (ASO) Plans

Net reimbursement for administrative expenses over actual expenses on uninsured plans was \$1,111. There was no other income or expense, resulting in a net gain of \$1,111. Claim payment volume was \$55,131.

- B. Administrative Services Contract (ASC) Plans

Not applicable

- C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20 – September 11 Events

The Company has material exposure to losses arising from the World Trade Center disaster of September 11, 2001. The exposure arises from the property, workers' compensation, auto, and surety policies and reinsurance contracts written by member companies of the Liberty Mutual Group. The Company shares in the losses via the inter-company pooling agreement. Although uncertainty about the final loss amount still exists, the losses are reasonably estimable and such estimate has been recorded. The Company believes that its reinsurers are financially sound and that reinsurance collectibility is not a significant issue or concern. The amounts recorded by the Company in this annual statement are as follows:

	Direct	Assumed	Gross	Ceded	Net
Paid Loss and ALAE	\$512,000	\$209,000	\$721,000	\$645,000	\$76,000
Loss and ALAE Reserves	\$224,000	\$51,000	\$275,000	\$141,000	\$134,000
Incurred Loss and ALAE	\$736,000	\$260,000	\$996,000	\$786,000	\$210,000

Note 21- Other Items

- A. The Company has no extraordinary items to report.

- B. Troubled Debt Restructuring for Debtors

Not applicable

- C. Other Disclosures

- 1) Florida Special Disability Trust Fund

NOTES TO FINANCIAL STATEMENTS

- a) The amount of credit taken by the Company in determination of its loss reserves was \$0 and \$0, in 2004 and 2003, respectively.
- b) The Company reported loss recoveries from the Special Disability Trust Fund of \$8,664 and \$10,775, in 2004 and 2003, respectively.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$518,849 and \$778,383, in 2004 and 2003, respectively.
- 2) Assets in the amount of \$10,484,832 and \$10,386,420 as of December 31, 2004 and 2003, respectively, were on deposit with government authorities or trustees as required by law.
- 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.
- E. Business Interruption Insurance Recoveries
- There were no reported losses that exceeded the policy deductible.

Note 22- Events Subsequent

There were no events subsequent to December 31, 2004 which would require disclosure.

Note 23- Reinsurance

- A. Excluding amounts arising pursuant to the intercompany pooling agreement, as described in Note 26, there are no unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus.
- B. There are no reinsurance recoverables in dispute from an individual reinsurer which exceeds 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.
- C. The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2004.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$8,067,839	\$266,185	\$294,962,773	\$9,731,808	(\$286,894,934)	\$(9,465,623)
All Other	0	0	0	0	0	0
Total	\$8,067,839	\$266,185	\$294,962,773	\$9,731,808	(\$286,894,934)	\$(9,465,623)

Direct Unearned Premium Reserve: \$294,962,773

Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2004 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$0	\$68,232	\$0	\$68,232
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	(390,000)	0	(390,000)
Totals	\$0	\$(321,768)	\$0	\$(321,768)

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

- D. The Company has not written off any uncollectible balances in the current year.
- E. The Company has not recorded any commutations in the current year.
- F. The Company has one assumed retroactive contract as a result of the intercompany pooling arrangement with Liberty Mutual Insurance Company.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	\$(4,278,986)	\$0
	2. Adjustment – Prior Year(s)	212,256	0
	3. Adjustment – Current Year	36,399	0
	4. Total	\$(4,030,331)	\$0
b.	Consideration Paid or Received:		
	1. Initial Reserves	\$(1,846,589)	\$0
	2. Adjustment – Prior Year(s)	(77,896)	0
	3. Adjustment – Current Year	-	0
	4. Total	\$(1,924,485)	\$0
c.	Amounts Recovered / Paid - Cumulative		

NOTES TO FINANCIAL STATEMENTS

	1. Initial Reserves	\$19,807	\$0
	2. Adjustment – Prior Year(s)	(168,494)	0
	3. Adjustment – Current Year	(24,207)	0
	4. Total	\$(172,894)	\$0
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	\$2,412,590	\$0
	2. Adjustment – Prior Year(s)	(121,658)	0
	3. Adjustment – Current Year	(12,192)	0
	4. Total	\$2,278,740	\$0
e.	Other insurers included in the above transactions:		
		Assumed	Ceded
	Liberty Mutual Insurance Company, 23043	\$(4,030,331)	\$0

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

G. There are no contracts recorded as deposit accounting.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

- A. 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.
- B. The Company records accrued retrospective premium as an adjustment to earned premium.
- C. For detail of net premium written subject to retrospective rating features see Schedule P – Part 7A.
- D. Ten percent of the amount not offset by retrospective return premiums or collateral has been designated non-admitted and charged to surplus.

Total accrued retro premium	\$1,705,196
Less: Non-admitted amount	171,537
Admitted amount	<u>\$1,533,658</u>

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Reserves for incurred loss and loss adjustment expenses attributed to insured events of prior years has increased during 2004 as a result of rising loss development trends in commercial lines including workers' compensation, general liability, and environmental exposures. Original estimates are revised as additional information becomes known regarding individual claims.

A portion of the unfavorable prior year loss development relates to retrospectively rated policies. Additional premium accruals of have been made that partially offset this adverse loss development.

Note 26- Intercompany Pooling Arrangements

The Company is the lead company of the Liberty Mutual Inter-Company Reinsurance Agreement consisting of the following affiliated companies:

		NAIC Co. #	Pooling %	Line of Business
Lead Company:	Liberty Mutual Insurance Company (LMIC)	23043	66.5%	All Lines
Affiliated Pool Companies:	Employers Insurance Company of Wausau (EICOW)	21458	16.00%	All Lines
	Liberty Mutual Fire Insurance Company (LMFIC)	23035	10.00%	All Lines
	Liberty Insurance Corporation (LIC)	42404	6.00%	All Lines
	Wausau Business Insurance Company (WBIC)	26069	0.40%	All Lines
	Wausau General Insurance Company (WGIC)	26425	0.40%	All Lines
	Wausau Underwriters Insurance Company (WUIC)	26042	0.40%	All Lines
	LM Insurance Corporation (LM Ins Corp)	33600	0.20%	All Lines
	The First Liberty Insurance Corporation (FLIC)	33588	0.10%	All Lines
			100.00%	
100% Quota Share ("Fronted")	Liberty Surplus Insurance Corporation (LSIC)	10725	0.00%	All Lines
Affiliated Companies:	Liberty Lloyds of Texas Insurance Company (Lloyds)	11041	0.00%	All Lines
	Liberty Insurance Company of America (LICA)	10337	0.00%	All Lines
	Liberty Personal Insurance Company (LPIC)	11746	0.00%	All Lines
	Liberty County Mutual Insurance Company (LCMIC)	19544	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. (LIU)	19917	0.00%	All Lines
	Bridgefield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
	Bridgefield Casualty Insurance Company (BCIC)	10335	0.00%	All Lines
	LM Property and Casualty Insurance Company	32352	0.00%	All Lines

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LM Property and Casualty Insurance Company (LMPAC) (formerly Prudential Property and Casualty Insurance Company)	32352	0.00%	All Lines
LM General Insurance Company (LMGIC) (formerly Prudential General Insurance Company)	36447	0.00%	All Lines
LM Personal Insurance Company (LMPIC) (formerly Prudential Commercial Insurance Company)	36439	0.00%	All Lines

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

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the lead company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (b) With the exception of LMGIC and LMPIC, all fronted companies cede its net underwriting activity to the lead company. LMGIC and LMPIC cede its net underwriting activity to LMPAC.
- (c) After recording the assumed affiliate transactions noted above, the lead company records 100% of its external assumed and ceded reinsurance activity.
- (d) The lead company's remaining underwriting activity, after processing all internal and external reinsurance, is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- (e) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- (f) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the lead company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- (g) The write-off of uncollectible reinsurance is pooled and the provision for reinsurance is recognized by the entity placing the outbound external reinsurance.

During 2004, the following changes were made to the pool:

Pursuant to the approval of the appropriate State Insurance Departments, effective January 1, 2004, Golden Eagle Insurance Corporation (GEIC) and Montgomery Mutual Insurance Company (MMU), cancelled its participation in the Liberty Mutual Inter-Company Reinsurance Agreement and concurrently became a member of the Liberty Insurance Holdings (LIH) Inter-Company Reinsurance Agreement.

Also effective January 1, 2004, Golden Eagle Insurance Company entered into a Fronting Agreement with Liberty Mutual Insurance Company (LMIC), the lead company in the Liberty Mutual Inter-Company Reinsurance Agreement, whereby it would continue to cede 100% of its workers' compensation activity to LMIC.

Additionally, pursuant to the approval of the appropriate state insurance departments, effective January 1, 2004, Merchants & Business Men's Mutual Insurance Company and Colorado Casualty Insurance Company cancelled its fronting agreements with LMIC and concurrently entered into Fronting Agreements with Peerless Insurance Company (PIC), the lead company in the LIH Inter-Company Reinsurance Agreement. Under the terms of the Fronting Agreements, after external reinsurance, each company would cede 100% of its direct underwriting activity to PIC.

The above transactions resulted in LMIC returning to the companies their in-force business as of January 1, 2004 (except for GEIC's workers' compensation business) and compensated the companies by a like amount. There were no gains or losses to surplus as a result.

Also effective January 1, 2004, LMIC's Pool Participation percentage increased by 3.3% from 63.2 % to 66.5%. The pool percentages of remaining pool members did not change.

Note 27- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of \$3,650,019 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$3,650,019 as of December 31, 2004.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the company has not obtained a release of liability from the claimant is as follows:

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<u>Life Ins. Company and Location</u>	<u>Licensed in Company's State of Domicile Yes/No</u>	<u>Statement Value of Annuities</u>
The Prudential Insurance Company of America Newark, New Jersey	Yes	\$ 1,319,180
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$ 1,104,292
Nationwide Life Insurance Company Columbus, Ohio	Yes	\$ 342,775

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 Dollar Deductible Policies

As of December 31, 2004, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$7,607,340 and the amount billed and recoverable on paid claims was \$473,591.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2004, liabilities include \$18,350,463 of liabilities carried at a discounted value of \$15,757,000 representing a discount of \$2,593,463.

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

Note 33 - Asbestos/Environmental Reserves

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

Upon their de-affiliation from the Nationwide Group and re-affiliation with the Company, EICOW, Wausau Business Insurance Company ("WBIC"), Wausau General Insurance Company ("WGIC"), and Wausau Underwriters Insurance Company ("WUIC") entered into ceded reinsurance contracts whereby Nationwide Indemnity Company assumed full responsibility for obligations on certain policies with effective dates prior to January 1, 1986, including all asbestos and environmental exposures.

Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

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

In recent years the Company, as well as the industry generally, has witnessed a significant increase in the number of asbestos

NOTES TO FINANCIAL STATEMENTS

claims being filed, due to a number of variables, including more intensive advertising by lawyers seeking asbestos claimants, and the increasing focus by plaintiffs on new and previously peripheral defendants, attempts to broaden the interpretation of compensable loss, and courts expanding the scope of the coverage.

Uncertainty Regarding Reserving Methodologies

As a result of the significant uncertainty inherent in determining a company's asbestos and environmental liabilities and establishing related reserves, the amount of reserves required to adequately fund the Company's asbestos and environmental claims cannot be accurately estimated using conventional reserving methodologies based upon historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment.

During the fourth quarter of 2004, the Company completed a comprehensive ground-up study of its environmental reserves. The study was performed with the assistance of an independent actuarial firm, and focused on the implications of claim and litigation trends and other significant developments. The study encompassed the Company's liabilities with respect to both National Priority List (NPL) claims and direct site claims involving the presence of hazardous waste at sites owned or operated by the insured. As a result of the ground-up study, the Company increased net loss and ALAE reserves by \$631,972.

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

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

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

The table below summarizes reserve and loss activity for the Company's asbestos and environmental loss and loss adjustment expenses for each of the five most recent calendar years. Gross reserves for both asbestos and environmental are representative of all Liberty pooled companies. Net reserves for asbestos and environmental are allocated based on the Company's Intercompany Reinsurance Agreement as discussed in Note 26.

<u>Asbestos:</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Gross of Reinsurance Basis (all Liberty pooled companies)					
Beginning Reserves	\$1,263,028,000	\$1,394,737,000	\$1,465,333,000	\$1,666,019,000	\$1,840,688,000
Incurred losses and LAE	341,317,000	290,738,629	494,293,434	542,256,000	674,113,842
Calendar year payments	209,608,000	220,142,629	293,607,434	367,587,000	322,748,521
Ending Reserves	<u>\$1,394,737,000</u>	<u>\$1,465,333,000</u>	<u>\$1,666,019,000</u>	<u>\$1,840,688,000</u>	<u>\$2,192,053,321</u>
Net of Reinsurance Basis					
Beginning Reserves	\$1,409,908	\$1,557,980	\$1,685,926	\$1,920,028	\$2,249,178
Incurred losses and LAE	437,342	355,710	580,656	626,006	7,064
Calendar year payments	289,270	227,764	346,554	296,856	353,306
Ending Reserves	<u>\$1,557,980</u>	<u>\$1,685,926</u>	<u>\$1,920,028</u>	<u>\$2,249,178</u>	<u>\$1,902,936</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Gross of Reinsurance Basis					\$1,050,100,011
Net of Reinsurance Basis:					\$690,234
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Gross of Reinsurance Basis					\$501,539,904
Net of Reinsurance Basis:					\$339,929
Environmental:	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Gross of Reinsurance Basis (all Liberty pooled companies)					
Beginning Reserves	\$1,060,390,000	\$829,472,000	\$681,226,000	\$564,371,000	\$377,622,000
Incurred losses and LAE	(114,622,000)	(89,983)	52,734,816	(111,199,000)	480,461,172
Calendar year payments	116,296,000	148,156,017	169,589,816	75,550,000	77,017,816
Ending Reserves	<u>\$829,472,000</u>	<u>\$681,226,000</u>	<u>\$564,371,000</u>	<u>\$377,622,000</u>	<u>\$781,065,356</u>
Net of Reinsurance Basis					
Beginning Reserves	\$1,330,600	\$894,888	\$850,786	\$612,918	\$515,476
Incurred losses and LAE	(264,006)	179,082	(21,778)	(16,000)	631,972
Calendar year payments	171,706	223,184	216,090	81,442	94,021
Ending Reserves	<u>\$894,888</u>	<u>\$850,786</u>	<u>\$612,918</u>	<u>\$515,476</u>	<u>\$1,053,427</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Gross of Reinsurance Basis					\$553,985,554
Net of Reinsurance Basis:					\$737,491
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Gross of Reinsurance Basis					\$305,171,037

NOTES TO FINANCIAL STATEMENTS

Net of Reinsurance Basis:

\$439,986

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	6,486,663	12.726	6,486,663	12.726
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	7,833,747	15.369	7,833,747	15.369
1.22 Issued by U.S. government sponsored agencies	1,946,370	3.819	1,946,370	3.819
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	1,000,000	1.962	1,000,000	1.962
1.43 Revenue and assessment obligations	2,946,481	5.781	2,946,481	5.781
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	262,021	0.514	262,021	0.514
1.512 Issued or guaranteed by FNMA and FHLMC	2,216,600	4.349	2,216,600	4.349
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)	2,004,661	3.933	2,004,661	3.933
2.2 Unaffiliated foreign securities	23,790,610	46.675	23,790,610	46.675
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	661,823	1.298	661,823	1.298
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	99,539	0.195	99,539	0.195
8. Cash, cash equivalents and short-term investments	1,722,466	3.379	1,722,466	3.379
9. Other invested assets				
10. Total invested assets	50,970,981	100.000	50,970,981	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? IOWA
- 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. 12/31/1999
- 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. 12/31/1999
- 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). 07/27/2001
- 3.4 By what department or departments? IOWA DEPARTMENT OF INSURANCE
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No [X]
- 4.12 renewals? Yes [] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No [X]
- 4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (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

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? Robert T. Muleski, VP & Corporate Actuary
 175 Berkeley Street Boston, MA 02117
 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 [X]	Yes [] No [X]
Common	30,000	30,000	120.00	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

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	50,209,619	51,569,159	1,359,540
25.2 Preferred stocks			
25.3 Totals	50,209,619	51,569,159	1,359,540

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 available 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 [] No [X]

26.2 If no, list exceptions:

OTHER

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

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
	\$
	\$
	\$
	\$
	\$

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

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
	\$
	\$
	\$
	\$
	\$

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

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
	\$
	\$
	\$
	\$
	\$

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	\$ 157	\$ 63,849
2.2 Premium Denominator	\$ 19,403,214	\$ 17,536,696
2.3 Premium Ratio (2.1/2.2)		
2.4 Reserve Numerator	\$ 3,302	\$ 12,743
2.5 Reserve Denominator	\$ 31,888,522	\$ 31,589,964
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 \$ 19,853,900
 3.22 Non-participating policies \$ 2,665

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: In 2004 the Company purchased a Workers' Compensation Catastrophe treaty with limits of \$400mm xs \$100mm.
-
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: The Company employs industry-recognized catastrophe modeling software to estimate its probable maximum loss. For property exposures it employs RiskLink v 4.4 from RMS and AIR v 6.0.0 from AIR for windstorm and earthquake. For WC it employs RiskLink v 4.3 from RMS. Relative exposure concentrations can be found in the Northeast and Florida.
- 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? In addition to the Workers' Compensation Catastrophe treaty, the company purchased a Property Catastrophe treaty with limits of \$884mm part of \$1bb xs \$250mm in 2004. The company participated in the Florida Hurricane Catastrophe Fund to the maximum extent allowed and participated in the California Earthquake Authority. Coverage is sufficient to protect against the company's 250 year modeled event.
- 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
-
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 | \$ | 3,183,704 |
| | 11.12 | Unpaid underwriting expenses (including loss adjustment expenses) | \$ | 366,663 |
-
- 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? \$ 846,417
- 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 | | 4.000 % |
| | 11.42 | To | | 10.000 % |
-
- 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 | \$ | 14,036,737 |
| | 11.62 | Collateral and other funds | \$ | 1,409,218 |
-
- 12.1 What amount of installment notes is owned and now held by the reporting entity? \$
- 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): \$ 194,000
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? YES NO
- 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. 5

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: Not Applicable

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? YES [] NO [X]

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	Direct Losses	Direct Written	Direct Premium	Direct Premium
	Incurred	Unpaid	Premium	Unearned	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
Gross Premiums Written (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)	602,435,860	438,874,960	306,821,712	96,159,812	114,520,554
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	4,300,312	4,144,341	12,956,478	10,848,658	8,258,116
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,807,628	2,992,960	2,440,450	2,401,229	2,971,639
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	521,606	958,961	1,525,342	1,225,773	1,532,788
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	241,916	442,839	291,107	90,788	163,500
6. Total (Line 34)	610,307,322	447,414,061	324,035,089	110,726,260	127,446,597
Net Premiums Written (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)	13,080,008	11,517,960	10,049,300	8,746,576	8,723,900
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	3,501,454	3,261,478	3,059,934	2,820,607	2,557,497
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,760,789	2,882,860	2,357,826	2,045,485	2,033,044
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	273,398	353,653	1,076,100	1,093,375	1,216,124
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	241,916	442,839	291,107	90,788	163,500
12. Total (Line 34)	19,857,565	18,458,790	16,834,267	14,796,831	14,694,065
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(1,487,701)	(1,748,715)	(1,385,934)	(4,699,653)	(2,465,904)
14. Net investment gain (loss) (Line 11)	3,025,351	2,915,248	2,305,621	2,287,458	2,127,626
15. Total other income (Line 15)	(369,937)	(455,453)	(469,499)	2,093,620	2,536,309
16. Dividends to policyholders (Line 17)	78,865	(4,803)	129,751	154,521	187,587
17. Federal and foreign income taxes incurred (Line 19)	216,136	335,613	118,522	(213,481)	1,395,851
18. Net income (Line 20)	872,712	380,270	201,915	(259,615)	614,593
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	61,479,987	56,184,752	52,532,098	51,644,930	53,509,446
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 12.1)	1,342,779	1,770,804	1,751,692	1,563,646	1,688,885
20.2 Deferred and not yet due (Line 12.2)	3,831,557	3,080,398	2,590,850	2,086,274	2,069,977
20.3 Accrued retrospective premiums (Line 12.3)	1,533,659	1,593,189	1,398,941	1,442,101	1,246,418
21. Total liabilities excluding protected cell business (Page 3, Line 24)	43,836,037	39,329,903	36,155,954	35,971,892	37,421,310
22. Losses (Page 3, Lines 1 and 2)	26,780,483	26,374,633	24,901,377	25,817,658	24,698,073
23. Loss adjustment expenses (Page 3, Line 3)	5,108,039	5,215,331	4,745,848	5,011,810	5,162,420
24. Unearned premiums (Page 3, Line 9)	8,067,839	7,670,522	6,451,345	5,512,411	5,117,875
25. Capital paid up (Page 3, Lines 28 & 29)	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
26. Surplus as regards policyholders (Page 3, Line 35)	17,643,949	16,854,849	16,376,144	15,673,038	16,088,136
Risk-Based Capital Analysis					
27. Total adjusted capital	17,643,949	16,854,849	16,376,144	15,673,038	16,088,136
28. Authorized control level risk-based capital	2,707,160	2,551,116	2,343,594	2,152,331	1,978,422
Percentage Distribution of Cash and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
29. Bonds (Line 1)	95.1	97.6	92.1	95.8	90.6
30. Stocks (Lines 2.1 & 2.2)	1.3	1.4	1.2		0.1
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)	3.4	1.0	6.7	4.2	9.3
34. Contract loans (Line 6)			XXX	XXX	XXX
35. Other invested assets (Line 7)					
36. Receivable for securities (Line 8)	0.2				
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
Investments in Parent, Subsidiaries and Affiliates					
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
Capital and Surplus Accounts (Page 4)					
47. Net unrealized capital gains (losses) (Line 23)	9,894	33,056	1,890	(20,593)	16,093
48. Dividends to stockholders (Line 34)					
49. Change in surplus as regards policyholders for the year (Line 37)	789,100	478,705	703,106	(415,098)	573,314
Gross Losses Paid (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)	193,713,017	146,437,984	107,997,769	111,234,255	114,104,660
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,014,484	6,250,620	7,226,085	8,036,234	5,315,927
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,930,129	1,498,657	1,498,919	2,404,252	2,515,993
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	1,017,210	590,935	867,942	746,576	758,352
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)	9,944	203,604	211,233	144,078	171,751
55. Total (Line 34)	198,684,784	154,981,800	117,801,948	122,565,395	122,866,683
Net Losses Paid (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)	8,121,501	6,807,124	7,852,762	7,727,359	7,934,429
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,552,049	1,524,597	1,528,538	1,752,540	1,644,787
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,787,872	1,188,452	1,335,871	1,567,034	1,285,516
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	1,017,210	590,935	867,942	746,576	758,352
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)	9,944	203,604	211,233	144,078	171,751
61. Total (Line 34)	12,488,576	10,314,712	11,796,346	11,937,587	11,794,835
Operating Percentages (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)	66.5	66.4	68.6	89.1	76.6
64. Loss expenses incurred (Line 3)	16.3	19.1	16.4	17.0	16.1
65. Other underwriting expenses incurred (Line 4)	24.9	24.4	100.2	25.9	24.6
66. Net underwriting gain (loss) (Line 8)	(7.7)	(10.0)	(8.8)	(32.0)	(17.3)
Other Percentages					
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)	26.2	25.7	25.1	11.6	6.6
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	82.8	85.5	85.1	106.1	92.7
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)	112.5	109.5	102.8	94.4	91.3
One Year Loss Development (000 omitted)					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	696	1,468	1,224	2,419	669
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)	4.1	9.0	7.8	15.0	4.3
Two Year Loss Development (000 omitted)					
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)	3,305	3,081	4,630	3,177	(14)
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)	20.2	19.7	28.8	20.4	(0.1)

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
BONDS					
Governments (Including all obligations guaranteed by governments)	1. United States	12,659,760	13,088,152	12,650,692	12,679,324
	2. Canada				
	3. Other Countries				
	4. Totals	12,659,760	13,088,152	12,650,692	12,679,324
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	1,000,000	999,150	1,000,000	1,000,000
	10. Canada				
	11. Other Countries				
	12. Totals	1,000,000	999,150	1,000,000	1,000,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	9,032,122	9,140,889	9,026,366	9,120,568
	14. Canada				
	15. Other Countries				
	16. Totals	9,032,122	9,140,889	9,026,366	9,120,568
Public Utilities (unaffiliated)	17. United States	2,004,661	1,990,740	2,004,810	2,000,000
	18. Canada				
	19. Other Countries				
	20. Totals	2,004,661	1,990,740	2,004,810	2,000,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	23,790,610	24,627,765	23,772,738	23,530,000
	22. Canada				
	23. Other Countries				
	24. Totals	23,790,610	24,627,765	23,772,738	23,530,000
Parent, Subsidiaries and Affiliates	25. Totals				
26. Total Bonds		48,487,153	49,846,696	48,454,606	48,329,892
PREFERRED STOCKS					
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				
40. Total Preferred Stocks					
COMMON STOCKS					
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	661,823	661,823	620,728	
	50. Canada				
	51. Other Countries				
	52. Totals	661,823	661,823	620,728	
Parent, Subsidiaries and Affiliates	53. Totals				
54. Total Common Stocks		661,823	661,823	620,728	
55. Total Stocks		661,823	661,823	620,728	
56. Total Bonds and Stocks		49,148,976	50,508,519	49,075,334	

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year	<u>43,545,985</u>	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 7, Part 3	<u>16,150,786</u>	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	<u>2,558</u>	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	<u>9,894</u>	7. Book/adjusted carrying value at end of current period	<u>49,148,976</u>
3.4 Column 14, Part 4	<u>(1,827)</u>	8. Total valuation allowance	
4. Total gain (loss), Column 19, Part 4	<u>384,675</u>	9. Subtotal (Lines 7 plus 8)	<u>49,148,976</u>
5. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	<u>10,943,094</u>	10. Total nonadmitted amounts	
		11. Statement value of bonds and stocks, current period	<u>49,148,976</u>

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	1,486	576	449	173	80	49	28	1,217	X X X
2. 1995	18,415	3,199	15,216	12,334	1,984	850	78	1,362	8	361	12,476	X X X
3. 1996	17,349	2,575	14,774	12,393	1,769	941	76	1,320	4	404	12,805	X X X
4. 1997	16,918	2,106	14,812	12,507	1,670	1,098	110	1,364	8	399	13,181	X X X
5. 1998	17,838	2,149	15,689	14,099	1,774	1,094	115	1,517	14	471	14,807	X X X
6. 1999	17,708	2,547	15,161	13,965	1,924	1,110	129	1,526	22	442	14,526	X X X
7. 2000	18,675	3,018	15,657	13,537	2,188	1,005	128	1,448	17	317	13,657	X X X
8. 2001	19,395	3,123	16,272	12,641	2,437	783	102	1,363	10	369	12,238	X X X
9. 2002	22,145	4,184	17,961	10,736	1,361	557	58	1,524	8	587	11,390	X X X
10. 2003	24,661	5,601	19,060	8,823	1,619	366	14	1,556	4	556	9,108	X X X
11. 2004	25,653	6,253	19,400	5,695	1,286	130	14	1,333	49	326	5,809	X X X
12. Totals	X X X	X X X	X X X	118,216	18,588	8,383	997	14,393	193	4,260	121,214	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	10,444	2,943	3,100	1,984	623	540	1,319	604	237		126	9,652	X X X
2. 1995	537	149	128	101	14	5	81	44	10		9	471	X X X
3. 1996	565	109	137	85	9	1	49	15	14		13	564	X X X
4. 1997	782	129	199	150	23	2	68	20	21		14	792	X X X
5. 1998	1,082	171	275	208	31	6	90	18	29		18	1,104	X X X
6. 1999	1,307	355	318	238	32	6	143	37	31		23	1,195	X X X
7. 2000	1,499	431	556	422	37	10	167	40	40		31	1,396	X X X
8. 2001	1,947	1,011	708	487	45	11	266	80	55		48	1,432	X X X
9. 2002	2,361	1,152	1,415	1,141	54	17	453	63	88		77	1,998	X X X
10. 2003	2,673	764	3,211	1,683	76	24	743	95	133		162	4,270	X X X
11. 2004	3,443	897	7,025	2,322	74	17	1,287	138	555		446	9,010	X X X
12. Totals	26,640	8,111	17,072	8,821	1,018	639	4,666	1,154	1,213		967	31,884	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	8,617	1,035
2. 1995	15,316	2,369	12,947	83.171	74.054	85.088			0.200	415	56
3. 1996	15,428	2,059	13,369	88.927	79.961	90.490			0.200	508	56
4. 1997	16,062	2,089	13,973	94.940	99.193	94.336			0.200	702	90
5. 1998	18,217	2,306	15,911	102.125	107.306	101.415			0.200	978	126
6. 1999	18,432	2,711	15,721	104.089	106.439	103.694			0.200	1,032	163
7. 2000	18,289	3,236	15,053	97.933	107.223	96.142			0.200	1,202	194
8. 2001	17,808	4,138	13,670	91.817	132.501	84.009			0.200	1,157	275
9. 2002	17,188	3,800	13,388	77.616	90.822	74.539			0.200	1,483	515
10. 2003	17,581	4,203	13,378	71.291	75.040	70.189			0.200	3,437	833
11. 2004	19,542	4,723	14,819	76.178	75.532	76.387			0.200	7,249	1,761
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	26,780	5,104

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	27,705	26,867	27,324	26,793	25,744	25,250	26,475	27,458	28,462	29,638	1,176	2,180
2. 1995	12,514	12,166	11,853	11,752	11,657	11,639	11,700	11,651	11,624	11,689	65	38
3. 1996	X X X	12,350	11,804	11,841	11,915	12,054	12,025	12,022	12,020	12,154	134	132
4. 1997	X X X	X X X	11,754	11,697	12,132	12,329	12,563	12,575	12,596	12,745	149	170
5. 1998	X X X	X X X	X X X	12,928	13,378	13,704	14,135	14,283	14,392	14,558	166	275
6. 1999	X X X	X X X	X X X	X X X	12,724	13,122	13,618	13,969	14,221	14,335	114	366
7. 2000	X X X	X X X	X X X	X X X	X X X	12,238	12,803	12,886	13,320	13,678	358	792
8. 2001	X X X	X X X	X X X	X X X	X X X	X X X	12,608	12,284	12,502	12,322	(180)	38
9. 2002	X X X	X X X	X X X	X X X	X X X	X X X	X X X	12,506	11,805	11,820	15	(686)
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	13,073	11,772	(1,301)	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	13,126	X X X	X X X
12. Totals											696	3,305

SCHEDULE P-PART 3-SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004		
1. Prior	000	4,735	8,363	11,140	12,718	14,089	14,875	16,356	17,547	18,733	X X X	X X X
2. 1995	4,857	7,338	8,646	9,499	10,101	10,488	10,723	10,888	10,998	11,122	X X X	X X X
3. 1996	X X X	5,154	7,502	8,813	9,809	10,473	10,907	11,174	11,313	11,489	X X X	X X X
4. 1997	X X X	X X X	4,740	7,158	8,778	9,944	10,718	11,218	11,524	11,825	X X X	X X X
5. 1998	X X X	X X X	X X X	5,189	8,327	10,185	11,559	12,349	12,888	13,304	X X X	X X X
6. 1999	X X X	X X X	X X X	X X X	5,155	8,195	10,103	11,461	12,375	13,022	X X X	X X X
7. 2000	X X X	X X X	X X X	X X X	X X X	5,407	8,489	10,100	11,213	12,226	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	5,694	8,589	10,025	10,885	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	5,359	8,211	9,874	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	4,944	7,556	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	4,525	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	12,272	9,101	7,732	5,988	4,042	3,580	2,872	2,228	2,284	1,910
2. 1995	4,556	2,480	1,528	959	587	426	349	187	103	88
3. 1996	X X X	4,127	2,138	1,213	737	551	370	184	78	122
4. 1997	X X X	X X X	3,878	1,898	1,121	746	603	341	167	155
5. 1998	X X X	X X X	X X X	4,187	1,878	1,075	639	470	218	223
6. 1999	X X X	X X X	X X X	X X X	4,135	1,963	980	598	347	271
7. 2000	X X X	X X X	X X X	X X X	X X X	3,388	1,297	572	392	314
8. 2001	X X X	X X X	X X X	X X X	X X X	X X X	3,529	1,443	863	442
9. 2002	X X X	X X X	X X X	X X X	X X X	X X X	X X X	3,775	1,491	673
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	5,415	2,226
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	5,976

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	8,719,759	3,426,408	(18,527)	955,735	3,223,652	4,869,612	296
2. Alaska	AK	YES	26,887	20,076		1,341	11,633	36,550	
3. Arizona	AZ	YES	185,280	207,659	7,927	324,559	221,163	656,689	1,073
4. Arkansas	AR	YES	8,479,188	4,368,543	(23,626)	458,980	3,015,410	2,853,853	86
5. California	CA	YES	12,032,466	10,897,144	(37,497)	2,049,119	4,836,768	10,432,671	5
6. Colorado	CO	YES	1,209,941	1,210,665		310,389	639,591	1,190,417	164
7. Connecticut	CT	YES	19,626,664	10,328,400		3,984,312	9,038,014	19,774,945	1,320
8. Delaware	DE	YES	20,423,095	14,928,973	(42,542)	4,551,648	11,589,909	19,173,717	434
9. Dist. Columbia	DC	YES	7,030,061	3,510,981	1,092	171,140	1,623,308	1,935,567	448
10. Florida	FL	YES	13,119,711	14,477,859	647,903	7,155,596	10,334,060	30,661,294	774
11. Georgia	GA	YES	13,795,612	12,527,676	113,051	8,510,511	16,781,506	24,713,385	402
12. Hawaii	HI	YES	52,452	54,772		(58)	19,211	37,534	
13. Idaho	ID	YES	180,316	193,734		229,108	425,605	288,997	
14. Illinois	IL	YES	89,163,177	87,145,490	4,232	44,577,620	76,991,738	125,322,418	346
15. Indiana	IN	YES	916,059	722,140		267,546	526,117	909,887	162
16. Iowa	IA	YES	27,136,366	24,880,848	(4,663)	12,017,521	21,514,105	34,173,991	71
17. Kansas	KS	YES	1,723,137	1,816,470	(873)	676,606	887,078	1,750,493	
18. Kentucky	KY	YES	611,950	501,555	296	493,165	(188,259)	2,073,854	291
19. Louisiana	LA	YES	559,717	341,999	13,862	1,392,730	1,079,325	2,190,074	250
20. Maine	ME	YES	142,949	110,771	(16,988)	264,756	466,656	1,022,874	423
21. Maryland	MD	YES	1,669,709	980,221	(27,723)	1,213,561	1,454,932	3,242,133	1,682
22. Massachusetts	MA	YES	36,200,340	40,734,161	44,310	9,285,328	39,047,470	44,938,240	
23. Michigan	MI	YES	24,690,345	22,758,048	(2,039)	10,043,513	16,875,508	34,862,209	195
24. Minnesota	MN	YES	578,530	120,091	6,538	770,712	1,208,701	3,037,863	180
25. Mississippi	MS	YES	12,374,301	12,740,434	(172)	2,839,214	9,063,895	11,278,100	161
26. Missouri	MO	YES	355,301	104,533	36,588	1,477,642	1,100,365	5,140,124	193
27. Montana	MT	YES	1,138	967		15,176	(18,629)	(4,443)	
28. Nebraska	NE	YES	47,994	43,930	48	22,230	7,137	17,862	180
29. Nevada	NV	YES	18,375,929	16,110,275	54,588	3,223,165	12,509,208	15,386,329	63
30. New Hampshire	NH	YES	29,516,327	13,012,045	(74)	2,762,823	11,656,145	18,037,802	8,223
31. New Jersey	NJ	YES	160,053,013	117,444,063	(7,873)	35,783,159	111,161,218	138,549,022	13,395
32. New Mexico	NM	YES	61,378	50,606	(11)	826	20,458	20,180	46
33. New York	NY	YES	20,471,752	19,330,462		2,130,579	10,141,185	16,617,769	1,711
34. No. Carolina	NC	YES	29,490,406	29,003,168	302	11,896,929	24,352,081	41,214,067	418
35. No. Dakota	ND	YES	1,088	722			128	157	
36. Ohio	OH	YES	104,717	83,840			20,678	32,997	
37. Oklahoma	OK	YES	211,196	188,155	(3,320)	90,611	(283,020)	(79,607)	108
38. Oregon	OR	YES	117,421	105,332		43,644	102,980	136,891	
39. Pennsylvania	PA	YES	4,712,887	3,797,361	(41,919)	2,260,033	3,376,872	6,094,934	4,957
40. Rhode Island	RI	YES	(360,337)	(105,955)	(493)	169,027	219,378	238,426	420
41. So. Carolina	SC	YES	10,471,497	8,360,280	20,070	1,887,508	7,650,062	9,054,931	173
42. So. Dakota	SD	YES	129,284	51,660		(30,169)	(535,499)	94,320	
43. Tennessee	TN	YES	219,617	75,166	(2,452)	277,387	278,625	1,060,799	69
44. Texas	TX	YES	4,869,547	3,548,384	(75,510)	5,368,607	5,764,718	13,168,852	(840)
45. Utah	UT	YES	21,860	3,836		350,544	(592,806)	4,462,303	
46. Vermont	VT	YES	5,677,177	2,327,854		339,228	2,450,898	2,126,733	71
47. Virginia	VA	YES	3,786,174	9,323,693	21,441	4,503,384	6,891,878	15,859,919	486
48. Washington	WA	YES	22,763	14,116			3,082	3,999	
49. West Virginia	WV	YES	(13,573)	(44,786)			(2,908)	1,496	
50. Wisconsin	WI	YES	1,448,782	990,757	36,970	1,079,225	1,252,667	1,147,009	380
51. Wyoming	WY	YES	68	(257)			17	26	
52. American Samoa	AS	NO							
53. Guam	GU	YES	394	26,354			85,637	20,729	
54. Puerto Rico	PR	NO	6,562	4,501			998	1,502	
55. U.S. Virgin Islands	VI	YES	870	882			(44)	25	
56. Canada	CN	NO							
57. Aggregate other alien	OT	X X X	513	(3,888)	2		4,698	(10,948)	
58. Totals	(a)	53	590,449,757	492,853,174	702,918	186,196,210	428,305,303	669,821,572	38,816

DETAILS OF WRITE-INS									
5701. Other Alien	X X X		513	(3,888)	2		4,698	(10,948)	
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		513	(3,888)	2		4,698	(10,948)	

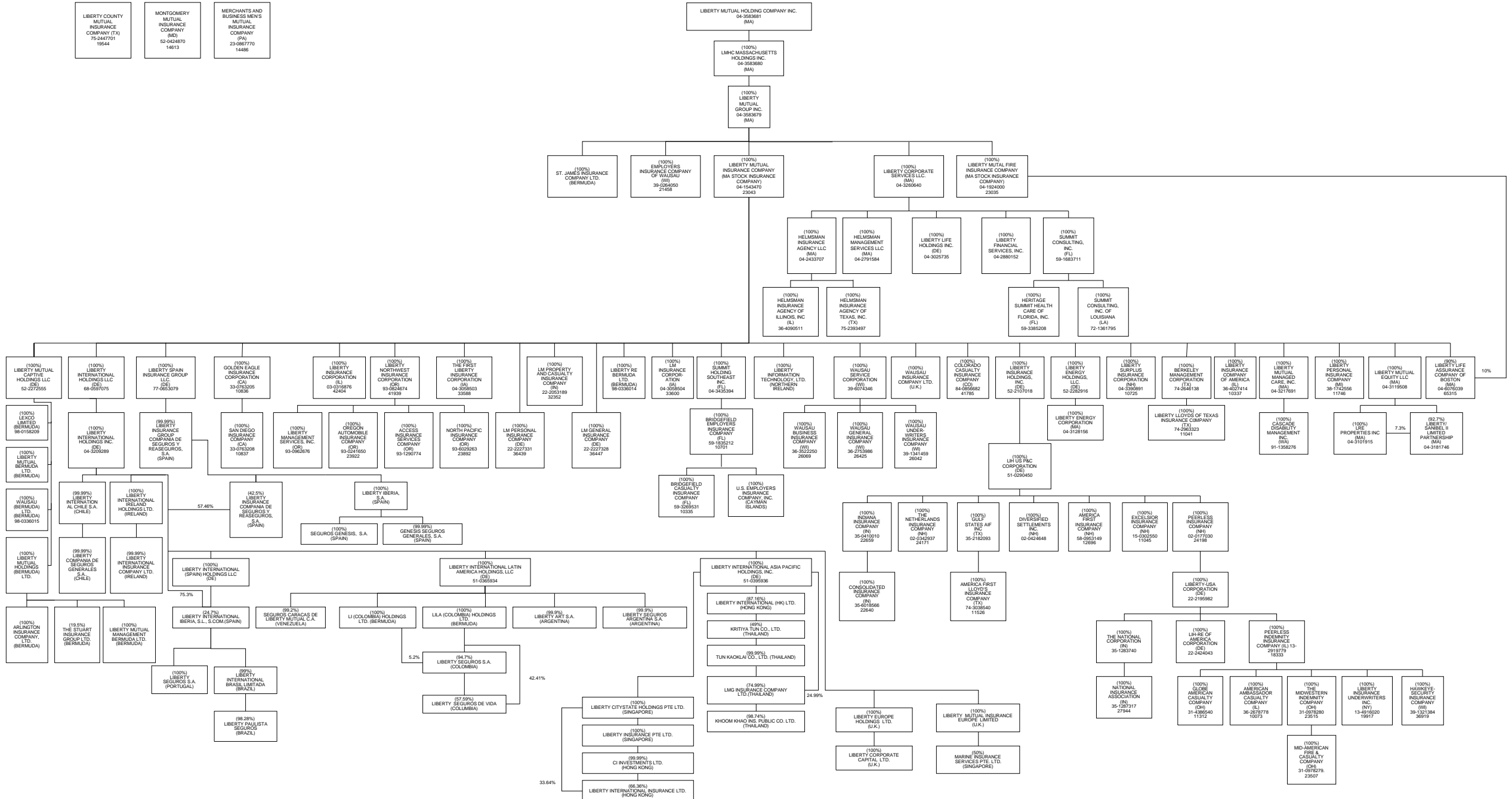
Explanation of basis of allocation of premiums by states, etc.

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

(a) Insert the number of 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



OVERFLOW PAGE FOR WRITE-INS

OVERFLOW PAGE FOR WRITE-INS

**Page 2 - Continuation
ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets

REMAINING WRITE-INS AGGREGATED AT LINE 9 FOR INVESTED ASSETS

0904.				
0905.				
0906.				
0907.				
0908.				
0909.				
0910.				
0911.				
0912.				
0913.				
0914.				
0915.				
0916.				
0917.				
0918.				
0919.				
0920.				
0921.				
0922.				
0923.				
0924.				
0925.				
0997. Totals (Lines 0904 through 0925) (Page 2, Line 0998)				

REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR OTHER THAN INVESTED ASSETS

2304. Amounts receivable under high deductible policies	475,902	12,568	463,334	455,613
2305.				
2306.				
2307.				
2308.				
2309.				
2310.				
2311.				
2312.				
2313.				
2314.				
2315.				
2316.				
2317.				
2318.				
2319.				
2320.				
2321.				
2322.				
2323.				
2324.				
2325.				
2397. Totals (Lines 2304 through 2325) (Page 2, Line 2398)	475,902	12,568	463,334	455,613

OVERFLOW PAGE FOR WRITE-INS

**Page 3 - Continuation
LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Year	2 Prior Year
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REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES

2304. NC Private Passenger Auto Escrow		1,342
2305.		
2306.		
2307.		
2308.		
2309.		
2310.		
2311.		
2312.		
2313.		
2314.		
2315.		
2316.		
2317.		
2318.		
2319.		
2320.		
2321.		
2322.		
2323.		
2324.		
2325.		
2397. Totals (Lines 2304 through 2325) (Page 3, Line 2398)		1,342

REMAINING WRITE-INS AGGREGATED AT LINE 27 FOR SPECIAL SURPLUS FUNDS

2704.		
2705.		
2706.		
2707.		
2708.		
2709.		
2710.		
2711.		
2712.		
2713.		
2714.		
2715.		
2716.		
2717.		
2718.		
2719.		
2720.		
2721.		
2722.		
2723.		
2724.		
2725.		
2797. Totals (Lines 2704 through 2725) (Page 3, Line 2798)		

REMAINING WRITE-INS AGGREGATED AT LINE 30 FOR OTHER THAN SPECIAL SURPLUS FUNDS

3004.		
3005.		
3006.		
3007.		
3008.		
3009.		
3010.		
3011.		
3012.		
3013.		
3014.		
3015.		
3016.		
3017.		
3018.		
3019.		
3020.		
3021.		
3022.		
3023.		
3024.		
3025.		
3097. Totals (Lines 3004 through 3025) (Page 3, Line 3098)		