

ANNUAL STATEMENT

OF THE

PEERLESS INDEMNITY

INSURANCE COMPANY

of **LISLE**

in the state of **ILLINOIS**

TO THE

Insurance Department

OF THE

STATE OF

FOR THE YEAR ENDED

December 31, 2004

PROPERTY AND CASUALTY

2004



18333200420100100

ANNUAL STATEMENT

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

Peerless Indemnity Insurance Company

NAIC Group Code 0111 0111 NAIC Company Code 18333 Employer's ID Number 13-2919779
(Current Period) (Prior Period)

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

Country of Domicile United States of America

Incorporated: April 30, 2002 Commenced Business: August 10, 2002

Statutory Home Office: 3333 Warrenville Road Lisle, IL 60532

Main Administrative Office: 3333 Warrenville Road Lisle, IL 60532 630-505-1442

Mail Address: 175 Berkeley Street Boston, MA 02117

Primary Location of Books and Records: 3333 Warrenville Road Lisle, IL 60532 630-505-1442

Internet Website Address: www.libertyram.com

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

Policyowner Relations Contact: 3333 Warrenville Road Lisle, IL 60532 630-505-1442

OFFICERS

Chairman of the Board
Roger Lucien Jean

Table with 2 columns: Name, Title. Rows include Dwight Wayne Bowie (President & Chief Executive Officer), Michael John DiRusso (Secretary), Stephen Douglas Powell (Treasurer).

Vice-Presidents

Table with 4 columns: Name, Title, Name, Title. Rows include Anthony Alexander Fontanes, Bob David Effinger, Jr., Mark Edward Fiebrink, Michael Ray Christiansen, Geoffrey Eugene Hunt.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Rows include Roger Lucien Jean, Amy Johnston Leddy, Mark Ardon Butler, Mark Edward Fiebrink, Michael Ray Christiansen, William George Mersch, Dwight Wayne Bowie, Kenneth Paul Blackwood, James Francis Dore, William Alfred Bostic, Bob David Effinger, Jr., John Derek Doyle, Robert James Brautigam, Geoffrey Eugene Hunt.

State of
County of 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) Dwight Wayne Bowie (Printed Name) 1. President & Chief Executive Officer (Title)
(Signature) Michael John DiRusso (Printed Name) 2. Secretary (Title)
(Signature) Stephen Douglas Powell (Printed Name) 3. 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)	881,929,242		881,929,242	761,552,451
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	217,505,291		217,505,291	209,601,420
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 3,294,045 , Schedule E-Part 1), cash equivalents (\$ 0 , Schedule E-Part 2) and short-term investments (\$ 82,933,755 , Schedule DA)	86,227,800		86,227,800	90,275,932
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	17,373,035		17,373,035	17,376,673
8. Receivable for securities	2,659,171		2,659,171	960,000
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	1,205,694,539		1,205,694,539	1,079,766,476
11. Investment income due and accrued	7,944,359		7,944,359	8,267,214
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in the course of collection	38,925,847	3,487,491	35,438,356	87,292,713
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 6,830,789 earned but unbilled premiums)	204,764,973	676,378	204,088,595	176,953,923
12.3 Accrued retrospective premiums				4,649,318
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers				18,636,275
13.2 Funds held by or deposited with reinsured companies				1,780,990
13.3 Other amounts receivable under reinsurance contracts				
14. Amounts receivable relating to uninsured plans				
15.1 Current federal and foreign income tax recoverable and interest thereon				
15.2 Net deferred tax asset	45,186,000	8,963,636	36,222,364	34,803,039
16. Guaranty funds receivable or on deposit	1,508,642		1,508,642	270,924
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	86,581,982		86,581,982	
21. Health care (\$ 0) and other amounts receivable				
22. Other assets nonadmitted				
23. Aggregate write-ins for other than invested assets	2,853,772	469,145	2,384,627	57,538
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,593,460,114	13,596,650	1,579,863,464	1,412,478,410
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	1,593,460,114	13,596,650	1,579,863,464	1,412,478,410

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	1,101,471	469,145	632,326	57,538
2302. Equities in pools and associations	1,752,301		1,752,301	
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 + 2398) (Line 23 above)	2,853,772	469,145	2,384,627	57,538

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	470,834,800	332,730,778
2. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6)	9,307,000	42,703,512
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	112,881,875	74,691,839
4. Commissions payable, contingent commissions and other similar charges	27,483,759	19,636,214
5. Other expenses (excluding taxes, licenses and fees)	3,351,336	6,561,133
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	11,101,955	10,459,658
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	882,393	11,945,079
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0	2,426	
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 138,796,988 and including warranty reserves of \$ 0)	370,838,037	302,045,922
10. Advance premium	1,429,445	755,310
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)		32,597,009
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		171,644
14. Amounts withheld or retained by company for account of others	6,264	6,304
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		2,068,600
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	1,405	
19. Payable to parent, subsidiaries and affiliates		10,719,885
20. Payable for securities	13,586,405	4,997,431
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	13,517,469	55,533,468
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	1,035,224,569	907,623,786
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	1,035,224,569	907,623,786
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	3,500,000	3,500,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	150,454,419	150,454,419
33. Unassigned funds (surplus)	390,684,476	350,900,205
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)	544,638,895	504,854,624
36. TOTALS (Page 2, Line 26, Col. 3)	1,579,863,464	1,412,478,410

DETAILS OF WRITE-INS		
2301. Amounts held under uninsured plans		1,120,693
2302. North Carolina Private Passenger Auto Escrow		1,332,509
2303. Collateral on securities loaned	12,641,451	52,624,273
2398. Summary of remaining write-ins for Line 23 from overflow page	876,018	455,993
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	13,517,469	55,533,468
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

UNDERWRITING AND INVESTMENT EXHIBIT STATEMENT OF INCOME	1	2
UNDERWRITING INCOME	Current Year	Prior Year
1. Premiums earned (Part 1, Line 34, Column 4)	718,895,191	567,238,546
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	385,164,497	290,968,888
3. Loss expenses incurred (Part 3, Line 25, Column 1)	92,572,016	45,163,656
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	242,628,667	196,714,987
5. Aggregate write-ins for underwriting deductions	(1,767,661)	1,332,509
6. Total underwriting deductions (Lines 2 through 5)	718,597,519	534,180,040
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	297,672	33,058,506
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	48,963,249	43,558,013
10. Net realized capital gains (losses) (Exhibit of Capital Gains (Losses))	11,558,409	4,048,377
11. Net investment gain (loss) (Lines 9 + 10)	60,521,658	47,606,390
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0)	(1,915,456)	(1,243,661)
13. Finance and service charges not included in premiums	1,335,039	1,039,800
14. Aggregate write-ins for miscellaneous income	1,004,856	(2,820,593)
15. Total other income (Lines 12 through 14)	424,439	(3,024,454)
16. Net income before dividends to policyholders and before federal and foreign income taxes (Lines 8 + 11 + 15)	61,243,769	77,640,442
17. Dividends to policyholders	989,128	1,065,735
18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17)	60,254,641	76,574,707
19. Federal and foreign income taxes incurred	26,466,565	24,190,481
20. Net income (Line 18 minus Line 19) (to Line 22)	33,788,076	52,384,226
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2)	504,854,624	409,557,560
GAINS AND (LOSSES) IN SURPLUS		
22. Net income (from Line 20)	33,788,076	52,384,226
23. Change in net unrealized capital gains or (losses)	4,280,301	13,023,737
24. Change in net unrealized foreign exchange capital gain (loss)		
25. Change in net deferred income tax	5,774,768	1,564,338
26. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(5,501,694)	4,886,072
27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	2,068,600	(479,909)
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		2,500,000
31.2 Transferred from surplus (Stock Dividend)		
31.3 Transferred to surplus		
32. Surplus adjustments:		
32.1 Paid in		25,000,000
32.2 Transferred to capital (Stock Dividend)		
32.3 Transferred from capital		(2,500,000)
33. Net remittances from or (to) Home Office		
34. Dividends to stockholders		(2,000,000)
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	(625,780)	918,600
37. Change in surplus as regards policyholders for the year (Lines 22 through 36)	39,784,271	95,297,064
38. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 37) (Page 3, Line 35)	544,638,895	504,854,624
DETAILS OF WRITE-INS		
0501. North Carolina Private Passenger Auto Escrow	(1,767,661)	1,332,509
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)	(1,767,661)	1,332,509
1401. Miscellaneous income (expense)	1,004,856	(2,820,593)
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus Line 1498) (Line 14 above)	1,004,856	(2,820,593)
3601. Other adjustment to surplus	(625,780)	918,600
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)	(625,780)	918,600

CASH FLOW		1	2
Cash from Operations		Current Year	Prior Year
1. Premiums collected net of reinsurance		785,133,435	542,573,962
2. Net investment income		49,868,169	42,513,405
3. Miscellaneous income		2,205,429	(1,478,928)
4. Total (Lines 1 through 3)		837,207,033	583,608,439
5. Benefit and loss related payments		271,127,712	229,227,675
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions		291,200,659	230,489,446
8. Dividends paid to policyholders		989,128	1,065,735
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)		37,529,251	11,877,423
10. Total (Lines 5 through 9)		600,846,750	472,660,279
11. Net cash from operations (Line 4 minus Line 10)		236,360,283	110,948,160
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds		398,005,053	235,688,459
12.2 Stocks			
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		6,889,803	
12.8 Total investment proceeds (Lines 12.1 to 12.7)		404,894,856	235,688,459
13. Cost of investments acquired (long-term only):			
13.1 Bonds		507,348,289	428,543,852
13.2 Stocks		3,677,141	54,117,181
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets			7,378,255
13.6 Miscellaneous applications			15,481,211
13.7 Total investments acquired (Lines 13.1 to 13.6)		511,025,430	505,520,499
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)		(106,130,574)	(269,832,040)
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			25,000,000
16.3 Borrowed funds		2,426	(1,156)
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			2,000,000
16.6 Other cash provided (applied)		(134,280,267)	132,259,417
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)		(134,277,841)	155,258,261
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
18. Net change in cash and short-term investments (Line 11, plus Lines 15 and 17)		(4,048,132)	(3,625,619)
19. Cash and short-term investments:			
19.1 Beginning of year		90,275,932	93,901,551
19.2 End of year (Line 18 plus Line 19.1)		86,227,800	90,275,932

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	8,857,140	3,126,731	4,431,209	7,552,662
2. Allied lines	8,529,939	3,125,902	3,958,936	7,696,905
3. Farmowners multiple peril	7,711,502	2,289,860	3,463,714	6,537,648
4. Homeowners multiple peril	70,058,459	31,351,154	36,821,919	64,587,694
5. Commercial multiple peril	254,660,959	90,281,008	118,496,071	226,445,896
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	22,547,752	8,185,456	9,890,651	20,842,557
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake	2,625,988	1,252,019	1,379,829	2,498,178
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	91,884,266	28,913,794	37,316,360	83,481,700
17.1 Other liability - occurrence	44,238,512	12,782,754	19,126,449	37,894,817
17.2 Other liability - claims-made				
18.1 Products liability - occurrence	833,649	333,140	443,548	723,241
18.2 Products liability - claims-made				
19.1, 19.2 Private passenger auto liability	74,914,390	33,766,439	34,606,528	74,074,301
19.3, 19.4 Commercial auto liability	107,006,289	40,546,144	50,532,033	97,020,400
21. Auto physical damage	91,289,477	40,511,157	42,870,264	88,930,370
22. Aircraft (all perils)				
23. Fidelity	39,343	9,508	(197,738)	246,589
24. Surety	519,261	320,110	711,462	127,909
26. Burglary and theft	185,014	17,221	46,930	155,305
27. Boiler and machinery	192,129	(4,028)	109,083	79,018
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property				
31. Reinsurance-Nonproportional Assumed Liability				
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	786,094,069	296,808,369	364,007,248	718,895,190

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	4,431,209				4,431,209
2. Allied lines	3,958,936				3,958,936
3. Farmowners multiple peril	3,463,714				3,463,714
4. Homeowners multiple peril	36,821,919				36,821,919
5. Commercial multiple peril	121,352,692		(2,856,621)		118,496,071
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	9,890,651				9,890,651
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	1,379,829				1,379,829
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	40,380,744		(3,064,382)		37,316,362
17.1 Other liability - occurrence	20,033,141		(906,692)		19,126,449
17.2 Other liability - claims-made					
18.1 Products liability - occurrence	446,026		(2,478)		443,548
18.2 Products liability - claims-made					
19.1, 19.2 Private passenger auto liability	34,606,526				34,606,526
19.3, 19.4 Commercial auto liability	50,532,033				50,532,033
21. Auto physical damage	42,870,264				42,870,264
22. Aircraft (all perils)					
23. Fidelity	(356,928)	159,190			(197,738)
24. Surety	142,927	568,535			711,462
26. Burglary and theft	46,930				46,930
27. Boiler and machinery	109,699		(616)		109,083
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property					
31. Reinsurance-Nonproportional Assumed Liability					
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	370,110,312	727,725	(6,830,789)		364,007,248
35. Accrued retrospective premiums based on experience					
36. Earned but unbilled premiums					6,830,789
37. Balance (Sum of Line 34 through 36)					370,838,037

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	497,524	11,026,469		2,666,853		8,857,140
2. Allied lines	887,599	10,927,744		3,285,404		8,529,939
3. Farmowners multiple peril		7,711,502				7,711,502
4. Homeowners multiple peril		105,386,587		35,328,128		70,058,459
5. Commercial multiple peril	3,381,302	305,645,034		54,365,378		254,660,958
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	263,747	24,405,607		2,121,602		22,547,752
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake	1,722	4,316,599		1,692,333		2,625,988
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	534,909	112,294,808		20,945,451		91,884,266
17.1 Other liability - occurrence	559,236	59,290,903	130	15,611,758		44,238,511
17.2 Other liability - claims-made						
18.1 Products liability - occurrence	25,409	963,947		155,707		833,649
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability		137,512,134		62,597,743		74,914,391
19.3, 19.4 Commercial auto liability	1,998,009	120,589,922		15,581,641		107,006,290
21. Auto physical damage	732,371	140,989,617		50,432,511		91,289,477
22. Aircraft (all perils)						
23. Fidelity		39,343				39,343
24. Surety		519,501		240		519,261
26. Burglary and theft	2,594	195,633		13,213		185,014
27. Boiler and machinery		194,739		2,610		192,129
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X					
31. Reinsurance-Nonproportional Assumed Liability	X X X					
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	8,884,422	1,042,010,089	130	264,800,572		786,094,069

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		2,940,839	1,344,217	1,596,622	1,258,881	580,393	2,275,110	30.123
2. Allied lines	12,280	3,505,412	1,256,240	2,261,452	630,080	786,629	2,104,903	27.347
3. Farmowners multiple peril		2,272,325		2,272,325	1,621,290	885,210	3,008,405	46.017
4. Homeowners multiple peril		47,130,272	17,853,999	29,276,273	14,489,147	11,793,472	31,971,948	49.502
5. Commercial multiple peril	452,809	79,023,238	25,792,674	53,683,373	143,011,164	85,673,933	111,020,604	49.027
6. Mortgage guaranty								
8. Ocean marine		3,406		3,406	137,456	152,217	(11,355)	
9. Inland marine	17,352	6,142,920	754,065	5,406,207	1,985,701	1,339,888	6,052,020	29.037
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims - made								
12. Earthquake		217		217	44,737	27,930	17,024	0.681
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	350,545	34,483,388	3,966,880	30,867,053	110,121,024	85,264,717	55,723,360	66.749
17.1 Other liability - occurrence		1,733,457	1,788,130	(54,673)	35,895,422	21,384,382	14,456,367	38.149
17.2 Other liability - claims - made								
18.1 Products liability - occurrence		(123,329)		(123,329)	723,469	256,044	344,096	47.577
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability		89,952,307	42,800,177	47,152,130	72,801,388	62,972,753	56,980,765	76.924
19.3, 19.4 Commercial auto liability	122,350	38,880,328	4,419,316	34,583,362	83,232,529	58,224,725	59,591,166	61.421
21. Auto physical damage	54,839	68,111,692	28,149,957	40,016,574	1,908,442	1,427,786	40,497,230	45.538
22. Aircraft (all perils)								
23. Fidelity		7,925		7,925	22,636	10,752	19,809	8.033
24. Surety		368,849	254,945	113,904	295,982	336,732	73,154	57.192
26. Burglary and theft		11,172		11,172	960,332	41,186	930,318	599.026
27. Boiler and machinery		(13,517)		(13,517)	157,844	34,765	109,562	138.654
28. Credit								
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X							
31. Reinsurance-Nonproportional Assumed Liability	X X X				1,537,276	1,537,276		
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
33. Aggregate write-ins for other lines of business								
34. TOTALS	1,010,175	374,430,901	128,380,600	247,060,476	470,834,800	332,730,790	385,164,486	53.577

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	89,505	1,353,310	391,921	1,050,894	9,564	281,482	83,058	1,258,882	6,954
2. Allied lines		910,073	435,541	474,532	19,730	266,830	131,012	630,080	125,910
3. Farmowners multiple peril		1,216,618		1,216,618		404,672		1,621,290	294,186
4. Homeowners multiple peril		17,909,616	5,994,046	11,915,570	(291)	3,754,286	1,180,418	14,489,147	2,936,984
5. Commercial multiple peril	4,829,307	116,154,750	29,555,669	91,428,388	59,872	68,796,522	17,273,618	143,011,164	57,421,443
6. Mortgage guaranty									
8. Ocean marine		39,535		39,535		97,921		137,456	18,873
9. Inland marine	77,278	1,372,758	139,173	1,310,863	(176,076)	577,522	(273,393)	1,985,702	536,887
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims - made									
12. Earthquake	2,732		2,732		53	75,764	31,081	44,736	(61,027)
13. Group accident and health								(a)	630
14. Credit accident and health (group and individual)								(a)	45
15. Other accident and health									
16. Workers' compensation	1,564,281	80,245,863	12,970,069	68,840,075	1,155,631	48,136,269	8,010,951	110,121,024	15,204,156
17.1 Other liability - occurrence	133,100	33,156,074	19,586,348	13,702,826	1,051,384	35,687,003	14,545,791	35,895,422	6,484,406
17.2 Other liability - claims - made									
18.1 Products liability - occurrence		263,092		263,092	3,574	585,170	128,367	723,469	565,615
18.2 Products liability - claims - made									304
19.1, 19.2 Private passenger auto liability		94,302,118	42,417,686	51,884,432		45,274,027	24,357,070	72,801,389	14,013,333
19.3, 19.4 Commercial auto liability	505,448	49,298,802	5,423,049	44,381,201	265,236	45,888,439	7,302,350	83,232,526	12,904,483
21. Auto physical damage	7,796	4,775,293	1,800,007	2,983,082	2,906	(3,430,117)	(2,352,571)	1,908,442	1,999,823
22. Aircraft (all perils)									
23. Fidelity		12,209		12,209		10,427		22,636	61,913
24. Surety		6,450	100,880	(94,430)		989,890	599,478	295,982	421,175
26. Burglary and theft		1,095		1,095	79	959,621	463	960,332	
27. Boiler and machinery		12,886		12,886		145,695	737	157,844	(98,449)
28. Credit									44,231
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X	149,140		149,140	X X X	6,257,180	4,869,044	1,537,276	
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	7,209,447	401,179,682	118,817,121	289,572,008	2,391,662	254,758,603	75,887,474	470,834,799	112,881,875

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	577,498			577,498
1.2 Reinsurance assumed	61,800,537			61,800,537
1.3 Reinsurance ceded	13,736,308			13,736,308
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	48,641,727			48,641,727
2. Commission and brokerage:				
2.1 Direct excluding contingent		1,591,595		1,591,595
2.2 Reinsurance assumed excluding contingent		151,061,967		151,061,967
2.3 Reinsurance ceded excluding contingent		37,513,030		37,513,030
2.4 Contingent-direct				
2.5 Contingent-reinsurance assumed		31,365,209		31,365,209
2.6 Contingent-reinsurance ceded		5,692,622		5,692,622
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)		140,813,119		140,813,119
3. Allowances to manager and agents		220,053		220,053
4. Advertising		1,891,135		1,891,135
5. Boards, bureaus and associations	130,199	1,505,161		1,635,360
6. Surveys and underwriting reports	528	4,049,361		4,049,889
7. Audit of assureds' records		61		61
8. Salary and related items:				
8.1 Salaries	26,250,215	43,738,483	58,621	70,047,319
8.2 Payroll taxes	1,789,111	3,139,336	11,052	4,939,499
9. Employee relations and welfare	4,355,242	7,879,284	30,272	12,264,798
10. Insurance	944,401	501,848		1,446,249
11. Directors' fees	245	7,696		7,941
12. Travel and travel items	1,472,756	3,655,825		5,128,581
13. Rent and rent items	2,330,635	4,018,358		6,348,993
14. Equipment	1,649,334	3,065,017	2,403	4,716,754
15. Cost or depreciation of EDP equipment and software	1,441,101	2,636,176		4,077,277
16. Printing and stationery	426,179	1,088,036	961	1,515,176
17. Postage, telephone and telegraph, exchange and express	1,224,265	3,029,351	481	4,254,097
18. Legal and auditing	260,795	682,563	221,991	1,165,349
19. Totals (Lines 3 to 18)	42,275,006	81,107,744	325,781	123,708,531
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 166,481		19,127,265		19,127,265
20.2 Insurance department licenses and fees		862,376		862,376
20.3 Gross guaranty association assessments		274,162		274,162
20.4 All other (excluding federal and foreign income and real estate)		444,001		444,001
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		20,707,804		20,707,804
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses	1,655,283			1,655,283
25. Total expenses incurred	92,572,016	242,628,667	325,781	(a) 335,526,464
26. Less unpaid expenses-current year	112,881,875	41,937,050		154,818,925
27. Add unpaid expenses-prior year	74,691,836	36,657,005		111,348,841
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)	54,381,977	237,348,622	325,781	292,056,380

DETAILS OF WRITE-INS			
2401. Change in unallocated bulk reserves	1,655,283		1,655,283
2402.			
2403.			
2498. Summary of remaining write-ins for Line 24 from overflow page			
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	1,655,283		1,655,283

(a) Includes management fees of \$ 325,779 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) 4,836,330	5,170,299
1.1 Bonds exempt from U.S. tax	(a) 210,236	519,468
1.2 Other bonds (unaffiliated)	(a) 39,586,461	38,613,246
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	4,004,323	4,004,323
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) 483,365	543,371
7. Derivative instruments	(f)	
8. Other invested assets	409,956	357,108
9. Aggregate write-ins for investment income	81,212	81,212
10. Total gross investment income	49,611,883	49,289,027
11. Investment expenses		(g) 325,779
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)		325,779
17. Net investment income (Line 10 minus Line 16)		48,963,248
DETAILS OF WRITE-INS		
0901. Miscellaneous Income/(Expense)	81,212	81,212
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)	81,212	81,212
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 \$ 399,806 accrual of discount less \$ 978,233 amortization of premium and less \$ 2,257,774 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 \$ 37,810 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	411,931			411,931
1.1 Bonds exempt from U.S. tax	360,621			360,621
1.2 Other bonds (unaffiliated)	10,785,914		53,515	10,839,429
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)				
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)		(56)	812,253	812,197
2.21 Common stocks of affiliates			3,414,532	3,414,532
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)	11,558,466	(56)	4,280,300	15,838,710

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	3,487,491	2,898,255	(589,236)
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	676,378		(676,378)
12.3 Accrued retrospective premiums		588,235	588,235
13. Reinsurance:			
13.1 Amounts recoverable from reinsurers			
13.2 Funds held by or deposited with reinsured companies			
13.3 Other amounts receivable under reinsurance contracts			
14. Amounts receivable relating to uninsured plans			
15.1 Current federal and foreign income tax recoverable and interest thereon			
15.2 Net deferred tax asset	8,963,636	4,608,193	(4,355,443)
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	469,145	273	(468,872)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	13,596,650	8,094,956	(5,501,694)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	13,596,650	8,094,956	(5,501,694)

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	469,145	273	(468,872)
2302. Equities in pools and associations			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	469,145	273	(468,872)

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 Illinois Insurance Commissioner, the accompanying financial statements of Peerless Indemnity Insurance (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, except that investments in stocks of subsidiaries and affiliates are carried on the equity basis.
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 carries its investments in subsidiaries, controlled, and affiliated (SCA) companies in accordance with SSAP No. 46 and the SVO Manual. Schedule D Part 6-Section 1 illustrates the valuation method used for each SCA company.
8. The Company has no investments in joint ventures, 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 Illinois. Effective January 1, 2001, the Illinois Department of Insurance required that insurance companies domiciled in Illinois 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 Illinois Insurance Commissioner.

NOTES TO FINANCIAL STATEMENTS

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

B. Statutory Mergers

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

C. Impairment Loss

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. The 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.

NOTES TO FINANCIAL STATEMENTS

Note 9 - Income Taxes

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

	December 31, 2004	December 31, 2003	Change
Total of gross deferred tax assets	46,913,930	43,841,254	3,072,679
Total of deferred tax liabilities	(1,727,930)	(4,430,022)	2,702,092
Net deferred tax asset	45,186,000	39,411,232	5,774,768
Net deferred tax asset non-admitted	(8,963,636)	(4,608,193)	(4,355,443)
Net admitted deferred tax asset	36,222,364	34,803,039	1,419,325

- 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	26,466,565	24,190,481
Net operating loss benefit	0	0
Foreign	0	0
Federal and foreign income tax incurred	26,466,565	24,190,481

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, nondeductible accrued expenses, fixed asset depreciation differences, and statutory non-admitted assets.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Heritage-Summit Healthcare of Florida, Inc. Indiana Insurance Company LEXCO Limited Liberty Assignment Corporation Liberty Corporate Services, Inc. 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.	St. James Insurance Company Summit Consulting, Inc. Summit Consulting, Inc. of Louisiana Summit Holding Southeast, Inc. The First Liberty Insurance Corporation 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 outstanding shares in the Company are owned by Liberty-USA Corporation, an insurance holding company incorporated in the State of Delaware. The outstanding shares of Liberty-USA are owned by Peerless Insurance Company, an insurance company incorporated in the State of New Hampshire. Peerless Insurance Company is a wholly owned subsidiary of LIH US P&C Corporation, an insurance holding company incorporated in Delaware. LIH US P&C is wholly owned by Liberty Mutual Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Mutual Insurance Holdings, Inc. is wholly owned by Liberty Mutual Insurance Company, a Massachusetts company. The ultimate parent of Liberty Mutual Insurance Company is Liberty Mutual Holding Company, Inc., a Massachusetts company.
- B. During 2004 the Company recorded transactions relating to the management and service agreements (see Note 10F), the Federal tax allocation agreement (see Note 9F), and the intercompany pooling agreement (see Note 26).
- C. There have been no material transactions with the company's affiliates during 2004.
- D. At December 31, 2004, the Company reported \$86,581,982 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. The Company entered into a management and services agreement (the "Agreement"), effective January 1, 1999, with the Peerless Insurance Company (PIC) and other affiliates. The Agreement allows all parties to the Agreement to provide services related to common management functions including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resources services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

The Company entered into an investment management agreement, effective May 1999 with Liberty Mutual Insurance Group (LMIG). Under this agreement, LMIG provides investment management services to the Company.

The Company entered into a Federal Tax Sharing Agreement, effective January 1, 2002, between LMIG and affiliates (see Note 9F).

- 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. The Company did not recognize any impairment write down for its subsidiary, controlled, or affiliated companies during the statement period.

Note 11- Debt

Not applicable.

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

The Company does not have any direct employees and therefore, does not have any direct obligations for a defined benefit plan, deferred compensation arrangements, compensated absences or other post retirement benefit plans. Services for the

NOTES TO FINANCIAL STATEMENTS

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 10,000 shares authorized, issued, and outstanding as of December 31, 2004. All shares have a stated par value of \$350.
2. Preferred Stock
Not applicable
3. Dividend Restrictions
There are no dividend restrictions.
4. The maximum amount of dividends which can be paid by Illinois-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 maximum dividend payout which may be made without prior approval in 2005 is \$54,463,889.
5. The Company does not have restricted unassigned surplus.
6. The Company had no advances to surplus.
7. The Company did not hold stock for special purposes.
8. The Company had no changes in special surplus funds.
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)	(\$133,944,742)	\$4,280,301
b. Nonadmitted asset values	(13,596,650)	(5,501,694)
c. Provision for reinsurance	0	2,068,600
Total	(\$167,000,558)	\$847,207

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.

NOTES TO FINANCIAL STATEMENTS

B. Assessments

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

The Company has accrued a liability for guaranty funds and other assessments of \$4,970,315 that is offset by future premium tax credits of \$1,508,642. 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 that the insolvency will result in a guaranty fund assessment against the Company of \$1,209,888 that has been charged to operations in the prior year, and any remaining 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's minimum lease obligations under these agreements are as follows:

2005	\$3,540,732
2006	\$2,994,487
2007	\$2,564,010
2008	\$2,187,759
2009	\$1,351,118
2010 & thereafter	\$3,858,809
Total	\$16,496,915

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 sell premium receivables.

B. Transfers and servicing of financial assets:

The Company participates in Securities lending program to generate additional income, whereby certain fixed income securities are loaned for a short period of time from the Company's portfolio to qualifying third parties, via a lending agent. Borrowers of these securities provide collateral equal to or in excess of, 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 100% of the market value of the loaned securities. Under the terms of the securities lending program, the lending agent indemnifies the Company against borrower defaults. The loaned securities remain a recorded asset of the Company, however, the Company records a liability for the amount of collateral held, representing its obligation to return the collateral related to the loaned securities. At December 31, 2004, the total market value of fixed maturities loaned was \$70,274,505, with corresponding collateral value at \$71,707,399.

C. Wash Sales

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

NOTES TO FINANCIAL STATEMENTS

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

- A. Administrative Services Only (ASO) Plans
Not applicable
- B. Administrative Services Contract (ASC) Plans
Not applicable
- C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts
Not applicable

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

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

Note 20 – September 11 Events

The Company has no material exposure to losses arising from the World Trade Center disaster of September 11, 2001.

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) The following is in answer to General Interrogatories, Part 2, 6.1, 6.2 and 6.3.
 - 1 The Company participates in a Liberty Mutual Group cover in the amount of \$400 million in excess of \$100 million. The Company also has a cover of \$75 million in excess of \$25 million and underlying casualty excess reinsurance to \$25 million.
 - 2 The Company tracks aggregate property exposure for homeowners and commercial risks. The highest concentrations of risk are located in Connecticut and Rhode Island. The Company utilizes the services of a broker and RMS and AIR software models to estimate the probable maximum loss.
 - 3 The Company maintains a property excess reinsurance agreement with a retention of \$3,000,000 which inures to the benefit of the property catastrophe treaty. The Company has a \$50 million retention on the property catastrophe treaty and limits of \$150 million. There is additional coverage for the Northeast and additional earthquake coverage for the New Madrid area to \$250 million. The Company also participates in a Liberty Mutual Group cover in the amount of \$750 million in excess of \$250 million.

The Company's Property Excess treaties exclude terrorism coverage. The Company purchased property terrorism reinsurance of \$20 million in excess of \$5 million per event. The Company's Casualty Excess agreements provide terrorism coverage equal to one times the layer or \$5,000,000 whichever is lower. Second Event Casualty terrorism reinsurance of \$10 million in excess of \$5 million per event was purchased. In addition the Company participates in a Cross Line Terrorism agreement for the Liberty Mutual Group which provides \$200 million in excess of \$150 million.
 - 2) Assets in the amount of \$6,217,070 and \$6,041,270 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 exceed 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.

NOTES TO FINANCIAL STATEMENTS

C. The Company did not have any Assumed & Ceded Reinsurance

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

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$504,333,874	\$90,348,640	\$138,796,988	\$24,864,717	\$365,536,886	\$65,483,923
All Other	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$504,333,874	\$90,348,640	\$138,796,988	\$24,864,717	\$365,536,886	\$65,483,923

Direct unearned premium reserve of \$5,301,151

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

Direct	\$8,451
Assumed	\$36,945,217
Ceded	\$10,382,038
Net	\$26,571,630

D. The Company did not write off any uncollectible balances in 2004.

E. The Company does not have ceded commutations.

F. The Company does not have any retroactive reinsurance agreements.

G. The Company has not entered into any deposit type reinsurance agreements as of December 31, 2004.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

The Company does not write loss responsive policies or policies subject to redetermination.

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

The estimated cost of loss and adjustment expenses attributed to insured events of prior years increased by \$6,480,104 during 2004. This represents 1.1% of unpaid losses and loss adjustment expenses of \$583,716,000 as of December 31, 2004. Increases or decreases of this nature occur as the result of claim settlements during the calendar year, and as additional information is received regarding individual claims, causing changes from the original estimates of the cost of these claims. Recent loss development trends are also taken into account in evaluating the overall adequacy of unpaid losses and loss adjustment expenses.

Note 26- Intercompany Pooling Arrangements

The Company is a member of the Liberty Insurance Holdings (LIH) Inter-Company Reinsurance Agreement consisting of the following affiliated companies:

		NAIC Co. #	Pooling %	Line of Business
Lead Company:	Peerless Insurance Company (PIC)	24198	41.59%	All Lines
Affiliated Pool Companies:	Peerless Indemnity Insurance Company (PIIC)	18333	27.36%	All Lines
	Golden Eagle Insurance Corporation (GEIC)	10836	13.25%	All Lines
	Indiana Insurance Company (IIC)	22659	12.25%	All Lines
	The Netherlands Insurance Company (NIC)	24171	3.27%	All Lines
	Montgomery Mutual Insurance Company (MMC)	14613	2.28%	All Lines
			100.00%	
100% Quota Share ("Fronted") Affiliated Companies:	Excelsior Insurance Company (EIC)	11045	0.00%	All Lines
	Consolidated Insurance Company (CIC)	22640	0.00%	All Lines
	America First Insurance Company (AFIC)	12696	0.00%	All Lines
	Merchants and Business Men's Mutual Insurance Company (M&B)	14486	0.00%	All Lines
	Liberty County Mutual Insurance Company (LCMIC)	19544	0.00%	All Lines
	Colorado Casualty Insurance Company (CCIC)	41785	0.00%	All Lines
	National Insurance Association (NIA)	27944	0.00%	All Lines
	The Midwestern Indemnity Company (MIC)	23515	0.00%	All Lines
	Mid-America Fire & Casualty Company (MAFCC)	23507	0.00%	All Lines
	Globe American Casualty Company (GACC)	11312	0.00%	All Lines
	American Ambassador Casualty Company (AACC)	10073	0.00%	All Lines
	Hawkeye-Security Insurance Company (HSIC)	36919	0.00%	All Lines
	America First Lloyds Insurance Company (AFLIC)	11526	0.00%	All Lines

NOTES TO FINANCIAL STATEMENTS

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

- (a) Each Affiliated Pool Company cedes its net underwriting activity to the lead company
- (b) With the exception of MIC, MAFCC, GACC, AACC, and HSIC, all fronted companies cede its net underwriting activity to the lead company. MIC, MAFCC, GACC, AACC, and HSIC cede its net underwriting activity to PIIC.
- (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 and Montgomery Mutual Insurance Company, cancelled its participation in the Liberty Mutual Inter-Company Reinsurance Agreement and concurrently became a member of the LIH Inter-Company Reinsurance Agreement.

The LIH Pool Participation percentages were revised as follows:

	<u>2004</u>	<u>2003</u>
Peerless Insurance Company	41.59	41.59
Peerless Indemnity Insurance Company	27.36	27.36
Golden Eagle Insurance Corporation	13.25	-
Indiana Insurance Company	12.25	27.78
Netherlands Insurance Company	3.27	3.27
Montgomery Mutual Insurance Company	2.28	-

Also effective January 1, 2004, GEIC 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 & Businessmen'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 processing its external reinsurance, each company would cede 100% of its direct underwriting activity to PIC.

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

Note 27- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of \$6,459,498 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 \$6,459,498 as of December 31, 2004.
- B. The Company does not have material structured settlements from life insurers for which the Company has not obtained a release of liability from the claimant.

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

NOTES TO FINANCIAL STATEMENTS

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

The Company does not have any high deductible policies.

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 3.5%. The December 31, 2004 liabilities of \$130,915,458 are carried at a discounted value of \$125,325,180 representing a discount of \$5,590,279.

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 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.

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.

NOTES TO FINANCIAL STATEMENTS

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 Insurance Holdings 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					
Beginning Reserves	\$16,244,749	\$13,296,273	\$13,211,412	\$16,545,756	\$18,188,505
Incurring losses and LAE	(1,205,640)	1,532,145	5,750,000	3,439,443	3,232,526
Calendar year payments	1,742,836	1,617,006	2,415,656	1,796,694	3,033,728
Ending Reserves	<u>\$13,296,273</u>	<u>\$13,211,412</u>	<u>\$16,545,756</u>	<u>\$18,188,505</u>	<u>\$18,387,303</u>
Net of Reinsurance Basis					
Beginning Reserves	\$3,567,429	\$2,896,168	\$2,911,731	\$3,462,352	\$4,304,228
Incurring losses and LAE	(238,147)	379,426	1,108,080	1,333,451	326,324
Calendar year payments	433,114	363,863	557,459	491,575	697,758
Ending Reserves	<u>\$2,896,168</u>	<u>\$2,911,731</u>	<u>\$3,462,352</u>	<u>\$4,304,228</u>	<u>\$3,932,794</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Gross of Reinsurance Basis					\$14,015,462
Net of Reinsurance Basis:					\$3,135,370
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Gross of Reinsurance Basis					\$3,849,699
Net of Reinsurance Basis:					\$919,091
<u>Environmental:</u>					
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Gross of Reinsurance Basis					
Beginning Reserves	\$34,681,718	\$29,021,738	\$21,251,007	\$13,286,937	\$18,023,816
Incurring losses and LAE	(3,282,667)	(3,352,796)	0	5,547,367	1,807,253
Calendar year payments	2,377,313	4,417,935	7,964,070	810,488	1,282,776
Ending Reserves	<u>\$29,021,738</u>	<u>\$21,251,007</u>	<u>\$13,286,937</u>	<u>\$18,023,816</u>	<u>\$18,548,293</u>
Net of Reinsurance Basis					
Beginning Reserves	\$6,918,109	\$5,594,505	\$5,039,571	\$2,860,797	\$4,778,020
Incurring losses and LAE	(711,405)	640,284	0	2,138,973	52,970
Calendar year payments	612,199	1,195,218	2,178,774	221,750	828,228
Ending Reserves	<u>\$5,594,505</u>	<u>\$5,039,571</u>	<u>\$2,860,797</u>	<u>\$4,778,020</u>	<u>\$4,002,762</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Gross of Reinsurance Basis					\$16,786,342
Net of Reinsurance Basis:					\$3,914,543
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Gross of Reinsurance Basis					\$4,705,188
Net of Reinsurance Basis:					\$1,123,333

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	70,947,924	5.884	70,947,924	5.884
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	52,259,760	4.334	52,259,760	4.334
1.22 Issued by U.S. government sponsored agencies	17,478,929	1.450	17,478,929	1.450
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	8,388,888	0.696	8,388,888	0.696
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	16,390,226	1.359	16,390,226	1.359
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	7,450,727	0.618	7,450,727	0.618
1.512 Issued or guaranteed by FNMA and FHLMC	63,838,472	5.295	63,838,472	5.295
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	237,810,123	19.724	237,810,123	19.724
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	87,131,095	7.227	87,131,095	7.227
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	320,233,098	26.560	320,233,098	26.560
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	54,331,073	4.506	54,331,073	4.506
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	163,174,217	13.534	163,174,217	13.534
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	2,659,171	0.221	2,659,171	0.221
8. Cash, cash equivalents and short-term investments	86,227,800	7.152	86,227,800	7.152
9. Other invested assets	17,373,035	1.441	17,373,035	1.441
10. Total invested assets	1,205,694,538	100.000	1,205,694,538	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? Illinois
- 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. _____
- 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. _____
- 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). _____
- 3.4 By what department or departments? Illinois 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? William M. Finn
 62 Maple Avenue, Keene NH 03431
 FCAS, MAAA Vice President & Senior Actuary, Liberty Regional Agency Markets

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	10,000	10,000	350.00	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

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

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

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase	3 Chase Metro Tech Center, Brooklyn, NY 11245

23.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

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

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

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

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

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

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

24.2 If yes, complete the following schedule:

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

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

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

GENERAL INTERROGATORIES

INVESTMENT

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
25.1 Bonds	964,862,998	980,120,916	15,257,919
25.2 Preferred stocks			
25.3 Totals	964,862,998	980,120,916	15,257,919

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

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

26.2 If no, list exceptions:

OTHER

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

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	\$ _____	\$ _____
2.2 Premium Denominator	\$ 718,822,641	\$ _____
2.3 Premium Ratio (2.1/2.2)	_____	_____
2.4 Reserve Numerator	\$ _____	\$ _____
2.5 Reserve Denominator	\$ 583,646,675	\$ _____
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 \$ 41,094
 3.22 Non-participating policies \$ 8,843,328

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: See Note 21 C (1)
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: See Note 21 C (1)
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss? See Note 21 C (1)
- 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 | \$ _____ |
| 11.12 | Unpaid underwriting expenses (including loss adjustment expenses) | \$ _____ |
- 11.2 Of the amount on Line 12.3 of the asset schedule, Page 2, state the amount which is secured by letters of credit, collateral and other funds? \$ _____
- 11.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? YES NO N/A
- 11.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- | | | |
|-------|------|---------|
| 11.41 | From | _____ % |
| 11.42 | To | _____ % |
- 11.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? YES NO
- 11.6 If yes, state the amount thereof at December 31 of current year:
- | | | |
|-------|----------------------------|----------|
| 11.61 | Letters of Credit | \$ _____ |
| 11.62 | Collateral and other funds | \$ _____ |
- 12.1 What amount of installment notes is owned and now held by the reporting entity? \$ _____
- 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): \$ 1,067,040
- 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. _____ 3

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:

	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)	433,769,407	361,446,850	309,667,446	277,387,545	272,214,771
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	194,247,226	194,013,669	170,898,045	149,729,749	132,540,223
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	422,319,164	326,867,898	242,017,324	177,027,010	132,128,532
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	558,844	533,084	2,242,830	6,268,786	9,733,002
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)		(2,997)		6,330	(22,122)
6. Total (Line 34)	1,050,894,641	882,858,504	724,825,645	610,419,420	546,594,406
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)	318,877,107	254,861,754	222,383,514	176,161,422	146,167,862
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	134,035,310	118,009,353	104,462,382	81,033,227	65,062,848
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	332,623,048	245,712,694	191,475,463	129,709,123	97,569,362
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	558,604	536,437	1,740,721	4,218,536	5,748,204
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)		(2,997)		1,360	(4,746)
12. Total (Line 34)	786,094,069	619,117,241	520,062,080	391,123,668	314,543,530
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	297,672	33,058,506	(45,902,128)	(28,288,549)	(22,220,828)
14. Net investment gain (loss) (Line 11)	60,521,658	47,606,390	51,847,081	50,678,559	51,541,663
15. Total other income (Line 15)	424,439	(3,024,454)	(2,005,655)	(5,252,946)	3,527,286
16. Dividends to policyholders (Line 17)	989,128	1,065,735	1,175,234	1,092,840	617,080
17. Federal and foreign income taxes incurred (Line 19)	26,466,565	24,190,481	8,087,304	5,358,386	9,642,727
18. Net income (Line 20)	33,788,076	52,384,226	(5,323,240)	10,685,838	22,588,314
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	1,579,863,464	1,412,478,410	1,164,308,809	1,026,243,051	920,883,615
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 12.1)	35,438,356	87,292,713	23,899,924	59,509,320	17,078,700
20.2 Deferred and not yet due (Line 12.2)	204,088,595	176,953,923	135,663,741	95,139,850	68,701,915
20.3 Accrued retrospective premiums (Line 12.3)		4,649,318			
21. Total liabilities excluding protected cell business (Page 3, Line 24)	1,035,224,569	907,623,786	754,751,249	631,814,448	548,314,809
22. Losses (Page 3, Lines 1 and 2)	480,141,800	375,434,290	351,004,313	238,807,457	216,271,018
23. Loss adjustment expenses (Page 3, Line 3)	112,881,875	74,691,839	75,029,282	54,126,218	61,428,328
24. Unearned premiums (Page 3, Line 9)	370,838,037	302,045,922	249,436,849	195,902,511	152,589,191
25. Capital paid up (Page 3, Lines 28 & 29)	3,500,000	3,500,000	1,000,000	3,500,000	3,500,000
26. Surplus as regards policyholders (Page 3, Line 35)	544,638,895	504,854,624	409,557,560	394,428,603	372,568,806
Risk-Based Capital Analysis					
27. Total adjusted capital	544,638,895	504,854,624	409,557,560	394,428,603	372,568,806
28. Authorized control level risk-based capital	76,414,645	57,728,331	43,198,177	32,104,194	28,123,286
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)	73.1	70.5	69.5	80.9	83.0
30. Stocks (Lines 2.1 & 2.2)	18.0	19.4	17.7	13.3	12.6
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)	7.2	8.4	11.6	4.6	2.3
34. Contract loans (Line 6)			XXX	XXX	XXX
35. Other invested assets (Line 7)	1.4	1.6	1.2	1.2	1.8
36. Receivable for securities (Line 8)	0.2	0.1			0.3
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)					5,000,000
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)	163,174,217	159,759,684	100,911,945	109,510,311	103,161,452
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	163,174,217	159,759,684	100,911,945	109,510,311	108,161,452
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)	30.0	31.6	24.7	27.8	29.0

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)	4,280,301	13,023,737	(9,313,987)	6,905,621	(3,267,880)
48. Dividends to stockholders (Line 34)		(2,000,000)			(15,000,000)
49. Change in surplus as regards policyholders for the year (Line 37)	39,784,271	95,297,064	15,128,957	21,859,797	5,650,035
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)	165,399,046	179,026,173	186,410,793	202,207,814	209,130,166
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	80,796,723	84,897,347	78,967,042	91,478,488	95,262,472
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	128,868,533	124,970,814	113,212,243	129,216,438	142,762,731
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	376,774	867,675	2,753,303	3,409,997	4,219,101
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)		198,048		694,831	583,852
55. Total (Line 34)	375,441,076	389,960,057	381,343,381	427,007,568	451,958,322
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)	112,424,543	113,840,721	108,371,034	97,470,152	93,508,826
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	49,292,244	49,760,756	44,537,222	44,304,031	42,038,740
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	85,221,860	89,838,524	73,475,891	77,884,574	72,675,688
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	121,829	196,187	1,081,062	956,908	1,325,082
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)		198,048		150,878	106,781
61. Total (Line 34)	247,060,476	253,834,236	227,465,209	220,766,543	209,655,117
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)	53.6	51.3	64.9	64.9	63.1
64. Loss expenses incurred (Line 3)	12.9	8.0	12.8	9.3	11.6
65. Other underwriting expenses incurred (Line 4)	33.8	34.7	32.1	33.9	32.5
66. Net underwriting gain (loss) (Line 8)		5.8	(9.8)	(8.1)	(7.2)
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)	30.6	32.5	29.3	31.5	30.9
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	66.5	59.3	77.7	74.2	74.7
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)	144.3	122.6	127.0	99.2	84.5
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)	6,502	(1,698)	22,653	11,640	(297)
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)	1.3	(0.4)	5.7	3.2	
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)	30,823	311,650,360	25,039	(2,431)	(533)
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)	7.5	6.8	6.7	(0.7)	(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	134,714,931	137,332,019	134,864,167	130,931,597
	2. Canada				
	3. Other Countries				
	4. Totals	134,714,931	137,332,019	134,864,167	130,931,597
States, Territories and Possessions (Direct and guaranteed)	5. United States	8,388,888	8,429,830	8,383,615	8,500,000
	6. Canada				
	7. Other Countries				
	8. Totals	8,388,888	8,429,830	8,383,615	8,500,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	16,390,226	16,768,902	16,388,934	16,450,000
	10. Canada				
	11. Other Countries				
	12. Totals	16,390,226	16,768,902	16,388,934	16,450,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	325,883,699	325,217,458	324,274,631	325,191,252
	14. Canada				
	15. Other Countries				
	16. Totals	325,883,699	325,217,458	324,274,631	325,191,252
Public Utilities (unaffiliated)	17. United States	31,664,858	31,931,760	31,678,475	31,500,000
	18. Canada				
	19. Other Countries				
	20. Totals	31,664,858	31,931,760	31,678,475	31,500,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	338,505,063	347,751,107	339,015,048	332,566,152
	22. Canada	11,110,331	11,380,010	11,117,325	11,000,000
	23. Other Countries	15,271,246	15,930,466	15,225,803	15,350,000
	24. Totals	364,886,640	375,061,583	365,358,176	358,916,152
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	881,929,242	894,741,552	880,947,998	871,489,001
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	54,331,073	54,331,073	51,022,223	
	50. Canada				
	51. Other Countries				
	52. Totals	54,331,073	54,331,073	51,022,223	
Parent, Subsidiaries and Affiliates	53. Totals	163,174,217	163,174,217	300,428,859	
	54. Total Common Stocks	217,505,290	217,505,290	351,451,082	
	55. Total Stocks	217,505,290	217,505,290	351,451,082	
	56. Total Bonds and Stocks	1,099,434,532	1,112,246,842	1,232,399,080	

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year	971,153,871	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 7, Part 3	511,025,434	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	(416,887)	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	4,226,785	7. Book/adjusted carrying value at end of current period	1,099,434,532
3.4 Column 14, Part 4	(108,088)	8. Total valuation allowance	
4. Total gain (loss), Column 19, Part 4	11,558,468	9. Subtotal (Lines 7 plus 8)	1,099,434,532
5. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	398,005,051	10. Total nonadmitted amounts	
		11. Statement value of bonds and stocks, current period	1,099,434,532

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	2,251	802	749	92	146	16	86	2,236	X X X
2. 1995	393,906	38,216	355,690	222,121	13,071	17,954	1,041	21,852	255	9,221	247,560	X X X
3. 1996	415,339	49,729	365,610	270,491	28,962	22,710	1,798	26,163	1,615	10,794	286,989	X X X
4. 1997	472,971	80,000	392,971	295,471	53,044	24,473	3,715	34,356	5,567	12,597	291,974	X X X
5. 1998	549,369	107,090	442,279	351,069	93,583	26,760	5,644	45,026	11,494	13,043	312,134	X X X
6. 1999	508,982	79,613	429,369	340,510	64,715	24,075	3,795	43,051	8,508	12,490	330,618	X X X
7. 2000	485,352	62,591	422,761	321,348	51,825	22,028	2,007	37,990	4,928	11,300	322,606	X X X
8. 2001	519,789	71,430	448,359	293,629	41,786	20,097	1,198	35,831	3,885	9,891	302,688	X X X
9. 2002	685,059	161,100	523,959	321,282	76,420	16,371	3,313	29,387	6,633	9,631	280,674	X X X
10. 2003	774,103	129,568	644,535	264,375	39,702	11,417	1,732	46,462	11,725	8,774	269,095	X X X
11. 2004	784,593	65,698	718,895	154,270	7,527	3,176	41	31,146	1,660	5,463	179,364	X X X
12. Totals	X X X	X X X	X X X	2,836,817	471,437	189,810	24,376	351,410	56,286	103,290	2,825,938	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	15,534	1,940	9,263	616			1,066	160	1,221	336	77	24,032	X X X
2. 1995	1,324	60	506	227			221	33	98	21	124	1,808	X X X
3. 1996	2,778	446	647	274			440	61	175	36	164	3,223	X X X
4. 1997	3,796	996	1,609	716			834	177	289	64	224	4,575	X X X
5. 1998	13,470	9,059	4,639	2,131			2,059	450	920	229	402	9,219	X X X
6. 1999	10,475	6,955	6,199	2,721			2,817	542	956	213	610	10,016	X X X
7. 2000	12,978	5,398	8,227	3,404			4,433	685	1,253	260	934	17,144	X X X
8. 2001	29,791	17,436	14,503	4,718			6,742	854	2,541	516	1,408	30,053	X X X
9. 2002	70,911	13,428	22,617	8,444			12,491	1,496	5,311	815	3,327	87,147	X X X
10. 2003	73,902	13,767	43,668	19,467			18,470	3,801	7,568	1,027	4,938	105,546	X X X
11. 2004	129,639	5,540	129,184	17,082			40,605	2,477	19,225	2,598	10,462	290,956	X X X
12. Totals	364,598	75,025	241,062	59,800			90,178	10,736	39,557	6,115	22,670	583,719	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	22,241	1,791
2. 1995	264,076	14,708	249,368	67.040	38.486	70.108			27.400	1,543	265
3. 1996	323,404	33,192	290,212	77.865	66.746	79.377			27.400	2,705	518
4. 1997	360,828	64,279	296,549	76.290	80.349	75.463			27.400	3,693	882
5. 1998	443,943	122,590	321,353	80.810	114.474	72.658			27.400	6,919	2,300
6. 1999	428,083	87,449	340,634	84.106	109.843	79.334			27.400	6,998	3,018
7. 2000	408,257	68,507	339,750	84.116	109.452	80.365			27.400	12,403	4,741
8. 2001	403,134	70,393	332,741	77.557	98.548	74.213			27.400	22,140	7,913
9. 2002	478,370	110,549	367,821	69.829	68.621	70.200			27.400	71,656	15,491
10. 2003	465,862	91,221	374,641	60.181	70.404	58.126			27.400	84,336	21,210
11. 2004	507,245	36,925	470,320	64.651	56.204	65.423			27.400	236,201	54,755
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	470,835	112,884

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	172,235	165,390	164,905	169,436	171,394	170,424	164,272	173,161	172,752	174,220	1,468	1,059
2. 1995	245,099	232,945	230,117	229,710	230,213	229,935	228,072	229,258	229,182	227,869	(1,313)	(1,389)
3. 1996	X X X	269,941	266,386	266,933	265,784	266,389	266,899	267,987	267,440	265,592	(1,848)	(2,395)
4. 1997	X X X	X X X	257,222	265,555	265,704	265,594	265,593	266,050	266,868	267,570	702	1,520
5. 1998	X X X	X X X	X X X	283,119	282,743	282,710	283,184	282,273	283,760	287,152	3,392	4,879
6. 1999	X X X	X X X	X X X	X X X	283,836	290,396	294,455	298,625	302,238	305,434	3,196	6,809
7. 2000	X X X	X X X	X X X	X X X	X X X	281,797	294,575	300,055	305,945	306,161	216	6,106
8. 2001	X X X	X X X	X X X	X X X	X X X	X X X	294,441	288,253	293,573	299,314	5,741	11,061
9. 2002	X X X	X X X	X X X	X X X	X X X	X X X	X X X	338,885	342,987	342,058	(929)	3,173
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	337,656	333,533	(4,123)	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	424,677	X X X	X X X
12. Totals											6,502	30,823

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	55,294	40,865	113,285	125,489	132,776	138,654	144,711	147,484	149,006	X X X	X X X
2. 1995	110,099	167,100	191,173	206,713	216,205	221,243	224,204	225,193	225,929	225,963	X X X	X X X
3. 1996	X X X	143,155	200,654	224,918	243,193	252,835	259,701	262,289	263,089	262,441	X X X	X X X
4. 1997	X X X	X X X	128,491	192,023	222,276	241,271	252,404	257,797	260,994	263,185	X X X	X X X
5. 1998	X X X	X X X	X X X	137,315	206,218	239,314	257,050	267,854	274,079	278,602	X X X	X X X
6. 1999	X X X	X X X	X X X	X X X	144,273	217,392	251,876	274,458	286,233	296,075	X X X	X X X
7. 2000	X X X	X X X	X X X	X X X	X X X	143,200	221,203	256,580	277,447	289,544	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	145,764	218,388	248,528	270,742	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	137,085	217,801	257,920	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	157,377	234,358	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	149,878	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	50,291	25,849	19,739	17,117	12,128	9,614	6,953	10,470	17,886	9,553
2. 1995	68,847	23,942	12,825	6,935	4,563	3,047	1,153	1,423	1,983	467
3. 1996	X X X	62,074	25,828	14,841	5,552	3,758	1,515	1,522	1,639	752
4. 1997	X X X	X X X	59,295	29,844	13,588	8,013	3,682	2,200	2,070	1,550
5. 1998	X X X	X X X	X X X	68,901	26,491	16,677	10,331	4,725	3,459	4,117
6. 1999	X X X	X X X	X X X	X X X	57,479	25,529	14,919	7,942	4,692	5,753
7. 2000	X X X	X X X	X X X	X X X	X X X	52,435	29,169	17,048	10,649	8,571
8. 2001	X X X	X X X	X X X	X X X	X X X	X X X	59,626	31,000	14,691	15,673
9. 2002	X X X	X X X	X X X	X X X	X X X	X X X	X X X	119,621	61,402	25,168
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	79,006	38,870
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	150,230

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							
2. Alaska	AK	YES							
3. Arizona	AZ	YES							
4. Arkansas	AR	YES	516,600	212,891	8,496	1,477,454	1,468,958	2,832	
5. California	CA	YES					(275,212)		
6. Colorado	CO	YES							
7. Connecticut	CT	YES	14,613	41		10	10	80	
8. Delaware	DE	YES							
9. Dist. Columbia	DC	YES							
10. Florida	FL	YES							
11. Georgia	GA	YES	260	6		2	2	1	
12. Hawaii	HI	YES							
13. Idaho	ID	YES							
14. Illinois	IL	YES	1,556	317		8	8	9	
15. Indiana	IN	YES	348,402	176,403	8,144	68,133	161,794	1,910	
16. Iowa	IA	YES							
17. Kansas	KS	YES							
18. Kentucky	KY	YES							
19. Louisiana	LA	YES	6,495,314	2,557,554	133,184	2,426,845	2,293,660	35,600	
20. Maine	ME	YES							
21. Maryland	MD	YES							
22. Massachusetts	MA	YES				291,376	409,842		
23. Michigan	MI	YES	205,952	101,656	29,635	36,676	7,041	1,129	
24. Minnesota	MN	YES							
25. Mississippi	MS	YES							
26. Missouri	MO	YES	132	77		25	25	1	
27. Montana	MT	YES							
28. Nebraska	NE	YES			5,395	(4,650)	24,028		
29. Nevada	NV	YES							
30. New Hampshire	NH	YES							
31. New Jersey	NJ	YES	24,037	7,717	400,279	(615,464)	2,588,390	132	
32. New Mexico	NM	YES							
33. New York	NY	YES	54,348	22,141	337,005	(227,150)	2,022,329	298	
34. No. Carolina	NC	YES							
35. No. Dakota	ND	YES							
36. Ohio	OH	YES	48,061	29,288		4,138	4,138	263	
37. Oklahoma	OK	YES	837,741	356,880	1,164	32,465	31,301	4,592	
38. Oregon	OR	YES							
39. Pennsylvania	PA	YES	21,093	4,409	77,481	(137,737)	838,820	116	
40. Rhode Island	RI	YES	56,320	16,457		4,136	4,136	309	
41. So. Carolina	SC	YES							
42. So. Dakota	SD	YES							
43. Tennessee	TN	YES	2	2					
44. Texas	TX	YES	219,139	77,908	9,391	19,000	9,609	1,201	
45. Utah	UT	YES							
46. Vermont	VT	YES							
47. Virginia	VA	YES							
48. Washington	WA	YES							
49. West Virginia	WV	YES							
50. Wisconsin	WI	YES	40,852	20,874		12,226	12,226	224	
51. Wyoming	WY	YES							
52. American Samoa	AS	NO							
53. Guam	GU	NO							
54. Puerto Rico	PR	NO							
55. U.S. Virgin Islands	VI	NO							
56. Canada	CN	NO							
57. Aggregate other alien	OT	XXX							
58. Totals	(a) 51		8,884,422	3,584,621	1,010,174	3,387,493	9,601,105	48,697	

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

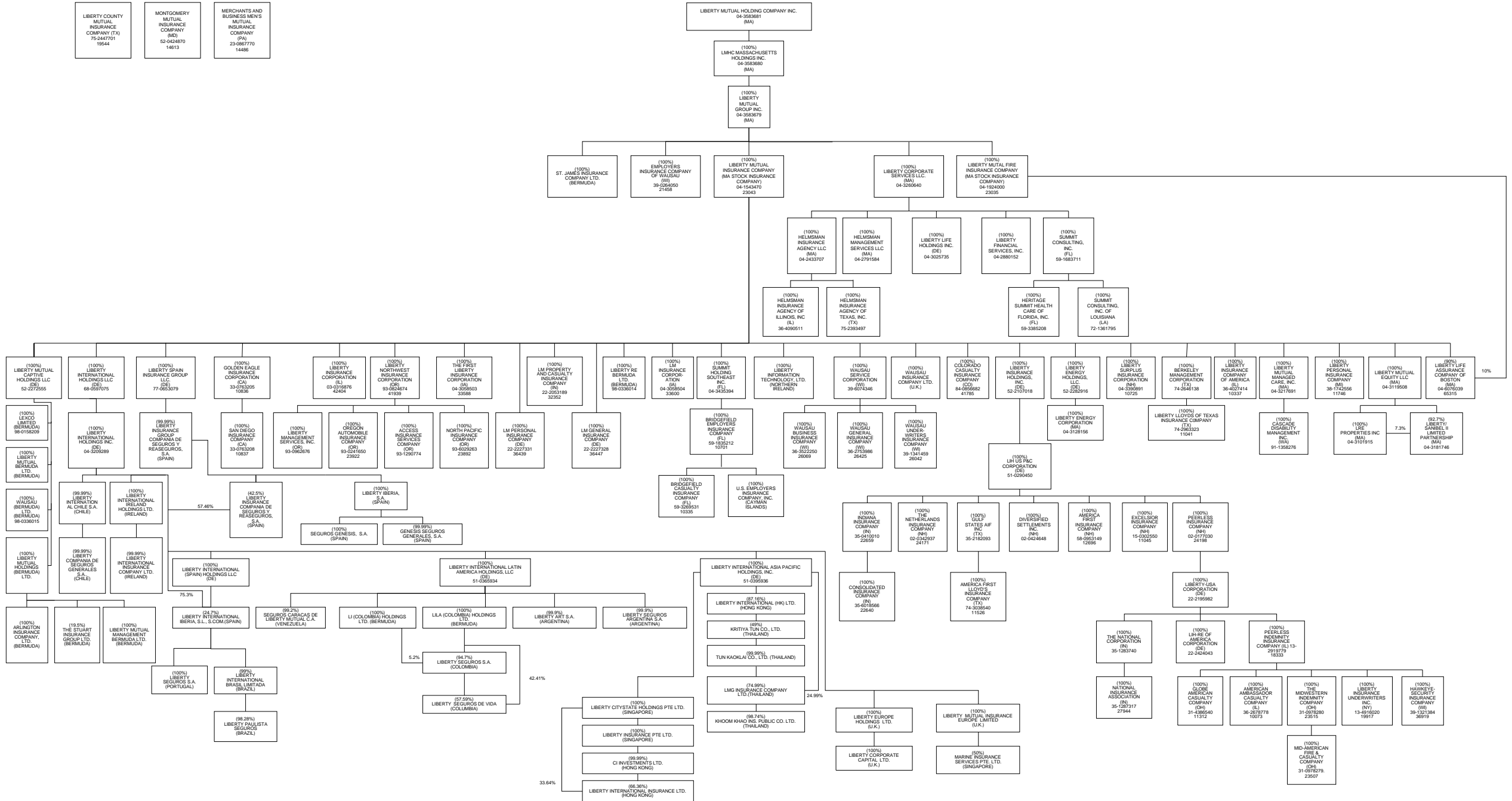
Explanation of basis of allocation of premiums by states, etc.

- *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 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. Other liabilities	876,018	455,993
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)	876,018	455,993

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)		