

ANNUAL STATEMENT

OF THE

The Netherlands Insurance Company

of **Keene**

in the state of **New Hampshire**

TO THE

Insurance Department

OF THE

STATE OF

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

PROPERTY AND CASUALTY

2004



24171200420100100

ANNUAL STATEMENT

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

The Netherlands Insurance Company

NAIC Group Code 0111 0111 NAIC Company Code 24171 Employer's ID Number 02-0342937
 (Current Period) (Prior Period)
 Organized under the Laws of New Hampshire, State of Domicile or Port of Entry New Hampshire
 Country of Domicile United States of America
 Incorporated: December 12, 1978 Commenced Business: January 1, 1979
 Statutory Home Office: 62 Maple Avenue Keene, NH 03431
 Main Administrative Office: 62 Maple Avenue Keene, NH 03431 603-352-3221
 Mail Address: 175 Berkeley Street Boston, MA 02117
 Primary Location of Books and Records: 175 Berkeley Street Boston, MA 02117 617-357-9500
 Internet Website Address: www.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: 62 Maple Avenue Keene, NH 03431 603-352-3221

OFFICERS

Chairman of the Board
Roger Lucien Jean

Name	Title
1. <u>Dwight Wayne Bowie</u>	<u>President & Chief Executive Officer</u>
2. <u>Michael John DiRusso</u>	<u>Secretary</u>
3. <u>Stephen Douglas Powell</u>	<u>Treasurer</u>

Vice-Presidents

Name	Title	Name	Title
<u>Anthony Alexander Fontanes</u>	<u>Executive Vice President</u>	<u>Michael Ray Christiansen</u>	<u>Executive Vice President</u>
<u>Bob David Effinger, Jr.</u>	<u>Executive Vice President</u>	<u>Geoffrey Eugene Hunt</u>	<u>Executive Vice President</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

DIRECTORS OR TRUSTEES

<u>Michael Ray Christiansen</u>	<u>John Derek Doyle</u>	<u>Roger Lucien Jean</u>	<u>Amy Johnston Leddy</u>
<u>Christopher Charles Mansfield</u>	<u>William George Mersch</u>	<u>James Francis Dore</u>	<u>Dwight Wayne Bowie</u>
<u>Bob David Effinger, Jr.</u>	<u>Geoffrey Eugene Hunt</u>	<u>Kenneth Paul Blackwood</u>	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

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)
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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)	110,657,640		110,657,640	92,105,839
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	5,635,846		5,635,846	5,177,480
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 0, Schedule E-Part 1), cash equivalents (\$ 1,703,454, Schedule E-Part 2) and short-term investments (\$ 7,344,932, Schedule DA)	9,048,386		9,048,386	8,467,300
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	1,019,419		1,019,419	1,019,689
8. Receivable for securities	3,586		3,586	
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	126,364,877		126,364,877	106,770,308
11. Investment income due and accrued	1,187,410		1,187,410	1,084,223
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in the course of collection	4,652,322	416,816	4,235,506	8,177,500
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 816,399 earned but unbilled premiums)	24,473,007	80,839	24,392,168	21,149,098
12.3 Accrued retrospective premiums				555,659
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers				10,117,388
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	4,242,852		4,242,852	
15.2 Net deferred tax asset	5,555,000	1,558,400	3,996,600	3,349,400
16. Guaranty funds receivable or on deposit	180,309		180,309	42,808
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	8,121,343		8,121,343	18,706,864
21. Health care (\$ 0) and other amounts receivable				
22. Other assets nonadmitted				
23. Aggregate write-ins for other than invested assets	9,363,235	56,071	9,307,164	9,263,987
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	184,140,355	2,112,126	182,028,229	179,217,235
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	184,140,355	2,112,126	182,028,229	179,217,235

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	9,153,804	56,071	9,097,733	9,224,368
2302. Equities and deposits in pools and associations	209,431		209,431	39,619
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 + 2398) (Line 23 above)	9,363,235	56,071	9,307,164	9,263,987

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	56,273,019	39,767,166
2. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6)		3,010,245
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	13,491,364	8,926,985
4. Commissions payable, contingent commissions and other similar charges	3,284,791	2,346,872
5. Other expenses (excluding taxes, licenses and fees)	400,544	784,171
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	1,326,878	1,250,113
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		1,560,204
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 209,467,601 and including warranty reserves of \$ 0)	44,321,651	36,099,787
10. Advance premium	170,844	90,273
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)		28,540,879
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	10,348,589	9,801,204
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		618,200
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	168	
19. Payable to parent, subsidiaries and affiliates		
20. Payable for securities		
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	6,542,581	5,474,842
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	136,160,429	138,270,941
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	136,160,429	138,270,941
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	3,600,000	3,600,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	9,597,505	9,597,505
33. Unassigned funds (surplus)	32,670,295	27,748,789
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)	45,867,800	40,946,294
36. TOTALS (Page 2, Line 26, Col. 3)	182,028,229	179,217,235

DETAILS OF WRITE-INS		
2301. Other liabilities	6,573	120,429
2302. 2003 Private Passenger Auto Escrow		159,258
2303. Amounts held under uninsured plans		5,195,155
2398. Summary of remaining write-ins for Line 23 from overflow page	6,536,008	
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	6,542,581	5,474,842
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)	85,920,588	67,794,958
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	46,033,915	34,775,888
3. Loss expenses incurred (Part 3, Line 25, Column 1)	11,063,980	5,397,849
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	28,998,382	23,510,892
5. Aggregate write-ins for underwriting deductions	(211,267)	159,258
6. Total underwriting deductions (Lines 2 through 5)	85,885,010	63,843,887
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	35,578	3,951,071
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	5,760,593	5,115,001
10. Net realized capital gains (losses) (Exhibit of Capital Gains (Losses))	645,396	221,169
11. Net investment gain (loss) (Lines 9 + 10)	6,405,989	5,336,170
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ (3,489) amount charged off \$ 232,419)	(228,931)	(148,639)
13. Finance and service charges not included in premiums	159,561	124,274
14. Aggregate write-ins for miscellaneous income	159,295	(320,359)
15. Total other income (Lines 12 through 14)	89,925	(344,724)
16. Net income before dividends to policyholders and before federal and foreign income taxes (Lines 8 + 11 + 15)	6,531,492	8,942,517
17. Dividends to policyholders	118,218	127,374
18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17)	6,413,274	8,815,143
19. Federal and foreign income taxes incurred	2,168,891	4,125,176
20. Net income (Line 18 minus Line 19) (to Line 22)	4,244,383	4,689,967
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2)	40,946,294	35,086,344
GAINS AND (LOSSES) IN SURPLUS		
22. Net income (from Line 20)	4,244,383	4,689,967
23. Change in net unrealized capital gains or (losses)	131,923	1,034,494
24. Change in net unrealized foreign exchange capital gain (loss)		
25. Change in net deferred income tax	(127,931)	(6,051,006)
26. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	638,151	6,094,293
27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	618,200	(525,998)
28. Change in surplus notes		
29. Surplus (contributed to) withdrawn from protected cells		
30. Cumulative effect of changes in accounting principles		
31. Capital changes:		
31.1 Paid in		
31.2 Transferred from surplus (Stock Dividend)		
31.3 Transferred to surplus		
32. Surplus adjustments:		
32.1 Paid in		
32.2 Transferred to capital (Stock Dividend)		
32.3 Transferred from capital		
33. Net remittances from or (to) Home Office		
34. Dividends to stockholders		
35. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
36. Aggregate write-ins for gains and losses in surplus	(583,220)	618,200
37. Change in surplus as regards policyholders for the year (Lines 22 through 36)	4,921,506	5,859,950
38. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 37) (Page 3, Line 35)	45,867,800	40,946,294
DETAILS OF WRITE-INS		
0501. North Carolina Private Passenger Auto Escrow	(211,267)	159,258
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)	(211,267)	159,258
1401. Miscellaneous expense / income	159,295	(320,359)
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)	159,295	(320,359)
3601. Other adjustments to surplus	(583,220)	618,200
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)	(583,220)	618,200

CASH FLOW		1	2
Cash from Operations		Current Year	Prior Year
1. Premiums collected net of reinsurance		66,855,785	90,412,772
2. Net investment income		5,785,830	5,029,812
3. Miscellaneous income		89,925	(649,582)
4. Total (Lines 1 through 3)		72,731,540	94,793,002
5. Benefit and loss related payments		22,420,919	33,736,319
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions		34,793,160	27,721,201
8. Dividends paid to policyholders		118,218	127,374
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)		7,840,024	1,266,758
10. Total (Lines 5 through 9)		65,172,321	62,851,652
11. Net cash from operations (Line 4 minus Line 10)		7,559,219	31,941,350
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds		22,923,844	24,606,632
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		641,810	
12.8 Total investment proceeds (Lines 12.1 to 12.7)		23,565,654	24,606,632
13. Cost of investments acquired (long-term only):			
13.1 Bonds		40,958,402	49,324,236
13.2 Stocks		326,443	365,508
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets			1,019,900
13.6 Miscellaneous applications			106,790
13.7 Total investments acquired (Lines 13.1 to 13.6)		41,284,845	50,816,434
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)		(17,719,191)	(26,209,802)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock			
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)		10,741,058	(1,081,350)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)		10,741,058	(1,081,350)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
18. Net change in cash and short-term investments (Line 11, plus Lines 15 and 17)		581,086	4,650,198
19. Cash and short-term investments:			
19.1 Beginning of year		8,467,300	3,817,102
19.2 End of year (Line 18 plus Line 19.1)		9,048,386	8,467,300

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	1,058,584	373,699	529,607	902,676
2. Allied lines	1,019,477	373,600	473,162	919,915
3. Farmowners multiple peril	921,660	273,678	413,975	781,363
4. Homeowners multiple peril	8,373,215	3,747,013	4,400,865	7,719,363
5. Commercial multiple peril	30,436,453	10,790,164	14,162,359	27,064,258
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	2,694,852	978,306	1,182,106	2,491,052
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake	313,852	149,638	164,914	298,576
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	10,981,782	3,455,706	4,459,960	9,977,528
17.1 Other liability - occurrence	5,287,278	1,527,763	2,285,946	4,529,095
17.2 Other liability - claims-made				
18.1 Products liability - occurrence	99,636	39,816	53,012	86,440
18.2 Products liability - claims-made				
19.1, 19.2 Private passenger auto liability	8,953,584	4,035,682	4,136,087	8,853,179
19.3, 19.4 Commercial auto liability	12,789,129	4,845,976	6,039,464	11,595,641
21. Auto physical damage	10,910,694	4,841,794	5,123,749	10,628,739
22. Aircraft (all perils)				
23. Fidelity	4,702	1,136	(23,633)	29,471
24. Surety	62,061	38,259	85,032	15,288
26. Burglary and theft	22,112	2,058	5,609	18,561
27. Boiler and machinery	22,963	(481)	13,037	9,445
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	93,952,034	35,473,807	43,505,251	85,920,590

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	529,607				529,607
2. Allied lines	473,162				473,162
3. Farmowners multiple peril	413,975				413,975
4. Homeowners multiple peril	4,400,865				4,400,865
5. Commercial multiple peril	14,503,775		(341,416)		14,162,359
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	1,182,107				1,182,107
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	164,914				164,914
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	4,826,207		(366,248)		4,459,959
17.1 Other liability - occurrence	2,394,312		(108,366)		2,285,946
17.2 Other liability - claims-made					
18.1 Products liability - occurrence	53,308		(296)		53,012
18.2 Products liability - claims-made					
19.1, 19.2 Private passenger auto liability	4,136,087				4,136,087
19.3, 19.4 Commercial auto liability	6,039,464				6,039,464
21. Auto physical damage	5,123,749				5,123,749
22. Aircraft (all perils)					
23. Fidelity	(42,659)	19,026			(23,633)
24. Surety	17,082	67,950			85,032
26. Burglary and theft	5,608	1			5,609
27. Boiler and machinery	13,111		(74)		13,037
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	44,234,674	86,977	(816,400)		43,505,251
35. Accrued retrospective premiums based on experience					
36. Earned but unbilled premiums					816,399
37. Balance (Sum of Line 34 through 36)					44,321,650

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	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
	Direct Business (a)	2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	3,498,617	1,058,584		3,498,617		1,058,584
2. Allied lines	3,801,392	1,019,477		3,801,392		1,019,477
3. Farmowners multiple peril		921,660				921,660
4. Homeowners multiple peril	3,085,932	8,373,215		3,085,932		8,373,215
5. Commercial multiple peril	231,593,640	30,436,453		231,593,640		30,436,453
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	723,932	2,694,852		723,932		2,694,852
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake	1,952,681	313,852		1,952,681		313,852
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	55,901,840	10,981,782		55,901,840		10,981,782
17.1 Other liability - occurrence	2,051,031	5,287,278		2,051,031		5,287,278
17.2 Other liability - claims-made						
18.1 Products liability - occurrence	402,439	99,636		402,439		99,636
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability	3,737,309	8,953,584		3,737,309		8,953,584
19.3, 19.4 Commercial auto liability	88,164,388	12,789,129		88,164,388		12,789,129
21. Auto physical damage	28,846,497	10,910,694		28,846,497		10,910,694
22. Aircraft (all perils)						
23. Fidelity	6,338	4,702		6,338		4,702
24. Surety	32,871	62,061		32,871		62,061
26. Burglary and theft	15,576	22,112		15,576		22,112
27. Boiler and machinery	346	22,963		346		22,963
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	423,814,829	93,952,034		423,814,829		93,952,034

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	93,259	190,824	93,259	190,824	150,458	69,367	271,915	30.123
2. Allied lines	624,674	270,283	624,674	270,283	75,306	94,016	251,573	27.347
3. Farmowners multiple peril		271,583		271,583	193,772	105,798	359,557	46.017
4. Homeowners multiple peril	1,807,115	3,499,028	1,807,115	3,499,028	1,731,708	1,409,527	3,821,209	49.502
5. Commercial multiple peril	52,509,218	6,416,105	52,509,218	6,416,105	17,092,344	10,239,538	13,268,911	49.027
6. Mortgage guaranty								
8. Ocean marine		407		407	16,428	18,193	(1,358)	
9. Inland marine	240,250	646,137	240,250	646,137	237,326	160,140	723,323	29.036
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims - made								
12. Earthquake		26		26	5,347	3,338	2,035	0.682
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	24,591,682	3,689,154	24,591,682	3,689,154	13,161,395	10,190,630	6,659,919	66.749
17.1 Other liability - occurrence	55,408	(6,534)	55,408	(6,534)	4,290,133	2,555,809	1,727,790	38.149
17.2 Other liability - claims - made								
18.1 Products liability - occurrence		(14,740)		(14,740)	86,467	30,602	41,125	47.576
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability	2,679,015	5,635,506	2,679,015	5,635,506	8,701,044	7,526,349	6,810,201	76.924
19.3, 19.4 Commercial auto liability	24,301,514	4,133,320	24,301,514	4,133,320	9,947,747	6,958,876	7,122,191	61.421
21. Auto physical damage	12,215,883	4,782,683	12,215,883	4,782,683	228,092	170,646	4,840,129	45.538
22. Aircraft (all perils)								
23. Fidelity	(1,358)	947	(1,358)	947	2,705	1,285	2,367	8.032
24. Surety	(1,012)	13,613	(1,012)	13,613	35,375	40,245	8,743	57.189
26. Burglary and theft	562	1,335	562	1,335	114,777	4,922	111,190	599.052
27. Boiler and machinery		(1,615)		(1,615)	18,865	4,155	13,095	138.645
28. Credit								
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X							
31. Reinsurance-Nonproportional Assumed Liability	X X X				183,732	183,731	1	
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
33. Aggregate write-ins for other lines of business								
34. TOTALS	119,116,210	29,528,062	119,116,210	29,528,062	56,273,021	39,767,167	46,033,916	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		125,600		125,600	44,505	24,858	44,505	150,458	831
2. Allied lines	184,104	56,715	184,104	56,715	58,783	18,591	58,783	75,306	15,048
3. Farmowners multiple peril		145,407		145,407		48,365		193,772	35,160
4. Homeowners multiple peril	121,942	1,424,120	121,942	1,424,120	174,989	307,588	174,989	1,731,708	351,021
5. Commercial multiple peril	62,854,081	10,927,297	62,854,081	10,927,297	28,703,301	6,165,047	28,703,301	17,092,344	6,862,869
6. Mortgage guaranty									
8. Ocean marine		127,257	122,532	4,725		31,703	20,000	16,428	2,256
9. Inland marine	15,000	156,671	15,000	156,671	17,089	80,655	17,089	237,326	64,167
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims - made									
12. Earthquake					23,944	5,347	23,944	5,347	(7,294)
13. Group accident and health								(a)	75
14. Credit accident and health (group and individual)								(a)	5
15. Other accident and health									
16. Workers' compensation	43,932,540	8,227,597	43,932,540	8,227,597	27,564,334	4,933,798	27,564,334	13,161,395	1,817,163
17.1 Other liability - occurrence	327,251	1,592,839	282,362	1,637,728	194,377	2,652,405	194,377	4,290,133	775,000
17.2 Other liability - claims - made									
18.1 Products liability - occurrence	34,196	31,444	34,196	31,444	52,307	55,023	52,307	86,467	67,601
18.2 Products liability - claims - made									36
19.1, 19.2 Private passenger auto liability	2,059,431	6,201,100	2,059,431	6,201,100	729,415	2,499,944	729,415	8,701,044	1,674,840
19.3, 19.4 Commercial auto liability	32,517,256	5,304,332	32,517,256	5,304,332	26,610,982	4,643,415	26,610,982	9,947,747	1,542,312
21. Auto physical damage	1,143,124	356,531	1,143,124	356,531	(144,142)	(128,439)	(144,142)	228,092	239,014
22. Aircraft (all perils)									
23. Fidelity	10	1,459	10	1,459	8	1,246	8	2,705	7,400
24. Surety	40,020	(11,286)	40,020	(11,286)	33,514	46,661	33,514	35,375	50,338
26. Burglary and theft		131		131	253	114,646	253	114,777	(11,766)
27. Boiler and machinery		1,540		1,540	153	17,325	153	18,865	5,286
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X	17,825		17,825	X X X	165,907		183,732	
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	143,228,955	34,686,579	143,306,598	34,608,936	84,063,812	21,684,085	84,083,812	56,273,021	13,491,362

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	26,052,964			26,052,964
1.2 Reinsurance assumed	5,811,711			5,811,711
1.3 Reinsurance ceded	24,385,189			24,385,189
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	7,479,486			7,479,486
2. Commission and brokerage:				
2.1 Direct excluding contingent		61,122,970		61,122,970
2.2 Reinsurance assumed excluding contingent		13,761,314		13,761,314
2.3 Reinsurance ceded excluding contingent		61,122,970		61,122,970
2.4 Contingent-direct		(187,107)		(187,107)
2.5 Contingent-reinsurance assumed		3,068,325		3,068,325
2.6 Contingent-reinsurance ceded		(187,107)		(187,107)
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)		16,829,639		16,829,639
3. Allowances to manager and agents		26,300		26,300
4. Advertising		226,024		226,024
5. Boards, bureaus and associations	15,561	179,893		195,454
6. Surveys and underwriting reports	63	499,650		499,713
7. Audit of assureds' records		7		7
8. Salary and related items:				
8.1 Salaries	1,471,415	5,211,835	6,902	6,690,152
8.2 Payroll taxes	213,830	375,206	1,301	590,337
9. Employee relations and welfare	520,528	941,713	3,564	1,465,805
10. Insurance	112,873	59,980		172,853
11. Directors' fees	29	920		949
12. Travel and travel items	176,020	436,935		612,955
13. Rent and rent items	278,552	480,264		758,816
14. Equipment	197,124	366,323	283	563,730
15. Cost or depreciation of EDP equipment and software	172,237	315,069		487,306
16. Printing and stationery	50,936	130,039	113	181,088
17. Postage, telephone and telegraph, exchange and express	146,321	362,061	57	508,439
18. Legal and auditing	31,170	81,578	26,136	138,884
19. Totals (Lines 3 to 18)	3,386,659	9,693,797	38,356	13,118,812
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 19,897		2,286,044		2,286,044
20.2 Insurance department licenses and fees		103,069		103,069
20.3 Gross guaranty association assessments		32,767		32,767
20.4 All other (excluding federal and foreign income and real estate)		53,066		53,066
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		2,474,946		2,474,946
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses	197,835			197,835
25. Total expenses incurred	11,063,980	28,998,382	38,356 (a)	40,100,718
26. Less unpaid expenses-current year	13,491,364	5,012,213		18,503,577
27. Add unpaid expenses-prior year	8,926,985	4,381,155		13,308,140
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)	6,499,601	28,367,324	38,356	34,905,281

DETAILS OF WRITE-INS			
2401. Change in unallocated bulk reserves	197,835		197,835
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)	197,835		197,835

(a) Includes management fees of \$ 38,355 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 1,244,887	1,397,614
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 3,957,492	3,909,981
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	355,489	355,489
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) 59,117	64,593
7. Derivative instruments	(f)	
8. Other invested assets	58,480	50,973
9. Aggregate write-ins for investment income	20,297	20,297
10. Total gross investment income	5,695,762	5,798,947
11. Investment expenses		(g) 38,355
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)		38,355
17. Net investment income (Line 10 minus Line 16)		5,760,592
DETAILS OF WRITE-INS		
0901. Miscellaneous gains (losses)	20,297	20,297
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)	20,297	20,297
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 \$ 64,904 accrual of discount less \$ 193,058 amortization of premium and less \$ 121,739 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds				
1.1 Bonds exempt from U.S. tax				
1.2 Other bonds (unaffiliated)	645,396			645,396
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)				
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)			131,923	131,923
2.21 Common stocks of affiliates				
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments				
7. Derivative instruments				
8. Other invested assets				
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)	645,396		131,923	777,319

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	416,816	346,392	(70,424)
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	80,839		(80,839)
12.3 Accrued retrospective premiums		70,321	70,321
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	1,558,400	2,333,531	775,131
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	56,071	33	(56,038)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	2,112,126	2,750,277	638,151
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	2,112,126	2,750,277	638,151

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	56,071	33	(56,038)
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	56,071	33	(56,038)

NOTES TO FINANCIAL STATEMENTS

Note 1- Summary of Significant Accounting Policies

A. Accounting Practices

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

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

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

C. Accounting Policies

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

In addition, the Company uses the following accounting policies:

1. Investment grade short-term investments are carried at cost adjusted where appropriate for amortization of premium or discount, or market as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Investment grade bonds are carried at cost adjusted where appropriate for amortization of premium or discount, or market as specified by the SVO Manual.
3. Common stocks are carried at market value
4. The Company does not own preferred stocks.
5. The Company does not own mortgage loans.
6. Mortgage-backed/asset backed securities are stated at amortized value. Prepayment assumptions for single class mortgage-backed/asset backed securities and multi-class securities were obtained from internal estimates. These assumptions are consistent with the current interest rate and economic environment. The retrospective adjustment method is used to value all single class mortgage-backed/asset-backed securities and multi-class securities. Non-investment grade mortgage-backed/asset backed securities are stated at the lower of amortized value or fair value.
7. The Company has no subsidiary investments.
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 New Hampshire. Effective January 1, 2001, the New Hampshire Department of Insurance required that insurance companies domiciled in New Hampshire 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 New Hampshire Insurance Commissioner.

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

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

C. Impairment Loss

Not applicable

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company does not hold any mortgage loans as investments.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. The Company has elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date, where historical cash flows are not readily available.
2. Prepayment assumptions for single class and multi-class mortgages-backed/asset-backed securities were based upon 1-month historical constant prepayment rates.
3. The Company used IDSI, Bloomberg, and Lehman Index data in determining the market value of the vast majority of its loan-backed securities. A small number of securities are priced in other ways, such as contacting brokers.
4. The Company had no negative yield situations requiring a change from the retrospective to prospective method.

E. Repurchase Agreements

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

F. Real Estate

The Company does not own real estate.

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

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

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

Not applicable

Note 7- Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2004.

Note 8- Derivative Instruments

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

Note 9 - Income Taxes

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

NOTES TO FINANCIAL STATEMENTS

	December 31, 2004	December 31, 2003	Change
Total of gross deferred tax assets	5,902,840	6,474,625	(571,785)
Total of deferred tax liabilities	(347,840)	(791,694)	443,854
Net deferred tax asset	5,555,000	5,682,931	(127,931)
Net deferred tax asset non-admitted	(1,558,400)	(2,333,531)	775,131
Net admitted deferred tax asset	3,996,600	3,349,400	647,200

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	2,168,891	4,125,176
Net operating loss benefit	0	0
Foreign	0	0
Federal and foreign income tax incurred	2,168,891	4,125,176

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, deferred intercompany gain on securities, differences in investment income recognition, fixed asset depreciation differences, unrealized gain, 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, dividends-received deductions, goodwill, revisions to prior year estimates, and changes in deferred taxes related to statutory non-admitted assets.

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is none from the current year and none from the preceding year.

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

Note 10- Information concerning Parent, Subsidiaries and Affiliates

- A. The Company is a wholly owned subsidiary of LIH US P&C Corporation, an insurance holding company incorporated in the state of Delaware. All of the outstanding shares of LIH US P&C Corporation are owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in the state of Delaware. All of the outstanding shares of Liberty Insurance Holdings, Inc. are owned by Liberty Mutual Insurance Company, a Massachusetts insurance company. The ultimate parent of Liberty Mutual Insurance Company is Liberty Mutual Holding Company, Inc. a Massachusetts company.
- B. During 2003 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 \$8,121,343 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, effective January 1, 1999, with the Peerless Insurance Company (PIC) and other affiliates. The Service 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 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 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. Common Stock

The Company has 5,000 shares authorized, and 3,600 shares issued and outstanding as of December 31, 2004. All shares have a stated par value of \$1,000.

- 2. Preferred Stock

Not applicable

NOTES TO FINANCIAL STATEMENTS

3. Dividend Restrictions

There are no dividend restrictions.

4. The maximum amount of dividends which can be paid by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is 10% of policyholder surplus less any dividends paid in the preceding twelve months. The maximum dividend payout which may be made without prior approval in 2005 is \$4,586,780.
5. The Company does not have restricted unassigned surplus.
6. The Company had no advances to surplus.
7. The Company does not hold stock for special purposes.
8. The Company does not hold 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)	\$751,770	\$131,923
b. Nonadmitted asset values	(2,112,126)	638,151
c. Provision for reinsurance	0	618,200
Total	<u>(\$1,360,356)</u>	<u>\$1,388,274</u>

10. Surplus Notes

Not applicable

11. Quasi re-organization (dollar impact)

Not applicable

12. Quasi re-organization (effective date)

Not applicable

Note 14- Contingencies

A. Contingent Commitments

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

B. Assessments

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

The Company has accrued a liability for guaranty funds and other assessments of \$594,040 that is offset by future premium tax credits of \$180,309. These 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 \$144,603 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.

NOTES TO FINANCIAL STATEMENTS

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

2005	\$423,180
2006	\$357,894
2007	\$306,444
2008	\$261,476
2009	\$161,482
2010 & thereafter	\$461,195
Total	\$1,971,671

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 \$20,044,875, with corresponding collateral value at \$20,428,863.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

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.

NOTES TO FINANCIAL STATEMENTS

- 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 \$5,517,902 and \$5,196,149 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.
- C. Reinsurance Assumed & Ceded
1. The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2004.

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net Reinsurance</u>	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$44,321,651	\$6,392,110	\$209,467,601	\$30,209,613	(\$165,145,950)	\$(23,817,503)
All Other	\$0	\$0	\$0	\$0	\$0	\$0
Total	<u>\$44,321,651</u>	<u>\$6,392,110</u>	<u>\$209,467,601</u>	<u>\$30,209,613</u>	<u>(\$165,145,950)</u>	<u>\$(23,817,503)</u>

Direct unearned premium reserve of
\$209,467,601

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	\$2,713,216
Assumed	\$3,175,776
Ceded	<u>\$2,713,216</u>
Net	<u>\$3,175,776</u>

- 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 loss adjustment expenses attributed to insured events of prior years increased by \$774,486

NOTES TO FINANCIAL STATEMENTS

during 2004. This represents 1.1% of unpaid losses and loss adjustment expenses of \$69,764,303 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
			<u>100.00%</u>	
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

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

- (a) Each Affiliated Pool Company cedes its 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.

NOTES TO FINANCIAL STATEMENTS

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 \$772,023 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 \$772,023 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

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 \$15,646,694 are carried at a discounted value of \$14,978,558 representing a discount of \$668,136.

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

NOTES TO FINANCIAL STATEMENTS

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.

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
Incurred 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	\$13,296,273	\$13,211,412	\$16,545,756	\$18,188,505	\$18,387,303
Net of Reinsurance Basis					
Beginning Reserves	\$426,370	\$346,142	\$348,002	\$413,811	\$514,430
Incurred losses and LAE	(28,463)	45,348	132,435	159,371	39,001
Calendar year payments	51,765	43,488	66,626	58,752	83,394
Ending Reserves	\$346,142	\$348,002	\$413,811	\$514,430	\$470,037
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Gross of Reinsurance Basis					\$14,015,462
Net of Reinsurance Basis:					\$374,732
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Gross of Reinsurance Basis					\$3,849,699
Net of Reinsurance Basis:					\$109,857
<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
Incurred 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	\$29,021,738	\$21,251,007	\$13,286,937	\$18,023,816	\$18,548,293

NOTES TO FINANCIAL STATEMENTS

Net of Reinsurance Basis					
Beginning Reserves	\$826,836	\$668,642	\$602,317	\$341,915	\$571,057
Incurring losses and LAE	(85,025)	76,525	0	255,645	6,331
Calendar year payments	73,169	142,850	260,402	26,503	98,988
Ending Reserves	\$668,642	\$602,317	\$341,915	\$571,057	\$478,400
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Gross of Reinsurance Basis					\$16,786,342
Net of Reinsurance Basis:					\$467,857
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Gross of Reinsurance Basis					\$4,705,188
Net of Reinsurance Basis:					\$134,258

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	20,267,934	16.039	20,267,934	16.039
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	22,280,088	17.632	22,280,088	17.632
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	1,499,216	1.186	1,499,216	1.186
1.43 Revenue and assessment obligations	502,668	0.398	502,668	0.398
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	2,476,332	1.960	2,476,332	1.960
1.512 Issued or guaranteed by FNMA and FHLMC	22,518,761	17.820	22,518,761	17.820
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other	7,997,376	6.329	7,997,376	6.329
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	33,115,265	26.206	33,115,265	26.206
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	4,823,306	3.817	4,823,306	3.817
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated	812,540	0.643	812,540	0.643
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	3,586	0.003	3,586	0.003
8. Cash, cash equivalents and short-term investments	9,048,386	7.161	9,048,386	7.161
9. Other invested assets	1,019,419	0.807	1,019,419	0.807
10. Total invested assets	126,364,877	100.000	126,364,877	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? New Hampshire
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended. _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2001
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2001
- 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). 05/25/2001
- 3.4 By what department or departments? New Hampshire
- 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	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	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, FCAS, MAAA, Vice President & Senior Actuary
 62 Maple Avenue, Keene, NH 03431
 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	5,000	3,600	1,000.00	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	118,002,572	119,979,439	1,976,867
25.2 Preferred stocks			
25.3 Totals	118,002,572	119,979,439	1,976,867

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	\$ 85,975,439	\$ _____
2.3 Premium Ratio (2.1/2.2)	_____	_____
2.4 Reserve Numerator	\$ _____	\$ _____
2.5 Reserve Denominator	\$ 69,764,383	\$ _____
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 \$ 10,148,570
 3.22 Non-participating policies \$ 413,666,259

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 [X] N/A []
 5.22 As a direct expense of the exchange YES [] NO [X] N/A []

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): \$ _____ 127,530
- 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:
.....
.....

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)	188,368,416	155,828,341	94,620,427	81,750,665	76,616,608
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	54,858,266	44,385,443	31,471,896	21,864,719	19,078,994
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	274,434,209	181,026,116	104,919,326	69,472,551	63,055,669
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	105,972	179,610	437,682	1,151,833	1,396,531
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)		(358)		163	(567)
6. Total (Line 34)	517,766,863	381,419,152	231,449,331	174,239,931	160,147,235
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)	38,111,409	30,460,451	26,578,732	21,054,380	17,469,623
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	16,019,571	14,104,188	12,485,088	9,684,892	7,776,152
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	39,754,291	29,366,977	22,884,677	15,502,516	11,661,250
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	66,763	64,114	208,046	504,189	687,012
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)		(358)		163	(567)
12. Total (Line 34)	93,952,034	73,995,372	62,156,543	46,746,140	37,593,470
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	35,578	3,951,071	(5,486,110)	(3,380,978)	(2,655,779)
14. Net investment gain (loss) (Line 11)	6,405,989	5,336,170	5,077,048	6,870,506	6,337,290
15. Total other income (Line 15)	89,925	(344,724)	335,759	(356,941)	262,489
16. Dividends to policyholders (Line 17)	118,218	127,374	140,461	130,614	73,752
17. Federal and foreign income taxes incurred (Line 19)	2,168,891	4,125,176	66,209	639,447	2,014,068
18. Net income (Line 20)	4,244,383	4,689,967	(279,973)	2,362,526	1,856,180
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	182,028,229	179,217,235	127,781,301	131,755,936	122,553,401
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 12.1)	4,235,506	8,177,500	2,856,460	7,112,407	2,041,204
20.2 Deferred and not yet due (Line 12.2)	24,392,168	21,149,098	16,214,197	11,370,881	8,211,084
20.3 Accrued retrospective premiums (Line 12.3)		555,659			
21. Total liabilities excluding protected cell business (Page 3, Line 24)	136,160,429	138,270,941	92,694,957	97,968,246	92,137,111
22. Losses (Page 3, Lines 1 and 2)	56,273,019	42,777,411	38,816,391	26,278,799	25,706,170
23. Loss adjustment expenses (Page 3, Line 3)	13,491,364	8,926,985	8,967,315	6,469,033	7,341,763
24. Unearned premiums (Page 3, Line 9)	44,321,651	36,099,787	29,812,080	23,413,787	18,237,085
25. Capital paid up (Page 3, Lines 28 & 29)	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
26. Surplus as regards policyholders (Page 3, Line 35)	45,867,800	40,946,294	35,086,344	33,787,690	30,416,290
Risk-Based Capital Analysis					
27. Total adjusted capital	45,867,800	40,946,294	35,086,344	33,787,690	30,416,290
28. Authorized control level risk-based capital	7,382,762	5,840,587	4,839,892	3,474,426	3,335,177
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)	87.6	86.3	89.3	95.1	95.2
30. Stocks (Lines 2.1 & 2.2)	4.5	4.8	5.6	1.1	2.2
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	7.9	5.1	3.8	
34. Contract loans (Line 6)			XXX	XXX	XXX
35. Other invested assets (Line 7)	0.8	1.0			1.9
36. Receivable for securities (Line 8)					0.7
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)					
42. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)					
43. Affiliated mortgage loans on real estate					
44. All other affiliated					
45. Total of above Lines 39 to 44					
46. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 45 above divided by Page 3, Col. 1, Line 35 x 100.0)					

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2004	2 2003	3 2002	4 2001	5 2000
Capital and Surplus Accounts (Page 4)					
47. Net unrealized capital gains (losses) (Line 23)	131,923	1,034,494	213,562	(1,310,150)	1,113,296
48. Dividends to stockholders (Line 34)					
49. Change in surplus as regards policyholders for the year (Line 37)	4,921,506	5,859,950	1,298,654	3,371,400	3,097,438
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)	65,064,325	53,786,749	55,744,018	50,314,760	41,085,153
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	19,065,916	15,669,343	11,400,685	12,645,838	12,856,921
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	64,501,841	42,606,201	35,328,743	38,220,030	33,008,955
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	12,190	(776)	311,275	236,558	166,997
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)		23,670		18,033	12,762
55. Total (Line 34)	148,644,272	112,085,187	102,784,721	101,435,219	87,130,788
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)	13,436,706	13,605,964	12,952,238	11,649,392	11,175,945
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	5,891,288	5,947,283	5,322,980	5,295,109	5,024,367
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	10,185,508	10,737,280	8,781,658	9,308,573	8,686,020
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	14,560	23,448	129,205	114,367	158,371
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)		23,670		18,033	12,762
61. Total (Line 34)	29,528,062	30,337,645	27,186,081	26,385,474	25,057,465
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	11.5
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)	(7.1)
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)	30.5	32.5	28.4	30.9	31.3
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)	204.8	180.7	177.2	138.4	123.6
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)	772	(200)	2,706	1,406	(37)
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)	1.9		8.0	5.2	(0.1)
Two Year Loss Development (000 omitted)					
72. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	3,679	3,327	2,992	(282)	(63)
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)	10.5	9.8	9.8	(0.1)	(0.2)

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	42,101,683	42,500,838	42,228,879	41,122,222
	2. Canada				
	3. Other Countries				
	4. Totals	42,101,683	42,500,838	42,228,879	41,122,222
States, Territories and Possessions (Direct and guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals				
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	1,499,216	1,472,845	1,499,155	1,500,000
	10. Canada				
	11. Other Countries				
	12. Totals	1,499,216	1,472,845	1,499,155	1,500,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	25,944,100	25,988,648	25,945,861	25,990,484
	14. Canada				
	15. Other Countries				
	16. Totals	25,944,100	25,988,648	25,945,861	25,990,484
Public Utilities (unaffiliated)	17. United States	3,566,834	3,607,980	3,574,200	3,500,000
	18. Canada				
	19. Other Countries				
	20. Totals	3,566,834	3,607,980	3,574,200	3,500,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	36,626,963	38,263,099	37,744,616	41,252,553
	22. Canada				
	23. Other Countries	918,844	941,400	914,600	1,000,000
	24. Totals	37,545,807	39,204,499	38,659,216	42,252,553
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	110,657,640	112,774,810	111,907,311	114,365,259
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	5,635,846	5,635,846	4,884,076	
	42. Canada				
	43. Other Countries				
	44. Totals	5,635,846	5,635,846	4,884,076	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States				
	50. Canada				
	51. Other Countries				
	52. Totals				
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks	5,635,846	5,635,846	4,884,076	
	55. Total Stocks	5,635,846	5,635,846	4,884,076	
	56. Total Bonds and Stocks	116,293,486	118,410,656	116,791,387	

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year	97,283,320	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 7, Part 3	41,284,845	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	(121,998)	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	131,923	7. Book/adjusted carrying value at end of current period	116,293,486
3.4 Column 14, Part 4	(6,156)	8. Total valuation allowance	
4. Total gain (loss), Column 19, Part 4	645,396	9. Subtotal (Lines 7 plus 8)	116,293,486
5. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	22,923,844	10. Total nonadmitted amounts	
		11. Statement value of bonds and stocks, current period	116,293,486

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	269	96	89	11	17	2	10	266	X X X
2. 1995	47,079	4,567	42,512	26,547	1,562	2,146	124	2,612	30	1,102	29,589	X X X
3. 1996	49,640	5,943	43,697	32,328	3,461	2,714	215	3,127	193	1,290	34,300	X X X
4. 1997	56,528	9,561	46,967	35,314	6,340	2,925	444	4,106	665	1,506	34,896	X X X
5. 1998	65,659	12,799	52,860	41,959	11,185	3,198	675	5,381	1,374	1,559	37,304	X X X
6. 1999	60,832	9,515	51,317	40,697	7,735	2,877	454	5,145	1,017	1,493	39,513	X X X
7. 2000	58,008	7,481	50,527	38,407	6,194	2,633	240	4,540	589	1,351	38,557	X X X
8. 2001	62,124	8,537	53,587	35,094	4,994	2,402	143	4,282	464	1,182	36,177	X X X
9. 2002	81,877	19,254	62,623	38,399	9,134	1,957	396	3,512	793	1,151	33,545	X X X
10. 2003	92,519	15,486	77,033	31,597	4,745	1,365	207	5,553	1,401	1,049	32,162	X X X
11. 2004	93,773	7,852	85,921	18,438	900	380	5	3,723	198	653	21,438	X X X
12. Totals	X X X	X X X	X X X	339,049	56,346	22,686	2,914	41,998	6,726	12,346	337,747	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	1,857	232	1,107	74			127	19	146	40	9	2,872	X X X
2. 1995	158	7	61	27			26	4	12	2	15	217	X X X
3. 1996	332	53	77	33			53	7	21	4	20	386	X X X
4. 1997	454	119	192	86			100	21	35	8	27	547	X X X
5. 1998	1,610	1,083	554	255			246	54	110	27	48	1,101	X X X
6. 1999	1,252	831	741	325			337	65	114	25	73	1,198	X X X
7. 2000	1,551	645	983	407			530	82	150	31	112	2,049	X X X
8. 2001	3,561	2,084	1,733	564			806	102	304	62	168	3,592	X X X
9. 2002	8,475	1,605	2,703	1,009			1,493	179	635	97	398	10,416	X X X
10. 2003	8,833	1,645	5,219	2,327			2,207	454	905	123	590	12,615	X X X
11. 2004	15,494	662	15,440	2,042			4,853	296	2,298	311	1,250	34,774	X X X
12. Totals	43,577	8,966	28,810	7,149			10,778	1,283	4,730	730	2,710	69,767	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,658	214
2. 1995	31,562	1,756	29,806	67.041	38.450	70.112			3.300	185	32
3. 1996	38,652	3,966	34,686	77.865	66.734	79.378			3.300	323	63
4. 1997	43,126	7,683	35,443	76.291	80.358	75.464			3.300	441	106
5. 1998	53,058	14,653	38,405	80.808	114.486	72.654			3.300	826	275
6. 1999	51,163	10,452	40,711	84.105	109.848	79.332			3.300	837	361
7. 2000	48,794	8,188	40,606	84.116	109.451	80.365			3.300	1,482	567
8. 2001	48,182	8,413	39,769	77.558	98.547	74.214			3.300	2,646	946
9. 2002	57,174	13,213	43,961	69.829	68.625	70.199			3.300	8,564	1,852
10. 2003	55,679	10,902	44,777	60.181	70.399	58.127			3.300	10,080	2,535
11. 2004	60,626	4,414	56,212	64.652	56.215	65.423			3.300	28,230	6,544
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	56,272	13,495

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	20,585	19,767	19,709	20,251	20,484	20,369	19,634	20,699	20,651	20,822	171	123
2. 1995	29,294	27,841	27,503	27,454	27,514	27,481	27,259	27,400	27,391	27,235	(156)	(165)
3. 1996	X X X	32,263	31,838	31,903	31,766	31,838	31,899	32,029	31,964	31,743	(221)	(286)
4. 1997	X X X	X X X	30,743	31,738	31,756	31,743	31,743	31,798	31,895	31,979	84	181
5. 1998	X X X	X X X	X X X	33,838	33,793	33,789	33,846	33,737	33,914	34,318	404	581
6. 1999	X X X	X X X	X X X	X X X	33,923	34,707	35,193	35,691	36,123	36,504	381	813
7. 2000	X X X	X X X	X X X	X X X	X X X	33,680	35,207	35,862	36,566	36,592	26	730
8. 2001	X X X	X X X	X X X	X X X	X X X	X X X	35,191	34,451	35,087	35,774	687	1,323
9. 2002	X X X	X X X	X X X	X X X	X X X	X X X	X X X	40,503	40,993	40,882	(111)	379
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	40,356	39,863	(493)	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	50,756	X X X	X X X
12. Totals											772	3,679

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	6,609	4,884	13,540	14,998	15,869	16,572	17,295	17,627	17,809	X X X	X X X
2. 1995	13,159	19,971	22,849	24,706	25,840	26,442	26,796	26,915	27,003	27,007	X X X	X X X
3. 1996	X X X	17,110	23,982	26,882	29,066	30,218	31,039	31,348	31,444	31,366	X X X	X X X
4. 1997	X X X	X X X	15,357	22,950	26,566	28,836	30,167	30,811	31,193	31,455	X X X	X X X
5. 1998	X X X	X X X	X X X	16,412	24,647	28,602	30,722	32,013	32,757	33,297	X X X	X X X
6. 1999	X X X	X X X	X X X	X X X	17,243	25,982	30,104	32,803	34,210	35,385	X X X	X X X
7. 2000	X X X	X X X	X X X	X X X	X X X	17,115	26,438	30,666	33,160	34,606	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	17,421	26,101	29,703	32,359	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	16,384	26,031	30,826	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	18,809	28,010	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	17,913	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	6,011	3,089	2,359	2,046	1,449	1,149	831	1,251	2,138	1,141
2. 1995	8,228	2,862	1,533	829	545	364	138	170	237	56
3. 1996	X X X	7,419	3,087	1,774	664	449	181	182	196	90
4. 1997	X X X	X X X	7,087	3,567	1,624	958	440	263	247	185
5. 1998	X X X	X X X	X X X	8,235	3,166	1,993	1,235	565	413	491
6. 1999	X X X	X X X	X X X	X X X	6,870	3,051	1,783	949	561	688
7. 2000	X X X	X X X	X X X	X X X	X X X	6,267	3,486	2,038	1,273	1,024
8. 2001	X X X	X X X	X X X	X X X	X X X	X X X	7,126	3,705	1,756	1,873
9. 2002	X X X	X X X	X X X	X X X	X X X	X X X	X X X	14,297	7,339	3,008
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	9,443	4,645
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	17,955

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	NO							
2. Alaska	AK	NO							
3. Arizona	AZ	YES	1,042,733	951,367	260,153	1,363,432	1,235,111	5,715	
4. Arkansas	AR	YES	903,906	797,270	162,742	239,575	135,316	4,954	
5. California	CA	YES	46,933,899	43,221,081	12,294,804	21,944,507	20,793,320	257,251	
6. Colorado	CO	NO							
7. Connecticut	CT	YES	29,871,966	26,357,889	412,026	8,176,044	13,176,757	26,982,043	163,732
8. Delaware	DE	YES	815	8			2	2	4
9. Dist. Columbia	DC	YES	136,610	117,426	20,541	12,245	17,396	749	
10. Florida	FL	NO				(10,933)	5,000		
11. Georgia	GA	YES	9,942,202	8,097,716	1,742,382	3,325,895	4,399,931	54,495	
12. Hawaii	HI	NO		9					
13. Idaho	ID	YES							
14. Illinois	IL	YES	34,042,323	33,939,281		8,703,286	19,055,883	17,964,359	186,591
15. Indiana	IN	YES	26,790,848	21,480,294	22,483	5,836,272	11,669,618	8,614,914	146,844
16. Iowa	IA	YES	1,278,927	828,726		64,868	162,087	142,148	7,010
17. Kansas	KS	YES	1,743	494			(17)		10
18. Kentucky	KY	YES	21,557,976	16,418,755		5,514,502	6,888,816	4,798,906	118,162
19. Louisiana	LA	YES	1,675,394	1,553,022		328,977	1,242,506	1,450,277	9,183
20. Maine	ME	YES	11,179,235	10,191,692		4,951,644	6,007,578	8,638,358	61,275
21. Maryland	MD	YES	3,153,049	2,241,628	4,156	491,762	114,345	378,478	17,282
22. Massachusetts	MA	YES	6,220,616	4,565,878		697,634	1,100,724	1,032,321	34,096
23. Michigan	MI	YES	14,035,500	10,768,305	19,543	3,834,451	5,839,311	5,026,203	76,930
24. Minnesota	MN	YES	4,504,561	3,591,744		1,026,386	1,818,002	1,469,498	24,690
25. Mississippi	MS	NO	172	172					1
26. Missouri	MO	YES	28,585	27,448			(123)	(137)	157
27. Montana	MT	NO							
28. Nebraska	NE	YES	298,638	119,742		15,650	165,230	150,326	1,637
29. Nevada	NV	YES	616	616			(135)	(135)	3
30. New Hampshire	NH	YES	9,233,347	8,297,130	35,694	3,514,061	4,735,844	9,390,226	50,609
31. New Jersey	NJ	YES	27,942,536	27,247,068	385,684	12,675,266	14,910,576	26,645,850	153,157
32. New Mexico	NM	NO							
33. New York	NY	YES	33,660,711	31,200,863	590,905	9,332,070	16,325,114	23,645,789	184,499
34. No. Carolina	NC	YES	10,670,267	14,082,583	6,392	6,783,124	7,849,022	6,904,249	58,485
35. No. Dakota	ND	NO							
36. Ohio	OH	YES	46,589,349	32,427,859		8,837,071	17,725,656	14,218,933	255,363
37. Oklahoma	OK	YES	3,430,380	2,886,371		1,400,931	2,156,382	2,157,113	18,802
38. Oregon	OR	YES							
39. Pennsylvania	PA	YES	26,155,478	24,347,404	4,251	8,399,061	12,525,977	12,972,142	143,362
40. Rhode Island	RI	YES	5,891,002	5,505,164	32,862	2,353,056	2,216,523	4,835,083	32,289
41. So. Carolina	SC	YES	1,272,476	880,292		75,860	373,699	512,804	6,975
42. So. Dakota	SD	NO							
43. Tennessee	TN	YES	22,427,385	19,111,046		6,174,740	10,302,983	7,858,761	122,930
44. Texas	TX	YES	14,054,227	12,046,080		1,992,261	5,144,332	6,118,093	77,033
45. Utah	UT	YES							
46. Vermont	VT	YES	3,344,602	3,186,605	453	2,134,758	1,399,687	4,302,504	18,332
47. Virginia	VA	YES	2,373,074	1,747,856	30,991	931,423	766,557	2,414,952	13,007
48. Washington	WA	YES							
49. West Virginia	WV	NO							
50. Wisconsin	WI	YES	3,169,680	2,579,014	14,219	390,434	865,291	2,082,631	17,373
51. Wyoming	WY	NO							
52. American Samoa	AS	NO							
53. Guam	GU	NO							
54. Puerto Rico	PR	NO							
55. U.S. Virgin Islands	VI	NO							
56. Canada	CN	NO							
57. Aggregate other alien	OT	X X X							
58. Totals	(a) 39		423,814,828	370,815,898	1,559,659	119,116,214	191,412,948	227,292,765	2,322,987

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

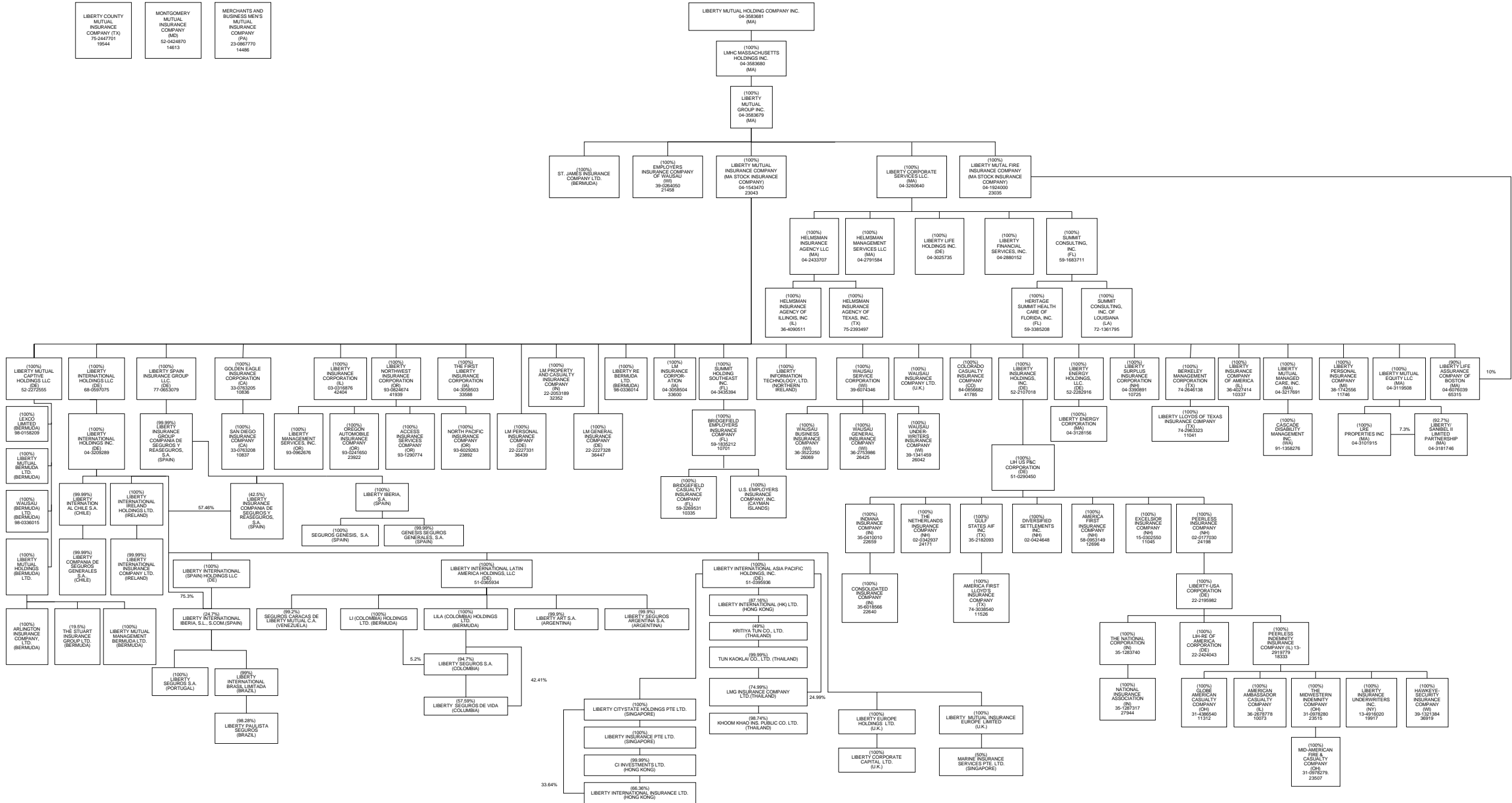
Explanation of basis of allocation of premiums by states, etc.

- *Location of 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. Collateral held for securities loaned	6,536,008	
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)	6,536,008	

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)		