

ANNUAL STATEMENT

OF THE

LIBERTY INSURANCE UNDERWRITERS INC.

of NEW YORK

in the state of NEW YORK

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2008

PROPERTY AND CASUALTY

2008



19917200820100010

ANNUAL STATEMENT

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

Liberty Insurance Underwriters Inc

NAIC Group Code 0111 0111 **NAIC Company Code** 19917 **Employer's ID Number** 13-4916020
(Current Period) (Prior Period)

Organized under the Laws of New York, **State of Domicile or Port of Entry** New York
Country of Domicile United States of America

Incorporated/Organized: March 8, 1811 **Commenced Business:** March 8, 1811

Statutory Home Office: 55 Water Street 18th Floor, New York, NY 10041
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office: 55 Water Street 18th Floor
(Street and Number)
New York, NY 10041 212-208-2802
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address: 55 Water Street 18th Floor, New York, NY 10041
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records: 55 Water Street 18th Floor New York, NY 10041 212-208-8834
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address: www.libertyiu.com

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

OFFICERS

Chairman of the Board
Thomas Crawford Ramey

	Name	Title
1.	<u>David Alan Cohen</u>	<u>President</u>
2.	<u>Dexter Robert Legg</u>	<u>Secretary</u>
3.	<u>Laurance Henry Soyer Yahia</u>	<u>Treasurer</u>

VICE-PRESIDENTS

Name	Title	Name	Title
<u>Michael Joseph Abdallah</u>	<u>EVP</u>	<u>Anthony Scott Carroll</u>	<u>SVP & Director</u>
<u>Anthony Alexander Fontanes</u>	<u>EVP & CIO</u>	<u>Daniel Terence Niall Forsythe</u>	<u>CEO & Director</u>
<u>Gordon James McBurney</u>	<u>EVP & Director</u>	<u>Gary Jay Ostrow</u>	<u>VP</u>
<u>George John Perrotta</u>	<u>SVP CFO & Director</u>	<u>Thomas Andrew Rush II</u>	<u>VP & Chief Legal Counsel</u>
<u>Joseph Hobbs #</u>	<u>SVP</u>		

DIRECTORS OR TRUSTEES

<u>Anthony Scott Carroll</u>	<u>David Alan Cohen</u>	<u>Ralph Tortorella III</u>	<u>Daniel Terence Niall Forsythe</u>
<u>James Francis Kelleher</u>	<u>Dennis James Langwell</u>	<u>Christopher Charles Mansfield</u>	<u>Gordon James McBurney</u>
<u>Frank Harrison O'Connor</u>	<u>Thomas Crawford Ramey</u>	<u>George John Perrotta</u>	<u>Christopher Locke Peirce</u>
<u>Daniel Vincent Vaughn</u>			

State of New York

County of New York ss

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

<u>(Signature)</u>	<u>(Signature)</u>	<u>(Signature)</u>
<u>David Alan Cohen</u>	<u>Dexter Robert Legg</u>	<u>Laurance Henry Soyer Yahia</u>
<u>(Printed Name)</u>	<u>(Printed Name)</u>	<u>(Printed Name)</u>
<u>1.</u>	<u>2.</u>	<u>3.</u>
<u>President</u>	<u>Secretary</u>	<u>Treasurer</u>
<u>(Title)</u>	<u>(Title)</u>	<u>(Title)</u>

Subscribed and sworn to before me this
2nd day of February, 2009

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

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	100,827,474		100,827,474	114,799,987
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 (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 (\$ (45,280,705), Schedule E - Part 1), cash equivalents (\$ 32,162,276, Schedule E - Part 2), and short-term investments (\$ 15,214,534, Schedule DA)	2,096,105		2,096,105	7,566,483
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	102,923,579		102,923,579	122,366,470
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	1,185,896		1,185,896	1,399,286
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection				
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	10,851,601		10,851,601	24,669,025
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset				
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0)	583,528	583,528		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	28,389,471		28,389,471	20,417
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets				
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	143,934,075	583,528	143,350,547	148,455,198
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	143,934,075	583,528	143,350,547	148,455,198

DETAILS OF WRITE-IN LINES				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)				
2301.				
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)				

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)		
2. Reinsurance payable on paid losses and loss adjustment expenses		
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)		
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)		
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	2,144,169	3,395,230
7.2 Net deferred tax liability	409,000	65,000
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 124,117,830 and including warranty reserves of \$ 0)		
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	19,122,765	19,421,365
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		63,289
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)	4,812,033	3,210,662
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	11,837,573	27,951,135
20. Payable for securities		
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	15,920,996	7,901,693
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	54,246,536	62,008,374
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	54,246,536	62,008,374
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	3,500,000	3,500,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	60,029,767	60,029,767
33. Unassigned funds (surplus)	25,574,244	22,917,057
34. Less treasury stock, at cost:		
34.1 0 shares common (value included in Line 28 \$ 0)		
34.2 0 shares preferred (value included in Line 29 \$ 0)		
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	89,104,011	86,446,824
36. Totals (Page 2, Line 26, Col. 3)	143,350,547	148,455,198

DETAILS OF WRITE-IN LINES		
2301. Other liabilities	5,156,886	7,901,693
2302. Collateral held for securities loaned	10,764,110	
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	15,920,996	7,901,693
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)		
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)		
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)		
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)		
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	7,298,404	10,771,007
10. Net realized capital gains (losses) less capital gains tax of \$ (153,400) (Exhibit of Capital Gains (Losses))	(284,885)	13,272
11. Net investment gain (loss) (Lines 9 + 10)	7,013,519	10,784,279
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0)		574,159
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income	18,100	100,675
15. Total other income (Lines 12 through 14)	18,100	674,834
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	7,031,619	11,459,113
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	7,031,619	11,459,113
19. Federal and foreign income taxes incurred	2,741,999	3,952,743
20. Net income (Line 18 minus Line 19) (to Line 22)	4,289,620	7,506,370
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	86,446,824	76,092,011
22. Net income (from Line 20)	4,289,620	7,506,370
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0		
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(344,000)	(54,000)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	312,938	306,636
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	(1,601,371)	2,595,807
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus		
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	2,657,187	10,354,813
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	89,104,011	86,446,824

DETAILS OF WRITE-IN LINES		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401. Other Income/(Expense)	18,100	100,675
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	18,100	100,675
3701.		
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)		

CASH FLOW

	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	(298,600)	(7,772,523)
2. Net investment income	7,701,049	10,510,229
3. Miscellaneous income	(45,189)	517,738
4. Total (Lines 1 through 3)	7,357,260	3,255,444
5. Benefit and loss related payments	(13,817,423)	732,940
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions		
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	3,839,661	1,335,024
10. Total (Lines 5 through 9)	(9,977,762)	2,067,964
11. Net cash from operations (Line 4 minus Line 10)	17,335,022	1,187,480
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	22,434,514	28,785,800
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		22,949
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	22,434,514	28,808,749
13. Cost of investments acquired (long-term only):		
13.1 Bonds	9,089,541	48,993,824
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	9,089,541	48,993,824
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	13,344,973	(20,185,075)
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)	(36,150,373)	54,452,108
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(36,150,373)	54,452,108
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(5,470,378)	35,454,513
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	7,566,483	(27,888,030)
19.2 End of year (Line 18 plus Line 19.1)	2,096,105	7,566,483

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

20.0001		
20.0002		
20.0003		

NONE Underwriting and Investment Exhibit - Part 1

NONE Underwriting and Investment Exhibit - Part 1A

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

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						
2. Allied lines						
3. Farmowners multiple peril						
4. Homeowners multiple peril						
5. Commercial multiple peril	7,958,766		296,908	3,553,590	4,702,084	
6. Mortgage guaranty						
8. Ocean marine	1,867,902			994,772	873,130	
9. Inland marine	1,504,443			237,717	1,266,726	
10. Financial guaranty						
11.1 Medical malpractice—occurrence						
11.2 Medical malpractice—claims-made	193,314			96,657	96,657	
12. Earthquake						
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation						
17.1 Other liability—occurrence	135,848,630			73,549,798	62,298,832	
17.2 Other liability—claims-made	99,327,129			52,979,005	46,348,124	
18.1 Products liability—occurrence	13,379			4,014	9,365	
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability						
19.3,19.4 Commercial auto liability	1,441,259			(18,348)	1,459,607	
21. Auto physical damage						
22. Aircraft (all perils)						
23. Fidelity						
24. Surety						
26. Burglary and theft	3,659,895				3,659,895	
27. Boiler and machinery						
28. Credit						
29. International						
30. Warranty	25,000				25,000	
31. Reinsurance-Nonproportional Assumed Property	X X X					
32. Reinsurance-Nonproportional Assumed Liability	X X X					
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	251,839,717		296,908	131,397,205	120,739,420	

DETAILS OF WRITE-IN LINES						
3401.						
3402.						
3403.						
3498. Sum of remaining write-ins for Line 34 from overflow page						
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)						

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [] No [X]

If yes: 1. The amount of such installment premiums \$

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

UNDERWRITING AND INVESTMENT EXHIBIT PART 2 – LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire								
2. Allied lines								
3. Farmowners multiple peril								
4. Homeowners multiple peril								
5. Commercial multiple peril	4,559,197	(2,736,700)	1,822,497					
6. Mortgage guaranty								
8. Ocean marine	2,796,626		2,796,626					
9. Inland marine	209,728		209,728					
10. Financial guaranty								
11.1 Medical malpractice—occurrence								
11.2 Medical malpractice—claims-made								
12. Earthquake								
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation								
17.1 Other liability—occurrence	37,665,412		37,665,412					
17.2 Other liability—claims-made	41,362,817		41,362,817					
18.1 Products liability—occurrence								
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability								
19.3,19.4 Commercial auto liability								
21. Auto physical damage								
22. Aircraft (all perils)								
23. Fidelity								
24. Surety								
26. Burglary and theft								
27. Boiler and machinery								
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-Nonproportional Assumed Property	X X X							
32. Reinsurance-Nonproportional Assumed Liability	X X X							
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
34. Aggregate write-ins for other lines of business								
35. TOTALS	86,593,780	(2,736,700)	83,857,080					

DETAILS OF WRITE-IN LINES							
3401.							
3402.							
3403.							
3498. Sum of remaining write-ins for Line 34 from overflow page							
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)							

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire									
2. Allied lines					(61,895)		(61,895)		
3. Farmowners multiple peril									
4. Homeowners multiple peril									
5. Commercial multiple peril	37,794,970	495,000	38,289,970		5,151,346	3,779,221	8,930,567		
6. Mortgage guaranty									
8. Ocean marine	1,900,780		1,900,780		(4,320,575)	(27,965)	(4,348,540)		
9. Inland marine	3,325,000		3,325,000		(1,668,573)		(1,668,573)		
10. Financial guaranty									
11.1 Medical malpractice—occurrence									
11.2 Medical malpractice—claims-made					55,567		55,567		
12. Earthquake									
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health									
16. Workers' compensation									
17.1 Other liability—occurrence	19,091,989		19,091,989		300,620,993		300,620,993		
17.2 Other liability—claims-made	24,227,169		24,227,169		139,987,204		139,987,204		
18.1 Products liability—occurrence					394		394		
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability									
19.3,19.4 Commercial auto liability					173,519		173,519		
21. Auto physical damage									
22. Aircraft (all perils)									
23. Fidelity									
24. Surety									
26. Burglary and theft					6,342,868		6,342,868		
27. Boiler and machinery									
28. Credit									
29. International									
30. Warranty					23,527		23,527		
31. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Liability	X X X				X X X				
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	86,339,908	495,000	86,834,908		446,304,375	3,751,256	450,055,631		

DETAILS OF WRITE-IN LINES									
3401.									
3402.									
3403.									
3498. Sum of remaining write-ins for Line 34 from overflow page									
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)									

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	33,949,223			33,949,223
1.2 Reinsurance assumed	8,170			8,170
1.3 Reinsurance ceded	33,957,393			33,957,393
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)				
2. Commission and brokerage:				
2.1 Direct, excluding contingent		36,994,025		36,994,025
2.2 Reinsurance assumed, excluding contingent				
2.3 Reinsurance ceded, excluding contingent		36,994,025		36,994,025
2.4 Contingent—direct		(3,150,542)		(3,150,542)
2.5 Contingent—reinsurance assumed				
2.6 Contingent—reinsurance ceded		(3,150,542)		(3,150,542)
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)				
3. Allowances to manager and agents				
4. Advertising			408	408
5. Boards, bureaus and associations			11	11
6. Surveys and underwriting reports			200	200
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries			37,741	37,741
8.2 Payroll taxes			2,107	2,107
9. Employee relations and welfare			2,141	2,141
10. Insurance			74	74
11. Directors' fees				
12. Travel and travel items			719	719
13. Rent and rent items			844	844
14. Equipment			769	769
15. Cost or depreciation of EDP equipment and software			250	250
16. Printing and stationery			105	105
17. Postage, telephone and telegraph, exchange and express			282	282
18. Legal and auditing			3,184	3,184
19. Totals (Lines 3 to 18)			48,835	48,835
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0				
20.2 Insurance department licenses and fees				
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)				
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)				
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses			4,715	4,715
25. Total expenses incurred			53,550	(a) 53,550
26. Less unpaid expenses—current year				
27. Add unpaid expenses—prior year				
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)			53,550	53,550

DETAILS OF WRITE-IN LINES				
2401. Other expenses			4,715	4,715
2402.				
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)			4,715	4,715

(a) Includes management fees of \$ 53,550 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) 1,972,749	1,872,724
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 3,205,224	3,270,859
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 2,257,911	2,078,910
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	129,460	129,460
10. Total gross investment income	7,565,344	7,351,953
11. Investment expenses		(g) 53,550
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)		53,550
17. Net investment income (Line 10 minus Line 16)		7,298,403

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	129,460	129,460
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)	129,460	129,460
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 \$ 91,687 accrual of discount less \$ 280,942 amortization of premium and less \$ 104,706 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 \$ 416,022 accrual of discount less \$ 18,436 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 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	24,921		24,921		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)		(463,206)	(463,206)		
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	24,921	(463,206)	(438,285)		

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

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection			
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums			
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset			
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software		128,621	128,621
19. Furniture and equipment, including health care delivery assets	583,528	767,845	184,317
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets			
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	583,528	896,466	312,938
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	583,528	896,466	312,938

DETAILS OF WRITE-IN LINES			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Leasehold improvements			
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)			

NOTES TO FINANCIAL STATEMENTS

Note 1- Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of Liberty Insurance Underwriter, Inc. (the "Company") have been prepared on the basis of accounting practices prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of New York ("New York Division of Insurance).

The Company utilizes accounting practices that are prescribed or permitted by the New York State Insurance Department and differ from those promulgated by NAIC SAP. The impact of these different practices would have no impact on net income, but would reduce statutory surplus by \$3,900,000 if the New York Insurance Department policy had not been used, a reconciliation of Capital and Surplus follows.

Reconciliation between NY Surplus and NAIC Surplus:

Surplus as regards to policyholders, NYDOI basis	\$ 89,104,011
Credit for Reinsurance from Unauthorized Insurers	<u>3,900,000</u>
Surplus as regards to policyholders, NAIC basis	<u>\$ 85,204,011</u>

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

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

C. Accounting Policies

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

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
3. The Company does not own common stocks.
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 cost or market based on guidance in the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual). Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company does not own any subsidiaries, controlled, or affiliated entities.
8. The Company does not own any joint ventures, partnerships, or limited liability companies.
9. Derivative securities refer to Note 8.
10. Refer to Note 29.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2008.
13. The Company has no pharmaceutical rebate receivables.

Note 2- Accounting Changes and Correction of Errors

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

NOTES TO FINANCIAL STATEMENTS

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

B. Statutory Mergers

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

C. Impairment Loss

Not applicable

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company has no mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. The Company elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date, where historical cash flows are not readily available.
2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
3. The Company had no negative yield situations requiring a change from the retrospective to prospective method.

E. Repurchase Agreements

1. The Company did not enter into any repurchase agreements during the year.
2. The Company maintained collateral for loaned securities.
 - a) For loaned securities, Company policies require a minimum of 102% of the fair value of securities loaned to be maintained as collateral.
 - b) The Company has not pledged any of its assets as collateral.
3. Aggregate amount of contractually obligated open collateral positions for which the borrower may request the return of on demand:

	Under 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Total
Fair value of open reinvested collateral positions	6,324,787	157,919	394,797	3,886,607	10,764,110

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

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

The Company does not hold investments in low-income housing tax credits.

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

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

NOTES TO FINANCIAL STATEMENTS

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

Not applicable

Note 7- Investment Income

- A. Accrued Investment Income

The Company does not admit investment income due and accrued if amounts are over 90 days past due.

- B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2008.

Note 8- Derivative Instruments

The Company's investment activities do not include derivatives. However, the Company may acquire derivatives as additions to bond, common stock, or preferred stock investments. These derivatives are ancillary to the overall investment and are immaterial to the underlying investment portfolio.

Note 9 - Income Taxes

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

	December 31, 2008	December 31, 2007	Change
Total of gross deferred tax assets	182,000	7,000	175,000
Total of deferred tax liabilities	(591,000)	(72,000)	(519,000)
Net deferred tax (liability) asset	(409,000)	(65,000)	(344,000)
Net deferred tax asset non-admitted	0	0	0
Net admitted deferred tax (liability) asset	(409,000)	(65,000)	(344,000)

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

	2008	2007
Federal tax on operations	2,741,999	3,952,743
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	2,741,999	3,952,743
Tax on capital gains	(153,400)	7,147
Total income tax incurred	2,588,599	3,959,890

The Company's deferred tax assets and liabilities result primarily from unrealized gains/losses and investment impairments.

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

	2008
Change in net deferred income tax (without unrealized gain or loss)	(344,000)
Tax effect of unrealized (gains) losses	0
Total change in net deferred income tax	(344,000)

- D. Effective tax rates approximate the current statutory rate of 35%.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$1,497,000 from the current year and \$4,013,000 from the preceding year.

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

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

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

Access Insurance Services, Co.	Liberty Mutual Group Inc.
AMBCO Capital Corporation	Liberty Mutual Holding Company Inc.
America First Insurance Company	Liberty Mutual Insurance Company
America First Lloyds Insurance Company	Liberty Mutual Personal Insurance Company
American Ambassador Casualty Company	Liberty Northwest Insurance Corporation
American Economy Insurance Company*	Liberty Personal Insurance Company
American Fire & Casualty Company	Liberty RE (Bermuda) Limited
American States Insurance Company*	Liberty Sponsored Insurance (Vermont) Inc.

NOTES TO FINANCIAL STATEMENTS

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

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

NOTES TO FINANCIAL STATEMENTS

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

Note 10- Information concerning Parent, Subsidiaries and Affiliates

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Insurance Company ("LMIC"), a Massachusetts insurance company. The ultimate parent of LMIC is Liberty Mutual Holding Company Inc., a Massachusetts company.
- B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.
- C. There have been no material transactions with the Company's affiliates during 2008.
- D. At December 31, 2008 the Company reported \$16,551,898 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 undertakings for the benefit of affiliates which result in material contingent exposures of the Company's or affiliates assets or liabilities.
- F. See Note 25 for information regarding intercompany reinsurance.

There is a "Service Agreement" between the Company and an affiliate, Liberty Mutual Insurance Company ("LMIC"), under which LMIC provides the Company with services of personnel employed by LMIC, office space, supplies, equipment, telephone and wire services, the use of computers and similar machines to the extent necessary or appropriate. The Company has an investment services agreement with LMIC. LMIC is reimbursed for the costs of all services which it provides under these agreements.

The Company entered into an agreement for a loan or extension of credit effective May 22, 2006; namely a revolving credit agreement under which the Company may borrow up to \$50,000,000 from LMIC. The purpose of the extension of credit is for operating liquidity to accommodate fluctuations in daily cash flow and to promote efficient management of investments. As of December 31, 2008, there have been no drawings under this agreement.

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

- 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 any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- I. The Company has no investments in subsidiary, controlled or affiliated companies.
- J. Impairment of subsidiaries
Refer to 10 I
- K. Investment in foreign insurance subsidiaries.
Refer to 10 I
- L. Investment in downstream noninsurance holding companies.
Refer to 10 I

Note 11- Debt

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

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

The Company does not have any direct employees and therefore, does not have any direct obligations for a defined benefit plan, deferred compensation arrangements, compensated absences or other post retirement benefit plans. Services for the operation of the Company are provided under provisions of the Management Services Agreement as described in Note 10 F.

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

- 1. Common Stock

The Company has 50,000 shares authorized, issued and outstanding as of December 31, 2008. All shares have a stated par value of \$70.

NOTES TO FINANCIAL STATEMENTS

2. Preferred Stock

Not applicable

3. Dividend Restrictions

There are no dividend restrictions.

4. The Company did not pay a dividend to its parent during 2008.

5. Dividends on common stock are paid as declared by the Board of Directors of the Company. Under the insurance regulations of the State of New York, the maximum amount of dividends, which the Company may pay to shareholders, is limited to the lesser of 10% of the most recent year-end policyholders surplus or the net investment income earned for the year. Accordingly, the maximum dividend payout to shareholders that may be made without prior approval is \$8,910,401.

6. The Company does not have restricted unassigned surplus.

7. The Company had no advances to surplus.

8. The Company does not hold stock for special purposes.

9. The Company does not hold special surplus funds.

10. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$0.

11. Surplus Notes

Not applicable

12. Quasi re-organization (dollar impact)

Not applicable

13. Quasi re-organization (effective date)

Not applicable

Note 14- Contingencies

A. Contingent Commitments

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

B. Assessments

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

As a result of the Inter-company 100% Quota Share Reinsurance Agreement (see Note 25), all guaranty fund and other assessments liabilities are ceded to LMIC.

C. Gain Contingencies

Not applicable

D. Claims related extra contractual obligations and bad faith losses stemming from lawsuits

The Company did not have claims related extra contractual obligation losses and bad faith losses stemming from lawsuits in the current period.

E. All other Contingencies

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

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

NOTES TO FINANCIAL STATEMENTS

Note 15- Leases

As a result of the Inter-company 100% Quota Share Reinsurance Agreements (see Note 25), the Company has no lease obligations.

Note 16- Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

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

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

A. Transfers of Receivables reported as sales:

The Company did not have any transfer of receivables reported as sales during the year.

B. Transfers and servicing of financial assets:

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income and mortgage backed securities are loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. The Company does not participate in term loans; therefore, the Company does not have contractual collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of 102% of the fair value of the loaned securities. Acceptable collateral may be in the form of cash, Agency and U.S. Government securities. The fair value of the loaned securities is monitored and additional collateral is obtained if the fair value of the collateral falls below 102% of the fair value of the loaned securities. Additionally, the lending agent indemnifies the Company against borrower defaults. Cash collateral is carried as an asset with an offsetting liability on the balance sheet, as the Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company.

At December 31, 2008 the total fair value of securities on loan was \$12,889,528 with corresponding collateral value of \$13,307,980 of which \$10,764,110 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

Not applicable

Note 20- Other Items

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

Assets in the amount of \$5,504,303 and \$5,432,614 as of December 31, 2008 and 2007, respectively, were on deposit with government authorities or trustees as required by law.

D. As a result of the Inter-company 100% Quota Share Reinsurance Agreement with LMIC (see Note 25), the Company has no exposure to uncollectible premium receivable balances.

E. Business Interruption Insurance Recoveries

The Company does not purchase Business Interruption coverage.

NOTES TO FINANCIAL STATEMENTS

F. State Transferable Tax Credits

The Company does not hold state transferable tax credits.

G. Sub-Prime Lending

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

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

Note 21- Events Subsequent

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

Note 22- Reinsurance

A. Unsecured Reinsurance Recoverables

The Company's unsecured aggregate recoverable for losses paid and unpaid including IBNR, loss adjustment expenses, unearned premium with any individual reinsurers in excess of 3% of surplus, are displayed below.

<u>Reinsurer</u>	<u>Naic No.</u>	<u>Federal ID No.</u>	<u>Recoverable Amount</u>
Swiss Rein America Corp	25364	13-1675535	\$100,529,301
Everest Reinsurance Company	26921	22-2005057	55,091,293
Munich Reinsurance America, Inc.	10227	13-4924125	49,087,140
Berkley Insurance Company	32603	47-0574325	43,359,840
Transatlantic Reinsurance Company	19453	13-5616275	28,397,585
Toa Re Insurance Company of America	42439	13-2918573	13,414,661
XL Reinsurance America, Inc.	20583	13-1290712	11,761,462
Employers Reinsurance Company	39845	48-0921045	9,039,083
Axis Reinsurance Company	20370	51-0434766	6,641,962
Lloyds SPL Syndicate #5000		AA-1126003	3,592,740
White Mountains Reinsurance Company of America	38776	13-2997499	3,439,362
Hannover Ruckversicherungs		AA-1340125	3,094,450

B. Reinsurance Recoverables in Dispute

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

C. Reinsurance Assumed and Ceded

1. The following table summarizes ceded and assumed unearned premiums and the related commission equity at December 31, 2008.

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net Reinsurance</u>	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$0	\$0	\$60,873,625	\$17,653,401	\$(60,873,625)	(17,653,401)
All Other	73,210	0	63,244,205	18,340,819	(63,170,995)	(18,340,819)
Total	\$73,210	\$0	\$124,117,830	\$35,994,220	\$(124,044,620)	(35,994,220)

Direct Unearned Premium Reserve: \$ 124,044,620

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

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

E. Commutation of Ceded Reinsurance

Income Statement Classification	Amount
Losses Incurred	\$325,275
Loss Expenses Incurred	6,607
Other Expenses	(207,798)
Total	\$124,084

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, 2008.

NOTES TO FINANCIAL STATEMENTS

Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

The Company does not have net accrued retrospective premiums.

Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses

As a result of the Inter-company 100% Quota Share Reinsurance Agreement with LMIC (see Note 25), the Company has no net exposure to changes in incurred losses and loss adjustment expenses.

Note 25- Intercompany Pooling Arrangements

The Company participates in a 100% Quota Share Reinsurance Agreement with an affiliate, LMIC. Pursuant to the Agreement, after external reinsurance, the Company cedes its net underwriting activity to LMIC.

Note 26- Structured Settlements

- A. As a result of the Inter-company 100% Quota Share Reinsurance Agreement with LMIC (see Note 25), the Company has no net exposure to contingent liabilities from the purchase of annuities.
- B. Not applicable

Note 27 - Health Care Receivables

Not applicable

Note 28 - Participating Policies

Not applicable

Note 29 – Premium Deficiency Reserves

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

Note 30- High Dollar Deductible Policies

As a result of the Inter-company 100% Quota Share Reinsurance Agreement with LMIC (see Note 25), the Company does not have any net high dollar deductible policy liabilities.

Note 31- Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses

Not applicable

Note 32 - Asbestos/Environmental Reserves

As a result of the Inter-company 100% Quota Share Reinsurance Agreement with LMIC (see Note 25), the Company has no net exposure to asbestos and environmental claims.

Note 33- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 34 - Multiple Peril Crop Insurance

Not applicable

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 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 No N/A
- 1.3 State Regulating? New York
- 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
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2005
- 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. 12/31/2005
- 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). 09/11/2005
- 3.4 By what department or departments?
 Property & Casualty Bureau of the New York State Insurance Department

- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes No N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No N/A
- 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
- 4.12 renewals? Yes No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes No
- 4.22 renewals? Yes No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No
- 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? Yes No

GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]

7.2 If yes,

7.21 State the percentage of foreign control.

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity
.....
.....

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

.....

8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
.....
.....

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Ernst & Young, LLP
 200 Clarendon Street
 Boston, MA 02116

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

Kevin Cawley
 Liberty Insurance Underwriters, Inc.
 55 Water Street, New York, NY 10041

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

Yes [] No [X]

11.11 Name of real estate holding company

11.12 Number of parcels involved

11.13 Total book/adjusted carrying value

\$ _____

11.2 If yes, provide explanation:

.....

GENERAL INTERROGATORIES

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

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

.....

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

Yes No

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

Yes No

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

Yes No N/A

13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules, and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.

Yes No

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

.....

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

Yes No

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

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

.....

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

Yes No

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

.....

BOARD OF DIRECTORS

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

Yes No

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

Yes No

16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes No

FINANCIAL

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

Yes No

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

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

GENERAL INTERROGATORIES

18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

	18.21 To directors or other officers	\$	0
	18.22 To stockholders not officers	\$	0
	18.23 Trustees, supreme or grand (Fraternal only)	\$	0

19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]

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

	19.21 Rented from others	\$	
	19.22 Borrowed from others	\$	
	19.23 Leased from others	\$	
	19.24 Other	\$	

20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]

20.2 If answer is yes:

	20.21 Amount paid as losses or risk adjustment	\$	
	20.22 Amount paid as expenses	\$	
	20.23 Other amounts paid	\$	

21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []

21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ _____

INVESTMENT

22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 22.3)? Yes [X] No []

22.2 If no, give full and complete information relating thereto:

22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)
 Please reference Note 17B

22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [X] No []

22.5 If answer to 22.4 is yes, report amount of collateral. \$ _____ 13,307,980

22.6 If answer to 22.4 is no, report amount of collateral. \$ _____

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3.) Yes [X] No []

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

	23.21 Subject to repurchase agreements	\$	
	23.22 Subject to reverse repurchase agreements	\$	
	23.23 Subject to dollar repurchase agreements	\$	
	23.24 Subject to reverse dollar repurchase agreements	\$	
	23.25 Pledged as collateral	\$	
	23.26 Placed under option agreements	\$	
	23.27 Letter stock or securities restricted as to sale	\$	
	23.28 On deposit with state or other regulatory body	\$	5,504,304
	23.29 Other	\$	0

GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

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

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

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

25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

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

26. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F – Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

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

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

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

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

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

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

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

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

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

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

GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....	0
.....	0
.....	0
27.2999 TOTAL		0

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....	0
.....	0
.....	0

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	148,204,284	149,297,588	1,093,304
28.2 Preferred stocks	0	0	0
28.3 Totals	148,204,284	149,297,588	1,093,304

28.4 Describe the sources or methods utilized in determining the fair values:
 SVO, FTID Corp, Bloomberg, Broker Quotes, and Analytically Determined.

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

29.2 If no, list exceptions:

OTHER

30.1 Amount of payments to Trade associations, service organizations and statistical or Rating Bureaus, if any? \$ _____ 0

30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
.....	0
.....	0
.....	0

31.1 Amount of payments for legal expenses, if any? \$ _____ 0

31.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	0
.....	0
.....	0

GENERAL INTERROGATORIES

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

\$ _____ 0

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
	0
	0
	0

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]

1.2 If yes, indicate premium earned on U.S. business only. \$ _____

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

1.31 Reason for excluding

.....

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ _____

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ _____

1.62 Total incurred claims \$ _____

1.63 Number of covered lives _____

All years prior to most current three years:

1.64 Total premium earned \$ _____

1.65 Total incurred claims \$ _____

1.66 Number of covered lives _____

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ _____

1.72 Total incurred claims \$ _____

1.73 Number of covered lives _____

All years prior to most current three years:

1.74 Total premium earned \$ _____

1.75 Total incurred claims \$ _____

1.76 Number of covered lives _____

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ 0	\$ 0
2.2 Premium Denominator	\$ 0	\$ 0
2.3 Premium Ratio (2.1/2.2)	0.00	0.00
2.4 Reserve Numerator	\$ 0	\$ 0
2.5 Reserve Denominator	\$ 0	\$ 0
2.6 Reserve Ratio (2.4/2.5)	0.00	0.00

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

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

3.21 Participating policies \$ _____

3.22 Non-participating policies \$ _____

4. For Mutual reporting entities and Reciprocal Exchanges only:

4.1 Does the reporting entity issue assessable policies? Yes [] No [X]

4.2 Does the reporting entity issue non-assessable policies? Yes [] No [X]

4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? _____

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

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents? Yes [] No [X]

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation Yes [] No [] N/A [X]

5.22 As a direct expense of the exchange Yes [] No [] N/A [X]

5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [] No [X]

5.5 If yes, give full information

.....

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:
 The company does not write Workers Compensation

.....

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
 All property locations are tracked by the company. World cat software analyzes exposure, model wind/earthquake scenarios, calculate terrorism aggregations and clash event scenarios. Open Energy Software models track platform aggregations and perform windstorm analysis for offshore energy business.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
 The company has purchased proportional and risk catastrophe XOL reinsurance to protect from concentrations of insured exposures. The Cat reins. purchased protects the company for at least a 1-in-100 year return period for wind exposures and 1-in-250 year return period for earthquake exposures.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [X] No []
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophe loss
- 6.6
- 6.7 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [X] No []
- 6.8 If yes, indicate the number of reinsurance contracts containing such provisions. 2
- 6.9 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [] No [X]
- 6.10 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [] No [X]
- 6.11 If yes, give full information
- 6.12
- 6.13 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 (c) Aggregate stop loss reinsurance coverage;
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [] No [X]
- 6.14 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [] No [X]
- 6.15 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 6.16 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [] No [X]
- 6.17 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 6.18 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
 (a) The entity does not utilize reinsurance; or, Yes [] No [X]
 (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [] No [X]
 (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [] No [X]
- 6.19 If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [X] No [] N/A []

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes [] No [X]
- 11.2 If yes, give full information

- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | | |
|---|----|---|
| 12.11 Unpaid losses | \$ | |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ | 0 |
- 12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ _____
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [] No [] N/A [X]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- | | | |
|------------|--|--|
| 12.41 From | | |
| 12.42 To | | |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [] No [X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- | | | |
|----------------------------------|----|--|
| 12.61 Letters of Credit | \$ | |
| 12.62 Collateral and other funds | \$ | |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ _____ 0
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [] No [X]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. _____ 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [X] No []
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
 Premiums were allocated based on exposures; recoverables were based on loss incurred

- 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:
 Premiums were allocated based on exposures; recoverables were based on loss incurred

- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [] No [X]
- 15.2 If yes, give full information

- 16.1 Does the reporting entity write any warranty business? Yes [X] No []
 If yes, disclose the following information for each of the following types of warranty coverage:
- | | | 1 | 2 | 3 | 4 | 5 |
|------------------|----|---------------------------|-------------------------|---------------------------|----------------------------|--------------------------|
| | | Direct Losses
Incurred | Direct Losses
Unpaid | Direct Written
Premium | Direct Premium
Unearned | Direct Premium
Earned |
| 16.11 Home | \$ | | | | | |
| 16.12 Products | \$ | | | | | |
| 16.13 Automobile | \$ | | | | | |
| 16.14 Other* | \$ | 23,527 | 23,527 | 25,000 | 15,041 | 24,986 |

* Disclose type of coverage: Service Contract Reimbursement

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5.

Yes [] No [X]

Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F – Part 5. Provide the following information for this exemption:

17.11 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	\$ _____
17.12 Unfunded portion of Interrogatory 17.11	\$ _____
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$ _____
17.14 Case reserves portion of Interrogatory 17.11	\$ _____
17.15 Incurred but not reported portion of Interrogatory 17.11	\$ _____
17.16 Unearned premium portion of Interrogatory 17.11	\$ _____
17.17 Contingent commission portion of Interrogatory 17.11	\$ _____

Provide the following information for all other amounts included in Schedule F – Part 3 and excluded from Schedule F – Part 5, not included above.

17.18 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	\$ _____
17.19 Unfunded portion of Interrogatory 17.18	\$ _____
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$ _____
17.21 Case reserves portion of Interrogatory 17.18	\$ _____
17.22 Incurred but not reported portion of Interrogatory 17.18	\$ _____
17.23 Unearned premium portion of Interrogatory 17.18	\$ _____
17.24 Contingent commission portion of Interrogatory 17.18	\$ _____

FIVE – YEAR HISTORICAL DATA

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

	1	2	3	4	5
	2008	2007	2006	2005	2004
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)	236,823,711	241,086,255	245,695,484	232,710,758	229,788,950
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	5,164,338	6,888,657	65,713,918	(326,947)	4,005,059
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	10,123,576	22,165,232	23,095,094	31,671,417	45,165,503
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	25,000		(53,239,055)	10,125,693	9,697,172
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6. Total (Line 35)	252,136,625	270,140,144	281,265,441	274,180,921	288,656,684
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)					
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12. Total (Line 35)					
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)					
14. Net investment gain (loss) (Line 11)	7,013,519	10,784,279	6,751,615	5,558,585	8,104,331
15. Total other income (Line 15)	18,100	674,834	(44,467)		
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	2,741,999	3,952,743	2,338,807	2,320,657	4,290,263
18. Net income (Line 20)	4,289,620	7,506,370	4,368,341	3,237,928	3,814,068
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	143,350,547	148,455,198	117,980,703	135,118,739	115,988,754
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)					
20.2 Deferred and not yet due (Line 13.2)					
20.3 Accrued retrospective premiums (Line 13.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 24)	54,246,536	62,008,374	41,888,695	68,391,875	54,095,683
22. Losses (Page 3, Line 1)					
23. Loss adjustment expenses (Page 3, Line 3)					
24. Unearned premiums (Page 3, Line 9)					
25. Capital paid up (Page 3, Lines 28 & 29)	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
26. Surplus as regards policyholders (Page 3, Line 35)	89,104,011	86,446,824	76,092,008	66,726,864	61,893,071
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	17,335,022	1,187,480	(3,777,350)	7,555,870	(4,067,402)
Risk-Based Capital Analysis					
28. Total adjusted capital	89,104,011	86,446,824	76,092,008	66,726,864	61,893,071
29. Authorized control level risk-based capital	20,881,635	22,204,229	22,592,168	18,702,949	14,165,123
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	98.0	93.8	141.7	73.5	104.0
31. Stocks (Lines 2.1 & 2.2)					
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	2.0	6.2	(41.7)	25.7	(5.1)
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)				0.8	1.1
37. Receivables for securities (Line 8)					0.0
38. Aggregate write-ins for invested assets (Line 9)					
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)					
43. Affiliated short-term investments (Schedule DA Verification, Col. 5, Line 10)					
44. Affiliated mortgage loans on real estate					
45. All other affiliated					
46. Total of above Lines 40 to 45					
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)					

FIVE – YEAR HISTORICAL DATA**(Continued)**

	1	2	3	4	5
	2008	2007	2006	2005	2004
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)			108,956	(108,956)	
49. Dividends to stockholders (Line 35)					
50. Change in surplus as regards policyholders for the year (Line 38)	2,657,187	10,354,813	9,365,145	4,833,795	1,132,782
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	79,028,229	51,194,241	23,235,001	17,087,667	7,831,048
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	209,728	(3,558,958)	47,022	1,869,714	17,381,322
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	4,619,123	36,317,828	39,915,014	39,985,221	49,254,706
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
56. Total (Line 35)	83,857,080	83,953,111	63,197,037	58,942,602	74,467,076
Net Losses Paid (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
62. Total (Line 35)					
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)					
65. Loss expenses incurred (Line 3)					
66. Other underwriting expenses incurred (Line 4)					
67. Net underwriting gain (loss) (Line 8)					
Other Percentages					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)					
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)					
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)					
One Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)					
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)					
Two Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)					
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)					

NONE Schedule P - Part 1 - Summary

NONE Schedule P - Part 2, 3, 4 - Summary

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

States, Etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
		2	3						
	Active Status	Direct Premiums Written	Direct Premiums Earned						
1. Alabama	AL	L	1,033,869	1,101,142		528,854	649,573	3,009,177	
2. Alaska	AK	L	488,348	692,612		118	440,443	2,905,751	
3. Arizona	AZ	L	2,589,074	2,892,530		188,465	1,194,516	8,892,117	
4. Arkansas	AR	L	781,542	932,993		38,539	590,612	4,317,062	
5. California	CA	L	41,455,333	40,539,921		10,431,300	20,486,945	84,211,183	
6. Colorado	CO	L	2,958,593	3,220,002		913,485	1,954,572	8,889,461	
7. Connecticut	CT	L	3,487,509	3,522,086		1,095,769	1,709,853	8,022,624	
8. Delaware	DE	L	43,800	45,529			30,956	197,707	
9. District of Columbia	DC	L	837,585	808,962		2,052	548,253	1,497,053	
10. Florida	FL	L	6,995,547	6,930,700		(1,247)	13,693,990	20,359,131	
11. Georgia	GA	L	5,153,442	5,034,412		2,555,499	840,988	8,819,671	
12. Hawaii	HI	L	2,915,538	2,649,794		419,190	1,724,846	5,020,569	
13. Idaho	ID	L	1,105,771	959,597		125,000	(22,719)	923,235	
14. Illinois	IL	L	15,324,890	15,989,684		1,667,823	(3,764,524)	27,695,658	
15. Indiana	IN	L	2,297,052	2,847,775		152,675	842,849	6,354,000	
16. Iowa	IA	L	1,418,933	1,487,902		26,500	950,282	2,723,644	
17. Kansas	KS	L	1,000,413	1,134,026		37,500	550,267	3,324,874	
18. Kentucky	KY	L	1,103,729	1,321,060		122,337	372,946	2,622,025	
19. Louisiana	LA	L	1,489,372	1,560,565		(341,960)	(1,651,395)	6,058,369	
20. Maine	ME	L	840,520	794,656		1,371,000	503,716	1,305,490	
21. Maryland	MD	L	1,611,728	1,484,157		96,957	890,580	4,563,984	
22. Massachusetts	MA	L	9,149,152	9,799,422		4,448,388	3,711,116	15,428,964	
23. Michigan	MI	L	2,350,406	2,436,197		178,000	2,689,994	9,360,455	
24. Minnesota	MN	L	3,472,289	3,556,709		2,547,250	3,259,959	9,810,598	
25. Mississippi	MS	L	1,238,499	1,024,039			343,513	2,529,533	
26. Missouri	MO	L	4,654,825	4,177,838		272,873	2,271,107	10,760,734	
27. Montana	MT	L	109,795	114,245			73,241	462,205	
28. Nebraska	NE	L	793,686	747,664			498,566	2,963,653	
29. Nevada	NV	L	2,267,163	2,044,802		61,000	1,179,216	4,622,180	
30. New Hampshire	NH	L	1,382,743	1,292,893		77,000	703,074	2,148,629	
31. New Jersey	NJ	L	8,054,451	8,486,024		14,037,369	6,135,270	27,991,299	
32. New Mexico	NM	L	308,456	357,317		(582,509)	244,500	1,224,058	
33. New York	NY	L	58,111,554	65,930,967		12,139,416	27,623,873	134,882,344	
34. North Carolina	NC	L	2,428,964	3,037,348			1,855,880	7,083,806	
35. North Dakota	ND	L	187,243	255,504			168,416	524,742	
36. Ohio	OH	L	5,124,149	5,238,788		360,966	4,020,243	13,291,907	
37. Oklahoma	OK	L	1,323,239	1,408,484			901,233	2,957,410	
38. Oregon	OR	L	2,202,066	2,456,458			1,595,593	5,610,932	
39. Pennsylvania	PA	L	6,056,033	6,096,711		566,975	3,551,571	16,265,871	
40. Rhode Island	RI	L	3,343,942	3,379,780		875,951	1,113,252	4,286,253	
41. South Carolina	SC	L	615,191	733,906			462,901	1,393,700	
42. South Dakota	SD	L	163,169	175,870		357,500	108,192	466,884	
43. Tennessee	TN	L	2,800,375	3,313,820		(3,750)	1,797,044	6,147,473	
44. Texas	TX	L	18,302,459	16,551,463		12,883,430	(24,643,076)	(975,205)	
45. Utah	UT	L	2,339,853	2,316,696		316,465	1,277,551	4,567,381	
46. Vermont	VT	L	510,731	521,797			245,337	521,531	
47. Virginia	VA	L	3,614,742	4,131,087		248,198	2,500,591	6,518,175	
48. Washington	WA	L	10,250,952	10,313,775		7,292,883	4,948,910	14,421,949	
49. West Virginia	WV	L	2,335,542	2,437,924		469,466	381,809	4,296,135	
50. Wisconsin	WI	L	3,176,319	4,031,026		10,664,564	16,328,382	12,485,622	
51. Wyoming	WY	L	9,030	12,256			4,023	96,947	
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	N						1,290	
55. U.S. Virgin Islands	VI	N						4,498	
56. Northern Mariana Islands	MP	N							
57. Canada	CN	N						16,811	
58. Aggregate Other Alien	OT	X X X	230,111	194,629		(47,511)	172,211	(1,237,266)	
59. Totals	(a) 51		251,839,717	262,525,544		86,593,780	108,061,041	532,644,283	

DETAILS OF WRITE-INS									
5801. Other alien	X X X		230,111	194,629		(47,511)	172,211	(1,237,266)	
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X		230,111	194,629		(47,511)	172,211	(1,237,266)	

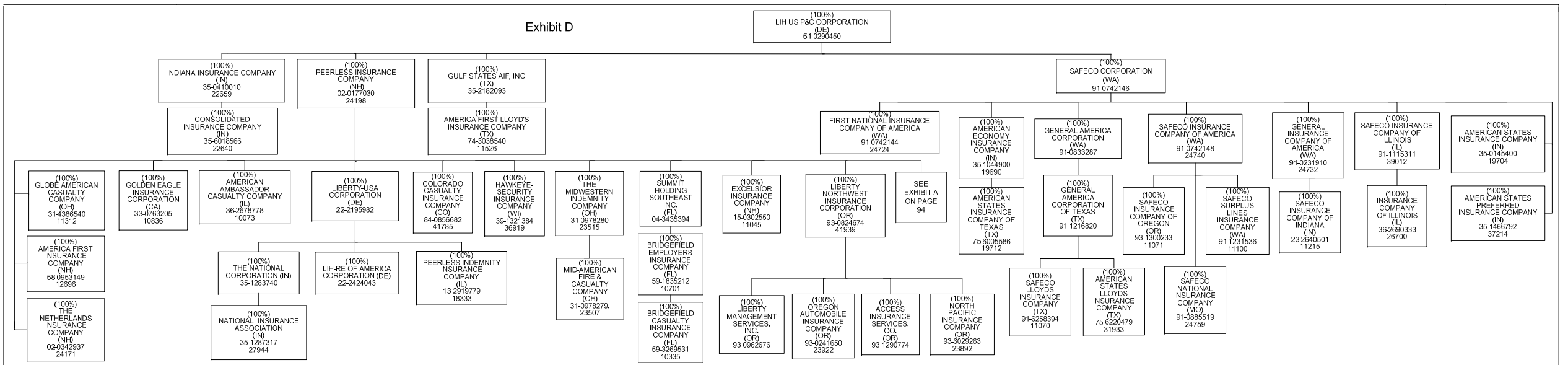
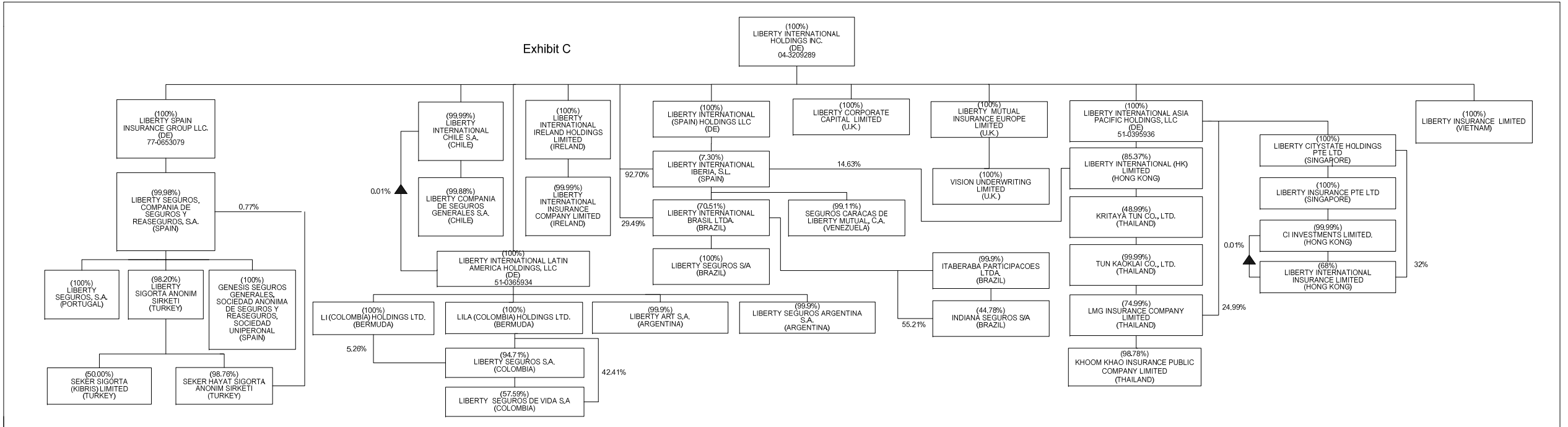
Explanation of basis of allocation of premiums by states, etc.

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

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

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

PART 1 - ORGANIZATIONAL CHART



94.1

OVERFLOW PAGE FOR WRITE-INS

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

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Exhibit of Nonadmitted Assets	13	Schedule P – Part 2I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	57
Exhibit of Premiums and Losses (State Page)	19	Schedule P – Part 2J – Auto Physical Damage	57
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