ANNUAL STATEMENT

OF THE

LIBERTY MUTUAL INSURANCE COMPANY

of BOSTON

in the state of MASSACHUSETTS

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2008

PROPERTY AND CASUALTY

2008

23043200820100010

ANNUAL STATEMENT

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

Liberty Mutual Insurance Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) **NAIC Company Code** 23043 **Employer's ID Number** 04-1543470

Organized under the Laws of Massachusetts , **State of Domicile or Port of Entry** Massachusetts

Country of Domicile United States of America

Incorporated/Organized: January 1, 1912 **Commenced Business:** July 1, 1912

Statutory Home Office: 175 Berkeley Street (Street and Number) , Boston, MA 02116 (City or Town, State and Zip Code)

Main Administrative Office: 175 Berkeley Street (Street and Number)
Boston, MA 02116 (City or Town, State and Zip Code) 617-357-9500 (Area Code) (Telephone Number)

Mail Address: 175 Berkeley Street (Street and Number or P.O. Box) , Boston, MA 02116 (City or Town, State and Zip Code)

Primary Location of Books and Records: 175 Berkeley Street (Street and Number) Boston, MA 02116 (City or Town, State and Zip Code) 617-357-9500 (Area Code) (Telephone Number)

Internet Website Address: www.LibertyMutual.com

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

OFFICERS

	Name	Title
1.	Edmund Francis Kelly	Chairman of the Board President & CEO
2.	Dexter Robert Legg	Vice President & Secretary
3.	Laurance Henry Soyer Yahia	Senior Vice President & Treasurer

VICE-PRESIDENTS

Name	Title	Name	Title
James Paul Condrin, III	Executive Vice President	James Martin McGlennon #	SVP & Chief Information Officer
Anthony Alexander Fontanes	EVP & Chief Investment Officer	Gary Richard Gregg	Executive Vice President
Dennis James Langwell	SVP & Chief Financial Officer	Christopher Charles Mansfield	SVP & General Counsel
Thomas Crawford Ramey	Executive Vice President	Helen Elizabeth Russell Sayles	Senior Vice President
David Henry Long	Executive Vice President	Stephen Gregory Sullivan	Senior Vice President
John Derek Doyle	Vice President & Comptroller	Robert Thomas Muleski	SVP & Corporate Actuary
Timothy Michael Sweeney #	Executive Vice President		

DIRECTORS OR TRUSTEES

Edmund Francis Kelly	James Paul Condrin, III	Dennis James Langwell	Anthony Alexander Fontanes
David Henry Long	Christopher Charles Mansfield	Thomas Crawford Ramey	Timothy Michael Sweeney #

State of Massachusetts

County of Suffolk ss

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

(Signature)	(Signature)	(Signature)
Edmund Francis Kelly	Dexter Robert Legg	Laurance Henry Soyer Yahia
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
Chairman of the Board President & CEO	Vice President & Secretary	Senior Vice President & Treasurer
(Title)	(Title)	(Title)

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

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

ASSETS

	Current Year 1 Assets	Current Year 2 Nonadmitted Assets	Current Year 3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	11,057,669,501		11,057,669,501	15,335,083,671
2. Stocks (Schedule D):				
2.1 Preferred stocks	757,319,706		757,319,706	322,986,839
2.2 Common stocks	7,879,613,320	309,142,000	7,570,471,320	7,377,050,947
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	548,091,252		548,091,252	429,255,101
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ 0 encumbrances)	425,989,166		425,989,166	418,561,083
4.2 Properties held for the production of income (less $ 0 encumbrances)	1,039,982		1,039,982	1,069,882
4.3 Properties held for sale (less $ 0 encumbrances)				
5. Cash ($ 175,663,037, Schedule E - Part 1), cash equivalents ($ 123,333,313, Schedule E - Part 2), and short-term investments ($ 1,050,309,166, Schedule DA)	1,349,305,516		1,349,305,516	828,119,827
6. Contract loans (including $ 0 premium notes)				
7. Other invested assets (Schedule BA)	5,132,267,123	923,910	5,131,343,213	4,642,652,171
8. Receivables for securities	2,859,056		2,859,056	13,535,760
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	27,154,154,622	310,065,910	26,844,088,712	29,368,315,281
11. Title plants less $ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	140,188,757		140,188,757	175,281,336
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	1,087,061,486	15,162,262	1,071,899,224	928,137,391
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 0 earned but unbilled premiums)	1,594,927,150		1,594,927,150	1,638,534,970
13.3 Accrued retrospective premiums	404,104,551	40,410,454	363,694,097	387,689,632
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	560,300,803		560,300,803	685,885,885
14.2 Funds held by or deposited with reinsured companies	17,294,633		17,294,633	28,022,671
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans	177,917	2,602	175,315	159,994
16.1 Current federal and foreign income tax recoverable and interest thereon				118,948,060
16.2 Net deferred tax asset	1,469,501,048	622,710,792	846,790,256	630,160,137
17. Guaranty funds receivable or on deposit	32,559,328		32,559,328	29,552,458
18. Electronic data processing equipment and software	289,684,447	239,393,443	50,291,004	49,406,629
19. Furniture and equipment, including health care delivery assets ($ 0)	82,645,678	82,645,678		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	315,899,160	3,740,554	312,158,606	238,266,862
22. Health care ($ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	767,441,418	52,021,117	715,420,301	550,843,266
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	33,915,940,998	1,366,152,812	32,549,788,186	34,829,204,572
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	33,915,940,998	1,366,152,812	32,549,788,186	34,829,204,572

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. Other assets	206,481,646	40,884,448	165,597,198	140,182,807
2302. Cash surrender value life insurance	348,631,523		348,631,523	204,675,583
2303. Equities and deposits in pools and associations	36,042,093		36,042,093	32,235,326
2398. Summary of remaining write-ins for Line 23 from overflow page	176,286,156	11,136,669	165,149,487	173,749,550
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	767,441,418	52,021,117	715,420,301	550,843,266

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	12,604,675,356	12,594,762,751
2.	Reinsurance payable on paid losses and loss adjustment expenses	92,048,425	106,915,231
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	2,466,475,556	2,572,655,246
4.	Commissions payable, contingent commissions and other similar charges	96,083,863	134,968,818
5.	Other expenses (excluding taxes, licenses and fees)	390,923,555	414,446,861
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	256,823,744	250,690,878
7.1	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))	36,105,135	
7.2	Net deferred tax liability		
8.	Borrowed money $ 490,638 and interest thereon $ 14,574	505,212	1,515,726
9.	Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of $ 2,178,738,545 and including warranty reserves of $ 0)	3,320,119,872	3,678,689,493
10.	Advance premium	60,012,654	39,998,380
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders	1,136,856	12,802,684
12.	Ceded reinsurance premiums payable (net of ceding commissions)	650,465,345	851,675,481
13.	Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	1,807,274,064	1,878,182,260
14.	Amounts withheld or retained by company for account of others	455,703,129	632,437,218
15.	Remittances and items not allocated		
16.	Provision for reinsurance (Schedule F, Part 7)	73,987,601	116,580,664
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding	292,965,747	286,356,848
19.	Payable to parent, subsidiaries and affiliates	72,875,912	81,311,436
20.	Payable for securities	15,457,672	31,683,685
21.	Liability for amounts held under uninsured plans		
22.	Capital notes $ 0 and interest thereon $ 0		
23.	Aggregate write-ins for liabilities	(478,583,930)	(679,769,042)
24.	Total liabilities excluding protected cell liabilities (Lines 1 through 23)	22,215,055,768	23,005,904,618
25.	Protected cell liabilities		
26.	Total liabilities (Lines 24 and 25)	22,215,055,768	23,005,904,618
27.	Aggregate write-ins for special surplus funds	957,921,671	948,875,402
28.	Common capital stock	10,000,000	10,000,000
29.	Preferred capital stock		
30.	Aggregate write-ins for other than special surplus funds	1,250,000	1,250,000
31.	Surplus notes	892,074,990	891,966,161
32.	Gross paid in and contributed surplus	6,335,272,283	4,348,951,176
33.	Unassigned funds (surplus)	2,138,213,474	5,622,257,215
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)	10,334,732,418	11,823,299,954
36.	Totals (Page 2, Line 26, Col. 3)	32,549,788,186	34,829,204,572

	DETAILS OF WRITE-IN LINES		
2301.	Other liabilities	424,947,976	228,177,879
2302.	Retroactive reinsurance reserves	(1,682,574,740)	(1,731,268,038)
2303.	Amounts held under uninsured plans	581,997,189	566,100,759
2398.	Summary of remaining write-ins for Line 23 from overflow page	197,045,645	257,220,358
2399.	Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(478,583,930)	(679,769,042)
2701.	Special surplus from retroactive reinsurance	957,921,671	948,875,402
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)	957,921,671	948,875,402
3001.	Guaranty funds	1,250,000	1,250,000
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)	1,250,000	1,250,000

STATEMENT OF INCOME

		1 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 35, Column 4)	8,432,913,259	8,956,741,384
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	5,714,416,439	5,546,958,789
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	1,331,209,244	1,420,100,022
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	1,875,505,091	2,485,993,287
5.	Aggregate write-ins for underwriting deductions		
6.	Total underwriting deductions (Lines 2 through 5)	8,921,130,774	9,453,052,098
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(488,217,515)	(496,310,714)
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	2,088,386,369	1,120,268,910
10.	Net realized capital gains (losses) less capital gains tax of $ 61,389,184 (Exhibit of Capital Gains (Losses))	60,972,457	130,465,745
11.	Net investment gain (loss) (Lines 9 + 10)	2,149,358,826	1,250,734,655
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 2,433,174 amount charged off $ 70,114,508)	(67,681,334)	(16,122,150)
13.	Finance and service charges not included in premiums	42,102,059	42,881,092
14.	Aggregate write-ins for miscellaneous income	(93,446,384)	(138,935,612)
15.	Total other income (Lines 12 through 14)	(119,025,659)	(112,176,670)
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	1,542,115,652	642,247,271
17.	Dividends to policyholders	20,334,167	52,957,399
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)	1,521,781,485	589,289,872
19.	Federal and foreign income taxes incurred	21,106,616	148,786,079
20.	Net income (Line 18 minus Line 19) (to Line 22)	1,500,674,869	440,503,793
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	11,823,299,954	9,952,129,029
22.	Net income (from Line 20)	1,500,674,869	440,503,793
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ (387,162,255)	(4,579,004,881)	514,906,079
25.	Change in net unrealized foreign exchange capital gain (loss)	(190,743,152)	15,632,030
26.	Change in net deferred income tax	182,373,055	258,633,786
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(341,667,977)	(515,400,694)
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	34,049,569	8,532,557
29.	Change in surplus notes	108,830	(121,243,271)
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	1,986,321,106	1,200,791,572
	33.2 Transferred to capital (Stock Dividend)		
	33.3 Transferred from capital		
34.	Net remittances from or (to) Home Office		
35.	Dividends to stockholders	(10,720,080)	(4,373,207)
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	(69,958,875)	73,188,280
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	(1,488,567,536)	1,871,170,925
39.	Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	10,334,732,418	11,823,299,954

	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)	(102,660,640)	(149,132,505)
1402.	Retroactive reinsurance gain/(loss)	9,214,256	10,196,893
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(93,446,384)	(138,935,612)
3701.	Other changes in surplus	17,162,092	2,906,223
3702.	Change in Accumulated Translation Adjustment	(87,120,967)	70,282,057
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page		
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(69,958,875)	73,188,280

CASH FLOW

	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	8,113,339,097	9,223,321,576
2. Net investment income	2,229,935,333	1,210,416,490
3. Miscellaneous income	(359,844,611)	23,905,763
4. Total (Lines 1 through 3)	9,983,429,819	10,457,643,829
5. Benefit and loss related payments	5,547,775,530	3,081,818,804
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	3,364,569,933	3,322,090,636
8. Dividends paid to policyholders	31,999,995	44,154,714
9. Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	(74,245,114)	323,659,120
10. Total (Lines 5 through 9)	8,870,100,344	6,771,723,274
11. Net cash from operations (Line 4 minus Line 10)	1,113,329,475	3,685,920,555
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	5,427,119,221	5,557,215,024
12.2 Stocks	1,615,070,438	504,104,047
12.3 Mortgage loans	17,610,032	5,573,224
12.4 Real estate		
12.5 Other invested assets	124,940,561	217,239,089
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments	(51,130)	(21,371)
12.7 Miscellaneous proceeds	292,520,266	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	7,477,209,388	6,284,110,013
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,685,571,615	6,483,884,771
13.2 Stocks	7,039,149,697	2,857,753,849
13.3 Mortgage loans	136,662,112	185,422,200
13.4 Real estate	26,565,091	109,364,828
13.5 Other invested assets	792,909,890	941,378,081
13.6 Miscellaneous applications		176,983,105
13.7 Total investments acquired (Lines 13.1 to 13.6)	9,680,858,405	10,754,786,834
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)	(2,203,649,017)	(4,470,676,821)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	108,830	(121,243,271)
16.2 Capital and paid in surplus, less treasury stock	1,986,321,106	1,200,791,572
16.3 Borrowed funds	(1,010,514)	209,575
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	10,720,080	4,373,207
16.6 Other cash provided (applied)	(363,194,110)	(670,174,459)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	1,611,505,232	405,210,210
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)	521,185,690	(379,546,056)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	828,119,827	1,207,665,883
19.2 End of year (Line 18 plus Line 19.1)	1,349,305,517	828,119,827

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

20.0001		
20.0002		
20.0003		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	193,870,450	104,064,225	101,910,670	196,024,005
2. Allied lines	95,783,915	47,036,688	47,961,060	94,859,543
3. Farmowners multiple peril	173,089			173,089
4. Homeowners multiple peril	1,045,767,880	700,315,677	497,775,154	1,248,308,403
5. Commercial multiple peril	177,632,998	93,182,788	94,666,097	176,149,689
6. Mortgage guaranty				
8. Ocean marine	29,616,144	14,417,877	12,377,715	31,656,306
9. Inland marine	533,836,374	30,334,407	30,694,412	533,476,369
10. Financial guaranty				
11.1 Medical malpractice—occurrence	(34)			(34)
11.2 Medical malpractice—claims-made	1,052,729		254,145	798,584
12. Earthquake	38,198,081	15,315,123	15,536,789	37,976,415
13. Group accident and health	5,887			5,887
14. Credit accident and health (group and individual)				
15. Other accident and health	43,035	602	550	43,087
16. Workers' compensation	2,432,871,539	111,946,715	50,324,848	2,494,493,406
17.1 Other liability—occurrence	579,614,354	238,298,295	244,177,814	573,734,835
17.2 Other liability—claims-made	205,146,698	76,040,024	110,982,009	170,204,713
18.1 Products liability—occurrence	102,777,054	42,464,100	46,648,446	98,592,708
18.2 Products liability—claims-made	8,360,440	1,697,748	1,530,186	8,528,002
19.1,19.2 Private passenger auto liability	1,719,753,807	847,724,936	873,341,727	1,694,137,016
19.3,19.4 Commercial auto liability	321,637,795	140,303,924	122,723,007	339,218,712
21. Auto physical damage	527,680,559	610,862,254	625,277,982	513,264,831
22. Aircraft (all perils)	52,783,442	19,456,449	15,223,579	57,016,312
23. Fidelity	8,608,457	1,968,182	3,217,622	7,359,017
24. Surety	(128,794,143)	128,799,746	867	4,736
26. Burglary and theft	2,166,045	238,940	232,010	2,172,975
27. Boiler and machinery	2,113,836	1,383,363	826,431	2,670,768
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property	118,559,829	11,128,113	11,001,874	118,686,068
32. Reinsurance-Nonproportional Assumed Liability	57,004,201	2,938,119	9,330,324	50,611,996
33. Reinsurance-Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	8,126,264,461	3,239,918,295	2,916,015,318	8,450,167,438

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 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	101,910,670				101,910,670
2. Allied lines	45,403,563	2,557,498			47,961,061
3. Farmowners multiple peril					
4. Homeowners multiple peril	497,775,154				497,775,154
5. Commercial multiple peril	64,120,503	30,545,594			94,666,097
6. Mortgage guaranty					
8. Ocean marine	8,654,696	3,723,019			12,377,715
9. Inland marine	29,149,301	1,545,111			30,694,412
10. Financial guaranty					
11.1 Medical malpractice—occurrence					
11.2 Medical malpractice—claims-made	252,992	1,154			254,146
12. Earthquake	15,420,371	116,418			15,536,789
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	550				550
16. Workers' compensation	414,474,986			(364,150,139)	50,324,847
17.1 Other liability—occurrence	260,422,584	5,334,082		(21,578,852)	244,177,814
17.2 Other liability—claims-made	63,563,799	47,418,210			110,982,009
18.1 Products liability—occurrence	54,660,702			(8,012,256)	46,648,446
18.2 Products liability—claims-made	1,530,186				1,530,186
19.1,19.2 Private passenger auto liability	873,341,727				873,341,727
19.3,19.4 Commercial auto liability	129,143,949	3,942,199		(10,363,141)	122,723,007
21. Auto physical damage	624,660,359	617,786		(163)	625,277,982
22. Aircraft (all perils)	15,223,579				15,223,579
23. Fidelity	3,094,282	123,340			3,217,622
24. Surety	867				867
26. Burglary and theft	231,919	91			232,010
27. Boiler and machinery	826,431				826,431
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-Nonproportional Assumed Property	11,001,874				11,001,874
32. Reinsurance-Nonproportional Assumed Liability	9,330,324				9,330,324
33. Reinsurance-Nonproportional Assumed Financial Lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	3,224,195,368	95,924,502		(404,104,551)	2,916,015,319
36. Accrued retrospective premiums based on experience					404,104,551
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					3,320,119,870

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) State here basis of computation used in each case Daily pro rata

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	Reinsurance Assumed 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	Reinsurance Ceded 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	8,256,702	351,208,602	1,026,830	61,635,151	104,986,533	193,870,450
2. Allied lines	11,422,747	186,328,677	3,711,987	31,333,380	74,346,115	95,783,916
3. Farmowners multiple peril		228,049		54,960		173,089
4. Homeowners multiple peril	18,198,587	1,865,689,104	1,184,102	332,055,414	507,248,500	1,045,767,879
5. Commercial multiple peril	115,762,450	232,596,551	54,855,893	79,288,413	146,293,482	177,632,999
6. Mortgage guaranty						
8. Ocean marine	60,814,513	12,644,017	2,179,552	12,984,132	33,037,807	29,616,143
9. Inland marine	1,490,656,305	58,630,540	23,060,865	169,508,882	869,002,453	533,836,375
10. Financial guaranty						
11.1 Medical malpractice--occurrence			(45)	(11)		(34)
11.2 Medical malpractice--claims-made		1,386,994		334,266		1,052,728
12. Earthquake	587	51,923,047		12,128,771	1,596,781	38,198,082
13. Group accident and health	1,403	6,312	42	1,869		5,888
14. Credit accident and health (group and individual)						
15. Other accident and health	56,700			13,665		43,035
16. Workers' compensation	217,846,163	3,589,322,669	95,886,100	792,862,086	677,321,307	2,432,871,539
17.1 Other liability—occurrence	327,341,780	684,734,650	12,664,688	206,301,402	238,825,361	579,614,355
17.2 Other liability—claims-made	204,476,877	123,653,743	3,783,173	66,169,634	60,597,461	205,146,698
18.1 Products liability—occurrence	29,251,168	111,079,557	237,122	32,289,579	5,501,213	102,777,055
18.2 Products liability—claims-made	10,730,592	284,481		2,654,633		8,360,440
19.1,19.2 Private passenger auto liability	307,778,945	2,049,126,403	16,820,898	546,061,485	107,910,953	1,719,753,808
19.3,19.4 Commercial auto liability	71,863,401	424,706,800	8,553,858	109,985,256	73,501,009	321,637,794
21. Auto physical damage	207,297,455	1,511,682,096	4,872,919	1,135,276,716	60,895,194	527,680,560
22. Aircraft (all perils)	96,157,136	479,396	13,927,367	17,338,080	40,442,377	52,783,442
23. Fidelity	11,610,676	1,002,239	791,970	2,173,105	2,623,322	8,608,458
24. Surety	292,894,384	9,449,084	6,330,072	433,969,523	3,498,160	(128,794,143)
26. Burglary and theft	360,286	403,316	1,930	687,769	(2,088,281)	2,166,044
27. Boiler and machinery	8,809	3,392,818	1	671,192	616,600	2,113,836
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X	66,161,875	90,043,337	37,645,479	(96)	118,559,829
32. Reinsurance-Nonproportional Assumed Liability	X X X	2,799,894	72,304,455	18,100,148		57,004,201
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	3,482,787,666	11,338,920,914	412,237,116	4,101,524,979	3,006,156,251	8,126,264,466

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 [X] No [ ]

If yes: 1. The amount of such installment premiums $ 222,782,086

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis $ 221,542,720

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 – LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage 1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	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. Fire	3,125,606	172,387,726	57,407,218	118,106,114	191,607,395	52,486,275	257,227,234	131.222
2. Allied lines	2,438,610	95,484,930	38,475,409	59,448,131	38,949,020	28,459,414	69,937,737	73.728
3. Farmowners multiple peril		430,528	103,757	326,771	60,807	17,659	369,919	213.716
4. Homeowners multiple peril	4,661,458	1,120,499,248	310,282,465	814,878,241	414,315,495	320,908,034	908,285,702	72.761
5. Commercial multiple peril	147,721,149	166,001,735	170,089,729	143,633,155	251,784,813	199,973,819	195,444,149	110.953
6. Mortgage guaranty								
8. Ocean marine	31,957,975	9,222,850	27,171,550	14,009,275	55,254,354	34,978,715	34,284,914	108.304
9. Inland marine	948,193,155	34,519,236	623,395,332	359,317,059	82,464,035	79,654,124	362,126,970	67.881
10. Financial guaranty								
11.1 Medical malpractice—occurrence		142,355	34,308	108,047	448,333	260,680	295,700	(869705.882)
11.2 Medical malpractice—claims-made		5,030	1,212	3,818	483,318		487,136	61.000
12. Earthquake	500	168	161	507	(57,420)	192,424	(249,337)	(0.657)
13. Group accident and health	303,748	601,535	449,147	456,136	2,181,097	2,318,610	318,623	5412.315
14. Credit accident and health (group and individual)								
15. Other accident and health	228,946	117,460	83,484	262,922	1,683,770	1,822,986	123,706	287.107
16. Workers' compensation	267,721,282	2,991,659,206	1,233,022,412	2,026,358,076	7,170,700,278	7,388,809,491	1,808,248,863	72.490
17.1 Other liability—occurrence	274,145,764	277,277,471	234,307,065	317,116,170	1,503,492,267	1,547,983,552	272,624,885	47.518
17.2 Other liability—claims-made	65,253,046	47,003,787	74,329,717	37,927,116	255,123,621	252,336,255	40,714,482	23.921
18.1 Products liability—occurrence	5,001,329	34,045,593	20,833,089	18,213,833	313,402,074	310,608,871	21,007,036	21.307
18.2 Products liability—claims-made		453,954	109,403	344,551	14,344,742	10,790,914	3,898,379	45.713
19.1,19.2 Private passenger auto liability	182,997,832	1,274,555,456	408,482,580	1,049,070,708	1,363,435,191	1,347,282,107	1,065,223,792	62.877
19.3,19.4 Commercial auto liability	107,058,017	276,785,002	153,304,338	230,538,681	498,734,475	506,222,029	223,051,127	65.754
21. Auto physical damage	128,054,280	807,100,465	648,410,753	286,743,992	6,756,616	(4,435,920)	297,936,528	58.047
22. Aircraft (all perils)	57,146,069	9,319,431	36,408,908	30,056,592	61,801,737	53,684,680	38,173,649	66.952
23. Fidelity	3,230,617	583,321	1,618,644	2,195,294	9,792,564	7,949,656	4,038,202	54.874
24. Surety	34,642,358	127,288	(45,257,409)	80,027,055	1,292,713	81,260,216	59,552	1257.432
26. Burglary and theft	17,940	67,577	20,610	64,907	42,941	(26,336)	134,184	6.175
27. Boiler and machinery		10,632	6,115	4,517	(437,859)	(217,660)	(215,682)	(8.076)
28. Credit					1,157	4,952	(3,795)	
29. International								
30. Warranty					10,398		10,398	
31. Reinsurance-Nonproportional Assumed Property	X X X	40,131,987	10,279,749	29,852,238	77,956,938	65,164,763	42,644,413	35.930
32. Reinsurance-Nonproportional Assumed Liability	X X X	47,832,878	11,527,724	36,305,154	285,639,237	302,644,525	19,299,866	38.133
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X	1,110,813	267,706	843,107	3,411,249	3,627,914	626,442	
34. Aggregate write-ins for other lines of business								
35. TOTALS	2,263,899,681	7,407,477,662	4,015,165,176	5,656,212,167	12,604,675,356	12,594,762,749	5,666,124,774	67.053

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

	Reported Losses				Incurred But Not Reported			8	9
Line of Business	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	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire	899,404	256,497,839	100,241,378	157,155,865	3,059,452	48,978,144	17,586,066	191,607,395	10,751,668
2. Allied lines	1,636,095	39,762,452	17,554,076	23,844,471	3,997,094	19,171,814	8,064,359	38,949,020	3,700,251
3. Farmowners multiple peril		80,115	19,308	60,807				60,807	70,406
4. Homeowners multiple peril	3,506,099	321,223,822	87,103,062	237,626,859	692,545	250,430,651	74,434,559	414,315,496	78,100,895
5. Commercial multiple peril	143,851,411	272,686,145	221,923,347	194,614,209	92,240,868	40,491,718	75,561,982	251,784,813	84,668,795
6. Mortgage guaranty									
8. Ocean marine	129,352,748	27,267,564	121,496,363	35,123,949	30,026,031	(2,026,399)	7,869,226	55,254,355	7,928,971
9. Inland marine	16,000,400	23,429,151	17,354,507	22,075,044	156,957,435	12,779,273	109,347,717	82,464,035	8,135,607
10. Financial guaranty									
11.1 Medical malpractice—occurrence		288,811	69,604	219,207	101	301,791	72,767	448,332	13,140
11.2 Medical malpractice—claims-made		21	5	16		636,762	153,460	483,318	
12. Earthquake		176,118	44,539	131,579	(16,713)	149,040	321,325	(57,419)	25,488
13. Group accident and health		2,992,447	2,226,101	766,346	1,969,607	(105,640)	449,216	(a) 2,181,097	180,596
14. Credit accident and health (group and individual)									
15. Other accident and health		133,115	32,081	101,034	313,000	1,772,292	502,556	(a) 1,683,770	71,894
16. Workers' compensation	1,268,561,045	5,710,471,246	2,964,034,806	4,014,997,485	854,044,124	5,149,619,118	2,847,960,450	(a) 7,170,700,277	903,552,827
17.1 Other liability—occurrence	524,648,540	581,042,858	419,496,223	686,195,175	646,538,923	1,031,217,660	860,459,492	1,503,492,266	619,299,525
17.2 Other liability—claims-made	103,864,230	54,025,408	96,720,416	61,169,222	312,364,036	153,066,748	271,476,385	255,123,621	101,769,185
18.1 Products liability—occurrence	56,853,402	69,357,798	47,302,183	78,909,017	176,769,552	135,523,424	77,799,918	313,402,075	170,761,232
18.2 Products liability—claims-made	133,000	143,503	167,584	108,919	16,341,876	2,441,150	4,547,202	14,344,743	6,828,931
19.1,19.2 Private passenger auto liability	127,783,776	1,231,325,004	500,660,244	858,448,536	71,808,321	622,884,415	189,706,082	1,363,435,190	302,033,640
19.3,19.4 Commercial auto liability	118,357,071	304,774,184	161,088,654	262,042,601	95,814,617	377,973,656	237,096,401	498,734,473	92,046,087
21. Auto physical damage	545,660	1,115,607	883,474	777,793	1,981,404	3,442,364	(555,056)	6,756,617	40,192,247
22. Aircraft (all perils)	102,490,618	20,109,883	83,546,538	39,053,963	30,853,112	4,496,933	12,602,271	61,801,737	18,130,856
23. Fidelity	1,305,891	566,692	489,824	1,382,759	24,880,927	1,814,700	18,285,823	9,792,563	1,515,282
24. Surety	11,952,876	718,341	12,015,197	656,020	121,228,810	13,482,774	134,074,891	1,292,713	(71,744)
26. Burglary and theft	14,138	10,074	5,837	18,375	804,420	(718,414)	61,441	42,940	964,861
27. Boiler and machinery		35,654	8,593	27,061	12,982	(410,290)	67,613	(437,860)	72,528
28. Credit						1,525	368	1,157	61
29. International									
30. Warranty						13,699	3,301	10,398	
31. Reinsurance-Nonproportional Assumed Property	X X X	52,765,432	14,255,796	38,509,636	X X X	54,367,748	14,920,447	77,956,937	1,856,610
32. Reinsurance-Nonproportional Assumed Liability	X X X	129,321,649	31,166,517	98,155,132	X X X	247,014,632	59,530,526	285,639,238	13,342,480
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X	4,349,654	1,048,267	3,301,387	X X X	144,744	34,883	3,411,248	533,237
34. Aggregate write-ins for other lines of business									
35. TOTALS	2,611,756,404	9,104,670,587	4,900,954,524	6,815,472,467	2,642,682,524	8,168,956,032	5,022,435,671	12,604,675,352	2,466,475,556

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 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	365,177,067			365,177,067
1.2 Reinsurance assumed	634,311,182			634,311,182
1.3 Reinsurance ceded	351,374,379			351,374,379
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	648,113,870			648,113,870
2. Commission and brokerage:				
2.1 Direct, excluding contingent		177,243,385		177,243,385
2.2 Reinsurance assumed, excluding contingent		453,349,529		453,349,529
2.3 Reinsurance ceded, excluding contingent		932,781,903		932,781,903
2.4 Contingent—direct		(6,138,430)		(6,138,430)
2.5 Contingent—reinsurance assumed		88,371,059		88,371,059
2.6 Contingent—reinsurance ceded		25,340,074		25,340,074
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)		(245,296,434)		(245,296,434)
3. Allowances to manager and agents		75,681,142		75,681,142
4. Advertising	14,620,366	145,496,395	800,748	160,917,509
5. Boards, bureaus and associations	2,141,003	17,299,916	21,461	19,462,380
6. Surveys and underwriting reports	134,893	23,346,691	393,405	23,874,989
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	379,886,274	853,762,412	74,085,402	1,307,734,088
8.2 Payroll taxes	22,033,199	52,751,317	4,136,268	78,920,784
9. Employee relations and welfare	57,811,108	138,741,217	4,203,370	200,755,695
10. Insurance	23,042,146	7,656,135	145,775	30,844,056
11. Directors' fees	1,044	143,005	57	144,106
12. Travel and travel items	27,703,781	71,677,659	1,411,694	100,793,134
13. Rent and rent items	29,930,841	69,697,756	1,657,605	101,286,202
14. Equipment	22,474,650	54,959,608	1,509,010	78,943,268
15. Cost or depreciation of EDP equipment and software	4,736,767	34,648,801	490,319	39,875,887
16. Printing and stationery	4,289,108	15,797,497	205,610	20,292,215
17. Postage, telephone and telegraph, exchange and express	16,617,378	51,383,650	554,128	68,555,156
18. Legal and auditing	2,717,310	14,909,850	6,250,964	23,878,124
19. Totals (Lines 3 to 18)	608,139,868	1,627,953,051	95,865,816	2,331,958,735
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 6,365,699		319,062,233		319,062,233
20.2 Insurance department licenses and fees		11,055,313		11,055,313
20.3 Gross guaranty association assessments		5,420,123		5,420,123
20.4 All other (excluding federal and foreign income and real estate)		12,451,103		12,451,103
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		347,988,772		347,988,772
21. Real estate expenses			36,019,479	36,019,479
22. Real estate taxes			7,076,092	7,076,092
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	74,955,506	144,859,702	9,255,998	229,071,206
25. Total expenses incurred	1,331,209,244	1,875,505,091	148,217,385	(a) 3,354,931,720
26. Less unpaid expenses—current year	2,466,475,556	674,277,202	69,553,960	3,210,306,718
27. Add unpaid expenses—prior year	2,572,655,246	738,860,016	61,246,541	3,372,761,803
28. Amounts receivable relating to uninsured plans, prior year		159,994		159,994
29. Amounts receivable relating to uninsured plans, current year		175,315		175,315
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	1,437,388,934	1,940,103,226	139,909,966	3,517,402,126

DETAILS OF WRITE-IN LINES				
2401. Change in unallocated expense reserves	45,699,237			45,699,237
2402. Other expenses	29,256,269	144,859,702	9,255,998	183,371,969
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	74,955,506	144,859,702	9,255,998	229,071,206

(a) Includes management fees of $ 0 to affiliates and $ 92,988,109 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 69,106,754	55,835,753
1.1	Bonds exempt from U.S. tax	(a) 181,648,913	173,180,992
1.2	Other bonds (unaffiliated)	(a) 469,593,431	457,366,621
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b) 18,182,987	18,115,048
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	36,617,609	35,460,726
2.21	Common stocks of affiliates	1,004,433,981	1,004,433,981
3.	Mortgage loans	(c) 30,126,018	33,011,621
4.	Real estate	(d) 80,000,963	80,000,963
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 49,688,818	49,252,708
7.	Derivative instruments	(f) 12,439,538	12,446,556
8.	Other invested assets	385,906,545	385,906,548
9.	Aggregate write-ins for investment income	21,750,749	21,750,749
10.	Total gross investment income	2,359,496,306	2,326,762,266
11.	Investment expenses		(g) 148,217,385
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h) 71,106,665
14.	Depreciation on real estate and other invested assets		(i) 19,051,848
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15)		238,375,898
17.	Net investment income (Line 10 minus Line 16)		2,088,386,368

	DETAILS OF WRITE-IN LINES		
0901.	Miscellaneous Income/(Expense)	21,750,749	21,750,749
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)	21,750,749	21,750,749
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 $ 10,718,991 accrual of discount less $ 19,898,131 amortization of premium and less $ 10,564,599 paid for accrued interest on purchases.
(b) Includes $ 0 accrual of discount less $ 4,386 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 $ 278,214 paid for accrued interest on purchases.
(d) Includes $ 76,413,979 for company's occupancy of its own buildings; and excludes $ 0 interest on encumbrances.
(e) Includes $ 3,656,177 accrual of discount less $ 1,984 amortization of premium and less $ 476,306 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 $ 70,922,500 interest on surplus notes and $ 0 interest on capital notes.
(i) Includes $ 19,051,848 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	13,893,534		13,893,534		
1.1	Bonds exempt from U.S. tax	(5,934,299)		(5,934,299)	(8,961,361)	
1.2	Other bonds (unaffiliated)	(27,159,041)	(84,484,864)	(111,643,905)	(97,966,612)	(158,037,391)
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)	(1,188,088)	(110,209,746)	(111,397,834)	(46,580,471)	
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)	223,336,279	(137,395,015)	85,941,264	(636,774,962)	(36,868,011)
2.21	Common stocks of affiliates	(53,279,507)		(53,279,507)	(3,953,983,359)	(1,414,973)
3.	Mortgage loans	(172,525)		(172,525)	(43,404)	
4.	Real estate	(113,995)		(113,995)		
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments	(51,130)		(51,130)		
7.	Derivative instruments	276,973,395		276,973,395	(5,108,472)	
8.	Other invested assets	68,355,307	(40,208,663)	28,146,644	(216,748,495)	5,577,223
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	494,659,930	(372,298,288)	122,361,642	(4,966,167,136)	(190,743,152)

	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	309,142,000	271,819,000	(37,323,000)
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)	923,910	1,597,635	673,725
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)	310,065,910	273,416,635	(36,649,275)
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	15,162,262	35,685,825	20,523,563
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due		3,827	3,827
13.3 Accrued retrospective premiums	40,410,454	51,047,015	10,636,561
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	2,602	2,437,580	2,434,978
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	622,710,792	269,859,863	(352,850,929)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software	239,393,443	213,712,586	(25,680,857)
19. Furniture and equipment, including health care delivery assets	82,645,678	98,104,898	15,459,220
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates	3,740,554		(3,740,554)
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	52,021,117	82,381,943	30,360,826
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,366,152,812	1,026,650,172	(339,502,640)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	1,366,152,812	1,026,650,172	(339,502,640)

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. Other assets	40,884,448	72,186,660	31,302,212
2302. Amounts receivable under high deductible policies	11,136,669	10,195,283	(941,386)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	52,021,117	82,381,943	30,360,826

NOTES TO FINANCIAL STATEMENTS

Note 1- Summary of Significant Accounting Policies

A. Accounting Practices

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

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

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

C. Accounting Policies

Premiums are earned over the terms of the related policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro-rata methods. 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 SVO Manual.

3. Common stocks are carried at market value except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1 C(7).

4. Preferred stocks are carried at cost or market as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1 C(7).

5. Mortgage loans are reported at unpaid principal balances, less impairments as specified by the SVO Manual.

6. Mortgage backed/asset backed securities are stated at amortized cost or market based on guidance in the 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 carries its investments in SCA companies in accordance with SSAP No. 97, *Investment in Subsidiaries, Controlled and Affiliated Entities a replacement of SSAP No.88,* and the SVO Manual. Schedule D Part 6-Section 1 illustrates the valuation method used for each SCA company.

8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.

9. Derivative Securities refer to Note 8.

10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53*, Property Casualty Contracts - Premiums*.

11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.

12. The Company did not change its capitalization policy in 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 principles or corrections of errors during the year.

NOTES TO FINANCIAL STATEMENTS

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

On September 9, 2008, the Company and certain affiliates acquired common stock issued by Liberty Insurance Holdings, Inc., formerly a wholly owned downstream non-insurance holding company of the Company. The Company paid $5,590,472,596 for its share of the common stock issued by Liberty Insurance Holdings, Inc. The Company acquired additional shares of common stock of Liberty Insurance Holdings, Inc. for $384,748,953 through the transfer of subsidiaries, at statutory book value. At December 31, 2008 the Company owned 93.1% of Liberty Insurance Holdings, Inc.

Liberty Insurance Holdings, Inc. contributed the proceeds from the September 9, 2008 sale of its common stock to its downstream non-insurance holding company, LIH US P&C Corporation. On September 22, 2008, LIH US P&C Corporation acquired all of the common stock of Safeco Corporation, a non-insurance holding company and parent to 15 property and casualty insurance companies, at a cost of $6,243,969,619. Liberty Insurance Holdings, Inc. contributed the subsidiaries received from the December 31, 2008 sale of its common stock, at statutory book value, through its non-insurance downstream holding company, LIH US P&C Corporation, to Peerless Insurance Company.

The Company recognized an unrealized loss of $ 2,963,837,230, due to its 93.1% share of non-admitted goodwill held by LIH US P&C Corporation.

On December 31, 2008 the Company purchased preferred stock from Liberty Insurance Holdings, Inc. at a cost of $435,577,567. On December 31, 2008, the Company purchased preferred stock from Ohio Casualty Corporation, directly owned by LIH US P&C at a cost of $140,087,220.

Acquired Company	Date of Acquisition	% Ownership	Cost	Unamortized Goodwill December 31, 2008	Goodwill Amortization Current Year
Liberty Personal Insurance Company	July 1, 1998	100.00%	$49,434,445	0	946,599
Liberty Insurance Holdings, Inc.	May 10, 1999	100.00%	$1,472,492,028	2,277,392	6,832,178
Colorado Casualty Insurance Company	September 29, 1998	100.00%	$46,319,965	0	2,962,500
Summit Holding Southeast, Inc.	September 30, 1998	100.00%	$229,350,130	0	13,673,740
Ohio Casualty Corporation	August 24, 2007	78.00%	$1,690,592,354	992,182,006	114,646,165

B. Statutory Mergers

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

C. Impairment Loss

The Company did not recognize an impairment loss during the period.

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

During 2008, the company participated in direct investment in commercial mortgage loans using an experienced external manager, StanCorp Mortgage Investors.

(1) The maximum and minimum lending rates for mortgage loans during 2008 were 7.375% and 4.75% respectively.
(2) As of December 31, 2008 the company held commercial loans in good standing with an outstanding principal balance of $548,289,411.
(3) The maximum loan to value of any loan written during 2008 was 75%.
(4) No loans had interest more than 180 days past due.
(5) There were $25,247 in taxes, assessments or any amounts advanced and not included in the mortgage loan.
(6) Total recorded investment in impaired loans as of December 31, 2008 was $327,566, of which there is a related allowance for credit losses of $198,159.
(7) $129,407 of impaired loans have no related allowance for credit losses.
(8) The average recorded investment in impaired loans during 2008 was $104,216.
(9) Interest income of $20,201 was recognized during the time within the period that the loan was impaired.
(10) All income was recognized using a cash-basis method during the time the loans were impaired.
(11) a) The balance in the allowance for credit losses at the beginning of each period is as followed: January =$201,086, April=$201,086, July=$293,071, October=$198,159.
b) There were no additions charged to operations.
c) There were $46,330 direct write-downs charged against the allowance.
d) There were no recoveries of amounts previously charged off.
e) The balance in the allowance for credit losses at the end of each quarter is as followed: March=$201,086, June=$201,086, September=$293,071, December=$198,159.
(12) The policy for recording income on impaired loans is interest-only payments received.

NOTES TO FINANCIAL STATEMENTS

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. On September 2, 2008, the Company entered into a $750 million 364 day committed repurchase agreement facility for general corporate purposes. To date, no funds have been borrowed under the facility.

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	65,120,844	1,625,953	4,064,883	40,017,025	110,828,705

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

1. The Company did not incur any impairments on real estate during the year.

2. The Company does not engage in retail land sale operations.

G. Investments in Low Income Housing Tax Credits

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

<u>Note 6- Joint Ventures, Partnerships & Limited Liability Companies</u>

A. The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of its admitted assets.

B. The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the assets leads to impairment losses being recognized by management. The Company realized impairment losses of $40,208,664 during the year.

<u>Note 7- Investment Income</u>

A. Accrued Investment Income

The Company does not admit investment income due and accrued, if amounts are over 90 days past due (180 days for mortgage loans).

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2008.

<u>Note 8- Derivative Instruments</u>

The Company has a Derivative Use Policy, which was approved in 2004 by the state of New York Insurance Department. Pursuant to the policy, the Company may enter into derivative transactions. The Company may also acquire derivatives as

NOTES TO FINANCIAL STATEMENTS

additions to bond, common stock, or preferred stock investments. These derivatives are ancillary to the overall investment and immaterial to the underlying investment portfolio.

Beginning in January 2008, the Company, as part of its risk management program, diversification, and economic hedging strategies, entered into several futures contracts related to the equities market with notional amounts totaling $599 million. All futures contracts expired in March 2008 and the company realized gains of $26 million on these transactions. Subsequent to the above transactions, the Company has entered into two separate equity swap agreements with notional amounts totaling $800 million. As of December 31st, the realized gains on these contracts totaled $251 million; the unrealized loss amounted to $5 million. One of the equity swap arrangements, based on $600 million notional principle, was terminated on December 16, 2008. The other swap contract expires in January 2009.

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	2,289,390,000	1,779,382,000	510,008,000
Total of deferred tax liabilities	(819,889,000)	(879,362,000)	59,473,000
Net deferred tax asset (liability)	1,469,501,000	900,020,000	569,481,000
Net deferred tax asset non-admitted	(622,711,000)	(269,859,863)	(352,851,137)
Net admitted deferred tax asset (liability)	846,790,000	630,160,137	216,629,863

B. The Company has not provided for deferred taxes on unremitted earnings of subsidiaries outside the United States where such earnings are permanently reinvested. At December 31, 2008, unremitted earnings of foreign subsidiaries were $1,109,447,983. If these earnings were distributed in the form of dividends or otherwise, the Company would be subject to U.S. income taxes less an adjustment for applicable foreign tax credits.

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

	2008	2007
Federal tax on operations	11,780,606	121,468,882
Net operating loss benefit	0	0
Foreign tax on operations	9,326,010	27,317,197
Income tax incurred on operations	21,106,616	148,786,079
Tax on capital gains	61,389,184	68,614,908
Total income tax incurred	82,495,800	217,400,987

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, deferred compensation deductions, investment impairments, unrealized gains and losses, partnership investments, and statutory non-admitted assets.

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

	2008
Change in net deferred income tax (without unrealized gain or loss)	182,318,746
Tax effect of unrealized (gains) losses	387,162,254
Total change in net deferred income tax	569,481,000

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, excludible dividend income, partnership income, foreign operations, intercompany transactions, revisions to prior year estimates, other than temporary impairments, deferred compensation deductions, and other investment activity.

E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is $0 from the current year and $237,596,000 from the preceding year.

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

The Company has a foreign tax credit of $43,904,204 as follows:

Year Generated	Amount	Expiration
2003	30,300,118	2013
2004	13,468,989	2014
2007	135,097	2017

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.
AMBCO Capital Corporation
America First Insurance Company
Liberty Mutual Group Inc.
Liberty Mutual Holding Company Inc.
Liberty Mutual Insurance Company

NOTES TO FINANCIAL STATEMENTS

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

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 Group Inc. ("LMGI"), a Massachusetts company. The ultimate parent of LMGI 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. During 2008, the Company had the following capital transactions with its parent and subsidiaries:

1. Received capital contributions of $1,338,661,106 from its parent, LMGI.

2. Contributed capital in the amount of $735,751,074.

3. Received dividends in the amount of $1,383,272,274.

4. Received return of capital distributions of $338,104,425. The returned capital includes a subsidiary, San Diego Insurance Company, which was transferred from Golden Eagle Insurance Corporation, at statutory book value at the date of transfer, in the amount of $59,443,565.

D. At December 31, 2008, the Company reported $243,023,248 due from affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.

E. The Company guarantees, jointly and severally with Liberty Mutual Fire Insurance Company, $25,000,000 of the medium term notes payable which are obligations of its parent company, LMGI.

The Company guarantees the performance of LMGI under a $1,000,000,000 commercial paper program. The amount outstanding as of December 31, 2008 was $0.

The Company guarantees the performance of the obligations of LMGI under a $750,000,000 five-year revolving credit agreement. The revolving line of credit serves as a back-up facility for the commercial paper program. The amount outstanding at December 31, 2008 was $0.

The Company is contingently liable for the performance of Liberty Corporate Capital Limited's obligations under standby letters of credit in the aggregate amount of $518,051,500 (£355M), that have been collateralized. As of December 31, 2008, there have been no drawings under the standby letters of credit.

The Company guarantees that, if America First Insurance Company should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any "qualifying Louisiana investment" as defined in Louisiana Revised Statutes 22.1068, the Company shall pay America First Insurance Company a sufficient amount to reimburse it for such reduction, not exceeding $5,000,000. As of December 31, 2008, $5,993,018 in "qualifying Louisiana investment" was held.

The Company guarantees that, if Liberty Personal Insurance Company should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any "qualifying Louisiana investment" as defined in Louisiana Revised Statutes 22.1068, the Company shall pay Liberty Personal Insurance Company a sufficient amount to reimburse it for such reduction, not exceeding $7,000,000. As of December 31, 2008, $4,084,543 in "qualifying Louisiana investment" was held.

The Company guarantees the future non-cancellable lease obligations of Liberty Information Technology Ltd. in the amount of $7,862,583 (£5,387,914).

The Company guarantees the future non-cancellable lease obligations of Liberty Insurance Underwriters Inc. in the amount of $12,090,112.

The Company guarantees obligations of Liberty Life Assurance Company of Boston on policies and contracts issued and is obligated to provide additional capital to that company necessary at any time to raise its Best's Capital Adequacy Ratio to at least 150%.

The Company guarantees obligations of Liberty Mutual Insurance Europe ("LMIE") Limited on policies and contracts issued until such time as LMIE can achieve a Standard & Poor's rating as specified in the guarantee.

The Company guarantees the performance of LMIE under a credit agreement in the amount of $20,000,000. As of December 31, 2008, there are no outstanding borrowings under the agreement.

The Company guarantees obligations of Liberty Re (Bermuda) Limited under certain reinsurance policies issued.

NOTES TO FINANCIAL STATEMENTS

The Company guarantees obligations of San Diego Insurance Company under a reinsurance agreement with Golden Eagle Insurance Company (in liquidation) and the California Insurance Commissioner, providing reinsurance of $190,000,000 in excess of San Diego Insurance Company's existing obligations under a 1997 agreement.

The Company guarantees obligations of Liberty Insurance Company Limited for tax liabilities and other indebtedness prior to and arising from the conversion to a limited liability subsidiary. The amount of these obligations as of December 31, 2008 was $465,281.

The Company guarantees the performance of Safeco Insurance Company of America under a Master Lease Agreement with RBS Asset Finance, Inc. The amount of this obligation as of December 31, 2008 was $25,300,168.

F There are service agreements between the Company and the following SCA companies:

American Fire and Casualty Company
America First Insurance Company
America First Lloyds Insurance Company
American Ambassador Insurance Company
Avomark Insurance Company
Bridgefield Casualty Insurance Company
Bridgefield Employers Insurance Company
Cascade Disability Management, Inc.
Colorado Casualty Insurance Company
Companies Agency of New York, Inc.
Companies Agency of Pennsylvania, Inc.
Consolidated Insurance Company
Employers Insurance Company of Wausau
Excelsior Insurance Company
Globe American Casualty Company
Golden Eagle Insurance Corporation
Hawkeye-Security Insurance Company
Helmsman Insurance Agency LLC
Helmsman Management Services LLC
Indiana Insurance Company
Liberty Energy Holdings LLC
Liberty Insurance Company of America
Liberty Insurance Corporation
Liberty International Holdings Inc.
Liberty Insurance Underwriters Inc.
Liberty Life Assurance Company of Boston
Liberty Lloyd's of Texas Insurance Company
Liberty Mutual Equity LLC
Liberty Mutual Group Inc.
Liberty Mutual Managed Care LLC
Liberty Mutual Mid-Atlantic Insurance Company
Liberty Northwest Insurance Company
Liberty Personal Insurance Company
Liberty Surplus Insurance Corporation
LIU Specialty Insurance Agency Inc.
LM General Insurance Company
LM Insurance Corporation
LM Personal Insurance Company
LM Property and Casualty Insurance Company
Mid-American Fire and Casualty Company
Montgomery Mutual Insurance Company
National Insurance Association
North Pacific Insurance Company
Ohio Casualty of New Jersey, Inc.
Ohio Security Insurance Company
Oregon Automobile Insurance Company
Peerless Indemnity Insurance Company
Peerless Insurance Company
San Diego Insurance Company
The First Liberty Insurance Corporation
The Midwestern Indemnity Company
The Netherlands Insurance Company
The Ohio Casualty Insurance Company
Wausau Business Insurance Company
Wausau General Insurance Company
Wausau Signature Agency LLC
Wausau Underwriters Insurance Company
West American Insurance Company

Under these agreements, the Company may provide the SCA companies with office space, supplies, equipment, telephone and wire services, the use of computers and similar machines and services of personnel employed by the Company. Services include but are not limited to the following: claims handling, credit and collections, sales policy production, underwriting,

NOTES TO FINANCIAL STATEMENTS

investment management, and a variety of computer activities. The Company is reimbursed for the costs of all services which it provides under these agreements.

Pursuant to an Employee Benefit Plans Cost-Sharing Agreement, the Company has agreed to reimburse LMGI for certain costs related to one or more employee benefit or welfare plans covering current or past employees of the Company or its affiliates which have been transferred to LMGI or which may be transferred to LMGI in the future. The amount of the reimbursement is: (a) the required contributions to the pension plans and (b) with respect to other plans, the benefits incurred on the Company's behalf.

See Note 25 for information regarding the Inter-Company Reinsurance Agreement.

The Company is party to revolving lines of credit with the following SCA companies:

Bridgefield Employers Insurance Company
Colorado Casualty Insurance Company
Employers Insurance Company of Wausau
Golden Eagle Insurance Corporation
Indiana Insurance Company
Liberty Corporate Capital Limited
Liberty Compania de Seguros Generales S.A
Liberty Insurance Corporation
Liberty Insurance Underwriters Inc.
Liberty Life Assurance Company of Boston
Liberty Mutual Fire Insurance Company
Liberty Mutual Group Inc.
Liberty Mutual Mid-Atlantic Insurance Company
Liberty Northwest Insurance Corporation
Liberty Seguros, S.A.
Peerless Indemnity Insurance Company
Peerless Insurance Company
The Netherlands Insurance Company
The Ohio Casualty Insurance Company

The Company has an investment management agreement with Liberty Mutual Personal Insurance Company and Liberty County Mutual Insurance Company.

There is an "Agent-Company Agreement" between the Company and Helmsman Insurance Agency, Inc. ("Helmsman") whereby Helmsman provides agent commission payments, accounting, office services and other services under the terms of the "Agent-Company Agreement".

The Company is party to a Federal Tax Sharing Agreement (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 SCA companies greater than 10% of its admitted assets.

J. The Company did not recognize any impairment write down for its SCA companies during the statement period.

K. The Company does not use CARVM in calculating its investment in its foreign subsidiaries.

L. Investments in downstream non-insurance holding companies

The Company utilizes the look-through approach for the valuation of the following downstream non-insurance holding companies:

	Carrying Value
Liberty Insurance Holdings, Inc.	$ 5,025,948,604
LM Captive Holdings, LLC	$ 23,334,468
Berkeley Management Corporation	$ 5,989,335
Liberty Mutual Equity LLC	$ (336,451)
Total	$ 5,054,935,956

The Company has limited the value of its investment in these companies to the value contained in the audited financial statements, including adjustments required by SSAP 97 of SCA entities. All liabilities, commitments, contingencies, guarantees or obligations of the downstream non-insurance holding company, which are required to be recorded as liabilities, commitments, contingencies, guarantees or obligations under applicable accounting guidance, are reflected in the Company's determination of the carrying value of the investment in the downstream non-insurance holding company.

NOTES TO FINANCIAL STATEMENTS

Note 11- Debt

Debt consists of the following obligation as of December 31, 2008:

The Company maintains a $1,000,000,000 revolving line of credit with LMGI. Outstanding borrowings as of December 31, 2008 totaled $490,638. Interest is paid quarterly in arrears based on average borrowings at a variable interest rate. $65,709 of interest was paid in 2008.

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

A. The U.S. Liberty Mutual Retirement Benefit Plan and Supplemental Income at Retirement Plan (SIRP) defined benefit pension plans are sponsored by the Holding Company, LMGI. Accordingly, the plan assets and obligations are not included in the Company's summary of assets and obligations as of December 31, 2008 and December 31, 2007. (The Employees' Thrift-Incentive plan and Supplemental Income at Retirement Plan (SIRP) defined contribution pension plans are also sponsored by LMGI.)

The Company continues to sponsor non-contributory defined benefit and contributory defined contribution pension plans covering substantially all Canadian and certain U.S. employees. The benefits and eligibility are based on age, years of service and the employee's compensation, as more fully defined in the Plan. As of December 31, 2008, the Company accrued pension cost in accordance with the actuarially determined amounts, with an offset for the incremental asset amortization.

The Company's U.S. postretirement health and life benefit obligations are also sponsored by LMGI. Accordingly, the plan assets and obligations are not included in the Company's summary of assets and obligations as of December 31, 2008 and December 31, 2007. However, the Company continues to provide certain health care and life insurance benefits for retired Canadian employees. Substantially all Canadian employees may become eligible for these benefits if they reach retirement age and have ten years of service working for the Company, as more fully defined in the Plan. Also, the Company provides a Death Benefit Only life insurance benefit for certain U.S. employees.

A summary of assets, obligations, and assumptions of the Company Pension Plans and Postretirement Benefit Plans are as follows at December 31, 2008 and 2007:

	Pension Plans		Postretirement	
	2008	2007	2008	2007
(1) Change in benefit obligations				
a. Benefit obligations, beginning of year	$ 114,243,252	$ 114,155,113	$ 3,817,096	$ 3,825,476
b. Service costs	2,715,119	2,632,261	-	-
c. Interest costs	6,604,688	6,312,435	273,000	198,015
d. Eligibility costs	-	-	194,453	80,003
e. Amendments	-	1,799,639	-	-
f. Actuarial (gains)/losses	(3,202,877)	(14,471,746)	1,321,095	(490,508)
g. Foreign currency exchange rate change	(10,432,273)	8,575,238	(561,756)	450,924
h. Acquisition / (Divestiture)	2,346,000	-	-	-
i. Benefits paid	(6,487,172)	(4,759,688)	(295,301)	(246,814)
j. Benefit obligations, end of year	$ 105,786,737	$ 114,243,252	$ 4,748,587	$ 3,817,096
(2) Change in plan assets				
a. Fair value of plan assets at beginning of year	$50,320,519	$43,235,784	$ -	$ -
b. Actual return on plan assets	(7,394,267)	331,938	-	-
c. Foreign currency exchange rate changes	(9,396,231)	7,468,934	-	-
d. Employer contributions	5,658,008	4,043,550	295,301	246,814
e. Benefits paid	(6,487,172)	(4,759,688)	(295,301)	(246,814)
f. Fair value of plan assets at end of the year	$ 32,700,857	$ 50,320,519	$ -	$ -
(3) Reconciliation of funding status				
a. Funded status of the plan	$(73,085,880)	$(63,922,734)	$ (4,748,587)	$ (3,817,096)
b. Unrecognized net (gain)/loss	12,421,930	8,431,863	1,509,479	674,992
c. Unrecognized prior service costs	1,896,472	2,311,727	-	-
d. Unrecognized net transition (asset)/obligation	2,460,355	1,505,328	719,201	998,423
e. Net amount recognized	$(56,307,123)	$(51,673,816)	$ (2,519,907)	$ (2,143,681)
(4) Vested accumulated benefit obligation	$ 98,037,997	$ 95,252,207	$ 4,748,587	$ 3,817,096
(5) Non-vested benefit obligation	$ -	$ -	$ 3,852,026	$ 4,161,162
(6) Components of net periodic benefit costs				
a. Service costs	$ 2,715,119	$ 2,632,261	$ -	$ -
b. Eligibility costs	-	-	194,453	80,003
c. Interest costs	6,604,688	6,312,435	273,000	198,015
d. Expected return on plan assets	(2,977,056)	(3,243,506)	-	-
e. Amortization of unrecognized:				
Net (gain)/Loss	629,125	1,072,418	304,236	35,540
Prior service cost	201,291	162,401	-	-

NOTES TO FINANCIAL STATEMENTS

Net transition (asset)/obligation	106,700	36,412	93,550	108,214
Total net periodic benefit cost	$ 7,279,867	$ 6,972,421	$ 865,239	$ 421,772
(7) Amounts recognized in the statutory financial statements consist of				
Prepaid Benefit Cost	$ 6,798,629	$ 7,399,553	$ -	$ -
Accrued benefit liability	(69,567,092)	(60,499,521)	(2,519,907)	(2,143,681)
Minimum pension liability	188,411	1,059,181	-	-
Intangible asset	6,272,929	366,970	-	-
Net amount recognized	$(56,307,123)	$(51,673,816)	$ (2,519,907)	$ (2,143,681)
Change in additional pension liability	(870,770)	(55,641)	-	-
(8) Weighted-average assumptions used to determine net periodic benefit costs:				
Discount rate	6.00%	5.70%	6.00%	5.70%
Expected return on plan assets	7.50%	7.50%	-	-
Rate of compensation increase	4.70%	4.70%	-	-
Weighted-average assumptions used to determine projected benefit obligation:				
Discount rate	6.40%	6.00%	6.40%	6.00%
Rate of compensation increase	4.70%	4.70%	-	-

(9) The measurement date used to determine the pension and other postretirement measurements is December 31.

(10) The weighted average healthcare cost trend rate assumed for 2009 is 9.5% graded to 5.0% for 2018.

(11) Assumed healthcare cost rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in the assumed healthcare cost trends rate would have the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on postretirement benefit obligation:	$ 320,614	$ (255,080)
Effect on total of service cost and interest cost:	$ 55,035	$ (41,584)

(12) The pension plan's weighted-average asset allocation by asset category is as follows:

Asset Category	**2008**	**2007**
Equity Investments	55%	68%
Debt Investments	31%	22%
Other	14%	10%
Total	**100%**	**100%**

Narrative description of investment policy

The Company recognizes that, based on historical data, the asset classes most likely to produce the greatest return in excess of inflation over time are also likely to exhibit the most volatility. Conversely, the asset classes likely to be the least volatile are likely to produce the lowest return over time. Therefore, the investment philosophies and strategies must take into account both return and risk objectives.

Based on the following considerations, the Company can tolerate a moderate amount of risk while striving to maximize investment returns:

i. The Company is responsible for financing any unfunded liabilities emerging because of poor investment returns. Therefore, the Company has a direct exposure to risk. While it is important to avoid excessive volatility in investment returns, the Company can tolerate some volatility risk;

ii. The Company contributes to the Plan in compliance with regulatory requirements and at a level sufficient to finance the defined benefits. The Company will establish these contributions based on the advice of an actuary. However, periodic increases in pension contributions, to finance unfunded liabilities emerging from poorer than expected investment performance, should not significantly affect the Company's overall cash flow. Therefore, the Company can tolerate some volatility of investment returns; and,

iii. The Plan is managed on a going concern basis, including management of the assets. In the foreseeable future, it is unlikely that there will be any special liquidity demands on the Plan. Thus, shorter-term fluctuations in security values will not have a significant adverse impact on the financial stability of the Plan. Therefore, the Company can tolerate some volatility of investment returns.

NOTES TO FINANCIAL STATEMENTS

Taking into consideration the investment risk and philosophy of the Plan, the following asset mix has been established.

Assets	Minimum %	Target Mix %	Maximum %
Equity Investments	45	70	85
Debt Investments	15	30	40
Other	0	0	10

Narrative description of expected long term rate of return assumption

The expected long-term rate of return is estimated based on many factors including the expected forecast for inflation, risk premiums for each asset class, expected asset allocation, current and future financial market conditions, and diversification and rebalancing strategies.

(13) Expected Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate are expected to be paid:

Year	Pension	Postretirement Benefits
2009	5,419,434	187,862
2010	5,643,009	205,310
2011	5,742,858	226,168
2012	6,196,043	243,484
2013-2017	34,409,227	1,600,627

(14) Expected Company Contributions

The Company expects to contribute $4,715,544 and $187,862 to the pension plan and post retirement plan respectively in 2009.

B. The Company continues to sponsor various defined contribution savings plans for Canadian and certain U.S. employees. The Company's expense charged to operations amounted to approximately $1,137,223 and $1,027,214 in 2008 and 2007 respectively. The Company's contribution to the defined contribution plans is based on the employee contribution amounts and profitability.

C. Multi-employer Plans

Not applicable

D. The Company's eligible U.S. employees participate in non contributory defined benefit pension plans and contributory defined contribution pension plans sponsored by LMGI, a holding company. The Company has no legal obligation for benefits under these plans subsequent to September 24, 2003. LMGI allocates defined benefit pension amounts to the Company based on paid amounts. LMGI allocates defined contribution pension and postretirement amounts to the Company based on Statutory incurred amounts.

LMGI allocated $13,071,057 and $213,151,566 of defined benefit pension expense to the Company in 2008 and 2007, respectively. LMGI allocated $138,270,642 and $120,848,235 of defined contribution pension expense to the Company in 2008 and 2007, respectively. LMGI allocated $53,161,651 and $46,020,823 of postretirement expense to the Company in 2008 and 2007, respectively.

E. The Company has no obligations to current or former employees for benefits after their employment but before their retirement other than for compensation related to earned vacation. The liability for earned but untaken vacation has been accrued.

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

1. Common Stock

The Company has 100,000 shares authorized, issued and outstanding as of December 31, 2008. All shares have a stated par value of $100.

2. Preferred Stock

The Company has 100,000 shares of 10% non-convertible perpetual Series A Preferred Stock. All shares have a stated par value of $0.01. On December 31, 2008 the Company issued 7,468 shares at an issuance price of $647,660,000 to its parent, LMGI. Dividends, based on the issuance price, are cumulative and payable on a quarterly basis.

3. Dividend Restrictions

There are no dividend restrictions.

4. The Company paid an ordinary dividend of $10,720,080 to its parent in December.

NOTES TO FINANCIAL STATEMENTS

5. The maximum amount of dividends which can be paid by Massachusetts-domiciled insurance companies to shareholders without the prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, or (b) net income. The maximum dividend payout which may be made without prior approval in 2009 is $1,500,674,869.

6. As of December 31, 2008, the Company has pre-tax restricted surplus of $957,921,671 resulting from retroactive reinsurance contracts.

7. The Company had no advances to surplus.

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

9. The Company had changes in special surplus funds resulting from prior years' retroactive reinsurance contracts during 2008.

10. The portion of unassigned funds (surplus) represented by cumulative unrealized capital loss is $(4,186,160,156) after applicable deferred taxes of $94,085,719.
11. Surplus Notes

(1) Date Issued	(2) Interest Rate	(3) Amount of Note(s)	(4) Carrying Value	(5) Interest Paid Current Year	(6) Total Interest Paid	(7) Unapproved Interest	(8) Date of Maturity
May 18, 1995	8.500%	150,000,000	149,832,017	12,750,000	172,125,000	0	5/15/2025
Oct 21, 1996	7.875%	250,000,000	249,751,393	19,687,500	236,250,000	0	10/15/2026
Oct 15, 1997	7.697%	500,000,000	492,491,580	38,485,000	423,335,000	0	10/15/2097
Total		$900,000,000	$892,074,990	$70,922,500	$831,710,000	$0	

The surplus debenture in the amount of $150,000,000, was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by Merrill Lynch & Co., Goldman Sachs & Co. and Salomon Brothers Inc. and is administered by The Bank of New York Mellon as registrar/paying agent. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

The surplus debenture in the amount of $250,000,000, was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by CS First Boston, Morgan Stanley & Co. and Salomon Brothers Inc. and is administered by The Bank of New York Mellon as registrar/paying agent. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

The surplus debenture in the amount of $500,000,000, was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by CS First Boston, Goldman Sachs & Co. and Merrill Lynch & Co. and is administered by The Bank of New York Mellon as registrar/paying agent. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

11. Quasi re-organization (dollar impact)

    Not applicable

12. Quasi re-organization (effective date)

    Not applicable

Note 14- Contingencies

A. Contingent Commitments

   The Company has 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.

   The Company has accrued a liability for guaranty fund and other assessments of $203,638,047 that is offset by future premium tax credits of $32,559,328. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2008.

   During 2008 there have been no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

C. Gain Contingencies

   Not applicable

NOTES TO FINANCIAL STATEMENTS

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

The Company paid the following amounts in the reporting period to settle claims related extra contractual obligations or bad faith claims stemming from lawsuits.

	Direct
Claims related ECO and bad faith losses paid during the reporting period	$18,278,376

Number of claims where amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits during the reporting period.

(a) 0-25 Claims	(b) 26-50 Claims	(c) 51-100 Claims	(d) 101-500 Claims	(e) More than 500 Claims
			X	

Indicate whether claim count information is disclosed per claim or per claimant.
(f) Per Claim [x] (g) Per Claimant [ ]

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 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.

Note 15- Leases

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

The Company has entered into sale-leaseback arrangements with unrelated parties on certain property, furniture and fixtures. The transactions have been accounted for in accordance with SSAP No. 22. The Company has a purchase option for all PP&E at the end of each respective lease. The following is a schedule of the Company's minimum lease obligations:

Year(s)	Sale Lease-back	All Other Operating Lease Arrangements
2009	$45,608,419	$80,896,865
2010	19,965,590	75,938,334
2011	11,063,306	46,365,250
2012	11,033,196	31,162,994
2013	11,003,086	20,637,979
2014 & thereafter	8,223,510	140,900,604
Total	$106,897,107	$395,902,026

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

Not applicable

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

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

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

A. Transfers of Receivables reported as sales:

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

B. Transfers and servicing of financial assets:

The Company 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 $106,289,031 with corresponding collateral value of $111,044,116 of which $110,828,705 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Net reimbursement for administrative expenses over actual expenses on uninsured plans and net gain was $807,818. Claim payment volume was $60,728,256.

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

Full Name and Address of MGA or TPA	FEIN #	Exclusive Contract	Type of Business Written	Type of Authority Granted	Total Direct Written Premiums
Asurion Insurance Services Inc* 648 Grassmere Park, Ste 300,Nashville, TN 37211	62-1463468	N	Inland Marine	U, P, CA	$1,440,857,298

* As defined by the statutes of the Commonwealth of Massachusetts.

U – Underwriting
P – Premium Collection
CA – Claims Adjustment

Note 20- Other Items

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

1) Florida Special Disability Trust Fund

a) The amount of credit taken by the Company in determination of its loss reserves was $0 in 2008 and 2007.

b) The Company received payments from the Special Disability Trust Fund of $4,468,259 in 2008 and $11,043,410 in 2007.

c) The amount the Company was assessed by the Special Disability Trust Fund was $403,128 in 2008 and $559,112 in 2007.

2) Assets in the amount of $2,107,986,005 and $1,866,387,070 as of December 31, 2008 and 2007, respectively, were on deposit with government authorities or trustees as required by law. Assets valued at $753,740,548 and $891,430,820 at December 31, 2008 and 2007, respectively, were maintained as compensating balances or pledged as collateral for bank loans and other financing arrangements.

D. The Company routinely assesses the collectibility of its premium receivable. Based upon Company experience, amounts in excess of non-admitted amounts are not believed to be material.

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

The Company is not holding transferable state tax credits at year end.

NOTES TO FINANCIAL STATEMENTS

G. Sub-Prime Lending

1. The Company has not purchased securities characterized by the market as subprime. The Company looks at such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities. The Company's only exposure to subprime was inherited through past acquisitions of insurance companies.

2. The Company does not have any direct exposure through investments in sub-prime mortgage loans.

3. The Company has direct exposure through their investment in residential mortgage-backed securities.

Actual Cost	Book Adjusted Carrying Value	Fair Value	Other Then Temporary Impairments Recognized
$ 14,992,705	$ 14,992,705	$ 13,816,043	$ 16,245

4. The Company does not have underwriting exposure to sub-prime mortgage 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. Excluding amounts arising pursuant to the Liberty Mutual Inter-Company Reinsurance Agreement, as described in Note 25, the unsecured reinsurance recoverables with an individual reinsurer that exceed 3% of the Company's policyholder's surplus are listed below.

Reinsurer	Naic No.	Federal ID No.	Recoverable Amount
National Workers' Compensation Reins Pool		AA-9992118	$1,497,071,000
Swiss Re Group:			
Facility Insurance Corporation	10818	74-1194354	
North American Elite Insurance Company	29700	13-3440360	
North American Specialty Insurance Company	29874	02-0311919	
Swiss Reinsurance America Corporation	25364	13-1675535	
Swiss Reinsurance Australia Ltd.		AA-1934100	
Swiss Reinsurance Company		AA-1460146	
Swiss Reinsurance Co. Canada		AA-1560160	
Swiss Reinsurance Europe SA		AA-1371002	
Swiss Reinsurance Frankona Rueckvers.		AA-1340090	
Swiss Reinsurance Life and Health America Inc.	82627	06-0839705	
Swiss Reinsurance Life and Health Canada		AA-1560016	
Swiss Reinsurance Specialty Insurance (UK) Ltd.		AA-1120512	
Westport Insurance Corporation	39845	48-0921045	
Total Swiss Re Group			$1,098,961,000

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

C. The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2008.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commissi on Equity
Affiliates	$4,406,231,416	$165,159,810	$1,267,724,367	$26,270,160	$3,138,507,049	$138,889,650
All Other	110,509,235	27,519,391	911,014,178	149,969,700	(800,504,943)	(122,450,309)
Total	$4,516,740,651	$192,679,201	$2,178,738,545	$176,239,860	$2,338,002,106	$16,439,341

Direct Unearned Premium Reserve: $982,117,766

Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2008 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	$9,237,172	$74,043,944	$22,558,285	$60,722,831
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	0	148,005,000	(148,005,000)
Totals	$9,237,172	$74,043,944	$170,563,285	$(87,282,169)

NOTES TO FINANCIAL STATEMENTS

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

D. During the current year, the Company wrote off reinsurance balances of $8,636,959. This amount is shown below by Income Statement classification and by reinsurer.

Income Statement Classification	Amount
Losses Incurred	$7,177,664
Loss Expenses Incurred	1,132,904
Other Expenses	326,391
Total	$8,636,959
Reinsurer	Amount
English and American Insurance Company Limited	$4,608,431
Legion Insurance Company	4,015,967
All Other	12,561
Total	$8,636,959

E. The Company commuted several ceded reinsurance treaties in the current year with the reinsurers listed below. The net effect of all commutations was an increase in Net Income of $271,310. This amount is shown below by Income Statement classification.

Income Statement Classification	Amount
Losses Incurred	$421,904
Loss Expenses Incurred	(78,867)
Other Income	(71,727)
Total	$271,310

F. The Company has two assumed and nineteen ceded retroactive contracts that transferred liabilities for losses that had already occurred. The impact of the Inter-Company Reinsurance Agreement is also shown.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	$8,112,043	$1,749,377,122
	2. Adjustment – Prior Year(s)	(8,444,734)	(166,446,786)
	3. Adjustment – Current Year	4,019,393	(44,673,894)
	4. Total	$3,686,702	$1,538,256,442
b.	Consideration Paid or Received:		
	1. Initial Reserves	$2,482,101	$819,941,379
	2. Adjustment – Prior Year(s)	1,050,187	40,806,540
	3. Adjustment – Current Year	-	(75)
	4. Total	$3,532,288	$860,747,844
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	$(17,144,434)	$10,387,178
	2. Adjustment – Prior Year(s)	8,525,656	210,365,198
	3. Adjustment – Current Year	(2,163,310)	60,282,971
	4. Total	$(10,782,088)	$281,035,347
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	$11,514,492	$(939,822,921)
	2. Adjustment – Prior Year(s)	969,265	(3,111,872)
	3. Adjustment – Current Year	(1,856,083)	(15,609,152)
	4. Total	1,736,988	(956,184,684)
	5. Cumulative Total Transferred to Unassigned Funds	$8,890,686	$(2,359,261)
e.	Other insurers included in the above transactions:		
	Allianz Cornhill Insurance PLC, AA-1120445	$5,192,700	$0
	Wettereau Insurance Co. Ltd., AA-3191047	538,738	0
	Employers Insurance Company of Wausau, 21458	(2,044,736)	0
	National Indemnity Insurance Company, 20087		798,279,135
	North American Specialty Insurance Company, 29874		661,226,346
	Partner Re Co LTD, AA-3190686		235,132,938
	Federal Insurance Company, 20281		150,125,988
	ACE INA Overseas Insurance Company, AA-0000000		127,782,071
	Munich Reinsurance America Inc, 10227		43,429,144
	Swiss Reinsurance America Corporation, 25364		4,644,315
	Everest Reinsurance Company, 26921		1,887,033
	American National Insurance Company, 60739		1,630,507
	Other		773,272
	North European Financial Re, AA-0000000		606,966

NOTES TO FINANCIAL STATEMENTS

	Employers Insurance Company of Wausau, 21458		(202,183,101)
	Liberty Mutual Fire Insurance Company, 23035		(202,183,101)
	Liberty Insurance Corporation, 42404		(60,654,930)
	Wausau Business Insurance Company, 26069		(8,087,324)
	Wausau Underwriters Insurance Company, 26042		(8,087,324)
	LM Insurance Corporation, 33600		(4,043,662)
	The First Liberty Insurance Corporation, 33588		(2,021,831)
	Total	$3,686,702	$1,538,256,442

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

G. At December 31, 2008, the deposit balance for reinsurance contracts accounted for under the deposit method was $13,377,072.

Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. Accrued retrospective premiums reported in Line 13.3 of the assets have been determined based upon loss experience on business subject to such experience rating adjustment.

B. The Company records accrued retrospective premium as an adjustment to earned premium.

C. For detail of net premium written subject to retrospective rating features see Schedule P – Part 7A.

D. Ten percent of the amount not offset by retrospective return premiums or collateral has been designated non-admitted and charged to surplus.

Total accrued retro premium	$404,104,551
Less: Non-admitted amount	40,410,454
Admitted amount	$363,694,097

Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expenses attributable to insured events in prior years decreased slightly in 2008, primarily as a result of a decrease in incurred losses and loss adjustment expenses in the property and auto liability lines of business. Original estimates are revised as additional information becomes known regarding individual claims.

Note 25- Inter-Company Pooling Arrangements

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

		NAIC Co. #	Pooling %	Lines of Business
Lead Company:	Liberty Mutual Insurance Company (LMIC)	23043	75.90%	All Lines
Affiliated Pool Companies:	Employers Insurance Company of Wausau (EICOW)	21458	10.00%	All Lines
	Liberty Mutual Fire Insurance Company (LMFIC)	23035	10.00%	All Lines
	Liberty Insurance Corporation (LIC)	42404	3.00%	All Lines
	Wausau Business Insurance Company (WBIC)	26069	0.40%	All Lines
	Wausau Underwriters Insurance Company (WUIC)	26042	0.40%	All Lines
	LM Insurance Corporation (LMC)	33600	0.20%	All Lines
	The First Liberty Insurance Corporation (FST)	33588	0.10%	All Lines
	Liberty Personal Insurance Company (LPIC)	11746	0.00%	All Lines
	Liberty Insurance Company of America (LICA)	10337	0.00%	All Lines
	Liberty Surplus Insurance Corporation (LSIC)	10725	0.00%	All Lines
	Wausau General Insurance Company (WGIC)	26425	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Liberty Lloyd's of Texas Insurance Company (LLOT)	11041	0.00%	All Lines
	Liberty County Mutual Insurance Company (LCMIC)	19544	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. (LIU)	19917	0.00%	All Lines
	LM Property and Casualty Insurance Company (LMPAC)	32352	0.00%	All Lines
	LM General Insurance Company (LMGIC)	36447	0.00%	All Lines
	LM Personal Insurance Company (LMPIC)	36439	0.00%	All Lines
	Liberty Mutual Personal Insurance Company (LMPICO)	12484	0.00%	All Lines

NOTES TO FINANCIAL STATEMENTS

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

(a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.

(b) With the exception of LMGIC and LMPIC, each 100% Quota Share Affiliated Company cedes its net underwriting activity to the Lead Company. LMGIC and LMPIC cede its net underwriting activity to LMPAC.

(c) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.

(d) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance, is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.

(e) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.

(f) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.

(g) The write-off of uncollectible reinsurance is pooled and the provision for reinsurance is recognized by the entity placing the outbound external reinsurance.

(h) Amounts due from affiliated entities participating in the Liberty Mutual inter-company pool as at December 31, 2008:

Affiliate:	Amount:
Employers Insurance Company of Wausau	49,020,000
Liberty Insurance Corporation	12,479,000
Liberty Mutual Fire Insurance Company	41,595,000
LM Insurance Corporation	832,000
The First Liberty Insurance Corporation	416,000
Wausau Business Insurance Corporation	2,059,000
Wausau Underwriters Insurance Company	4,483,000

Effective January 1, 2008, Bridgefield Employers Insurance Company and Bridgefield Casualty Insurance Company novated their 100% Quota Share agreements with Liberty Mutual Insurance Company to substitute Peerless Insurance Company as the reinsurer.

Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2009, the Liberty Mutual Pool participation percentages were revised as follows:

	2009	2008
Liberty Mutual Insurance Company	75.0%	75.9%
Employers Insurance Company of Wausau	8.0%	10.0%
Liberty Mutual Fire Insurance Company	12.9%	10.0%

Note 26- Structured Settlements

A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of $825,759,657 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was $825,759,657 as of December 31, 2008.

B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

Life Insurance Company & Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
The Prudential Insurance Company of America Newark, New Jersey	Yes	$403,311,085
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	$247,323,137
Nationwide Life Insurance Company Columbus, Ohio	Yes	$113,332,332

Note 27 - Health Care Receivables

Not applicable

Note 28 - Participating Policies

Not applicable

NOTES TO FINANCIAL STATEMENTS

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 of December 31, 2008, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was $3,559,710,000 and the amount billed and recoverable on paid claims was $176,286,156.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2008 liabilities subject to discount were carried at a value representing a discount of $804,893,273 net of all reinsurance.

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

Note 32 - Asbestos/Environmental Reserves

The Company has exposure to asbestos and environmental claims which emanate principally from general liability policies written prior to the mid-1980's. In establishing the Company's asbestos and environmental reserves, the Company estimates case basis reserves for anticipated losses and bulk reserves for loss adjustment expenses and incurred but not reported losses. The Company maintained casualty excess of loss reinsurance during the relevant periods. The reserves are reported net of expected recoveries from reinsurers and include any reserves reported by ceding reinsurers on assumed reinsurance contracts.
Upon their de-affiliation from the Nationwide Group and re-affiliation with the Company, EICOW, WBIC, WGIC, and WUIC entered into ceded reinsurance contracts whereby Nationwide Indemnity Company assumed full responsibility for obligations on certain policies with effective dates prior to January 1, 1986, including all asbestos and environmental exposures.

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

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

In the last few years the Company, as well as the industry generally, has seen decreases in the number of asbestos claims being filed. This turn to a more favorable trend is due to a number of factors. Screening activity used by some lawyers to find new plaintiffs has been as a result of questionable practices discovered in the Federal Silica Multi District Litigation. Court decisions in several key states have been favorable to defendants. More importantly, several states have enacted legislation in the past few years that contain medical criteria provisions aimed at reducing the number of lawsuits filed by unimpaired plaintiffs and providing prompt and fair compensation to those who meet the criteria.

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

Effect of Uncertainty in Reserving For Asbestos and Environmental Claims on Company's Financial Condition
The methods of determining estimates for reported and unreported losses and establishing resulting reserves and related reinsurance recoverables are periodically reviewed and updated, and adjustments resulting from this review are reflected in income currently.

As a direct result of the significant uncertainties associated with estimating its asbestos and environmental exposures and establishing appropriate levels of reserves, the ultimate liability of the Company for asbestos and environmental exposures may vary materially from the reserves currently recorded. The Company and other industry members have and will continue to litigate the broadening judicial interpretation of policy coverage and the liability issues. If the courts continue to expand the scope of the coverage provided, additional liabilities could emerge for amounts in excess of reserves held. This

NOTES TO FINANCIAL STATEMENTS

emergence, as well as the other uncertainties noted above, cannot now be reasonably estimated, but could have a material impact on the Company's future operating results, and financial condition.

The table below summarizes reserve and loss activity for the Company's asbestos and environmental loss and loss adjustment expenses for each of the five most recent calendar years. Gross reserves for both asbestos and environmental are representative of the companies included in note 25. Net reserves for asbestos and environmental are allocated based on the Company's Inter-Company Reinsurance Agreement, as discussed in Note 25.

Asbestos:

	2004	2005	2006	2007	2008
Direct Basis					
Beginning Reserves	1,198,027,681	1,292,169,022	1,516,671,866	1,403,968,179	1,276,871,032
Incurred losses and LAE	312,763,911	420,667,283	76,293,677	175,482,674	108,266,914
Calendar year payments	218,622,570	196,164,438	188,997,364	302,579,821	198,690,488
Ending Reserves	1,292,169,022	1,516,671,866	1,403,968,179	1,276,871,032	1,186,447,458
Assumed Reinsurance Basis					
Beginning Reserves	199,054,512	371,599,450	390,034,788	412,488,186	537,562,978
Incurred losses and LAE	198,888,495	41,323,289	37,047,524	145,459,704	(5,746,879)
Calendar year payments	26,343,557	22,887,951	14,594,126	20,384,912	22,877,809
Ending Reserves	371,599,450	390,034,788	412,488,186	537,562,978	508,938,290
Net of Ceded Reinsurance Basis					
Beginning Reserves	853,563,051	722,164,271	791,148,137	680,839,880	605,177,177
Incurred losses and LAE	2,680,742	166,500,890	9,262,969	64,610,816	10,811,241
Calendar year payments	134,079,522	97,517,024	119,571,226	140,273,519	115,536,630
Ending Reserves	722,164,271	791,148,137	680,839,880	605,177,177	500,451,788

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	662,009,004
Assumed Reinsurance Basis	404,688,923
Net of Ceded Reinsurance Basis	260,138,230
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	398,874,648
Assumed Reinsurance Basis	3,198,812
Net of Ceded Reinsurance Basis	102,998,328

Environmental:	2004	2005	2006	2007	2008
Direct Basis					
Beginning Reserves	244,174,378	539,026,902	520,671,947	383,685,018	342,212,989
Incurred losses and LAE	349,233,682	120,351,668	36,318,717	4,463,818	5,189,420
Calendar year payments	54,381,158	138,706,623	173,305,646	45,935,847	64,111,755
Ending Reserves	539,026,902	520,671,947	383,685,018	342,212,989	283,290,654
Assumed Reinsurance Basis					
Beginning Reserves	42,440,720	53,801,704	39,710,344	36,391,866	31,009,098
Incurred losses and LAE	15,436,348	(9,282,775)	668,699	1,119,844	2,725,032
Calendar year payments	4,075,364	4,808,585	3,987,177	6,502,612	2,811,804
Ending Reserves	53,801,704	39,710,344	36,391,866	31,009,098	30,922,326
Net of Ceded Reinsurance Basis					
Beginning Reserves	195,623,142	399,775,500	323,957,500	300,082,774	275,999,659
Incurred losses and LAE	239,833,299	386,606	15,332,362	7,452,633	(10,020)
Calendar year payments	35,680,941	76,204,606	39,207,088	31,535,748	39,495,021
Ending Reserves	399,775,500	323,657,500	300,082,774	275,999,659	236,494,620

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	177,991,364
Assumed Reinsurance Basis	18,750,660
Net of Ceded Reinsurance Basis	157,866,224
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	122,731,004
Assumed Reinsurance Basis	434,854
Net of Ceded Reinsurance Basis	85,698,751

Note 33- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

NOTES TO FINANCIAL STATEMENTS

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 [X] No [ ]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] N/A [ ]

1.3 State Regulating? Massachusetts

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 [X] No [ ]

2.2 If yes, date of change: 12/10/2008

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004

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. 12/31/2004

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). 06/22/2006

3.4 By what department or departments?
Massachusetts Division of Insurance

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 [X]

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [ ] No [ ] N/A [X]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [ ] No [X]
4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [ ] No [X]
4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]

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?
Robert T. Muleski
175 Berkeley Street, Boston, MA 02116
Officer of Liberty Mutual Insurance Company

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [X] No [ ]

11.11 Name of real estate holding company: Various
11.12 Number of parcels involved: 5
11.13 Total book/adjusted carrying value: $ 537,516,356

11.2 If yes, provide explanation:
Liberty Mutual Insurance Company directly owns 100% of Liberty Real Estate Holdings, LLC and directly owns 92% of St. James/Arlington Real Estate LP

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 [X]

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

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

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 [X] 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 [X] 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 [X]

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 [X] 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 [X] 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 [X] 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 [X]

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. $ 111,044,116

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	$ 753,740,548
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	$ 2,107,986,005
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 [X] No [ ]

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
ROYAL TRUST	77 King Street West, Toronto, Ontario M5W 1P9
JP MORGAN CHASE	259 George Street, Sydney, Australia
BANK OF NEW YORK	919 Congress, Suite 500, Austin, TX 78701

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
2528	LAZARD ASSET MANAGEMENT	30 Rockefeller Plaza, New York, NY 10112
106054	MATTHEWS INTERNATIONAL CAPIT	Four Embarcadero Center, Suite 550, San Francisc
105247	BARCLAYS GLOBAL INVESTORS	45 Fremont Street, San Francisco, CA 94105
N/a	STANCORP MORTGAGE INVESTOR	1100 SW Sixth Avenue, Portland, OR 97204
N/a	LIBERTY MUTUAL INVESTMENT AD	175 Berkeley St., Boston, MA 02116

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 [X] No [ ]

GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
530158-10-4	LIBERTY ALL-STAR EQUITY FUND	12,807,494
42982#-10-0	LMIA HIGH YIELD FUND	11,027,922
		0
27.2999 TOTAL		23,835,416

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
LIBERTY ALL-STAR EQUITY F	CITIGROUP INC	351,053	09/30/2008
LIBERTY ALL-STAR EQUITY F	CAPITAL ONE FINANCIAL	248,081	09/30/2008
LIBERTY ALL-STAR EQUITY F	WAL-MART STORES INC	244,751	09/30/2008
LIBERTY ALL-STAR EQUITY F	PROCTER & GAMBLE CO	234,761	09/30/2008
LIBERTY ALL-STAR EQUITY F	SCHLUMBERGER LTD	226,821	09/30/2008
LMIA HIGH YIELD FUND	J P. MORGAN PRIME-CAPITA	712,593	12/31/2008
LMIA HIGH YIELD FUND	ALLIED WASTE NORTH AMER	307,208	12/31/2008
LMIA HIGH YIELD FUND	DRS TECHNOLOGIES INC	232,289	12/31/2008
LMIA HIGH YIELD FUND	MULTIPLAN INC	208,495	12/31/2008
LMIA HIGH YIELD FUND	VENTAS REALTY LP/CAP CR	182,745	12/31/2008

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	12,231,311,980	11,889,601,168	(341,710,812)
28.2 Preferred stocks	757,319,706	753,483,477	(3,836,229)
28.3 Totals	12,988,631,686	12,643,084,645	(345,547,041)

28.4 Describe the sources or methods utilized in determining the fair values:
IDC, Bloomberg, NAIC-SVO, Broker Quotes, 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? $ 55,059,719

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
Insurance Services Office Inc.	16,291,109
	0
	0

31.1 Amount of payments for legal expenses, if any? $ 29,375,757

GENERAL INTERROGATORIES

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

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 2,138,291

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	$ 9,913
1.65	Total incurred claims	$ 16,243
1.66	Number of covered lives	2

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 Current Year	2 Prior Year
2.1	Premium Numerator	$ 48,974	$ 75,198
2.2	Premium Denominator	$ 8,432,913,259	$ 8,956,741,384
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 4,117,907	$ 4,403,242
2.5	Reserve Denominator	$ 18,483,319,210	$ 18,953,022,721
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 [X] No [ ]

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

3.21	Participating policies	$ 3,198,912,275
3.22	Non-participating policies	$ 283,875,391

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:
In 2008, the Company purchased a Workers Compensation Catastrophe Treaty with limits of $400M part of $500M xs $700M.

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:
The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, we employ RiskLink v7.0 from RMS and AIR Clasic/2 v 8.0. For WC, Liberty Mutual utilizes RiskLink v7.0 from RMS.

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 in force $2.006B part of $2.35B xs $650M of traditional & collateralized XOL reins. and also maintained $805M of ILW triggered reins. covering peak zones, mainly through the issuance of Cat Bonds. Also, in Dec 2008 the Company purchased a 31.725% QS treaty for its US HO portfolio.

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 catastrophic loss

7.1 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 [ ]

7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 4

7.3 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]

8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [ ] No [X]

8.2 If yes, give full information

9.1 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 [X] No [ ]

9.2 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 [X] No [ ]

9.3 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.

9.4 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]

9.5 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.

9.6 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]

10. 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 [X] No [ ]

11.2 If yes, give full information
The company guarantees policies issued by Liberty Life Assurance Company of Boston and Liberty Mutual Insurance Europe, Ltd.

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	$ 1,972,529,424
12.12	Unpaid underwriting expenses (including loss adjustment expenses)	$ 401,096,904

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? $ 139,814,207

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 [X] No [ ] N/A [ ]

12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:

12.41	From	4.00
12.42	To	6.00

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 [X] No [ ]

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

12.61	Letters of Credit	$ 7,090,649,196
12.62	Collateral and other funds	$ 534,621,523

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 38,908,238

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. 10

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 and recoverables were allocated pursuant to allocation agreements.

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 [X] No [ ]

14.5 If the answer to 14.4 is no, please explain:

15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No [X]

15.2 If yes, give full information

16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]
If yes, disclose the following information for each of the following types of warranty coverage:

		1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11	Home	$	$	$	$	$
16.12	Products	$	$	$	$	$
16.13	Automobile	$	$	$	$	$
16.14	Other*	$	$	$	$	$

* Disclose type of coverage:

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 2008	2 2007	3 2006	4 2005	5 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)	8,291,530,017	9,245,077,794	9,228,935,929	8,596,074,589	8,556,639,474
2.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	3,910,844,891	3,321,961,946	2,768,196,493	2,298,660,168	2,106,544,565
3.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,478,118,345	2,270,979,670	2,220,376,327	1,849,814,156	1,684,367,521
4.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	322,142,882	308,999,249	283,321,347	226,816,610	423,297,509
5.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	231,309,561	190,444,569	122,448,204	98,408,543	126,957,992
6.	Total (Line 35)	15,233,945,696	15,337,463,228	14,623,278,300	13,069,774,066	12,897,807,061
	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)	5,371,214,386	6,114,506,014	5,048,594,237	4,646,796,895	4,383,902,397
8.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,391,535,427	1,493,593,006	1,300,377,111	1,199,538,716	1,193,878,941
9.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,308,087,389	1,597,564,173	1,298,834,358	1,012,716,155	945,591,093
10.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(120,136,762)	240,292,462	165,556,441	132,780,359	94,175,379
11.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	175,564,030	143,235,686	76,284,989	54,565,246	80,931,381
12.	Total (Line 35)	8,126,264,470	9,589,191,341	7,889,647,136	7,046,397,371	6,698,479,191
	Statement of Income (Page 4)					
13.	Net underwriting gain (loss) (Line 8)	(488,217,515)	(496,310,714)	(239,600,769)	(520,024,924)	(497,103,623)
14.	Net investment gain (loss) (Line 11)	2,149,358,826	1,250,734,655	1,638,583,474	1,092,891,029	822,517,261
15.	Total other income (Line 15)	(119,025,659)	(112,176,670)	(78,674,864)	(78,809,145)	(120,642,855)
16.	Dividends to policyholders (Line 17)	20,334,167	52,957,399	33,933,356	24,011,749	26,222,615
17.	Federal and foreign income taxes incurred (Line 19)	21,106,616	148,786,079	279,364,285	(114,095,184)	(38,311,422)
18.	Net income (Line 20)	1,500,674,869	440,503,793	1,007,010,200	584,140,395	216,859,590
	Balance Sheet Lines (Pages 2 and 3)					
19.	Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	32,549,788,186	34,829,204,572	29,920,012,089	26,011,608,289	23,956,964,668
20.	Premiums and considerations (Page 2, Col. 3)					
	20.1 In course of collection (Line 13.1)	1,071,899,224	928,137,391	703,139,102	636,279,658	609,392,140
	20.2 Deferred and not yet due (Line 13.2)	1,594,927,150	1,638,534,970	1,462,229,358	1,376,405,401	1,273,321,091
	20.3 Accrued retrospective premiums (Line 13.3)	363,694,097	387,689,632	462,717,401	468,226,952	509,941,443
21.	Total liabilities excluding protected cell business (Page 3, Line 24)	22,215,055,768	23,005,904,618	19,967,883,060	18,086,911,457	16,701,614,750
22.	Losses (Page 3, Line 1)	12,604,675,356	12,594,762,751	10,169,462,164	9,499,145,761	8,942,817,093
23.	Loss adjustment expenses (Page 3, Line 3)	2,466,475,556	2,572,655,246	2,084,590,736	1,934,981,136	1,698,423,690
24.	Unearned premiums (Page 3, Line 9)	3,320,119,872	3,678,689,493	3,114,705,894	2,792,535,119	2,682,556,143
25.	Capital paid up (Page 3, Lines 28 & 29)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
26.	Surplus as regards policyholders (Page 3, Line 35)	10,334,732,418	11,823,299,954	9,952,129,029	7,924,696,832	7,255,349,918
	Cash Flow (Page 5)					
27.	Net cash from operations (Line 11)	1,113,329,475	3,685,920,555	1,737,942,745	1,596,160,322	1,303,925,502
	Risk-Based Capital Analysis					
28.	Total adjusted capital	10,391,501,558	11,886,831,983	10,007,632,029	7,976,676,447	7,297,299,791
29.	Authorized control level risk-based capital	2,587,950,002	2,289,668,717	1,807,577,710	1,612,464,662	1,590,667,365
	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)	41.2	52.2	57.5	58.4	58.9
31.	Stocks (Lines 2.1 & 2.2)	31.0	26.2	21.3	24.5	25.4
32.	Mortgage loans on real estate (Lines 3.1 and 3.2)	2.0	1.5	1.0	0.2	
33.	Real estate (Lines 4.1, 4.2 & 4.3)	1.6	1.4	1.3	1.5	1.2
34.	Cash, cash equivalents and short-term investments (Line 5)	5.0	2.8	4.8	5.0	3.4
35.	Contract loans (Line 6)					
36.	Other invested assets (Line 7)	19.1	15.8	13.8	10.3	10.9
37.	Receivables for securities (Line 8)	0.0	0.0	0.2	0.1	0.2
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)					2
41.	Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)	575,796,109	131,322	131,322	131,322	3,797,881
42.	Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)	7,587,331,257	5,971,660,656	3,577,413,444	4,016,798,661	3,691,777,264
43.	Affiliated short-term investments (Schedule DA Verification, Col. 5, Line 10)					
44.	Affiliated mortgage loans on real estate			39,500,000	39,500,000	
45.	All other affiliated	3,714,886,153	3,397,656,837	2,525,870,295	1,533,031,957	1,595,066,199
46.	Total of above Lines 40 to 45	11,878,013,519	9,369,448,815	6,142,915,061	5,589,461,940	5,290,641,346
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)	114.9	79.2	61.7	70.5	50.9

FIVE – YEAR HISTORICAL DATA

(Continued)

	1 2008	2 2007	3 2006	4 2005	5 2004
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	(4,579,004,881)	514,906,079	106,820,347	(253,467,664)	373,180,256
49. Dividends to stockholders (Line 35)	(10,720,080)	(4,373,207)	(2,163,559)	(100,000,000)	
50. Change in surplus as regards policyholders for the year (Line 38)	(1,488,567,536)	1,871,170,925	2,027,432,197	669,346,914	1,132,255,584
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)	5,804,105,124	5,127,438,809	5,036,541,040	4,910,452,276	5,259,538,361
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,191,390,193	1,767,945,082	1,875,813,948	1,148,216,467	965,040,593
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,546,971,075	1,059,486,667	1,155,873,076	1,093,077,356	1,002,156,124
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	39,835,273	31,438,191	51,970,685	41,114,562	951,457,166
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	89,075,678	108,889,994	183,117,093	127,619,834	87,681,215
56. Total (Line 35)	9,671,377,343	8,095,198,743	8,303,315,842	7,320,480,495	8,265,873,459
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)	3,679,681,000	1,755,682,915	2,488,612,275	2,485,144,663	2,324,106,243
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	823,680,710	740,377,079	750,991,450	611,523,898	513,192,188
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,002,908,551	606,276,723	554,257,787	641,485,593	569,510,755
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	82,941,407	13,846,327	10,895,410	35,351,313	319,505,288
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	67,000,499	34,860,903	101,166,421	72,670,898	(3,815,981)
62. Total (Line 35)	5,656,212,167	3,151,043,947	3,905,923,343	3,846,176,365	3,722,498,493
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)	67.8	61.9	61.1	63.8	66.5
65. Loss expenses incurred (Line 3)	15.8	15.9	15.3	18.8	16.3
66. Other underwriting expenses incurred (Line 4)	22.2	27.8	26.8	24.9	24.9
67. Net underwriting gain (loss) (Line 8)	(5.8)	(5.5)	(3.2)	(7.5)	(7.7)
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	24.5	27.1	26.7	25.5	25.8
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	83.5	77.8	76.4	82.6	82.8
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)	78.6	81.1	79.3	88.9	92.3
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)	(252,832)	237,131	328,648	340,224	228,846
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)	(2.1)	2.4	4.1	4.7	3.7
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)	180,446	856,463	895,068	889,237	1,096,707
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)	1.8	10.8	12.3	14.5	27.4

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY

($000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported - Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1–2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	X X X	X X X	X X X	575,169	184,199	170,098	51,584	30,792	(869)	3,023	541,145	X X X
2. 1999	6,598,593	1,030,607	5,567,986	5,631,374	817,198	488,430	66,090	598,492	12,491	187,813	5,822,517	X X X
3. 2000	6,940,738	1,214,748	5,725,990	5,570,112	1,007,224	465,993	72,955	577,932	11,990	145,547	5,521,868	X X X
4. 2001	7,180,595	1,263,013	5,917,582	5,455,894	1,294,522	430,064	72,912	549,940	9,672	178,239	5,058,792	X X X
5. 2002	8,149,879	1,667,457	6,482,422	5,121,434	1,092,878	390,068	58,142	620,652	7,297	272,972	4,973,837	X X X
6. 2003	9,050,143	2,209,335	6,840,808	4,603,973	1,027,933	361,547	38,931	660,373	9,646	282,998	4,549,383	X X X
7. 2004	9,318,885	2,468,097	6,850,788	4,385,306	1,159,434	312,547	55,204	647,342	35,429	273,703	4,095,128	X X X
8. 2005	9,489,930	2,274,336	7,215,594	4,997,573	1,511,350	270,776	53,608	644,786	48,833	258,637	4,299,344	X X X
9. 2006	10,290,401	2,409,863	7,880,538	3,883,308	741,951	211,211	23,563	657,799	51,372	248,050	3,935,432	X X X
10. 2007	10,942,067	2,725,419	8,216,648	3,771,624	905,826	157,838	21,101	604,345	62,964	251,904	3,543,916	X X X
11. 2008	11,661,973	3,229,036	8,432,937	3,187,458	929,777	74,121	8,125	659,503	51,730	154,491	2,931,450	X X X
12. Totals	X X X	X X X	X X X	47,183,225	10,672,292	3,332,693	522,215	6,251,956	300,555	2,257,377	45,272,812	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR						
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior	3,607,249	1,041,425	1,725,508	1,152,075	198,181	161,694	723,041	309,770	89,392	36	31,314	3,678,371	X X X
2. 1999	267,187	70,352	87,008	62,426	5,479	1,495	22,232	7,336	8,741		2,520	249,038	X X X
3. 2000	277,767	101,253	122,134	88,556	5,604	863	26,280	11,924	9,322		3,492	238,511	X X X
4. 2001	303,810	120,047	159,713	119,565	8,278	3,845	41,107	19,996	9,825	35	6,193	259,245	X X X
5. 2002	307,628	179,831	236,926	193,152	13,922	7,658	53,363	14,817	10,437	39	10,215	226,779	X X X
6. 2003	316,667	128,610	472,174	199,948	10,943	4,438	56,645	20,205	12,548	125	15,065	515,651	X X X
7. 2004	372,489	115,134	535,629	159,844	12,368	2,750	115,625	21,989	37,856	177	14,363	774,073	X X X
8. 2005	539,523	181,660	687,413	274,104	17,043	4,014	136,281	27,224	29,847	4,971	19,347	918,134	X X X
9. 2006	721,004	161,687	980,643	307,997	26,120	3,648	252,301	43,714	64,524	749	30,507	1,526,797	X X X
10. 2007	1,035,218	204,510	1,511,931	347,626	31,265	3,752	394,566	68,658	137,570	2,247	53,128	2,483,757	X X X
11. 2008	1,732,090	360,652	2,793,849	618,457	31,952	5,947	453,512	61,199	239,783	4,161	161,335	4,200,770	X X X
12. Totals	9,480,632	2,665,161	9,312,928	3,523,750	361,155	200,104	2,274,953	606,832	649,845	12,540	347,479	15,071,12	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	3,139,257	539,114
2. 1999	7,108,943	1,037,388	6,071,555	107.734	100.658	109.044			75.900	221,417	27,621
3. 2000	7,055,144	1,294,765	5,760,379	101.648	106.587	100.601			75.900	210,092	28,419
4. 2001	6,958,631	1,640,594	5,318,037	96.909	129.895	89.868			75.900	223,911	35,334
5. 2002	6,754,430	1,553,814	5,200,616	82.878	93.185	80.226			75.900	171,571	55,208
6. 2003	6,494,870	1,429,836	5,065,034	71.765	64.718	74.041			75.900	460,283	55,368
7. 2004	6,419,162	1,549,961	4,869,201	68.883	62.800	71.075			75.900	633,140	140,933
8. 2005	7,323,242	2,105,764	5,217,478	77.169	92.588	72.308			75.900	771,172	146,962
9. 2006	6,796,910	1,334,681	5,462,229	66.051	55.384	69.313			75.900	1,231,963	294,834
10. 2007	7,644,357	1,616,684	6,027,673	69.862	59.319	73.359			75.900	1,995,013	488,744
11. 2008	9,172,268	2,040,048	7,132,220	78.651	63.178	84.576			75.900	3,546,830	653,940
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	12,604,649	2,466,477

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements, which will reconcile Part 1 with Parts 2 and 4.

SCHEDULE P – PART 2 – SUMMARY

	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End ($000 OMITTED)										DEVELOPMENT	
Years in Which Losses Were Incurred	1 1999	2 2000	3 2001	4 2002	5 2003	6 2004	7 2005	8 2006	9 2007	10 2008	11 One Year	12 Two Year
1. Prior	9,462,996	9,517,336	10,238,63	10,664,92	11,083,29	11,721,07	12,174,03	12,492,17	12,886,73	12,786,91	(99,815)	294,739
2. 1999	4,762,988	4,913,229	5,099,139	5,226,195	5,321,836	5,364,396	5,455,526	5,482,691	5,507,248	5,517,727	10,479	35,036
3. 2000	X X X	4,557,284	4,757,850	4,786,190	4,947,000	5,078,364	5,121,209	5,155,448	5,205,475	5,211,376	5,901	55,928
4. 2001	X X X	X X X	4,642,472	4,511,357	4,583,162	4,520,826	4,662,230	4,732,674	4,768,610	4,780,361	11,751	47,687
5. 2002	X X X	X X X	X X X	4,548,854	4,301,799	4,307,165	4,461,907	4,543,598	4,575,570	4,591,658	16,088	48,060
6. 2003	X X X	X X X	X X X	X X X	4,718,584	4,232,391	4,111,048	4,358,074	4,430,644	4,429,459	(1,185)	71,385
7. 2004	X X X	X X X	X X X	X X X	X X X	4,659,338	4,343,094	4,229,408	4,262,295	4,268,744	6,449	39,336
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	5,060,564	4,806,374	4,706,321	4,658,174	(48,147)	(148,200)
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	5,121,468	4,927,451	4,857,943	(69,508)	(263,525)
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	5,505,638	5,420,793	(84,845)	X X X
11. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	6,380,050	X X X	X X X
									12. Totals		(252,832)	180,446

SCHEDULE P – PART 3 – SUMMARY

	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End ($000 OMITTED)										11	12
Years in Which Losses Were Incurred	1 1999	2 2000	3 2001	4 2002	5 2003	6 2004	7 2005	8 2006	9 2007	10 2008	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
1. Prior	000	2,051,362	3,410,973	4,620,346	5,482,933	6,317,503	6,980,106	7,552,600	8,129,948	8,639,433	X X X	X X X
2. 1999	1,932,296	3,068,302	3,781,662	4,287,467	4,629,955	4,872,068	5,019,514	5,115,356	5,171,595	5,236,516	X X X	X X X
3. 2000	X X X	2,031,404	3,166,968	3,758,512	4,170,205	4,547,914	4,703,150	4,814,921	4,894,110	4,955,925	X X X	X X X
4. 2001	X X X	X X X	2,091,661	3,151,124	3,685,004	4,002,324	4,235,289	4,358,017	4,453,836	4,518,524	X X X	X X X
5. 2002	X X X	X X X	X X X	1,963,504	3,009,005	3,616,502	3,916,133	4,168,285	4,281,406	4,360,482	X X X	X X X
6. 2003	X X X	X X X	X X X	X X X	1,806,776	2,744,029	3,198,812	3,531,541	3,759,116	3,898,654	X X X	X X X
7. 2004	X X X	X X X	X X X	X X X	X X X	1,633,376	2,509,578	2,920,634	3,256,906	3,483,215	X X X	X X X
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	1,872,142	2,870,058	3,366,925	3,703,391	X X X	X X X
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,822,879	2,782,707	3,329,005	X X X	X X X
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,882,548	3,002,535	X X X	X X X
11. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	2,323,676	X X X	X X X

SCHEDULE P – PART 4 – SUMMARY

	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End ($000 OMITTED)									
Years in Which Losses Were Incurred	1 1999	2 2000	3 2001	4 2002	5 2003	6 2004	7 2005	8 2006	9 2007	10 2008
1. Prior	3,146,985	2,396,796	1,814,202	1,278,772	1,069,179	936,376	1,160,136	1,232,346	1,325,701	1,060,848
2. 1999	1,535,569	724,060	356,171	214,182	124,746	98,401	89,332	66,083	70,746	56,927
3. 2000	X X X	1,244,346	467,987	197,058	133,195	109,143	79,846	64,662	77,807	55,282
4. 2001	X X X	X X X	1,284,623	513,137	302,340	146,539	123,422	99,667	91,501	62,210
5. 2002	X X X	X X X	X X X	1,347,980	520,699	222,987	168,969	134,608	123,034	83,876
6. 2003	X X X	X X X	X X X	X X X	1,950,654	791,490	351,478	417,771	391,242	321,248
7. 2004	X X X	X X X	X X X	X X X	X X X	2,114,722	1,186,028	787,359	608,344	501,766
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	2,270,437	1,229,166	802,693	570,661
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	2,388,130	1,373,022	930,832
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	2,494,151	1,546,840
11. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	2,651,057

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

	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						
States, Etc.	Active Status	Direct Premiums Written	Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama AL	L	39,764,769	37,911,491	15,137	45,276,363	25,527,004	67,607,379	2,445	
2. Alaska AK	L	7,379,445	6,774,508	21	2,317,182	1,845,927	6,674,599	8	
3. Arizona AZ	L	46,295,940	46,279,881	(21)	25,823,194	24,448,373	37,096,965	13,736	
4. Arkansas AR	L	9,635,378	9,353,922	385	6,646,891	4,870,012	19,527,753	347	
5. California CA	L	330,595,774	341,298,724	(12,805)	228,740,570	219,422,339	268,219,194	81,157	
6. Colorado CO	L	43,879,363	44,076,667	230	22,033,670	22,118,333	38,132,220	8,410	
7. Connecticut CT	L	37,509,584	38,222,871	10,036	29,277,614	14,312,050	91,859,385	71,326	
8. Delaware DE	L	11,647,234	11,290,880	360	7,226,131	3,642,524	24,455,168	4,887	
9. District of Columbia DC	L	27,415,557	27,039,437	(112)	17,607,398	14,025,878	26,368,464	954	
10. Florida FL	L	236,154,518	224,264,315	216,121	150,780,749	120,858,899	266,045,313	215,695	
11. Georgia GA	L	85,033,188	86,208,782	56,987	57,571,576	48,808,104	64,492,840	9,408	
12. Hawaii HI	L	15,943,052	15,536,232	(89)	5,730,399	6,805,049	8,922,401	7,235	
13. Idaho ID	L	6,575,110	6,368,443	4	5,226,789	3,389,938	5,760,185	1,388	
14. Illinois IL	L	91,264,635	92,964,873	7,224	64,174,042	56,866,251	180,479,007	22,998	
15. Indiana IN	L	32,633,988	32,552,035	27	31,397,175	30,112,278	34,792,873	7,941	
16. Iowa IA	L	14,524,499	14,101,563	(527)	6,721,688	4,046,845	13,601,724	1,958	
17. Kansas KS	L	11,707,662	11,466,482	17	17,841,946	5,640,910	35,235,754	1,341	
18. Kentucky KY	L	12,189,751	12,830,844	2,967	21,007,492	4,277,952	96,080,105	7,745	
19. Louisiana LA	L	61,713,795	62,203,839	8,199	38,322,910	(9,792,006)	68,789,980	8,369	
20. Maine ME	L	7,553,865	7,322,139	12	3,809,124	2,313,484	28,700,433	10,096	
21. Maryland MD	L	39,049,761	38,884,138	(1,197)	23,900,613	25,310,301	69,239,532	15,610	
22. Massachusetts MA	L	407,339,172	405,674,422	22,998	270,097,191	249,130,993	427,823,149	6,924,354	
23. Michigan MI	L	53,366,952	49,630,004	3,495	31,560,178	21,874,541	96,108,048	7,133	
24. Minnesota MN	L	22,553,713	23,191,384	(85)	12,670,190	15,498,905	69,325,213	13,067	
25. Mississippi MS	L	13,518,579	15,337,349	1,880	9,660,356	4,773,453	47,661,865	414	
26. Missouri MO	L	24,681,489	24,077,031	(1,760)	14,527,434	12,449,683	42,649,256	7,887	
27. Montana MT	L	13,436,463	12,746,679	(713)	6,918,600	6,367,942	6,944,096	308	
28. Nebraska NE	L	7,136,296	7,658,275	12	5,474,951	2,400,070	19,518,060	1,686	
29. Nevada NV	L	28,474,823	30,154,536		11,961,372	14,646,490	15,425,581	6,168	
30. New Hampshire NH	L	11,906,421	11,950,936	19,226	12,018,440	4,389,499	49,859,908	34,405	
31. New Jersey NJ	L	117,429,658	120,328,601	418	117,839,647	78,958,268	349,512,803	173,025	
32. New Mexico NM	L	18,884,659	19,796,819	58	9,383,578	10,540,360	15,425,250	1,844	
33. New York NY	L	399,854,650	373,271,220	(175,732)	238,918,049	169,519,368	630,017,289	333,970	
34. North Carolina NC	L	141,370,675	137,299,207	7,321	80,032,734	75,896,633	116,455,384	673,014	
35. North Dakota ND	L	5,225,737	5,048,785		2,075,402	2,240,202	2,504,761	44	
36. Ohio OH	L	68,518,622	67,902,653		37,568,187	24,181,805	79,552,007	21,592	
37. Oklahoma OK	L	21,768,726	22,665,673	16	15,244,846	10,901,943	44,753,400	3,006	
38. Oregon OR	L	22,638,682	22,682,448	91	10,958,383	11,202,511	20,135,223	6,447	
39. Pennsylvania PA	L	105,419,496	103,196,229	8,645	59,404,437	43,787,206	259,656,871	58,812	
40. Rhode Island RI	L	10,944,169	10,673,694		12,333,199	11,689,748	31,705,383	8,017	
41. South Carolina SC	L	28,514,398	28,042,596	12,077	14,220,739	14,469,267	40,731,349	4,101	
42. South Dakota SD	L	6,371,456	6,075,275	3	1,915,655	2,365,381	3,321,269	136	
43. Tennessee TN	L	64,346,994	63,968,163	13,617	37,033,309	32,732,321	91,986,053	8,379	
44. Texas TX	L	246,643,856	241,170,555	969,294	186,327,013	374,057,996	572,181,234	28,552	
45. Utah UT	L	15,367,234	14,752,596	8	7,944,765	9,646,938	13,406,960	2,500	
46. Vermont VT	L	3,547,003	3,730,919	82,851	2,471,254	2,396,790	19,793,331	3,114	
47. Virginia VA	L	54,944,667	54,683,335	(16,783)	28,557,278	16,861,110	81,327,811	18,251	
48. Washington WA	L	38,043,033	37,800,258		21,908,751	19,759,460	18,728,924	9,454	
49. West Virginia WV	L	4,393,737	5,326,037	15,112	3,193,094	(4,810,018)	13,481,069	1,654	
50. Wisconsin WI	L	30,225,296	33,238,754	3,335	22,740,867	15,897,152	81,693,309	12,301	
51. Wyoming WY	L	9,309,974	8,747,504		3,522,428	6,214,810	7,057,131	80	
52. American Samoa AS	N								
53. Guam GU	N	837	1,654			(4,769)	17,027		
54. Puerto Rico PR	L	14,199,709	12,494,941		15,947,800	8,017,867	19,673,699		
55. U.S. Virgin Islands VI	L	400,192	247,750		91,750	1,147,258	759,527		
56. Northern Mariana Islands MP	N								
57. Canada CN	L	154,595,629	145,957,137		109,213,154	40,255,808	212,764,968		
58. Aggregate Other Alien OT	X X X	148,947,801	134,980,147		38,731,148	41,650,497	300,400,451		
59. Totals	(a) 53	3,482,787,666	3,421,455,632	1,268,360	2,263,899,695	1,979,957,933	5,254,438,933	8,856,769	

DETAILS OF WRITE-INS									
5801. Other alien	X X X	148,947,801	134,980,147		38,731,148	41,650,497	300,400,451		
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	148,947,801	134,980,147		38,731,148	41,650,497	300,400,451		

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 Court - Surety

*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage *Address of Assured - Other Accident and Health

*Principal Location of business or location of coverage - Liability other than Auto, Fidelity *Location of Properties covered - Burglary and Theft

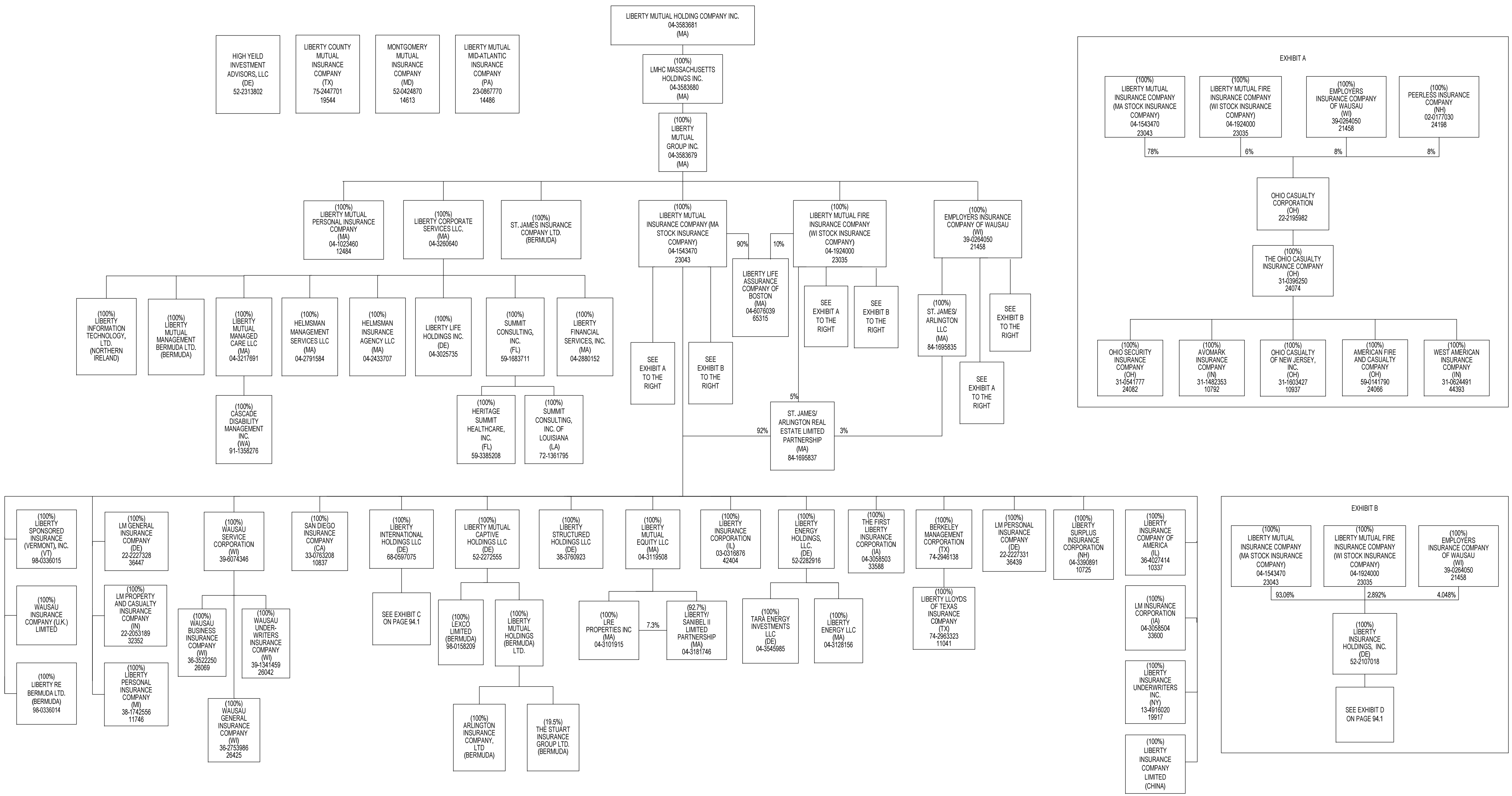
*Point of origin of shipment or principal location of assured - Inland Marine *Principal Location of Assured - Ocean Marine, Credit

*State in which employees regularly work - Group Accident and Health *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



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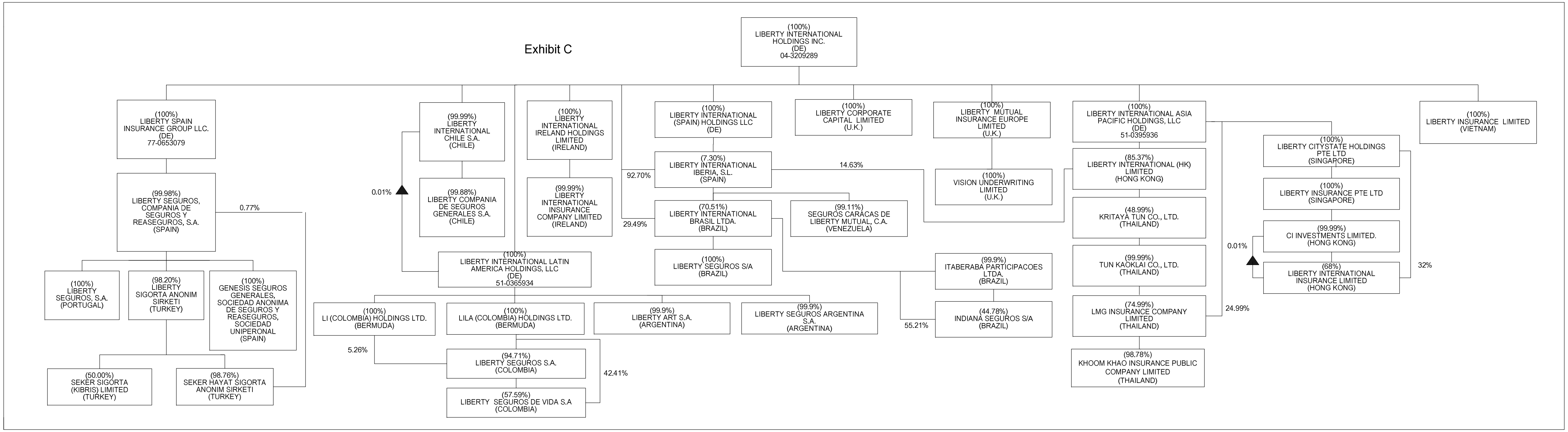

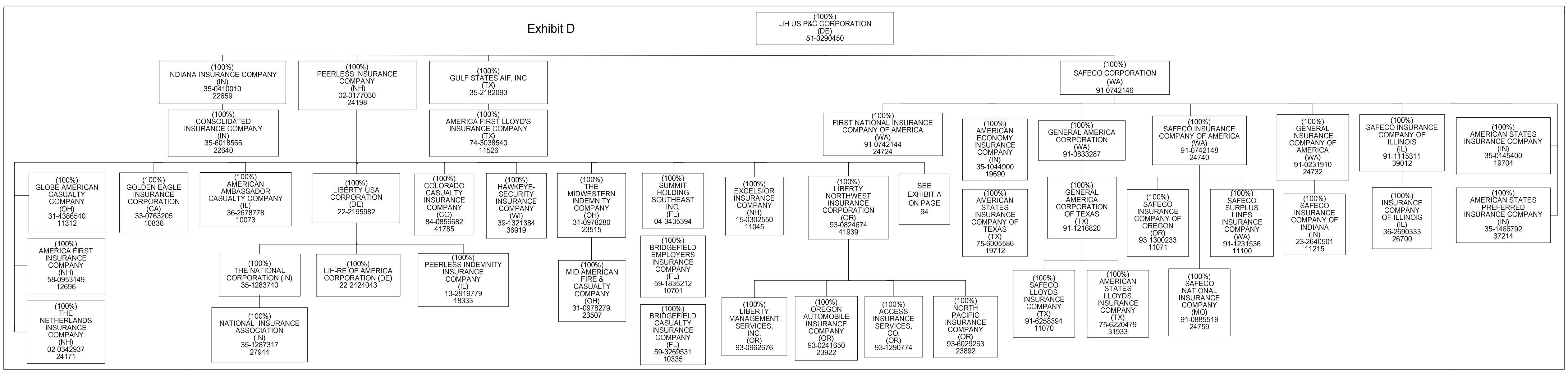

OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR OTHER THAN INVESTED ASSETS				
2304. Amounts receivable under high deductible policies	176,286,156	11,136,669	165,149,487	173,749,550
2305.				
2306.				
2307.				
2308.				
2309.				
2310.				
2311.				
2312.				
2313.				
2314.				
2315.				
2316.				
2317.				
2318.				
2319.				
2320.				
2321.				
2322.				
2323.				
2324.				
2325.				
2397. Totals (Lines 2304 through 2325) (Page 2, Line 2398)	176,286,156	11,136,669	165,149,487	173,749,550

OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
	REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES		
2304.	Deposit liability	81,108,468	141,620,989
2305.	Collateral held for securities loaned	110,828,705	115,599,369
2306.	Swap Payable (Schedule DB - Part 4)	5,108,472	
2307.			
2308.			
2309.			
2310.			
2311.			
2312.			
2313.			
2314.			
2315.			
2316.			
2317.			
2318.			
2319.			
2320.			
2321.			
2322.			
2323.			
2324.			
2325.			
2397.	Totals (Lines 2304 through 2325) (Page 3, Line 2398)	197,045,645	257,220,358

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT