

ANNUAL STATEMENT

OF THE

LIBERTY COUNTY MUTUAL

INSURANCE COMPANY

of **IRVING**

in the state of **TEXAS**

TO THE

Insurance Department

OF THE

STATE OF TEXAS

FOR THE YEAR ENDED

December 31, 2007

PROPERTY AND CASUALTY

2007



19544200720100100

ANNUAL STATEMENT

For the Year Ended December 31, 2007

OF THE CONDITION AND AFFAIRS OF THE

Liberty County Mutual Insurance Company

NAIC Group Code 0111 0111 NAIC Company Code 19544 Employer's ID Number 75-2447701
(Current Period) (Prior Period)

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

Country of Domicile United States of America

Incorporated/Organized: October 25, 1945 Commenced Business: October 25, 1945

Statutory Home Office: 2100 Walnut Hill Lane Irving, TX 75038
(Street and Number) (City, State and Zip Code)

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

Mail Address: 175 Berkeley Street Boston, MA 02116
(Street and Number) (City, State and Zip Code)

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

Internet Website Address: www.LibertyMutual.com

Statutory Statement Contact: Joanne Connolly 617-357-9500 44393
(Name) (Area Code)(Telephone Number)(Extension)
Joanne.Connolly@LibertyMutual.com 617-574-5955
(E-Mail Address) (Fax Number)

OFFICERS

	Name	Title
1.	<u>Michael Joseph Reid</u>	<u>President</u>
2.	<u>Dexter Robert Legg</u>	<u>Secretary</u>
3.	<u>Laurance Henry Soyer Yahia</u>	<u>Treasurer</u>

Vice-Presidents

Name	Title	Name	Title
<u>Margaret Dillon</u>	<u>Chief Financial Officer</u>	<u>Gary Jay Ostrow</u>	<u>Vice President</u>

DIRECTORS OR TRUSTEES

<u>Patrick Timothy Hedrick</u>	<u>Karen Elizabeth McCague</u>	<u>Larry William Pittman</u>	<u>Michael Joseph Reid</u>
<u>Peter James Kelly #</u>			

State of Texas
 County of Dallas 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) <u>Michael Joseph Reid</u> (Printed Name) 1. President (Title)	_____ (Signature) <u>Dexter Robert Legg</u> (Printed Name) 2. Secretary (Title)	_____ (Signature) <u>Laurance Henry Soyer Yahia</u> (Printed Name) 3. Treasurer (Title)
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Subscribed and sworn to before me this
22nd day of January, 2008

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

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	12,080,617		12,080,617	13,822,364
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 0, Schedule E-Part 1), cash equivalents (\$ 0 Schedule E-Part 2) and short-term investments (\$ 674,589, Schedule DA)	674,589		674,589	39,215
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities				530
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	12,755,206		12,755,206	13,862,109
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	75,406		75,406	102,113
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	109,289		109,289	165,810
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	19,528		19,528	78,313
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset	378,000	378,000		
17. Guaranty funds receivable or on deposit				108,509
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0)				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	6,450		6,450	12,210
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets				
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	13,343,879	378,000	12,965,879	14,329,064
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	13,343,879	378,000	12,965,879	14,329,064

DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)				
2301.				
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)				

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)		
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)		
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)		
4. Commissions payable, contingent commissions and other similar charges	(1,916)	
5. Other expenses (excluding taxes, licenses and fees)		
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		(2,883)
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	150,631	311,711
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 77,873,123 and including warranty reserves of \$ 0)		
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	104,289	162,356
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others		119,082
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates		1,599,579
20. Payable for securities		
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	19,528	78,313
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	272,532	2,268,158
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	272,532	2,268,158
27. Aggregate write-ins for special surplus funds		
28. Common capital stock		
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes	10,000,000	10,000,000
32. Gross paid in and contributed surplus		
33. Unassigned funds (surplus)	2,693,347	2,060,906
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)	12,693,347	12,060,906
36. TOTALS (Page 2, Line 26, Col. 3)	12,965,879	14,329,064

DETAILS OF WRITE-INS		
2301. Other liabilities	19,528	78,313
2302.		
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	19,528	78,313
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

STATEMENT OF INCOME	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 34, Column 4)		
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)		
3. Loss expenses incurred (Part 3, Line 25, Column 1)		
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	(98,745)	(385,933)
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	(98,745)	(385,933)
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	98,745	385,933
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	493,051	528,850
10. Net realized capital gains (losses) less capital gains tax of \$ (2,424) (Exhibit of Capital Gains (Losses))	(4,502)	
11. Net investment gain (loss) (Lines 9 + 10)	488,549	528,850
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 24,606 amount charged off \$ 24,606)		
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income	(108,509)	54,254
15. Total other income (Lines 12 through 14)	(108,509)	54,254
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	478,785	969,037
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	478,785	969,037
19. Federal and foreign income taxes incurred	(153,656)	140,589
20. Net income (Line 18 minus Line 19) (to Line 22)	632,441	828,448
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	12,060,906	11,232,458
22. Net income (from Line 20)	632,441	828,448
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0		
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(319,000)	(202,000)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	319,000	202,000
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus		
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	632,441	828,448
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	12,693,347	12,060,906

DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. Totals (Lines 0501 through 0503 plus Line 0598) (Line 5 above)		
1401. Other income/(expense)	(108,509)	54,254
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus Line 1498) (Line 14 above)	(108,509)	54,254
3701.		
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus Line 3798) (Line 37 above)		

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	(1,546)	(452,283)
2. Net investment income	507,712	501,042
3. Miscellaneous income	(227,591)	152,564
4. Total (Lines 1 through 3)	278,575	201,323
5. Benefit and loss related payments	(58,785)	(614,001)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	(99,712)	(91,374)
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	5,000	5,000
10. Total (Lines 5 through 9)	(153,497)	(700,375)
11. Net cash from operations (Line 4 minus Line 10)	432,072	901,698
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	1,746,867	1,100,615
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	530	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,747,397	1,100,615
13. Cost of investments acquired (long-term only):		
13.1 Bonds		983,750
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)		983,750
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	1,747,397	116,865
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(1,544,095)	(1,447,220)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(1,544,095)	(1,447,220)
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)	635,374	(428,657)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	39,215	467,872
19.2 End of year (Line 18 plus Line 19.1)	674,589	39,215

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

20.0001.		
20.0002.		
20.0003.		

NONE Underwriting and Investment Exhibit - Part 1

NONE Underwriting and Investment Exhibit - Part 1A

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 1B - PREMIUMS WRITTEN**

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire						
2. Allied lines						
3. Farmowners multiple peril						
4. Homeowners multiple peril						
5. Commercial multiple peril						
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine						
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake						
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation						
17.1 Other liability - occurrence						
17.2 Other liability - claims-made						
18.1 Products liability - occurrence						
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability	82,613,849			81,712,246	901,603	
19.3, 19.4 Commercial auto liability	98,561			98,561		
21. Auto physical damage	68,797,910			67,983,773	814,137	
22. Aircraft (all perils)						
23. Fidelity						
24. Surety						
26. Burglary and theft						
27. Boiler and machinery						
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X					
31. Reinsurance-Nonproportional Assumed Liability	X X X					
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	151,510,320			149,794,580	1,715,740	

DETAILS OF WRITE-INS						
3301.						
3302.						
3303.						
3398. Summary of remaining write-ins for Line 33 from overflow page						
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)						

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [] No [X]
 If yes: 1. The amount of such installment premiums \$ 0
 2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 0

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire									
2. Allied lines									
3. Farmowners multiple peril									
4. Homeowners multiple peril									
5. Commercial multiple peril									
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine									
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims - made									
12. Earthquake									
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health									
16. Workers' compensation									
17.1 Other liability - occurrence									
17.2 Other liability - claims - made									
18.1 Products liability - occurrence									
18.2 Products liability - claims - made									
19.1, 19.2 Private passenger auto liability	21,159,216		21,159,216		12,049,445		12,049,445		
19.3, 19.4 Commercial auto liability	3,078,935		3,078,935		1,618,003		1,618,003		
21. Auto physical damage	70,980		70,980		409,366		409,366		
22. Aircraft (all perils)									
23. Fidelity									
24. Surety									
26. Burglary and theft									
27. Boiler and machinery									
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	24,309,131		24,309,131		14,076,814		14,076,814		

DETAILS OF WRITE-INS									
3301.									
3302.									
3303.									
3398. Summary of remaining write-ins for Line 33 from overflow page									
3399. Totals (Lines 3301 through 3303 + 3398) (Line 33 above)									

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

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - EXPENSES**

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	5,682,597			5,682,597
1.2 Reinsurance assumed				
1.3 Reinsurance ceded	5,682,597			5,682,597
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)				
2. Commission and brokerage:				
2.1 Direct, excluding contingent		2,604,300		2,604,300
2.2 Reinsurance assumed, excluding contingent				
2.3 Reinsurance ceded, excluding contingent		2,705,768		2,705,768
2.4 Contingent-direct		16,743		16,743
2.5 Contingent-reinsurance assumed				
2.6 Contingent-reinsurance ceded		16,743		16,743
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)		(101,468)		(101,468)
3. Allowances to manager and agents				
4. Advertising			21	21
5. Boards, bureaus and associations				
6. Surveys and underwriting reports			4	4
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries			3,260	3,260
8.2 Payroll taxes			153	153
9. Employee relations and welfare			199	199
10. Insurance			31	31
11. Directors' fees				
12. Travel and travel items			54	54
13. Rent and rent items			46	46
14. Equipment			58	58
15. Cost or depreciation of EDP equipment and software			17	17
16. Printing and stationery			8	8
17. Postage, telephone and telegraph, exchange and express			16	16
18. Legal and auditing			436	436
19. Totals (Lines 3 to 18)			4,303	4,303
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0		2,883		2,883
20.2 Insurance department licenses and fees				
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)				
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		2,883		2,883
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses		(160)	304	144
25. Total expenses incurred		(98,745)	4,607	(a) (94,138)
26. Less unpaid expenses-current year		(1,916)		(1,916)
27. Add unpaid expenses-prior year		(2,883)		(2,883)
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)		(99,712)	4,607	(95,105)

DETAILS OF WRITE-INS				
2401. Other expenses		(160)	304	144
2402.				
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)		(160)	304	144

(a) Includes management fees of \$ 4,607 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 500,411	473,153
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a)	
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 24,519	25,069
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	(564)	(564)
10. Total gross investment income	524,366	497,658
11. Investment expenses		(g) 4,607
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		4,607
17. Net investment income (Line 10 minus Line 16)		493,051
DETAILS OF WRITE-INS		
0901. Miscellaneous Income/(Expense)	(564)	(564)
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	(564)	(564)
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 \$ 13,050 accrual of discount less \$ 1,004 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 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	(6,926)		(6,926)		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)					
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	(6,926)		(6,926)		

DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)					

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection			
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums			
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	378,000	697,000	319,000
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets			
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	378,000	697,000	319,000
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	378,000	697,000	319,000

DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301.			
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)			

NOTES TO FINANCIAL STATEMENTS

Note 1- Summary of Significant Accounting Policies

A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the Texas Insurance Commissioner, the accompanying financial statements of Liberty County 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 Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
3. The Company does not own common stocks.
4. The Company does not own preferred stocks.
5. The Company does not own mortgage loans.
6. Mortgage backed/asset backed securities are stated at amortized cost or market based on guidance in the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual). Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company does not own any subsidiaries, controlled, or affiliated entities.
8. The Company does not own any joint ventures, partnerships, or limited liability companies.
9. Derivative Securities, refer to Note 8.
10. Refer to Note 29.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2007.
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.

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

B. Statutory Mergers

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

C. Impairment Loss

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, Including Mezzanine Real Estate Loans

The Company has no mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

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

E. Repurchase Agreements

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

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

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

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

Not applicable

Note 7- Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2007.

Note 8- Derivative Instruments

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

Note 9 - Income Taxes

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

	December 31, 2007	December 31, 2006	Change
Total of gross deferred tax assets	912,000	897,000	15,000
Total of deferred tax liabilities	(534,000)	(200,000)	(334,000)
Net deferred tax asset	378,000	697,000	(319,000)
Net deferred tax asset non-admitted	(378,000)	(697,000)	319,000
Net admitted deferred tax asset	0	0	0

B. The Company does not have any deferred tax liabilities described in SSAP No. 10, Income Taxes, paragraph 6d.

NOTES TO FINANCIAL STATEMENTS

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

	2007	2006
Federal tax on operations	(153,656)	140,589
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	(153,656)	140,589
Tax on capital gains	(2,424)	0
Total income tax incurred	(156,080)	140,589

The Company's deferred tax assets and liabilities result primarily from net operating loss carryforwards and tax credit carryforwards.

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

	2007
Change in net deferred income tax (without unrealized gain or loss)	(319,000)
Tax effect of unrealized (gains) losses	0
Total change in net deferred income tax	(319,000)

D. Effective tax rates approximate the current statutory rate of 35%.

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

The amount of net losses carried forward and available to offset future net income subject to Federal income taxes are as follows:

	Amount	Expiration
NOL generated in 2002	1,004,176	2022

The Company has a minimum tax credit of \$18,000 which does not expire.

F. The Company does not join in the filing of a consolidated Federal income tax return.

Note 10- Information concerning Parent, Subsidiaries and Affiliates

A. The Company is organized as a County Mutual under Chapter 17 of the Texas Insurance Code. As of December 2, 2002, the Company is managed and controlled pursuant to the terms of a management agreement with Berkeley Management Corporation, a Texas Corporation. All of the outstanding shares of capital stock of Berkeley Management Corporation are held by Liberty Mutual Insurance Company ("LMIC"). The ultimate parent of LMIC is Liberty Mutual Holding Company, Inc., a Massachusetts company.

B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.

C. There have been no material transactions with the company's affiliates during 2007.

D. At December 31, 2007, the Company reported \$6,450 due from affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.

E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.

F. There is a "Management Contract" between the Company and Berkeley Management Corporation under which Berkeley Management Corporation is responsible for management of all of the business and affairs of the Company, including policy solicitation, policy issuance, premium collection, record maintenance, underwriting and claims handling. The Company has an investment management agreement with LMIC.

See Note 25 for the Inter-Company reinsurance agreement.

G. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.

H. The Company does not own shares of an upstream company, either directly or indirectly.

I. The Company does not own investments in subsidiary, controlled or affiliated companies.

J. Impairment of subsidiaries

Refer to 10 I

K. Investment in foreign insurance subsidiaries.

Refer to 10 I

L. Investment in downstream noninsurance holding companies.

Refer to 10 I

NOTES TO FINANCIAL STATEMENTS

Note 11- Debt

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

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

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

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

- 1. Common Stock
Not applicable
- 2. Preferred Stock
Not applicable
- 3. Stockholder Dividend Restrictions
Not applicable
- 4. Portion of the Company's profits that may be paid as ordinary dividends to stockholders
Not applicable
- 5. The Company does not have restricted unassigned surplus.
- 6. The Company had no advances to surplus.
- 7. The Company did not hold stock for special purposes.
- 8. The Company does not hold special surplus funds.
- 9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$0.
- 10. Surplus Notes

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Date Issued	Interest Rate	Amount of Note(s)	Carrying Value	Interest Paid Current Year	Total Interest Paid	Unapproved Interest	Date of Maturity
Dec. 2, 2002	10.00%	\$10,000,000	\$10,000,000	\$0	\$0	\$0	1/3/2046
Total		\$10,000,000	\$10,000,000	\$0	\$0	\$0	

On December 2, 2002, Berkeley Management Corporation, a wholly owned subsidiary of LMIC, loaned the Company \$10,000,000 in exchange for a \$10,000,000 Surplus Debenture. This Debenture represents a loan to the Company for the purposes of conducting business and to further enable the Company to comply with the surplus requirements of the Texas Insurance Code. The principal and interest of this Debenture is payable only out of policyholder surplus in excess of a \$2,000,000 minimum surplus floor. Interest computed on the unpaid principal balance is payable in quarterly installments, as it accrues at an annual rate of 10% on the first day of each calendar quarter commencing January 1, 2003. The principal of this Debenture is due and payable on demand. If no demand is made and an extension is not granted by Berkeley Management Corporation, all unpaid principal and accrued interest is due on or before January 3, 2046.

- 11. Quasi re-organization (dollar impact)
Not applicable
- 12. Quasi re-organization (effective date)
Not applicable
- 13. The Company did not pay a dividend to its parent during 2007.

Note 14- Contingencies

- A. Contingent Commitments

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

NOTES TO FINANCIAL STATEMENTS

B. Assessments

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

As a result of an Inter-Company 100% Quota Share Reinsurance Agreement (see Note 25), all guaranty fund and other assessments liabilities are ceded to Liberty Mutual Insurance Company.

C. Gain Contingencies

Not applicable

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

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

E. All other Contingencies

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

Note 15- Leases

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

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

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

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

A. Transfers of Receivables reported as sales:

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

B. Transfers and servicing of financial assets:

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

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

<u>Name and Address</u>	<u>FEI Number</u>	<u>Exclusive Contract</u>	<u>Type of Business Written</u>	<u>Type of Authority Granted</u>	<u>Direct Written Premium</u>
Met P&C Managing General Agency, Inc. 101 East Park Blvd Ste 901 Plano, Texas 75074	75-2640779	Yes	P&C	All	\$1,715,740

NOTES TO FINANCIAL STATEMENTS

Note 20- Other Items

- A. The Company has no extraordinary items to report
- B. Troubled Debt Restructuring for Debtors
Not applicable
- C. Other Disclosures
Not applicable
- D. As a result of the Inter-Company 100% Quota Share Reinsurance Agreements (see Note 25), the Company has no exposure to uncollectible premium receivable balances.
- E. Business Interruption Insurance Recoveries
The Company does not purchase Business Interruption coverage.
- F. State Transferable Tax Credits
The Company does not hold state transferable tax credits.
- G. Hybrid Securities
The Company does not hold hybrid securities.
- H. Sub-Prime Lending
- I. The Company does not have deposits admitted under section 6603 of the Internal Revenue Services Code.
- J. The Company does not have exposure to sub-prime mortgage related risk.

Note 21- Events Subsequent

There were no events subsequent to December 31, 2007 that would require disclosure.

Note 22- Reinsurance

- A. Excluding amounts arising pursuant to the inter-company 100% Quota Share Reinsurance Agreement, as described in Note 25, the unsecured reinsurance recoverables with an individual reinsurer that exceed 3% of policyholders surplus are listed below.

<u>Reinsurer</u>	<u>Naic No.</u>	<u>Federal ID No.</u>	<u>Recoverable Amount</u>
Metropolitan Property and Casualty	26298	13-2725441	\$1,017,022

- 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 reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2007.

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net Reinsurance</u>	
	<u>UEP</u>	<u>Commission Equity</u>	<u>UEP</u>	<u>Commission Equity</u>	<u>UEP</u>	<u>Commission Equity</u>
Affiliates	0	0	\$77,467,512	0	(\$77,467,512)	0
All Other	0	0	\$405,612	\$37,310	(\$405,612)	(\$37,310)
Total	0	0	\$77,873,124	\$37,310	(\$77,873,124)	(\$37,310)

Direct Unearned Premium Reserve: \$77,873,124

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

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

- D. The Company has not written off any uncollectible balances in the current year.
- E. The Company has not recorded any commutations in the current year.
- F. The Company has no retroactive reinsurance.
- G. There are no contracts recorded as deposit accounting.

Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

As a result of the Inter-Company 100% Quota Share Reinsurance Agreement (see Note 25). The Company does not have net accrued retrospective premiums.

NOTES TO FINANCIAL STATEMENTS

Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses

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

Note 25- Intercompany Pooling Arrangements

The Company participates in a 100% Quota Share Reinsurance Agreement with affiliates, LMIC, the lead company in the Liberty Mutual Inter-Company Reinsurance Agreement and Peerless Insurance Company, the lead company in the PIC Inter-Company Reinsurance Agreement. Pursuant to the Agreements, after external reinsurance, the Company cedes its net underwriting activity to the appropriate lead company.

Note 26- Structured Settlements

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

Note 27 - Health Care Receivables

Not applicable

Note 28 - Participating Policies

Not applicable

Note 29 – Premium Deficiency Reserves

As of December 31, 2007, the Company had no liabilities related to premium deficiency reserves. The Company considers anticipated investment income when calculating its premium deficiency reserves.

Note 30- High Dollar Deductible Policies

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

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

Not applicable

Note 32 - Asbestos/Environmental Reserves

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

Note 33- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 34 - Multiple Peril Crop Insurance

Not applicable

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	10,493,682	82.270	10,493,682	82.270
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	1,586,935	12.441	1,586,935	12.441
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA				
1.512 Issued or guaranteed by FNMA and FHLMC				
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)				
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	674,589	5.289	674,589	5.289
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities				
8. Cash, cash equivalents and short-term investments				
9. Other invested assets				
10. Total invested assets	12,755,206	100.000	12,755,206	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] N/A []
- 1.3 State Regulating? TEXAS
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change: _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2002
- 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. 12/31/2002
- 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). 02/14/2004
- 3.4 By what department or departments? Texas Department of Insurance

- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No [X]
- 4.12 renewals? Yes [] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No [X]
- 4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]
- 6.2 If yes, give full information _____
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control 0%
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

- 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.
- _____
- _____
- _____

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 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? Roy K. Morell
 175 Berkeley Street, Boston, MA 02117
 Office 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 [] No [X]
- | | | | |
|---|-------|---|----|
| 11.11 Name of real estate holding company | _____ | 0 | |
| 11.12 Number of parcels involved | _____ | 0 | |
| 11.13 Total book/adjusted carrying value | _____ | 0 | \$ |

11.2 If yes, provide explanation

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? Yes [X] No []

- 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.

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

13.2 Has the code of ethics for senior managers been amended? Yes [] No [X]

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

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	

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	

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 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 | | \$ <u>0</u> |
| 19.22 Borrowed from others | | \$ <u>0</u> |
| 19.23 Leased from others | | \$ <u>0</u> |
| 19.24 Other | | \$ <u>0</u> |
- 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 | | \$ <u>0</u> |
| 20.22 Amount paid as expenses | | \$ <u>0</u> |
| 20.23 Other amounts paid | | \$ <u>0</u> |
- 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: \$ 0

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, except as shown by Schedule E - Part 3 - Special Deposits? Yes [X] No []
- 22.2 If no, give full and complete information, relating thereto
- 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). Yes [] No [X]
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- | | | |
|--|--|-------------|
| 23.21 Loaned to others | | \$ <u>0</u> |
| 23.22 Subject to repurchase agreements | | \$ <u>0</u> |
| 23.23 Subject to reverse repurchase agreements | | \$ <u>0</u> |
| 23.24 Subject to dollar repurchase agreements | | \$ <u>0</u> |
| 23.25 Subject to reverse dollar repurchase agreements | | \$ <u>0</u> |
| 23.26 Pledged as collateral | | \$ <u>0</u> |
| 23.27 Placed under option agreements | | \$ <u>0</u> |
| 23.28 Letter stock or securities restricted as to sale | | \$ <u>0</u> |
| 23.29 On deposit with state or other regulatory body | | \$ <u>0</u> |
| 23.291 Other | | \$ <u>0</u> |

23.3 For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A [X]
- If no, attach a description with this statement.
- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]
- 25.2 If yes, state the amount thereof at December 31 of the current year. \$ 0

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

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

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

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

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

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

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

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

27.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
27.2999	Total	

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

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	12,755,206	12,755,672	466
28.2 Preferred stocks			
28.3 Totals	12,755,206	12,755,672	466

28.4 Describe the sources or methods utilized in determining the fair values: NAIC-SVO, IDC, BLOOMBERG, 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 [] No []

29.2 If no, list exceptions: _____

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ _____ 0

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

1 Name	2 Amount Paid
	\$
	\$
	\$

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

GENERAL INTERROGATORIES

PART 1 - COMMON 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
	\$
	\$
	\$

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

\$ _____ 0

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

1 Name	2 Amount Paid
	\$
	\$
	\$
	\$

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. \$ 0
 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0
 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. \$ 0
 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ 0

1.6 Individual policies:
 Most current three years:
 1.61 Total premium earned \$ 0
 1.62 Total incurred claims \$ 0
 1.63 Number of covered lives \$ 0
 All years prior to most current three years:
 1.64 Total premium earned \$ 0
 1.65 Total incurred claims \$ 0
 1.66 Number of covered lives \$ 0

1.7 Group policies:
 Most current three years:
 1.71 Total premium earned \$ 0
 1.72 Total incurred claims \$ 0
 1.73 Number of covered lives \$ 0
 All years prior to most current three years:
 1.74 Total premium earned \$ 0
 1.75 Total incurred claims \$ 0
 1.76 Number of covered lives \$ 0

2. Health Test:

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

3.1 Does the reporting entity issue both participating and non-participating policies? YES [] NO [X]
 3.2 If yes, state the amount of calendar year premiums written on:
 3.21 Participating policies \$ 0
 3.22 Non-participating policies \$ 0

4. For Mutual Reporting Entities and Reciprocal Exchange only:
 4.1 Does the reporting entity issue assessable policies? YES [] NO [X]
 4.2 Does the reporting entity issue non-assessable policies? YES [X] NO []
 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? 0 %
 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ 0

5. For Reciprocal Exchanges Only:
 5.1 Does the exchange appoint local agents? YES [] NO [X]
 5.2 If yes, is the commission paid:
 5.21 Out of Attorney's-in-fact compensation YES [] NO [] N/A [X]
 5.22 As a direct expense of the exchange YES [] NO [] N/A [X]

5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?
 5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? YES [] NO [X]
 5.5 If yes, give full information

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss: The Company cedes 100% of its net business split among Liberty Mutual Insurance Company and Peerless Insurance Company.
- 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 PML. For property exposures, we employ RiskLink v6.0 from RM and AIR Classic/2 v 8.0 from AIR. For WC, Liberty Mutual utilizes RiskLink v6.0 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 cedes 100% of its net business split among Liberty Mutual Insurance Company and Peerless Insurance Company.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? YES NO
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract 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 NO
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 0
- 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
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? YES NO
- 8.2 If yes, give full information
- 9.1 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 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 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 30 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

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 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 []
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: YES [] NO [X]
- 11.2 If yes, give full information
-
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | | |
|---|----|---|
| 12.11 Unpaid losses | \$ | 0 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ | 0 |
- 12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 0
- 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 | 8.000 % |
| 12.42 To | 10.000 % |
- 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 entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? YES [] NO [X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- | | | |
|----------------------------------|----|---|
| 12.61 Letters of Credit | \$ | 0 |
| 12.62 Collateral and other funds | \$ | 0 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 0
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? YES [X] NO []
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? YES [X] NO []
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants: Premiums and recoverables were allocated pursuant to separate intercompany pooling 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	2	3	4	5
	Direct Losses Incurred	Direct Losses Unpaid	Direct Written Premium	Direct Premium Unearned	Direct Premium Earned
16.11 Home	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
16.12 Products	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
16.13 Automobile	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
16.14 Other*	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

* Disclose type of coverage: _____

GENERAL INTERROGATORIES
(Continued)

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 not 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	\$	<u>0</u>
17.12	Unfunded portion of Interrogatory 17.11	\$	<u>0</u>
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$	<u>0</u>
17.14	Case reserves portion of Interrogatory 17.11	\$	<u>0</u>
17.15	Incurred but not reported portion of Interrogatory 17.11	\$	<u>0</u>
17.16	Unearned premium portion of Interrogatory 17.11	\$	<u>0</u>
17.17	Contingent commission portion of Interrogatory 17.11	\$	<u>0</u>

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	\$	<u>0</u>
17.19	Unfunded portion of Interrogatory 17.18	\$	<u>0</u>
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$	<u>0</u>
17.21	Case reserves portion of Interrogatory 17.18	\$	<u>0</u>
17.22	Incurred but not reported portion of Interrogatory 17.18	\$	<u>0</u>
17.23	Unearned premium portion of Interrogatory 17.18	\$	<u>0</u>
17.24	Contingent commission portion of Interrogatory 17.18	\$	<u>0</u>

FIVE-YEAR HISTORICAL DATA

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

	1 2007	2 2006	3 2005	4 2004	5 2003
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)	82,712,410	86,015,072	91,519,941	91,350,398	70,005,803
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	68,797,910	65,732,106	64,138,648	66,238,687	51,905,347
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
6. Total (Line 34)	151,510,320	151,747,178	155,658,589	157,589,085	121,911,150
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
12. Total (Line 34)					
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	98,745	385,933	76,242	98,993	
14. Net investment gain (loss) (Line 11)	488,549	528,850	493,170	463,194	104,933
15. Total other income (Line 15)	(108,509)	54,254		10,753	160,941
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	(153,656)	140,589	188,062	(17,940)	6,000
18. Net income (Line 20)	632,441	828,448	381,350	590,880	259,874
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	12,965,879	14,329,064	15,472,355	17,085,045	13,252,875
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	109,289	165,810	243,849	350,838	
20.2 Deferred and not yet due (Line 13.2)					
20.3 Accrued retrospective premiums (Line 13.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 24)	272,532	2,268,158	4,239,897	6,029,187	2,894,647
22. Losses (Page 3, Line 1)					
23. Loss adjustment expenses (Page 3, Line 3)					
24. Unearned premiums (Page 3, Line 9)					
25. Capital paid up (Page 3, Lines 28 & 29)					
26. Surplus as regards policyholders (Page 3, Line 35)	12,693,347	12,060,906	11,232,458	11,055,858	10,358,228
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	432,072	901,698	557,787	461,072	453,393
Risk-Based Capital Analysis					
28. Total adjusted capital	12,693,347	12,060,906	11,232,458	11,055,858	10,358,228
29. Authorized control level risk-based capital	73,133	147,029	358,695	523,035	806,896
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)	94.7	99.7	96.7	87.6	61.7
31. Stocks (Lines 2.1 & 2.2)					
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	5.3	0.3	3.3	12.4	38.3
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)					
37. Receivables for securities (Line 8)					
38. Aggregate write-ins for invested assets (Line 9)					
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)					
43. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 7)					
44. Affiliated mortgage loans on real estate					
45. All other affiliated					
46. Total of above Lines 40 to 45					
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)					

FIVE-YEAR HISTORICAL DATA
(Continued)

	1 2007	2 2006	3 2005	4 2004	5 2003
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)					
49. Dividends to stockholders (Line 35)					
50. Change in surplus as regards policyholders for the year (Line 38)	632,441	828,448	176,599	697,631	357,874
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)	47,527,212	51,472,605	47,097,547	34,886,969	15,280,179
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	39,704,049	37,679,575	35,276,619	28,736,670	15,639,532
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
55. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
56. Total (Line 34)	87,231,261	89,152,180	82,374,166	63,623,639	30,919,711
Net Losses Paid (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
61. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
62. Total (Line 34)					
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)					
65. Loss expenses incurred (Line 3)					
66. Other underwriting expenses incurred (Line 4)					
67. Net underwriting gain (loss) (Line 8)					
Other Percentages					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)					
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)					
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)					
One Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)					
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)					
Two Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)					
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)					

SCHEDULE D - SUMMARY BY COUNTRY
Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	12,080,617	12,081,083	12,068,663	12,086,935
	2. Canada				
	3. Other Countries				
	4. Totals	12,080,617	12,081,083	12,068,663	12,086,935
States, Territories and Possessions (Direct and guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals				
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States				
	14. Canada				
	15. Other Countries				
	16. Totals				
Public Utilities (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States				
	22. Canada				
	23. Other Countries				
	24. Totals				
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	12,080,617	12,081,083	12,068,663	12,086,935
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals				
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks				
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States				
	50. Canada				
	51. Other Countries				
	52. Totals				
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks				
	55. Total Stocks				
	56. Total Bonds and Stocks	12,080,617	12,081,083	12,068,663	

SCHEDULE D - VERIFICATION BETWEEN YEARS
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	13,822,364	7. Amortization of premium	1,005
2. Cost of bonds and stocks acquired, Column 7, Part 3	_____	8. Foreign Exchange Adjustment:	
3. Accrual of discount	13,051	8.1 Column 15, Part 1	_____
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2, Section 1	_____
4.1 Columns 12 - 14, Part 1	_____	8.3 Column 16, Part 2, Section 2	_____
4.2 Column 15 - 17, Part 2, Section 1	_____	8.4 Column 15, Part 4	_____
4.3 Column 15, Part 2, Section 2	_____	9. Book/adjusted carrying value at end of current period	12,080,617
4.4 Column 11 - 13, Part 4	_____	10. Total valuation allowance	_____
5. Total gain (loss), Column 19, Part 4	(6,926)	11. Subtotal (Lines 9 plus 10)	12,080,617
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	1,746,867	12. Total nonadmitted amounts	_____
		13. Statement value of bonds and stocks, current period	12,080,617

NONE **Schedule P - Part 1 - Summary**

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

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN
Allocated by States and Territories

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	NO							
2. Alaska	AK	NO							
3. Arizona	AZ	NO							
4. Arkansas	AR	NO							
5. California	CA	NO							
6. Colorado	CO	NO							
7. Connecticut	CT	NO							
8. Delaware	DE	NO							
9. Dist. Columbia	DC	NO							
10. Florida	FL	NO							
11. Georgia	GA	NO							
12. Hawaii	HI	NO							
13. Idaho	ID	NO							
14. Illinois	IL	NO							
15. Indiana	IN	NO							
16. Iowa	IA	NO							
17. Kansas	KS	NO							
18. Kentucky	KY	NO							
19. Louisiana	LA	NO			17,336	6,436			
20. Maine	ME	NO							
21. Maryland	MD	NO							
22. Massachusetts	MA	NO							
23. Michigan	MI	NO							
24. Minnesota	MN	NO							
25. Mississippi	MS	NO							
26. Missouri	MO	NO							
27. Montana	MT	NO							
28. Nebraska	NE	NO							
29. Nevada	NV	NO							
30. New Hampshire	NH	NO							
31. New Jersey	NJ	NO							
32. New Mexico	NM	NO							
33. New York	NY	NO							
34. No. Carolina	NC	NO							
35. No. Dakota	ND	NO							
36. Ohio	OH	NO							
37. Oklahoma	OK	NO							
38. Oregon	OR	NO							
39. Pennsylvania	PA	NO							
40. Rhode Island	RI	NO							
41. So. Carolina	SC	NO							
42. So. Dakota	SD	NO							
43. Tennessee	TN	NO							
44. Texas	TX	YES	151,510,320	149,123,884	87,213,927	80,227,189	38,385,945	1,374,594	
45. Utah	UT	NO							
46. Vermont	VT	NO							
47. Virginia	VA	NO							
48. Washington	WA	NO							
49. West Virginia	WV	NO							
50. Wisconsin	WI	NO							
51. Wyoming	WY	NO							
52. American Samoa	AS	NO							
53. Guam	GU	NO							
54. Puerto Rico	PR	NO							
55. U.S. Virgin Islands	VI	NO							
56. Northern Mariana Islands	MP	NO							
57. Canada	CN	NO							
58. Aggregate other alien	OT	X X X							
59. Totals	(a) 1		151,510,320	149,123,884	87,231,263	80,233,625	38,385,945	1,374,594	

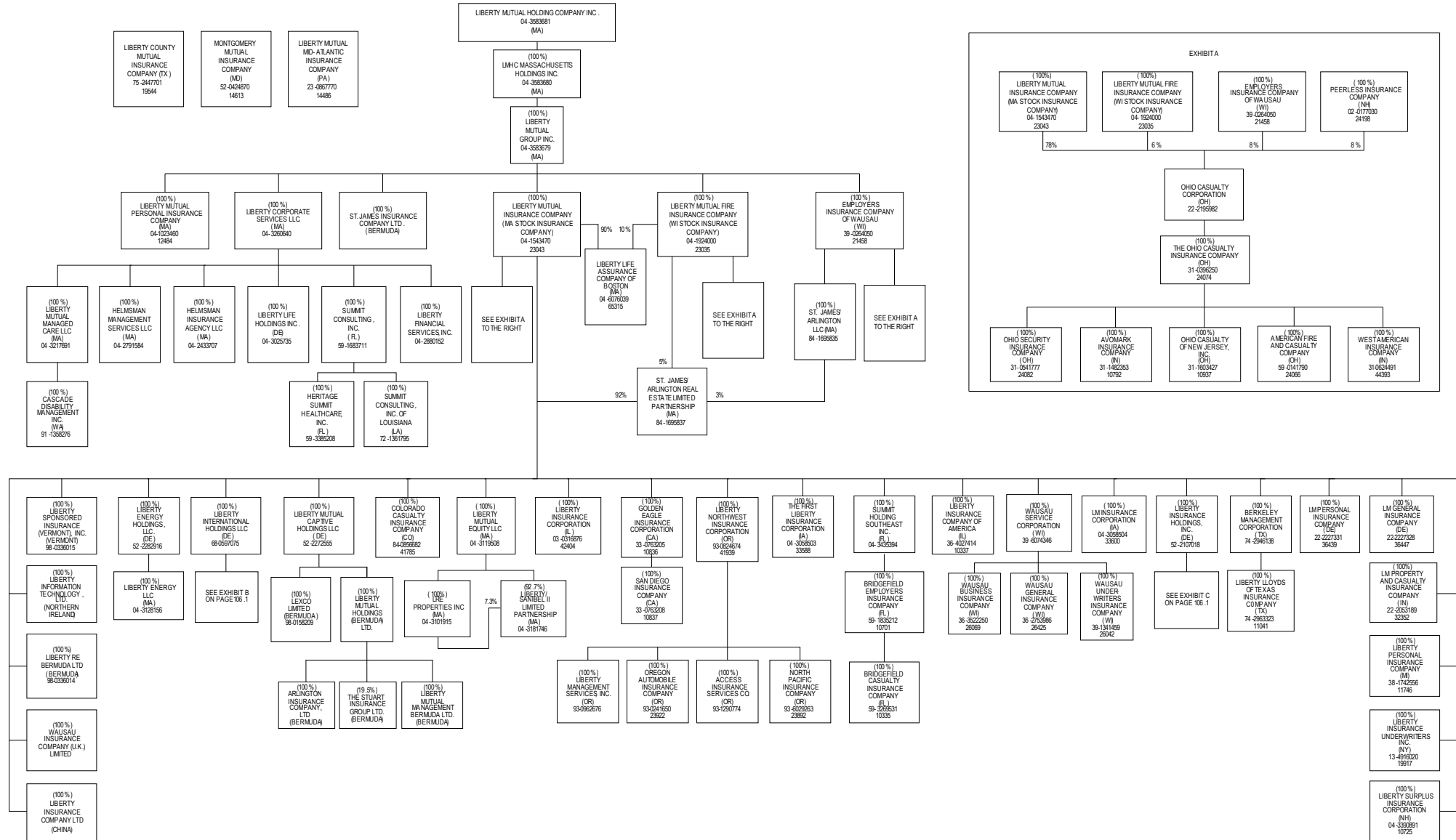
DETAILS OF WRITE-INS									
5801.	X X X								
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above)	X X X								

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

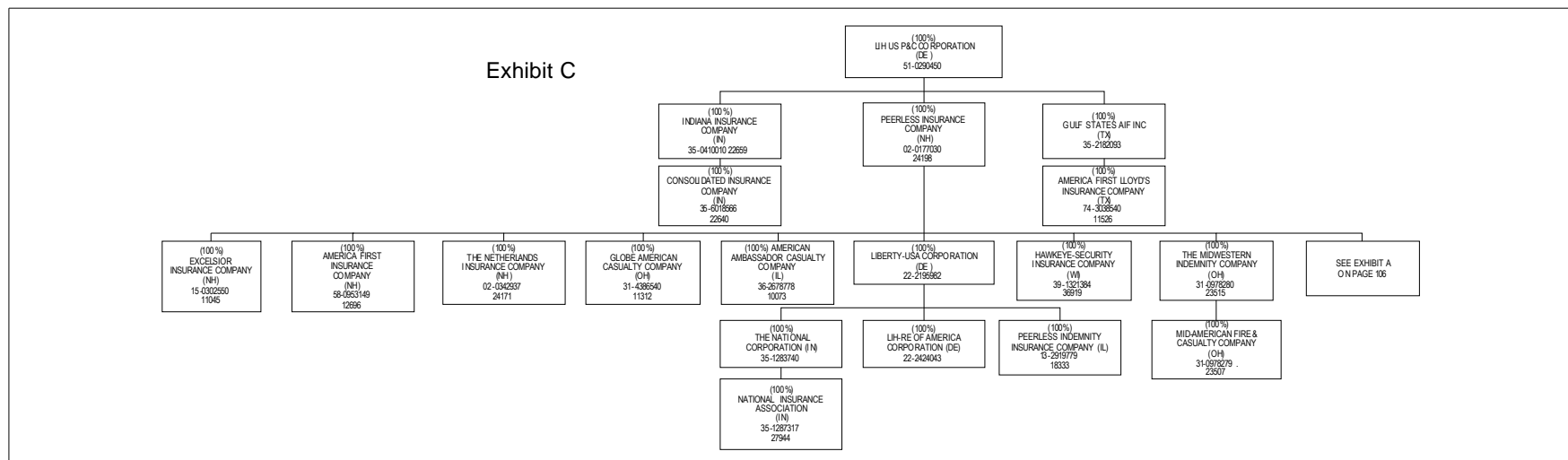
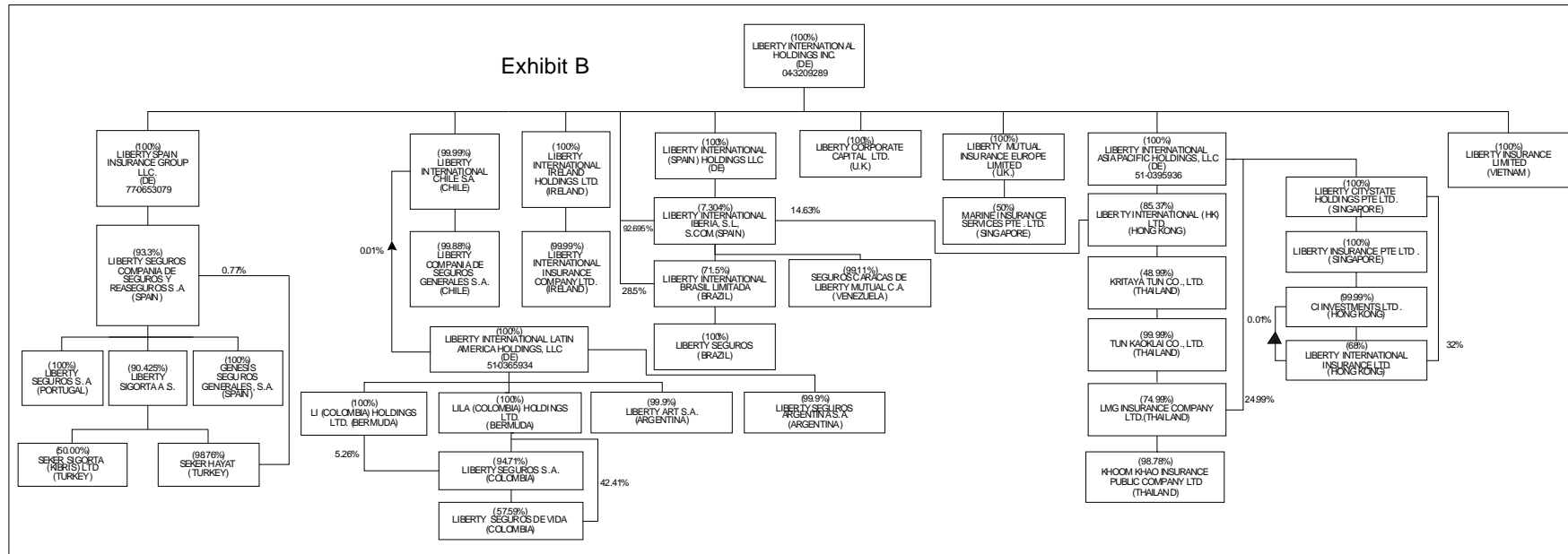
- *Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery
- *States of Jurisdiction under which payrolls and resulting premiums are developed - Worker's Compensation
- *Location of Principal place of garaging of each individual car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

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

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

ALPHABETICAL INDEX TO PROPERTY AND CASUALTY ANNUAL STATEMENT

Assets	2	Schedule DB - Part D - Section 3	E21
Cash Flow	5	Schedule DB - Part D - Verification Between Years	31
Exhibit of Capital Gains (Losses)	12	Schedule DB - Part E - Section 1	E22
Exhibit of Net Investment Income	12	Schedule DB - Part E - Verification	31
Exhibit of Nonadmitted Assets	13	Schedule DB - Part F - Section 1	32
Exhibit of Premiums and Losses (State Page)	20	Schedule DB - Part F - Section 2	33
Five-Year Historical Data	18	Schedule E - Part 1 - Cash	E23
General Interrogatories	16	Schedule E - Part 2 - Cash Equivalents	E24
Jurat Page	1	Schedule E - Part 3 - Special Deposits	E25
Liabilities, Surplus and Other Funds	3	Schedule F - Part 1	34
Notes To Financial Statements	14	Schedule F - Part 2	35
Overflow Page For Write-ins	109	Schedule F - Part 3	36
Schedule A - Part 1	E01	Schedule F - Part 4	37
Schedule A - Part 2	E02	Schedule F - Part 5	38
Schedule A - Part 3	E03	Schedule F - Part 6	39
Schedule A - Verification Between Years	21	Schedule F - Part 7	40
Schedule B - Part 1	E04	Schedule F - Part 8	41
Schedule B - Part 2	E05	Schedule H - Accident and Health Exhibit - Part 1	42
Schedule B - Verification Between Years	21	Schedule H - Part 5 - Health Claims	44
Schedule BA - Part 1	E06	Schedule H - Parts - 2, 3, and 4	43
Schedule BA - Part 2	E07	Schedule P - Part 1 - Analysis of Losses and Loss Expenses	45
Schedule BA - Verification Between Years	21	Schedule P - Part 1A - Homeowners/Farmowners	47
Schedule D - Part 1	E08	Schedule P - Part 1B - Private Passenger Auto Liability/Medical	48
Schedule D - Part 1A - Section 1	23	Schedule P - Part 1C - Commercial Auto/Truck Liability/Medical	49
Schedule D - Part 1A - Section 2	26	Schedule P - Part 1D - Workers' Compensation	50
Schedule D - Part 2 - Section 1	E09	Schedule P - Part 1E - Commercial Multiple Peril	51
Schedule D - Part 2 - Section 2	E10	Schedule P - Part 1F - Section 1 - Medical Malpractice - Occurrence	52
Schedule D - Part 3	E11	Schedule P - Part 1F - Section 2 - Medical Malpractice - Claims-Made	53
Schedule D - Part 4	E12	Schedule P - Part 1G - Spec. Liab. (Ocean, Marine, Aircr.(A.P.), Boiler & Mach.)	54
Schedule D - Part 5	E13	Schedule P - Part 1H - Section 1 - Other Liability - Occurrence	55
Schedule D - Part 6 - Section 1	E14	Schedule P - Part 1H - Section 2 - Other Liability - Claims-Made	56
Schedule D - Part 6 - Section 2	E14	Schedule P - Part 1I - Spec. Prop. (Fire, A.L., Inld. Ma., Earth., Burg. & Thft.)	57
Schedule D - Summary By Country	22	Schedule P - Part 1J - Auto Physical Damage	58
Schedule D - Verification Between Years	22	Schedule P - Part 1K - Fidelity/Surety	59
Schedule DA - Part 1	E15	Schedule P - Part 1L - Other (Including Credit, Accident and Health)	60
Schedule DA - Part 2 - Verification Between Years	29	Schedule P - Part 1M - International	61
Schedule DB - Part A - Section 1	E16	Schedule P - Part 1N - Reinsurance	62
Schedule DB - Part A - Section 2	E16	Schedule P - Part 1O - Reinsurance	63
Schedule DB - Part A - Section 3	E17	Schedule P - Part 1P - Reinsurance	64
Schedule DB - Part A - Verification Between Years	30	Schedule P - Part 1R - Section 1 - Products Liability - Occurrence	65
Schedule DB - Part B - Section 1	E17	Schedule P - Part 1R - Section 2 - Products Liability - Claims-Made	66
Schedule DB - Part B - Section 2	E18	Schedule P - Part 1S - Financial Guaranty/Mortgage Guaranty	67
Schedule DB - Part B - Section 3	E18	Schedule P - Part 2A - Homeowners/Farmowners	68
Schedule DB - Part B - Verification Between Years	30	Schedule P - Part 2B - Private Passenger Auto Liability/Medical	68
Schedule DB - Part C - Section 1	E19	Schedule P - Part 2C - Commercial Auto/Truck Liability/Medical	68
Schedule DB - Part C - Section 2	E19	Schedule P - Part 2D - Workers' Compensation	68
Schedule DB - Part C - Section 3	E20	Schedule P - Part 2E - Commercial Multiple Peril	68
Schedule DB - Part C - Verification Between Years	31	Schedule P - Part 2F - Section 1 - Medical Malpractice - Occurrence	69
Schedule DB - Part D - Section 1	E20	Schedule P - Part 2F - Section 2 - Medical Malpractice - Claims-Made	69
Schedule DB - Part D - Section 2	E21	Schedule P - Part 2G - Spec. Liab. (Ocean, Marine, Aircr.(A.P.), Boiler & Mach.)	69

ALPHABETICAL INDEX (Continued)

Schedule P - Part 2H - Section 1 - Other Liability - Occurrence	69	Schedule P - Part 4O - Reinsurance	81
Schedule P - Part 2H - Section 2 - Other Liability - Claims-Made	69	Schedule P - Part 4P - Reinsurance	81
Schedule P - Part 2I - Spec. Prop. (Fire, A.L., Inld. Ma., Earth., Burg. & Thft.)	70	Schedule P - Part 4R - Section 1 - Products Liability - Occurrence	82
Schedule P - Part 2J - Auto Physical Damage	70	Schedule P - Part 4R - Section 2 - Products Liability - Claims-Made	82
Schedule P - Part 2K - Fidelity, Surety	70	Schedule P - Part 4S - Financial Guaranty/Mortgage Guaranty	82
Schedule P - Part 2L - Other (Including Credit, Accident and Health)	70	Schedule P - Part 5A - Homeowners/Farmowners	83
Schedule P - Part 2M - International	70	Schedule P - Part 5B - Private Passenger Auto Liability/Medical	84
Schedule P - Part 2N - Reinsurance	71	Schedule P - Part 5C - Commercial Auto/Truck Liability/Medical	85
Schedule P - Part 2O - Reinsurance	71	Schedule P - Part 5D - Workers' Compensation	86
Schedule P - Part 2P - Reinsurance	71	Schedule P - Part 5E - Commercial Multiple Peril	87
Schedule P - Part 2R - Section 1 - Products Liability - Occurrence	72	Schedule P - Part 5F - Medical Malpractice - Claims-Made	89
Schedule P - Part 2R - Section 2 - Products Liability - Claims-Made	72	Schedule P - Part 5F - Medical Malpractice - Occurrence	88
Schedule P - Part 2S - Financial Guaranty/Mortgage Guaranty	72	Schedule P - Part 5H - Other Liability - Claims-Made	91
Schedule P - Part 3A - Homeowners/Farmowners	73	Schedule P - Part 5H - Other Liability - Occurrence	90
Schedule P - Part 3B - Private Passenger Auto Liability/Medical	73	Schedule P - Part 5R - Products Liability - Claims-Made	93
Schedule P - Part 3C - Commercial Auto/Truck Liability/Medical	73	Schedule P - Part 5R - Products Liability - Occurrence	92
Schedule P - Part 3D - Workers' Compensation	73	Schedule P - Part 6C - Commercial Auto/Truck Liability/Medical	94
Schedule P - Part 3E - Commercial Multiple Peril	73	Schedule P - Part 6D - Workers' Compensation	94
Schedule P - Part 3F - Section 1 - Medical Malpractice - Occurrence	74	Schedule P - Part 6E - Commercial Multiple Peril	95
Schedule P - Part 3F - Section 2 - Medical Malpractice - Claims-Made	74	Schedule P - Part 6H - Other Liability - Claims-Made	96
Schedule P - Part 3G - Spec. Liab. (Ocean, Marine, Aircr.(A.P.), Boiler & Mach.)	74	Schedule P - Part 6H - Other Liability - Occurrence	95
Schedule P - Part 3H - Section 1 - Other Liability - Occurrence	74	Schedule P - Part 6M - International	96
Schedule P - Part 3H - Section 2 - Other Liability - Claims-Made	74	Schedule P - Part 6N - Reinsurance	97
Schedule P - Part 3I - Spec. Prop. (Fire, A.L., Inld. Ma., Earth., Burg. & Thft.)	75	Schedule P - Part 6O - Reinsurance	97
Schedule P - Part 3J - Auto Physical Damage	75	Schedule P - Part 6R - Products Liability - Claims-Made	98
Schedule P - Part 3K - Fidelity/Surety	75	Schedule P - Part 6R - Products Liability - Occurrence	98
Schedule P - Part 3L - Other (Including Credit, Accident and Health)	75	Schedule P - Part 7A - Primary Loss Sensitive Contracts	99
Schedule P - Part 3M - International	75	Schedule P - Part 7B - Reinsurance Loss Sensitive Contracts	101
Schedule P - Part 3N - Reinsurance	76	Schedule P - Parts 2, 3 and 4 - Summary	46
Schedule P - Part 3O - Reinsurance	76	Schedule P Interrogatories	103
Schedule P - Part 3P - Reinsurance	76	Schedule T - Exhibit of Premiums Written	104
Schedule P - Part 3R - Section 1 - Products Liability - Occurrence	77	Schedule T - Part 2 - Interstate Compact	105
Schedule P - Part 3R - Section 2 - Products Liability - Claims-Made	77	Schedule Y - Info. Concerning Activities of Insurer Mmbrs. of a Holding Co. Grp.	106
Schedule P - Part 3S - Financial Guaranty/Mortgage Guaranty	77	Schedule Y - Part 2 - Summary of Insurer's Transactions With Any Affiliates	107
Schedule P - Part 4A - Homeowners/Farmowners	78	Statement of Income	4
Schedule P - Part 4B - Private Passenger Auto Liability/Medical	78	Summary Investment Schedule	15
Schedule P - Part 4C - Commercial Auto/Truck Liability/Medical	78	Underwriting and Investment Exhibit Part 1	6
Schedule P - Part 4D - Workers' Compensation	78	Underwriting and Investment Exhibit Part 1A	7
Schedule P - Part 4E - Commercial Multiple Peril	78	Underwriting and Investment Exhibit Part 1B	8
Schedule P - Part 4F - Section 1 - Medical Malpractice - Occurrence	79	Underwriting and Investment Exhibit Part 2	9
Schedule P - Part 4F - Section 2 - Medical Malpractice - Claims-Made	79	Underwriting and Investment Exhibit Part 2A	10
Schedule P - Part 4G - Spec. Liab. (Ocean, Marine, Aircr.(A.P.), Boiler & Mach.)	79	Underwriting and Investment Exhibit Part 3	11
Schedule P - Part 4H - Section 1 - Other Liability - Occurrence	79		
Schedule P - Part 4H - Section 2 - Other Liability - Claims-Made	79		
Schedule P - Part 4I - Spec. Prop. (Fire, A.L., Inld. Ma., Earth., Burg. & Thft.)	80		
Schedule P - Part 4J - Auto Physical Damage	80		
Schedule P - Part 4K - Fidelity/Surety	80		
Schedule P - Part 4L - Other (Including Credit, Accident and Health)	80		
Schedule P - Part 4M - International	80		
Schedule P - Part 4N - Reinsurance	81		