ANNUAL STATEMENT

OF THE

LIBERTY INSURANCE CORPORATION

of HOFFMAN ESTATES

in the state of ILLINOIS

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2012

PROPERTY AND CASUALTY

2012

42404201220100100

ANNUAL STATEMENT

For the Year Ended December 31, 2012
OF THE CONDITION AND AFFAIRS OF THE

Liberty Insurance Corporation

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) **NAIC Company Code** 42404 **Employer's ID Number** 03-0316876

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

Country of Domicile United States of America

Incorporated/Organized October 21, 1988 **Commenced Business** November 3, 1988

Statutory Home Office 2815 Forbs Avenue, Suite 200 (Street and Number) , Hoffman Estates, IL, US 60192 (City or Town, State, Country and Zip Code)

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

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

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

Internet Web Site Address www.LibertyMutualGroup.com

Statutory Statement Contact Pamela Heenan (Name) 617-357-9500 x44689 (Area Code) (Telephone Number) (Extension)
Statutory.Compliance@LibertyMutual.com (E-Mail Address) 617-574-5955 (Fax Number)

OFFICERS

Chairman of the Board

David Henry Long

	Name	Title
1.	David Henry Long	President and Chief Executive Officer
2.	Dexter Robert Legg	Vice President and Secretary
3.	Laurance Henry Soyer Yahia	Vice President and Treasurer

VICE-PRESIDENTS

Name	Title	Name	Title
Christopher Locke Peirce	Vice President	Anthony Alexander Fontanes	Vice President, CIO and Assistant Treasurer
Timothy Michael Sweeney	Vice President	Dennis James Langwell	Vice President and Chief Financial Officer
Christopher Charles Mansfield	VP, Gen. Counsel and Asst. Secretary	John Derek Doyle	Vice President and Comptroller

DIRECTORS OR TRUSTEES

James Paul Condrin, III #	Anthony Alexander Fontanes	Stephen Douglas Hylka	Dennis James Langwell
Dexter Robert Legg	David Henry Long	Christopher Charles Mansfield	Deborah Lucille Michel
Rodolfo Ortiz	Christopher Locke Peirce	Timothy Michael Sweeney	

State of Massachusetts

County of Suffolk ss

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

(Signature)	(Signature)	(Signature)
David Henry Long	Dexter Robert Legg	Laurance Henry Soyer Yahia
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President and Chief Executive Officer	Vice President and Secretary	Vice President and Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to (or affirmed) before me on this
22nd day of January , 2013, by

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

ASSETS

	Current Year 1 Assets	Current Year 2 Nonadmitted Assets	Current Year 3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	1,054,027,130		1,054,027,130	1,050,339,107
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	467,676		467,676	
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 ($ 32, Schedule E - Part 1), cash equivalents ($ 1,256,988, Schedule E - Part 2), and short-term investments ($ 26,672,426, Schedule DA)	27,929,446		27,929,446	12,972,589
6. Contract loans (including $ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	67,063,037		67,063,037	65,452,650
9. Receivables for securities	2,673,734		2,673,734	29,128
10. Securities lending reinvested collateral assets (Schedule DL)	24,658,590		24,658,590	23,531,954
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	1,176,819,613		1,176,819,613	1,152,325,428
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	10,416,209		10,416,209	10,565,312
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	50,273,485	1,521,062	48,752,423	47,838,685
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 317,630 earned but unbilled premiums)	156,295,327	107,122	156,188,205	132,903,909
15.3 Accrued retrospective premiums	13,069,612	1,303,783	11,765,829	16,387,019
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	28,814	9,511	19,303	1,133
18.1 Current federal and foreign income tax recoverable and interest thereon	5,772,026		5,772,026	786,791
18.2 Net deferred tax asset				31,561,575
19. Guaranty funds receivable or on deposit	762,740		762,740	819,807
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets ($ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates				
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	40,768,316	1,601,168	39,167,148	35,149,082
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,454,206,142	4,542,646	1,449,663,496	1,428,338,741
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	1,454,206,142	4,542,646	1,449,663,496	1,428,338,741

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Cash Surrender Value Life Insurance	25,752,978		25,752,978	23,753,823
2502. Amounts receivable under high deductible policies	8,677,793	12	8,677,781	8,137,994
2503. Equities and deposits in pools and associations	4,092,523		4,092,523	2,977,576
2598. Summary of remaining write-ins for Line 25 from overflow page	2,245,022	1,601,156	643,866	279,689
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	40,768,316	1,601,168	39,167,148	35,149,082

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	766,623,991	710,148,007
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	26,579,484	33,298,382
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	157,843,231	147,190,991
4.	Commissions payable, contingent commissions and other similar charges	5,298,495	4,130,312
5.	Other expenses (excluding taxes, licenses and fees)	20,281,178	16,129,278
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	9,557,693	9,619,479
7.1	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))		
7.2	Net deferred tax liability		
8.	Borrowed money $ 0 and interest thereon $ 0		
9.	Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of $ 734,561,041 and including warranty reserves of $ 0 and accrued accident and healthexperience rating refunds including $ 0 for medical loss ratio rebate per the Public Health Service Act)	227,920,958	203,928,776
10.	Advance premium	2,159,856	2,394,961
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders	133,085	252,373
12.	Ceded reinsurance premiums payable (net of ceding commissions)		
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	3,629,691	2,942,144
15.	Remittances and items not allocated		
16.	Provision for reinsurance (including $ 0 certified) (Schedule F, Part 8)		
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding	19,775,591	18,279,743
19.	Payable to parent, subsidiaries and affiliates	14,445,319	10,972,993
20.	Derivatives		
21.	Payable for securities	2,942,500	3,039,710
22.	Payable for securities lending	24,658,590	23,531,954
23.	Liability for amounts held under uninsured plans		
24.	Capital notes $ 0 and interest thereon $ 0		
25.	Aggregate write-ins for liabilities	(838,126)	(2,526,393)
26.	Total liabilities excluding protected cell liabilities (Lines 1 through 25)	1,281,011,536	1,183,332,710
27.	Protected cell liabilities		
28.	Total liabilities (Lines 26 and 27)	1,281,011,536	1,183,332,710
29.	Aggregate write-ins for special surplus funds	32,770,813	43,150,543
30.	Common capital stock	3,500,000	3,500,000
31.	Preferred capital stock		
32.	Aggregate write-ins for other than special surplus funds		
33.	Surplus notes		
34.	Gross paid in and contributed surplus	156,162,500	156,162,500
35.	Unassigned funds (surplus)	(23,781,353)	42,192,988
36.	Less treasury stock, at cost:		
	36.1 0 shares common (value included in Line 30 $ 0)		
	36.2 0 shares preferred (value included in Line 31 $ 0)		
37.	Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	168,651,960	245,006,031
38.	Totals (Page 2, Line 28, Col. 3)	1,449,663,496	1,428,338,741

	DETAILS OF WRITE-IN LINES		
2501.	Amounts held under uninsured plans	31,352,437	29,903,896
2502.	Other liabilities	18,204,795	20,283,222
2503.	Retroactive reinsurance reserves	(50,395,358)	(52,713,511)
2598.	Summary of remaining write-ins for Line 25 from overflow page		
2599.	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(838,126)	(2,526,393)
2901.	Special surplus from retroactive reinsurance	32,770,813	32,630,018
2902.	SSAP 10R incremental change		10,520,525
2903.			
2998.	Summary of remaining write-ins for Line 29 from overflow page		
2999.	Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	32,770,813	43,150,543
3201.			
3202.			
3203.			
3298.	Summary of remaining write-ins for Line 32 from overflow page		
3299.	Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

		1 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 35, Column 4)	493,169,022	436,473,146
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	357,813,774	306,792,430
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	87,698,649	86,299,320
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	156,429,683	118,270,336
5.	Aggregate write-ins for underwriting deductions		(21,915)
6.	Total underwriting deductions (Lines 2 through 5)	601,942,106	511,340,171
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(108,773,084)	(74,867,025)
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	45,193,657	47,103,625
10.	Net realized capital gains (losses) less capital gains tax of $ 3,367,673 (Exhibit of Capital Gains (Losses))	6,254,251	5,206,551
11.	Net investment gain (loss) (Lines 9 + 10)	51,447,908	52,310,176
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 157,064 amount charged off $ 1,950,925)	(1,793,862)	(1,868,779)
13.	Finance and service charges not included in premiums	1,603,760	1,711,940
14.	Aggregate write-ins for miscellaneous income	(2,261,126)	(10,499,738)
15.	Total other income (Lines 12 through 14)	(2,451,228)	(10,656,577)
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(59,776,404)	(33,213,426)
17.	Dividends to policyholders	984,139	1,627,183
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)	(60,760,543)	(34,840,609)
19.	Federal and foreign income taxes incurred	(12,215,673)	(6,391,528)
20.	Net income (Line 18 minus Line 19) (to Line 22)	(48,544,870)	(28,449,081)
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	245,006,031	276,170,661
22.	Net income (from Line 20)	(48,544,870)	(28,449,081)
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ 920,983	1,594,128	913,974
25.	Change in net unrealized foreign exchange capital gain (loss)	950,174	(869,555)
26.	Change in net deferred income tax	(50,215,017)	10,008,150
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	29,926,946	(20,857,092)
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	455,093	399,428
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 36.1 and 36.2, Column 2 minus Column 1)		
37.	Aggregate write-ins for gains and losses in surplus	(10,520,525)	7,689,546
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	(76,354,071)	(31,164,630)
39.	Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	168,651,960	245,006,031

	DETAILS OF WRITE-IN LINES		
0501.	Private passenger auto escrow		(21,915)
0502.			
0503.			
0598.	Summary of remaining write-ins for Line 05 from overflow page		
0599.	Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		(21,915)
1401.	Other income/(expense)	(1,022,519)	(4,981,571)
1402.	Retroactive reinsurance gain/(loss)	(1,238,607)	(5,518,167)
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(2,261,126)	(10,499,738)
3701.	SSAP 10R incremental change	(10,520,525)	7,689,546
3702.			
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page		
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(10,520,525)	7,689,546

CASH FLOW

Cash from Operations	1 Current Year	2 Prior Year
1. Premiums collected net of reinsurance	497,826,398	428,280,923
2. Net investment income	48,040,272	49,404,327
3. Miscellaneous income	(1,918,628)	(12,481,614)
4. Total (Lines 1 through 3)	543,948,042	465,203,636
5. Benefit and loss related payments	306,878,858	292,791,635
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	228,402,576	191,182,431
8. Dividends paid to policyholders	1,103,427	1,633,695
9. Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	(3,862,765)	13,064,685
10. Total (Lines 5 through 9)	532,522,096	498,672,446
11. Net cash from operations (Line 4 minus Line 10)	11,425,946	(33,468,810)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	317,935,241	163,400,419
12.2 Stocks	51,537	191,643
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	127,642,681	213,030,176
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	(2,644,606)	2,254,085
12.8 Total investment proceeds (Lines 12.1 to 12.7)	442,984,853	378,876,323
13. Cost of investments acquired (long-term only):		
13.1 Bonds	319,637,301	198,716,286
13.2 Stocks	586,501	40,403
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	122,593,944	185,721,242
13.6 Miscellaneous applications	97,210	9,870,272
13.7 Total investments acquired (Lines 13.1 to 13.6)	442,914,956	394,348,203
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	69,897	(15,471,880)
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)	3,461,014	29,099,926
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	3,461,014	29,099,926
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)	14,956,857	(19,840,764)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	12,972,589	32,813,353
19.2 End of year (Line 18 plus Line 19.1)	27,929,446	12,972,589

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

20.0001		
20.0002		
20.0003		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	14,170,644	5,253,698	6,363,686	13,060,656
2. Allied lines	5,760,663	2,597,052	2,873,594	5,484,121
3. Farmowners multiple peril	73,811	6,098	6,806	73,103
4. Homeowners multiple peril	78,799,808	34,791,347	47,533,704	66,057,451
5. Commercial multiple peril	11,980,722	6,653,179	6,297,786	12,336,115
6. Mortgage guaranty				
8. Ocean marine	2,058,368	827,101	893,380	1,992,089
9. Inland marine	21,384,056	2,155,968	2,283,709	21,256,315
10. Financial guaranty				
11.1 Medical professional liability—occurrence	1,574,388	831,596	827,558	1,578,426
11.2 Medical professional liability—claims-made	184,423	34,438	61,870	156,991
12. Earthquake	2,100,896	757,893	997,309	1,861,480
13. Group accident and health	27,187			27,187
14. Credit accident and health (group and individual)				
15. Other accident and health	26,406	2,654	2,399	26,661
16. Workers' compensation	121,333,043	3,498,596	7,872,186	116,959,453
17.1 Other liability—occurrence	36,792,328	15,021,713	15,802,001	36,012,040
17.2 Other liability—claims-made	12,406,306	5,918,269	6,808,631	11,515,944
17.3 Excess workers' compensation	3,100,411	1,455,213	1,601,373	2,954,251
18.1 Products liability—occurrence	5,391,664	3,322,982	3,359,216	5,355,430
18.2 Products liability—claims-made	265,140	48,909	53,701	260,348
19.1,19.2 Private passenger auto liability	117,454,122	55,034,181	59,630,405	112,857,898
19.3,19.4 Commercial auto liability	17,529,975	7,328,454	7,661,742	17,196,687
21. Auto physical damage	53,048,188	37,880,072	41,446,564	49,481,696
22. Aircraft (all perils)	1,711,983	474,248	367,765	1,818,466
23. Fidelity	486,644	175,263	220,778	441,129
24. Surety	237,865	98,212	221,953	114,124
26. Burglary and theft	16,366	4,296	7,895	12,767
27. Boiler and machinery	1,225,064	494,796	546,501	1,173,359
28. Credit	73,777		38,159	35,618
29. International				
30. Warranty	260,000		222,837	37,163
31. Reinsurance-nonproportional assumed property	11,373,669	939,072	995,212	11,317,529
32. Reinsurance-nonproportional assumed liability	1,393,086	313,367	163,216	1,543,237
33. Reinsurance-nonproportional assumed financial lines	1,245			1,245
34. Aggregate write-ins for other lines of business				
35. TOTALS	522,242,248	185,918,667	215,161,936	492,998,979

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	6,269,868	93,818			6,363,686
2. Allied lines	2,846,983	26,610			2,873,593
3. Farmowners multiple peril	6,806				6,806
4. Homeowners multiple peril	47,533,704				47,533,704
5. Commercial multiple peril	5,972,988	324,798			6,297,786
6. Mortgage guaranty					
8. Ocean marine	777,848	115,532			893,380
9. Inland marine	1,519,527	764,181			2,283,708
10. Financial guaranty					
11.1 Medical professional liability—occurrence	820,054	7,504			827,558
11.2 Medical professional liablity—claims-made	61,559	310			61,869
12. Earthquake	987,961	9,348			997,309
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	2,399				2,399
16. Workers' compensation	20,419,636	542,431		(13,089,881)	7,872,186
17.1 Other liability—occurrence	13,181,935	2,667,354		(47,289)	15,802,000
17.2 Other liability—claims-made	5,203,155	1,605,477			6,808,632
17.3 Excess workers' compensation	1,358,320	243,053			1,601,373
18.1 Products liability—occurrence	1,781,663	1,553,167		24,386	3,359,216
18.2 Products liability—claims-made	53,701				53,701
19.1,19.2 Private passenger auto liability	59,563,299	67,106			59,630,405
19.3,19.4 Commercial auto liability	7,147,068	160,911		353,763	7,661,742
21. Auto physical damage	41,399,679	46,885			41,446,564
22. Aircraft (all perils)	367,765				367,765
23. Fidelity	212,126	8,651			220,777
24. Surety	(3,055)	225,008			221,953
26. Burglary and theft	7,895				7,895
27. Boiler and machinery	537,929	8,572			546,501
28. Credit	38,159				38,159
29. International					
30. Warranty		222,837			222,837
31. Reinsurance-nonproportional assumed property	995,212				995,212
32. Reinsurance-nonproportional assumed liability	160,000	3,216			163,216
33. Reinsurance-nonproportional assumed financial lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	219,224,184	8,696,769		(12,759,021)	215,161,932
36. Accrued retrospective premiums based on experience					12,759,021
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					227,920,953

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

(a) State here basis of computation used in each case

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	Reinsurance Assumed 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	Reinsurance Ceded 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	26,452	14,170,644		26,452		14,170,644
2. Allied lines	263,224	5,760,663		263,224		5,760,663
3. Farmowners multiple peril		73,811				73,811
4. Homeowners multiple peril	685,329,005	78,799,808		685,329,005		78,799,808
5. Commercial multiple peril	3,684,898	11,980,722		3,684,898		11,980,722
6. Mortgage guaranty						
8. Ocean marine		2,058,368				2,058,368
9. Inland marine	12,490,218	21,384,056		12,490,218		21,384,056
10. Financial guaranty						
11.1 Medical professional liability--occurrence		1,574,388				1,574,388
11.2 Medical professional liability--claims-made		184,423				184,423
12. Earthquake	3,752,144	2,100,896		3,752,144		2,100,896
13. Group accident and health		27,187				27,187
14. Credit accident and health (group and individual)						
15. Other accident and health		26,406				26,406
16. Workers' compensation	938,494,827	121,333,043		938,494,827		121,333,043
17.1 Other liability—occurrence	131,991,602	36,792,328		131,991,602		36,792,328
17.2 Other liability—claims-made		12,406,306				12,406,306
17.3 Excess workers' compensation	20,036,445	3,100,411		20,036,445		3,100,411
18.1 Products liability—occurrence	7,053,130	5,391,664		7,053,130		5,391,664
18.2 Products liability—claims-made		265,140				265,140
19.1,19.2 Private passenger auto liability	93,586,834	117,454,122		93,586,834		117,454,122
19.3,19.4 Commercial auto liability	18,546,962	17,529,975		18,546,962		17,529,975
21. Auto physical damage	46,221,340	53,048,188		46,221,340		53,048,188
22. Aircraft (all perils)		1,711,983				1,711,983
23. Fidelity	6,603	486,644		6,603		486,644
24. Surety		237,865				237,865
26. Burglary and theft	2,269	16,366		2,269		16,366
27. Boiler and machinery	2,167	1,225,064		2,167		1,225,064
28. Credit		73,777				73,777
29. International						
30. Warranty		260,000				260,000
31. Reinsurance-nonproportional assumed property	X X X	11,373,669				11,373,669
32. Reinsurance-nonproportional assumed liability	X X X	1,393,086				1,393,086
33. Reinsurance-nonproportional assumed financial lines	X X X	1,245				1,245
34. Aggregate write-ins for other lines of business						
35. TOTALS	1,961,488,120	522,242,248		1,961,488,120		522,242,248

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

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

If yes: 1. The amount of such installment premiums $ 934,366,101

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis $ 1,001,966,527

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 – LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage 1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire		8,953,231		8,953,231	10,584,014	6,062,665	13,474,580	103.169
2. Allied lines	90,423	2,914,226	90,423	2,914,226	3,432,921	2,267,902	4,079,245	74.383
3. Farmowners multiple peril		1,537		1,537			1,537	2.103
4. Homeowners multiple peril	408,442,165	39,087,329	408,442,165	39,087,329	18,262,415	16,533,799	40,815,945	61.789
5. Commercial multiple peril	8,138,153	7,711,130	8,138,153	7,711,130	14,860,251	13,809,095	8,762,286	71.030
6. Mortgage guaranty								
8. Ocean marine	21,319	646,070	21,319	646,070	2,624,739	2,362,859	907,950	45.578
9. Inland marine	3,519,625	14,178,398	3,519,625	14,178,398	3,561,119	2,353,643	15,385,874	72.383
10. Financial guaranty								
11.1 Medical professional liability—occurrence		52,026		52,026	1,630,210	1,715,548	(33,312)	(2.110)
11.2 Medical professional liability—claims-made		809		809	181,132	317,219	(135,278)	(86.169)
12. Earthquake		3,842		3,842	102,998	7,528	99,312	5.335
13. Group accident and health		20,531		20,531	94,865	98,871	16,525	60.783
14. Credit accident and health (group and individual)								
15. Other accident and health		9,631		9,631	71,229	74,184	6,676	25.040
16. Workers' compensation	512,919,651	78,062,518	512,919,651	78,062,518	430,770,643	402,600,952	106,232,209	90.828
17.1 Other liability—occurrence	22,343,361	23,387,815	22,343,361	23,387,815	87,696,010	76,130,220	34,953,605	97.061
17.2 Other liability—claims-made	229,775	2,872,148	229,775	2,872,148	21,623,959	18,604,443	5,891,664	51.161
17.3 Excess workers' compensation	22,650,341	832,250	22,650,341	832,250	21,632,860	19,792,625	2,672,485	90.462
18.1 Products liability—occurrence	3,095,402	1,911,072	3,095,402	1,911,072	16,137,327	17,181,874	866,525	16.180
18.2 Products liability—claims-made		18,649		18,649	1,140,049	958,351	200,347	76.954
19.1,19.2 Private passenger auto liability	32,371,148	68,540,535	32,371,148	68,540,535	81,484,526	78,999,223	71,025,838	62.934
19.3,19.4 Commercial auto liability	24,840,729	13,007,734	24,840,729	13,007,734	22,200,293	22,954,465	12,253,562	71.255
21. Auto physical damage	36,899,578	32,439,516	36,899,578	32,439,516	(911,297)	501,089	31,027,130	62.704
22. Aircraft (all perils)		1,358,196		1,358,196	1,880,600	2,006,734	1,232,062	67.753
23. Fidelity		61,406		61,406	1,087,676	942,107	206,975	46.919
24. Surety		(4,838)		(4,838)	59,001	46,971	7,192	6.302
26. Burglary and theft		15,944		15,944	11,226	12,623	14,547	113.942
27. Boiler and machinery		765,214		765,214	431,084	196,244	1,000,054	85.230
28. Credit					27,167	1,116	26,051	73.140
29. International								
30. Warranty					15,346	(951)	16,297	43.853
31. Reinsurance-nonproportional assumed property	X X X	2,510,342		2,510,342	10,272,738	6,418,648	6,364,432	56.235
32. Reinsurance-nonproportional assumed liability	X X X	2,257,442		2,257,442	15,467,291	17,014,712	710,021	46.009
33. Reinsurance-nonproportional assumed financial lines	X X X	27,319		27,319	191,598	183,247	35,670	2865.060
34. Aggregate write-ins for other lines of business								
35. TOTALS	1,075,561,670	301,642,022	1,075,561,670	301,642,022	766,623,990	710,148,006	358,118,006	72.641

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

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

	Reported Losses				Incurred But Not Reported			8	9
	1	2	3	4	5	6	7		
Line of Business	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire		7,386,567		7,386,567	664	3,197,447	664	10,584,014	849,845
2. Allied lines		2,512,258		2,512,258	53,559	920,663	53,559	3,432,921	520,818
3. Farmowners multiple peril									
4. Homeowners multiple peril	81,491,165	9,535,338	81,491,165	9,535,338	65,110,577	8,727,077	65,110,577	18,262,415	4,856,616
5. Commercial multiple peril	5,092,507	10,603,653	5,092,507	10,603,653	2,737,951	4,256,598	2,737,951	14,860,251	5,612,832
6. Mortgage guaranty									
8. Ocean marine		1,471,248		1,471,248	183	1,153,491	183	2,624,739	397,764
9. Inland marine	143,770	1,161,911	143,770	1,161,911	226,924	2,399,208	226,924	3,561,119	450,175
10. Financial guaranty									
11.1 Medical professional liablity—occurrence		83,100		83,100		1,547,110		1,630,210	48,421
11.2 Medical professional liablity—claims-made		19,313		19,313		161,819		181,132	81,111
12. Earthquake		18,570		18,570	427	84,428	427	102,998	60,396
13. Group accident and health		80,693		80,693		14,172		(a) 94,865	7,567
14. Credit accident and health (group and individual)									
15. Other accident and health		21,256		21,256		49,973		(a) 71,229	4,883
16. Workers' compensation	1,400,970,822	223,423,529	1,400,970,822	223,423,529	1,916,603,270	207,347,115	1,916,603,270	430,770,644	62,576,274
17.1 Other liability—occurrence	92,841,500	35,083,276	92,841,500	35,083,276	119,705,814	52,612,734	119,705,814	87,696,010	34,494,760
17.2 Other liability—claims-made	2,020,224	4,486,120	2,020,224	4,486,120	1,332,209	17,137,839	1,332,209	21,623,959	6,812,957
17.3 Excess workers' compensation	218,634,819	8,743,789	218,634,819	8,743,789	256,214,073	12,889,071	256,214,073	21,632,860	2,194,354
18.1 Products liability—occurrence	1,712,909	2,953,029	1,712,909	2,953,029	7,633,280	13,184,298	7,633,280	16,137,327	9,852,112
18.2 Products liability—claims-made		33,640		33,640		1,106,409		1,140,049	703,654
19.1,19.2 Private passenger auto liability	28,028,174	49,010,268	28,028,174	49,010,268	27,527,755	32,474,258	27,527,755	81,484,526	18,982,978
19.3,19.4 Commercial auto liability	27,852,335	14,376,229	27,852,335	14,376,229	9,153,037	7,824,064	9,153,037	22,200,293	4,703,017
21. Auto physical damage		44,936		44,936	(919,618)	(956,233)	(919,618)	(911,297)	2,522,387
22. Aircraft (all perils)		1,285,958		1,285,958		594,642		1,880,600	491,678
23. Fidelity		120,839		120,839	12,346	966,837	12,346	1,087,676	167,868
24. Surety		18,440		18,440	2,156	40,561	2,156	59,001	103,121
26. Burglary and theft		1,217		1,217	4,704	10,009	4,704	11,226	10,519
27. Boiler and machinery		205,057		205,057	1,202	226,027	1,202	431,084	34,098
28. Credit						27,167		27,167	
29. International									
30. Warranty						15,346		15,346	8,304
31. Reinsurance-nonproportional assumed property	X X X	3,980,681		3,980,681	X X X	6,292,058		10,272,739	114,845
32. Reinsurance-nonproportional assumed liability	X X X	3,977,534		3,977,534	X X X	11,489,757		15,467,291	1,172,992
33. Reinsurance-nonproportional assumed financial lines	X X X	191,925		191,925	X X X	(327)		191,598	6,883
34. Aggregate write-ins for other lines of business									
35. TOTALS	1,858,788,225	380,830,374	1,858,788,225	380,830,374	2,405,400,513	385,793,618	2,405,400,513	766,623,992	157,843,229

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	144,602,846			144,602,846
1.2 Reinsurance assumed	45,264,389			45,264,389
1.3 Reinsurance ceded	144,602,846			144,602,846
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	45,264,389			45,264,389
2. Commission and brokerage:				
2.1 Direct, excluding contingent		46,264,590		46,264,590
2.2 Reinsurance assumed, excluding contingent		(14,624,091)		(14,624,091)
2.3 Reinsurance ceded, excluding contingent		46,264,590		46,264,590
2.4 Contingent—direct		6,321,268		6,321,268
2.5 Contingent—reinsurance assumed		5,445,655		5,445,655
2.6 Contingent—reinsurance ceded		6,321,268		6,321,268
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)		(9,178,436)		(9,178,436)
3. Allowances to manager and agents		9,492,300		9,492,300
4. Advertising	281,509	12,844,178	2,199	13,127,886
5. Boards, bureaus and associations	116,812	1,064,976	111	1,181,899
6. Surveys and underwriting reports	812	1,683,822	38,349	1,722,983
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	22,462,794	56,807,742	1,392,093	80,662,629
8.2 Payroll taxes	1,125,219	5,129,821	9,014	6,264,054
9. Employee relations and welfare	5,463,311	23,985,902	67,776	29,516,989
10. Insurance	4,824,426	781,513	32,091	5,638,030
11. Directors' fees	31	143		174
12. Travel and travel items	1,837,204	3,832,071	52,377	5,721,652
13. Rent and rent items	1,198,318	5,352,122	16,657	6,567,097
14. Equipment	701,858	2,104,956	23,853	2,830,667
15. Cost or depreciation of EDP equipment and software	823,027	2,824,469	47,393	3,694,889
16. Printing and stationery	219,771	940,006	3,955	1,163,732
17. Postage, telephone and telegraph, exchange and express	661,000	3,245,603	45,254	3,951,857
18. Legal and auditing	177,053	1,079,617	122,187	1,378,857
19. Totals (Lines 3 to 18)	39,893,145	131,169,241	1,853,309	172,915,695
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 219,916		19,290,988		19,290,988
20.2 Insurance department licenses and fees		1,033,929		1,033,929
20.3 Gross guaranty association assessments		206,463		206,463
20.4 All other (excluding federal and foreign income and real estate)		903,806		903,806
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		21,435,186		21,435,186
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	2,539,065	13,003,692	403,309	15,946,066
25. Total expenses incurred	87,696,599	156,429,683	2,256,618	(a) 246,382,900
26. Less unpaid expenses—current year	157,843,231	35,137,365		192,980,596
27. Add unpaid expenses—prior year	147,190,991	29,879,069		177,070,060
28. Amounts receivable relating to uninsured plans, prior year		1,134		1,134
29. Amounts receivable relating to uninsured plans, current year		19,303		19,303
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	77,044,359	151,189,556	2,256,618	230,490,533

DETAILS OF WRITE-IN LINES				
2401. Other expenses	2,539,065	13,003,692	403,309	15,946,066
2402.				
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	2,539,065	13,003,692	403,309	15,946,066

(a) Includes management fees of $ 116,642,983 to affiliates and $ 11,351,309 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 7,669,865	7,577,526
1.1	Bonds exempt from U.S. tax	(a) 9,254,800	9,501,425
1.2	Other bonds (unaffiliated)	(a) 29,814,172	29,507,941
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) 37,573	40,415
7.	Derivative instruments	(f)	
8.	Other invested assets	611,620	611,620
9.	Aggregate write-ins for investment income	211,350	211,350
10.	Total gross investment income	47,599,380	47,450,277
11.	Investment expenses		(g) 2,256,619
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)		2,256,619
17.	Net investment income (Line 10 minus Line 16)		45,193,658

	DETAILS OF WRITE-IN LINES		
0901.	Miscellaneous Income/(Expense)	211,350	211,350
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)	211,350	211,350
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 $ 675,416 accrual of discount less $ 3,372,928 amortization of premium and less $ 419,185 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	25,717		25,717		
1.1	Bonds exempt from U.S. tax					
1.2	Other bonds (unaffiliated)	2,245,450		2,245,450	2,412,307	
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)					
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)	(132,549)		(132,549)	65,261	
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	10,686,158	(3,202,850)	7,483,308	37,543	264,911
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	12,824,776	(3,202,850)	9,621,926	2,515,111	264,911

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

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	1,521,062	1,527,330	6,268
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	107,122	20,818	(86,304)
15.3 Accrued retrospective premiums	1,303,783	1,830,898	527,115
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans	9,511	479	(9,032)
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset		19,574,425	19,574,425
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	1,601,168	1,426,679	(174,489)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	4,542,646	24,380,629	19,837,983
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	4,542,646	24,380,629	19,837,983

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Other assets	1,601,156	1,426,679	(174,477)
2502. Amounts receivable under high deductible policies	12		(12)
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,601,168	1,426,679	(174,489)

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of Illinois, the accompanying financial statements of Liberty Insurance Corporation (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 applies the following accounting policies, where applicable:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value 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 fair value as specified by the SVO Manual.

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

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

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

6. Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.

7. Investments in SCA companies are carried in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88,* and the SVO Manual.

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

9. Derivative Securities, refer to Note 8.

10. Investment income is anticipated as a factor in the premium deficiency calculation, in accordance with SSAP No. 53*, Property Casualty Contracts - Premiums*. Refer to Note 30.

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 2012.

13. The Company has no pharmaceutical rebate receivables.

Note 2 - Accounting Changes and Correction of Errors

Effective January 1, 2012, the Company adopted SSAP No. 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10* ("SSAP No. 101"). There was no cumulative effect adjustment resulting from the adoption of SSAP No. 101.

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

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

NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

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

C. Impairment Loss

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

Note 4 - Discontinued Operations

The Company has no discontinued operations.

Note 5 - Investments

A. Mortgage Loans

The Company does not invest in mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.

2. All Loan Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2012 as of December 31, 2012: None

3. Each Loan Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2012: None

4. All impaired Loan Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2012:

a. The aggregate amount of unrealized losses:				
	1.	Less than 12 Months	$	(40,802)
	2.	12 Months or Longer	$	-
b. The aggregate related fair value of securities with unrealized losses:				
	3.	Less than 12 Months	$	5,076,060
	4.	12 Months or Longer	$	-

5. The Company reviews fixed income securities for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to: (a) the extent of the decline in fair value below book value, (b) the duration of the decline, (c) significant adverse changes in the financial condition or near term prospects of the investment or issuer, (d) significant change in the business climate or credit ratings of the issuer, (e) general market conditions and volatility, (f) industry factors, and (g) the past impairment of the security holding or the issuer. If the Company believes a decline in the value of a particular investment is temporary, the decline is recorded as an unrealized loss in policyholders' surplus. If the decline is believed to be "other-than-temporary," and the Company believes it will not be able to collect all cash flows due on its fixed income securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment.

E. Repurchase Agreements and Securities Lending

1. The Company has not entered into any repurchase agreements during the year. Refer to Note 17B for the policy on requiring collateral related to securities lending.

2. The Company has not pledged any of its assets as collateral as of December 31, 2012.

NOTES TO FINANCIAL STATEMENTS

3. Aggregate Amount of Contractually open cash collateral positions:

a. Aggregate Amount Cash Collateral Received

	Fair Value
1. Repurchase Agreement	
(a) Open	$ -
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	-
(g) Securities Received	-
(h) Total Collateral Received	$ -
2. Securities Lending	
(a) Open	$24,658,590
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	24,658,590
(g) Securities Received	4,008,896
(h) Total Collateral Received	$28,667,486
3. Dollar Repurchase Agreement	
(a) Open	$ -
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	-
(g) Securities Received	-
(h) Total Collateral Received	$ -

b. The aggregate fair value of all securities acquired from the sale, trade or use of the accepted collateral (reinvested collateral) $24,658,590

c. All collateral is received in the form of cash and/or securities equal to or in excess of 102% of the loaned value and are maintained in a separate custody account. Cash collateral is reinvested into short-term investments as outlined in the terms of the investment agreement. Per the terms of the investment agreement the company has the right and ability to redeem any eligible securities on short notice.

4. Securities Lending Transactions Administered by an Affiliated Agent

The Company's security lending transactions are not administered by an affiliate agent.

5. Collateral Reinvestment

a. Aggregate Amount Cash Collateral Reinvested

	Amortized Cost	Fair Value
1. Repurchase Agreement		
(a) Open	$ -	$ -
(b) 30 Days or Less	-	-
(c) 31 to 60 Days	-	-
(d) 61 to 90 Days	-	-
(e) 91 to 120 Days	-	-
(f) 121 to 180 Days	-	-
(g) 181 to 365 Days	-	-
(h) 1 to 2 Years	-	-
(i) 2 to 3 Years	-	-
(j) Greater Than 3 Years	-	-
(k) Sub-Total	-	-
(l) Securities Received	-	-
(m) Total Collateral Reinvested	$ -	$ -

NOTES TO FINANCIAL STATEMENTS

2. Securities Lending

(a) Open	$ -	$ -
(b) 30 Days or Less	3,785,839	3,785,839
(c) 31 to 60 Days	9,637,084	9,636,978
(d) 61 to 90 Days	11,240,761	11,235,773
(e) 91 to 120 Days	-	-
(f) 121 to 180 Days	-	-
(g) 181 to 365 Days	-	-
(h) 1 to 2 Years	-	-
(i) 2 to 3 Years	-	-
(j) Greater Than 3 Years	-	-
(k) Sub-Total	24,663,684	24,658,590
(l) Securities Received	-	-
(m) Total Collateral Reinvested	$24,663,684	$24,658,590

3. Dollar Repurchase Agreement

(a) Open	$ -	$ -
(b) 30 Days or Less	-	-
(c) 31 to 60 Days	-	-
(d) 61 to 90 Days	-	-
(e) 91 to 120 Days	-	-
(f) 121 to 180 Days	-	-
(g) 181 to 365 Days	-	-
(h) 1 to 2 Years	-	-
(i) 2 to 3 Years	-	-
(j) Greater Than 3 Years	-	-
(k) Sub-Total	-	-
(l) Securities Received	-	-
(m) Total Collateral Reinvested	$ -	$ -

b. The reporting entity's sources of cash that it uses to return the cash collateral is dependent on the liquidity of the current market conditions. Under current conditions, the reporting entity could liquidate all or a portion of its cash collateral reinvestment securities in order to meet the collateral calls that could come due under a worst-case scenario.

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

1. There are eleven years remaining of unexpired tax credits. The required holding period for the LIHTC investment is fifteen years.

2. The Company's LIHTC property is required to meet regulatory benchmarks to comply with the LIHTC program which include the review of tenant files. Oversight of the projects is administered by the State Housing agencies.

3. The carrying value of the Company's investment in LIHTC did not exceed 10% of its admitted assets.

4. The Company did not recognize any impairment loss on its LIHTC investment during the year.

5. The Company did not write-down its LIHTC investment or reclassify the LIHTC during the year due to the forfeiture or ineligibility of tax credits.

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

A. Investments in joint ventures, partnerships and limited liability companies that exceed 10% of its admitted assets

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

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

The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the assets leads to impairment losses being recognized by management. The Company realized impairment losses of $3,202,850 during the year.

Note 7 - Investment Income

A. Accrued Investment Income

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

NOTES TO FINANCIAL STATEMENTS

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2012.

Note 8 - Derivative Instruments

The Company maintains an active Derivative Use Policy as approved by the New York State Insurance Department. Pursuant to the policy, the Company may enter into derivative transactions. The Company may also 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 asset/(liability) at December 31 are as follows:

1.

	12/31/2012		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
(a) Gross Deferred Tax Assets	$ 72,856,800	$ 7,823,200	$ 80,680,000
(b) Statutory Valuation Allowance Adjustments	55,723,559	7,451,441	63,175,000
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	17,133,241	371,759	17,505,000
(d) Deferred Tax Assets Nonadmitted	-	-	-
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	17,133,241	371,759	17,505,000
(f) Deferred Tax Liabilities	17,133,241	371,759	17,505,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	$ -	$ -	$ -

	12/31/2011		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
(a) Gross Deferred Tax Assets	$ 59,809,076	$ 8,690,924	$ 68,500,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	59,809,076	8,690,924	68,500,000
(d) Deferred Tax Assets Nonadmitted	10,883,501	8,690,924	19,574,425
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	48,925,575	-	48,925,575
(f) Deferred Tax Liabilities	17,364,000	-	17,364,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	$ 31,561,575	$ -	$ 31,561,575

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
(a) Gross Deferred Tax Assets	$ 13,047,724	$ (867,724)	$ 12,180,000
(b) Statutory Valuation Allowance Adjustments	55,723,559	7,451,441	63,175,000
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	(42,675,835)	(8,319,165)	(50,995,000)
(d) Deferred Tax Assets Nonadmitted	(10,883,501)	(8,690,924)	(19,574,425)
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	(31,792,334)	371,759	(31,420,575)
(f) Deferred Tax Liabilities	(230,759)	371,759	141,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	$ (31,561,575)	$ -	$ (31,561,575)

NOTES TO FINANCIAL STATEMENTS

2.

	12/31/2012		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	$ -	$ -	$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	3,283,690	-	3,283,690
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	3,283,690	-	3,283,690
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			15,831,812
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	13,849,551	371,759	14,221,310
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	$ 17,133,241	$ 371,759	$ 17,505,000

	12/31/2011		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	$ -	$ -	$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	31,561,575	-	31,561,575
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	43,488,133	-	43,488,133
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			31,561,575
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	17,364,000	-	17,364,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	$ 48,925,575	$ -	$ 48,925,575

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	$ -	$ -	$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	(28,277,885)	-	(28,277,885)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	(40,204,443)	-	(40,204,443)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			(15,729,763)
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	(3,514,449)	371,759	(3,142,690)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	$ (31,792,334)	$ 371,759	$ (31,420,575)

NOTES TO FINANCIAL STATEMENTS

3.

	2012	2011
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	221.98%	333.80%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	168,651,960	213,444,456

4.

	12/31/2012			12/31/2011			Change		
	(1) Ordinary Percent	(2) Capital Percent	(3) (Col 1+2) Total Percent	(4) Ordinary Percent	(5) Capital Percent	(6) (Col 4+5) Total Percent	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital Percent	(9) (Col 7+8) Total Percent
Impact of Tax-Planning Strategies									
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0%	0%	0%	12%	0%	12%	(12%)	0%	(12%)
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	0%	0%	0%	26%	0%	26%	(26%)	0%	(26%)

(c) Does the Company's tax-planning strategies include the use of reinsurance: Yes ___ No _X_

B. The Company does not have any DTLs described in SSAP No. 101 Income Taxes, a Replacement of SSAP No. 10R and SSAP No. 10, paragraph 23.

C. Current income taxes incurred consist of the following major components:

	(1) 12/31/2012	(2) 12/31/2011	(3) (Col 1-2) Change
1. Current Income Tax			
(a) Federal	$ (12,215,673)	$ (6,391,528)	$ (5,824,145)
(b) Foreign	-	-	-
(c) Subtotal	(12,215,673)	(6,391,528)	(5,824,145)
(d) Federal income tax on net capital gains	3,367,673	2,803,528	564,145
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	$ (8,848,000)	$ (3,588,000)	$ (5,260,000)
2. Deferred Tax Assets:			
(a) Ordinary			
(1) Discounting of unpaid losses	$ 23,318,000	$ 20,756,000	$ 2,562,000
(2) Unearned premium reserve	18,480,000	16,966,000	1,514,000
(3) Policyholder reserves	-	-	-
(4) Investments	697,000	653,000	44,000
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	-	-	-
(8) Compensation and benefits accrual	2,729,000	2,383,000	346,000
(9) Pension accrual	-	-	-
(10) Receivables – nonadmitted	1,590,000	1,682,000	(92,000)
(11) Net operating loss carry-forward	22,140,000	12,707,000	9,433,000
(12) Tax credit carry-forward	-	-	-
(13) Other (including items <5% of total ordinary tax assets)	3,902,800	4,662,076	(759,276)
(99) Subtotal	72,856,800	59,809,076	13,047,724
(b) Statutory valuation allowance adjustment	55,723,559	-	55,723,559
(c) Nonadmitted	-	10,883,501	(10,883,501)
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	17,133,241	48,925,575	(31,792,334)
(e) Capital			
(1) Investments	7,823,200	8,690,924	(867,724)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	7,823,200	8,690,924	(867,724)
(f) Statutory valuation allowance adjustment	7,451,441	-	7,451,441

NOTES TO FINANCIAL STATEMENTS

(g) Nonadmitted	-	8,690,924	(8,690,924)
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	371,759	-	371,759
(i) Admitted deferred tax assets (2d + 2h)	17,505,000	48,925,575	(31,420,575)
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	11,326,000	10,127,000	1,199,000
(2) Fixed assets	4,861,000	5,541,000	(680,000)
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total capital tax liabilities)	946,241	1,696,000	(749,759)
(99) Subtotal	17,133,241	17,364,000	(230,759)
(b) Capital:			
(1) Investments	371,759	-	371,759
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	371,759	-	371,759
(c) Deferred tax liabilities (3a99 + 3b99)	17,505,000	17,364,000	141,000
4. Net deferred tax assets/liabilities (2i – 3c)	$ -	$ 31,561,575	$ (31,561,575)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of net operating losses generated in 2012, tax exempt interest, permanent impairments, limits on unearned premium reserve deductions, discounting of unpaid losses and LAE reserves, sale-leasebacks, and depreciation.

E. The Company has net operating loss carry-forwards which expire as follows:

Year Generated	Amount	Expiration
2011	$ 40,551,000	2031
2012	$ 22,706,000	2032

The Company has no alternative minimum tax credit carry-forwards.

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

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

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

AMBCO Capital Corporation
America First Insurance Company
America First Lloyd's Insurance Company
American Economy Insurance Company
American Fire and Casualty Company
American States Insurance Company
American States Insurance Company of Texas
American States Lloyds Insurance Company
American States Preferred Insurance Company
Barrier Ridge LLC
Berkeley Holding Company Associates, Inc.
Berkeley Management Corporation
Bridgefield Casualty Insurance Company
Bridgefield Employers Insurance Company
Capitol Court Corporation
Cascade Disability Management, Inc.
Colorado Casualty Insurance Company
Commercial Aviation Insurance, Inc.
Consolidated Insurance Company
Copley Venture Capital, Inc.
Diversified Settlements, Inc.
Emerald City Insurance Agency, Inc.
Employers Insurance Company of Wausau
Excelsior Insurance Company
F.B. Beattie & Co., Inc.
First National Insurance Company of America
First State Agency Inc.
General America Corporation
Liberty Mutual Insurance Company
Liberty Mutual Personal Insurance Company
Liberty Northwest Insurance Corporation
Liberty Personal Insurance Company
Liberty RE (Bermuda) Limited
Liberty Sponsored Insurance (Vermont), Inc.
Liberty Surplus Insurance Corporation
LIH-RE of America Corporation
LIU Specialty Insurance Agency Inc.
LM General Insurance Company
LM Insurance Corporation
LM Property & Casualty Insurance Company
LMHC Massachusetts Holdings Inc.
LRE Properties, Inc.
Mid-American Fire & Casualty Company
North Pacific Insurance Company
Ocasco Budget, Inc.
OCI Printing, Inc.
Ohio Casualty Corporation
Ohio Security Insurance Company
Open Seas Solutions, Inc.
Oregon Automobile Insurance Company
Peerless Indemnity Insurance Company
Peerless Insurance Company
Pilot Insurance Services, Inc.
Rianoc Research Corporation
S.C. Bellevue, Inc.
SAFECARE Company, Inc.

NOTES TO FINANCIAL STATEMENTS

General America Corporation of Texas
General Insurance Company of America
Golden Eagle Insurance Corporation
Gulf States AIF, Inc.
Hawkeye-Security Insurance Company
Heritage-Summit HealthCare, LLC
Indiana Insurance Company
Insurance Company of Illinois
LEXCO Limited
Liberty-USA Corporation
Liberty Assignment Corporation
Liberty Energy Canada, Inc.
Liberty Financial Services, Inc.
Liberty Hospitality Group, Inc.
Liberty Insurance Corporation
Liberty Insurance Holdings, Inc.
Liberty Insurance Underwriters Inc.
Liberty International Europe Inc.
Liberty International Holdings Inc.
Liberty Life Assurance Company of Boston
Liberty Life Holdings Inc.
Liberty Lloyds of Texas Insurance Company
Liberty Management Services, Inc.
Liberty Mexico Holdings Inc.
Liberty Mutual Agency Corporation
Liberty Mutual Fire Insurance Company
Liberty Mutual Group Asset Management Inc.
Liberty Mutual Group Inc.
Liberty Mutual Holding Company Inc.
Safeco Corporation
Safeco General Agency, Inc.
Safeco Insurance Company of America
Safeco Insurance Company of Illinois
Safeco Insurance Company of Indiana
Safeco Insurance Company of Oregon
Safeco Lloyds Insurance Company
Safeco National Insurance Company
Safeco Properties, Inc.
Safeco Surplus Lines Insurance Company
San Diego Insurance Company
SCIT, Inc.
St. James Insurance Company Ltd.
Summit Consulting, LLC
Summit Consulting, Inc. of Louisiana
Summit Holding Southeast, Inc.
The First Liberty Insurance Corporation
The Midwestern Indemnity Company
The National Corporation
The Netherlands Insurance Company
The Ohio Casualty Insurance Company
Wausau Business Insurance Company
Wausau General Insurance Company
Wausau Underwriters Insurance Company
West American Insurance Company
Winmar Company, Inc.
Winmar of the Desert, Inc.
Winmar Oregon, Inc.
Winmar-Metro, Inc.

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

G. The Company does not expect the Federal and Foreign income tax loss contingencies, as determined in accordance with SSAP No. 5R, Liabilities, Contingencies and Impairments of Assets, with the modifications provided in SSAP No. 101, Income Taxes – A Replacement of SSAP No. 10R and SSAP No. 10, to significantly increase within twelve months of the reporting date.

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Insurance Company ("LMIC"), a Massachusetts insurance company. The ultimate parent of LMIC is Liberty Mutual Holding Company Inc. (“LMHC”), a Massachusetts company.

B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.

C. The Company contributed capital in the amount of $4,598,419.

D. At December 31, 2012, the Company reported a net $14,445,319 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.

E. The Company has not made any guarantees or initiated any undertakings, written or otherwise, for the benefit of affiliates or other related parties.

F. Refer to Note 26 for information regarding the Inter-Company Reinsurance Agreement.

There is a management services agreement between the Company and LMIC, under which LMIC provides the Company with services of personnel employed by LMIC and through a management services agreement entered into by LMIC and LMGI including, but not limited to, office space, supplies, equipment, telephone and wire services, the use of computers and similar machines to the extent necessary or appropriate.

The Company is a party to an investment management agreement with Liberty Mutual Group Asset Management Inc. (“LMGAM”), an investment management agreement with Liberty Mutual Investment Advisors LLC (“LMIA”) and a cash management agreement with LMGAM. Under these agreements, LMGAM and LMIA provide services to the Company.

There is an “Agent-Company Agreement” between the Company and Helmsman Insurance Agency, LLC (“Helmsman”) whereby Helmsman is appointed a property-casualty insurance agent of the Company and provides usual and customary services of an insurance agent on all insurance contracts placed by Helmsman with the Company.

NOTES TO FINANCIAL STATEMENTS

The Company is a party to a revolving credit agreement under which the Company may lend funds to the following affiliated company for the purpose of accommodating fluctuations in daily cash flow and to promote efficient management of investments:

Company	Credit Line
Liberty Mutual Insurance Company	$100,000,000

There were no outstanding loans as of December 31, 2012.

The Company is a party to a revolving credit agreement under which the Company may borrow funds from the following affiliated company for the purpose of accommodating fluctuations in daily cash flow and to promote efficient management of investments:

Company	Credit Line
Liberty Mutual Insurance Company	$100,000,000

There were no outstanding borrowings as of December 31, 2012.

The Company is a party to a Federal Tax Sharing Agreement between LMHC and affiliates. Refer to Note 9F.

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

H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.

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

J. The Company does not own any investments in subsidiary, controlled or affiliated entities, as such no impairments were recognized.

K. The Company does not hold any investments in foreign insurance subsidiaries.

L. The Company does not hold any investments in downstream non-insurance holding companies.

Note 11 - Debt

A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

B. Federal Home Loan Bank Agreements

The Company has not entered into any agreements with the Federal Home Loan Bank.

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 10F.

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

1. The Company has 30,000 shares authorized, and 25,000 shares issued and outstanding as of December 31, 2012. All shares have a stated par value of $140.

2. Preferred Stock

   Not applicable

3. There are no dividend restrictions.

4. The Company did not pay any dividends to its parent in 2012.

5. The maximum amount of dividends which can be paid by Illinois-domiciled insurance companies to shareholders without the prior approval of the Insurance Director is the greater of (a) 10% of surplus or (b) net income, subject to the availability of accumulated undistributed earnings. The Company cannot pay a dividend in 2012 without the prior approval of the Insurance Commissioner, as its unassigned surplus is negative.

6. As of December 31, 2012, the Company has pre-tax restricted surplus of $32,770,813 resulting from retroactive reinsurance contracts.

7. The Company had no advances to surplus.

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

NOTES TO FINANCIAL STATEMENTS

9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2012.

10. The portion of unassigned funds (surplus) represented by cumulative net unrealized losses is $250,784 after applicable deferred taxes of $284,609.

11. Surplus Notes

    Not applicable

12. Quasi-reorganization (dollar impact)

    Not applicable

13. Quasi-reorganization (effective date)

    Not applicable

Note 14 - Contingencies

A. Contingent Commitments

Refer to Note 10E.

B. Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments and premium-based assessments are presumed probable when the premium on which the assessments are expected to be based are written. In the case of loss-based assessments, the event that obligates the entity is an entity incurring the losses on which the assessments are expected to be based.

The Company has accrued a liability for guaranty funds and other assessments of $6,212,835 that is offset by future premium tax credits of $577,069. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2013. During 2012 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

Reconciliation of paid and accrued premium tax offsets and policy surcharges at prior year-end to current year-end:

a.	Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	$ 747,713
b.	Decreases current year: Premium tax offset applied	176,194
c.	Increases current year: Premium tax offset increase	5,550
d.	Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	$ 577,069

C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	$687,281

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

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

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

E. Product Warranties

The Company does not write product warranty business.

NOTES TO FINANCIAL STATEMENTS

F. All Other Contingencies

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

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

Note 15 - Leases

A. Lessee Leasing Arrangements

1. The Company leases office space, plant and equipment under various non-cancelable operating lease arrangements.

   The Company's minimum lease obligations under these agreements are as follows:

Year Ending December 31,	Operating Leases
2013	$ 4,494,583
2014	4,286,470
2015	2,750,289
2016	2,578,250
2017	1,403,082
2018 & thereafter	12,211,768
Total	$ 27,724,442

   The Company has not terminated any existing lease agreements early, nor is under lease agreement but no longer using leased property benefits.

2. The Company is not involved in any material sales-leaseback transactions.

B. Leasing as a Significant Part of Lessor's Business Activities

Leasing is not a significant part of the Company's business activities.

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 concentration of credit risk.

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

A. Transfers of Receivables Reported as Sales

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

B. Transfers and Servicing of Financial Assets

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

At December 31, 2012 the total fair value of securities on loan was $28,078,527, with corresponding collateral value of $28,667,486 of which $24,658,590 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

NOTES TO FINANCIAL STATEMENTS

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20 - Fair Value Measurements

A. Inputs Used for Assets and Liabilities Measured at Fair Value

1. Fair Value Measurements by Levels 1, 2 and 3

Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company primarily uses the market approach which generally utilizes market transaction data for identical or similar instruments.

The hierarchy level assigned to each security in the Company's portfolio is based on the Company's assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. The highest priority is given to Level 1 measurements and the lowest priority to Level 3 measurements. Securities are classified based on the lowest level of input that is significant to the fair value measurement. The Company recognizes transfers between levels at the end of each reporting period. The three hierarchy levels are defined as follows:

- Level 1 — Valuations based on unadjusted observable quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

- Level 2 — Valuations based on directly or indirectly observable inputs (other than Level 1 prices) at the measurement date, such as quoted prices in active markets or prices in markets that are not active for similar assets or liabilities or other inputs that are observable.

- Level 3 — Valuations based on inputs that are unobservable and reflect the Company's own assumptions about the assumptions that market participants might use.

The following table summarizes the Company's assets and liabilities that are measured at fair value at December 31, 2012:

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	$ -	$7,970,320	$ -	$7,970,320
Residential Mortgage-Backed Securities	-	-	-	-
Total Bonds	$ -	$7,970,320	$ -	$7,970,320
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	$ -	$ -	$ -	$ -
Total Preferred Stocks	$ -	$ -	$ -	$ -
Common Stocks				
Industrial and Miscellaneous	$467,676	$ -	$ -	$467,676
Total Common Stocks	$467,676	$ -	$ -	$467,676
Total assets at fair value	$467,676	$7,970,320	$ -	$8,437,996
Liabilities at fair value				
Derivative Liabilities	$ -	$ -	$ -	$ -
Total liabilities at fair value	$ -	$ -	$ -	$ -

NOTES TO FINANCIAL STATEMENTS

2. Rollforward of Level 3 Items

The following tables set forth the fair values of assets basis classified as Level 3 within the fair value hierarchy:

1	2	3	4	5	6	7	8	9	10	11
	Balance at 12/31/2011	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at 12/31/2012
Bonds	$1,000,000	$ -	($1,000,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Preferred Stock	-	-	-	-	-	-	-	-	-	-
Common Stock	-	-	-	-	-	-	-	-	-	-
Total	$1,000,000	$ -	($1,000,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -

3. Policy on Transfers Into and Out of Level 3

The Company holds NAIC designated 3-6 securities at the lower of cost or market as defined by SSAP No. 26. Market fluctuations cause securities to change from being held at cost to fair value or vice versa. These changes result in a transfer in or out of Level 3. In addition, the Company also transfers securities in or out of level 3 as a result of re-evaluation of the observability of pricing inputs.

4. Inputs and Techniques Used for Fair Value

Fixed Maturities

At each valuation date, the Company uses various valuation techniques to estimate the fair value of its fixed maturities portfolio. The primary method for valuing the Company’s securities is through independent third-party valuation service providers. For positions where valuations are not available from independent third-party valuation service providers, the Company utilizes broker quotes and internal pricing methods to determine fair values. The Company obtains a single non-binding price quote from a broker familiar with the security who, similar to the Company’s valuation service providers, may consider transactions or activity in similar securities, as applicable, among other information. The brokers providing price quotes are generally from the brokerage divisions of leading financial institutions with market making, underwriting and distribution expertise regarding the security subject to valuation. The evaluation and prioritization of these valuation sources is systematic and predetermined resulting in a single quote or price for each financial instrument. The following describes the techniques generally used to determine the fair value of the Company’s fixed maturities by asset class:

U.S. government and agency

U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. As the fair values of the Company’s U.S. Treasury securities are based on unadjusted market prices, they are classified within Level 1. The fair value of U.S. government agency securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, reported trades, bids, offers and credit spreads. Accordingly, the fair value of U.S. government agency securities is classified within Level 2.

Mortgage-Backed Securities

The Company’s portfolio of residential mortgage-backed securities (“MBS”) and commercial MBS are originated by both agencies and non-agencies, the majority of which are pass-through securities issued by U.S. government agencies. The fair value of MBS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of MBS is primarily classified within Level 2.

Asset-Backed Securities

Asset-backed securities (“ABS”) include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, credit card receivables, and collateralized loan obligation securities originated by a variety of financial institutions. The fair value of ABS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of ABS is primarily classified within Level 2.

Municipals

The Company’s municipal portfolio comprises bonds issued by U.S. domiciled state and municipal entities. The fair value of municipal securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades and credit spreads. Accordingly, the fair value of municipal securities is primarily classified within Level 2.

NOTES TO FINANCIAL STATEMENTS

Corporate debt and other

Corporate debt securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair value of corporate and other securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, new issuances, issuer ratings, reported trades of identical or comparable securities, bids, offers and credit spreads. Accordingly, the fair value of corporate and other securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Foreign government securities

Foreign government securities comprise bonds issued by foreign governments and their agencies along with supranational organizations. The fair value of foreign government securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades of identical or comparable securities and credit spreads. Accordingly, the fair value of foreign government securities is primarily classified within Level 2.

Equity Securities

Equity securities include common and preferred stocks. Common stocks with fair values based on quoted market prices in active markets are classified in Level 1. Common stocks with fair values determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active are classified in Level 2. The fair value of preferred stock is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active. Accordingly, the fair value of preferred stock is primarily classified within Level 2.

Other Investments

Other investments include primarily international loans, foreign cash deposits and equity investments in privately held businesses. International loans and cash deposits are primarily valued using quoted prices for similar instruments in active markets; these assets are categorized as Level 2 of the fair value hierarchy. Equity investments in privately held businesses are valued using internal management estimates; they are categorized as Level 3 of the hierarchy. Limited partnership investments, which represent the remainder of the other investment balance on the consolidated balance sheet, are not subject to these disclosures and therefore are excluded from the above table.

5. Derivative Fair Values

Not applicable

B. Other Fair Value Disclosures

Not applicable

C. Aggregate Fair Value of All Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Cash, Cash Equivalents, and Short Term	$27,929,446	$27,929,446	$27,929,446	$ -	$ -	$ -
Bonds	1,132,959,215	1,054,027,130	67,995,206	1,059,341,773	5,622,236	-
Preferred Stock	-	-	-	-	-	-
Common Stock	467,676	467,676	467,676	-	-	-
Securities Lending	24,658,590	24,658,590	-	24,658,590	-	-
Mortgage Loans	-	-	-	-	-	-
Surplus Notes	-	-	-	-	-	-
Total	$1,186,014,927	$1,107,082,842	$96,392,328	$1,084,000,363	$5,622,236	$ -

D. Reasons Not Practical to Estimate Fair Value

Not applicable

Note 21 - Other Items

A. Extraordinary Items

The Company has no extraordinary items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

NOTES TO FINANCIAL STATEMENTS

C. Other Disclosures

1) Florida Special Disability Trust Fund

a) The amount of credit taken by the Company in determination of its loss reserves was $0 in 2012 and 2011.

b) The Company reported loss recoveries from the Special Disability Trust Fund of $103,372 in 2012 and $142,095 in 2011.

c) The amount the Company was assessed by the Special Disability Trust Fund was $641,649 in 2012 and $461,785 in 2011.

2) Assets in the amount of $87,891,480 and $82,722,749 as of December 31, 2012 and 2011, respectively, were on deposit with government authorities or trustees as required by law.

3) Interrogatory 6.1

The Company cedes 100% of its business to Liberty Mutual Insurance Company, the lead company in the Liberty Mutual Pool. Liberty Mutual Insurance Company purchases external catastrophe reinsurance coverage.

Interrogatory 6.2

The Company cedes 100% of its business to Liberty Mutual Insurance Company, the lead company in the Liberty Mutual Pool. Liberty Mutual Insurance Company purchases external catastrophe reinsurance coverage.

Interrogatory 6.3

The Company cedes 100% of its business to Liberty Mutual Insurance Company, the lead company in the Liberty Mutual Pool. Liberty Mutual Insurance Company purchases external catastrophe reinsurance coverage.

D. The Company routinely assesses the collectability of its premium receivable balances. The Company does not believe that amounts in excess of nonadmitted amounts are material.

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable and Non-transferable Tax Credit

(1) Carrying value of transferable and non-transferable state tax credits gross of any related state tax liabilities and total unused transferable and non-transferable state tax credits by state and in total

Description of State Transferable and Non-transferable Tax Credits	State	Carrying Value	Unused Amount
Historical Rehabilitation Credit	CT	90,000	90,000
Film Credit	CT	237,600	237,600
Total		327,600	327,600

(2) Method of estimating utilization of remaining transferable and non-transferable state tax credits

The Company estimated the utilization of the remaining transferable and non-transferable State Tax credits by projecting future premium taking into account policy growth and rate changes, projecting future tax liability based on projected premium, tax rates and tax credits, and comparing projected future tax liability to the availability of remaining transferable and non-transferable state tax credits

(3) Impairment amount recognized by the reporting period, if any.

The Company has not recognized any impairment losses associate with its transferable and non-transferable state tax credits during the reporting period.

(4) State Tax Credits Admitted and Nonadmitted

	Total Admitted	Total Nonadmitted
Transferable	-	-
Non-transferable	327,600	-

G. Subprime-Mortgage-Related Risk Exposure

1. The Company has not purchased securities characterized by the market as subprime. The Company reviews such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities.

NOTES TO FINANCIAL STATEMENTS

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

3. The Company does not have any direct exposure through other investments.

4. The Company does not have any underwriting exposure to sub-prime mortgage risk.

Note 22 - Events Subsequent

A. The Company evaluated subsequent events through February 20, 2013, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2012 that would require disclosure.

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverable

Excluding amounts arising pursuant to the Intercompany Reinsurance Agreement, as described in Note 26, there are no unsecured reinsurance recoverables or ceded unearned premium of an individual reinsurer which exceed 3% of policyholder's surplus.

B. Reinsurance Recoverable in Dispute

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

C. Reinsurance Assumed & Ceded

1. 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, 2012.

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	$227,920,958	$2,905,187	$734,561,041	$19,692,968	$(506,640,083)	$(16,787,781)
b. All Other	-	-	-	-	-	-
c. TOTAL	$227,920,958	$2,905,187	$734,561,041	$19,692,968	$(506,640,083)	$(16,787,781)
d. Direct Unearned Premium Reserve $734,561,041						

2. Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2012 are as follows:

	Direct	Assumed	Ceded	Net
a. Contingent Commission	$5,025,441	$1,673,597	$5,025,441	$1,673,597
b. Sliding Scale Adjustments	-	-	-	-
c. Other Profit Commission Arrangements	-	(4,500,000)	-	(4,500,000)
d. TOTAL	$5,025,441	$(2,826,403)	$5,025,441	$(2,826,403)

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

D. Uncollectible Reinsurance

The Company did not write off any uncollectible balances in the current year.

E. Commutation of Ceded Reinsurance

The Company did not commute any reinsurance treaties in the current year.

NOTES TO FINANCIAL STATEMENTS

F. Retroactive Reinsurance

The Company's retroactive reinsurance is a result of the Intercompany Reinsurance Agreement as described in Note 26.

	Reported Company	
	As:	
	Assumed	Ceded
a. Reserves Transferred:		
1. Initial Reserves	$(57,256,411)	-
2. Adjustments – Prior Year (s)	9,042,565	-
3. Adjustments – Current Year	2,318,488	-
4. Current Total	$(45,895,358)	-
b. Consideration Paid or Received:		
1. Initial Consideration	$(17,000,295)	-
2. Adjustments – Prior Year (s)	(2,742,819)	-
3. Adjustments – Current Year	(27,662)	-
4. Current Total	$(19,770,776)	-
c. Paid Losses Reimbursed or Recovered:		
1. Prior Year (s)	$(10,297,765)	-
2. Current Year	(1,107,542)	-
3. Current Total	$(11,405,307)	-
d. Special Surplus from the Retroactive Reinsurance:		
1. Initial Surplus Gain or Loss	$41,699,432	-
2. Adjustments – Prior Year (s)	(2,930,935)	-
3. Adjustments – Current Year	(1,238,608)	-
4. Current Year Restricted Surplus	32,770,813	-
5. Cumulative Total Transferred to Unassigned Funds	$4,759,076	-
e. All cedents and reinsurers involved in all transactions included in summary totals above:		
Company	Assumed Amount	Ceded Amount
Liberty Mutual Insurance Company, 23043	$(45,895,358)	-
Total	$(45,895,358)	-

f. There are no Paid Loss/LAE amounts recoverable or amounts recoverable from unauthorized reinsurers.

G. Reinsurance Accounted for as a Deposit

The Company has not entered into any reinsurance agreements that have been accounted for as deposits as of December 31, 2012.

H. Disclosures for the Transfer of Property and Casualty Run-off Agreements

The Company has not entered into any agreements which have been approved by their domiciliary regulator and have qualified pursuant to SSAP No. 62R, *Property and Casualty Reinsurance* to receive P&C Run-off Accounting Treatment.

I. Certified Reinsurers Downgraded or Status Subject to Revocation

1. Reporting Entity Ceding to Certified Reinsurer Downgraded or Status Subject to Revocation

The Company has not entered into any reinsurance contracts with Certified Reinsurers.

2. Reporting Entity's Certified Reinsurer Rating Downgraded or Status Subject to Revocation

The Company is not a Certified Reinsurer.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. Accrued retrospective premiums reported in Line 15.3 of the assets page have been determined based upon loss experience on business subject to such experience rating adjustment.

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

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

E. Medical Loss Ratio Rebates

The Company does not recognize a liability for medical loss ratio rebates pursuant to the Public Health Service Act, as the Company does not write direct comprehensive major medical health business.

NOTES TO FINANCIAL STATEMENTS

F. Ten Percent of the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss adjustment expense reserves), or collateral as permitted by SSAP No. 66, *Retrospectively Rated Contracts*, has been nonadmitted.

a.	Total accrued retro premium	$13,069,612
b.	Unsecured amount	-
c.	Less: Nonadmitted amount (10%)	1,303,783
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are non-admitted	-
e.	Admitted amount (a) - (c) - (d)	$11,765,829

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributable to insured events on prior years has increased through the fourth quarter of 2012. This increase was primarily the result of an updated reserve analysis in the Workers' Compensation and Other Liability Occurrence lines. The increases were partially offset by decreases in reserve estimates for the Products Liability and Homeowners/Farmowners lines. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 26 - Intercompany Pooling Arrangements

The Company is a member of the Liberty Mutual Intercompany Reinsurance Agreement consisting of the following affiliated companies:

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Liberty Mutual Insurance Company ("LMIC")	23043	73.80%	All Lines
Affiliated Pool Companies:	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	12.90%	All Lines
	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	4.00%	All Lines
	Wausau Business Insurance Company ("WBIC")	26069	0.40%	All Lines
	Wausau Underwriters Insurance Company ("WUIC")	26042	0.40%	All Lines
	LM Insurance Corporation ("LMC")	33600	0.20%	All Lines
	The First Liberty Insurance Corporation ("FST")	33588	0.10%	All Lines
	LM General Insurance Company ("LMGIC")	36447	0.10%	All Lines
	Liberty Insurance Underwriters, Inc. ("LIU")	19917	0.10%	All Lines
	Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.00%	All Lines
	Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.00%	All Lines
	Liberty Personal Insurance Company ("LPIC")	11746	0.00%	All Lines
	Liberty Surplus Insurance Corporation ("LSI")	10725	0.00%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.00%	All Lines
	Wausau General Insurance Company ("WGIC")	26425	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Bridgefield Employers Insurance Company ("BEIC")	10701	0.00%	All Lines
	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.00%	All Lines
	Liberty County Mutual Insurance Company ("LCMIC")	19544	0.00%	All Lines
	LM Property and Casualty Insurance Company ("LMPAC")	32352	0.00%	All Lines

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

(g) Amounts due (to)/from affiliated entities participating in the Liberty Mutual intercompany pool as of December 31, 2012:

Affiliate:	Amount:
Liberty Mutual Insurance Company	$ (17,866,746)

Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2013, the participants of the Peerless Amended and Restated Reinsurance Pooling Agreement (the PIC Pool) were added to the Liberty Mutual Intercompany Reinsurance Agreement (Liberty Pool). The Liberty Mutual Intercompany Reinsurance Agreement was renamed the Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement. Also effective January 1, 2013 the Peerless Amended and Restated Reinsurance Pooling Agreement was terminated.

Effective January 1, 2013, Liberty County Mutual Insurance Company cancelled its 100% Quota Share Reinsurance Agreement with Liberty Mutual Insurance Company, the lead company in the Liberty Pool and became a participant in the Liberty Pool.

Effective January 1, 2013, Liberty Northwest Insurance Corporation, North Pacific Insurance Company, Oregon Automobile Insurance Company and Liberty Mutual Mid-Atlantic Insurance Company cancelled its 100% Quota Share Reinsurance Agreements with Peerless Insurance Company, the Lead Company in the PIC Pool, and became participants in the Liberty Pool.

Effective January 1, 2013, the Liberty Pool structure is as follows:

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Liberty Mutual Insurance Company ("LMIC")	23043	50.0%	All Lines
Affiliated Pool Companies:	Peerless Insurance Company ("PIC")	24198	20.0%	All Lines
	Employers Insurance Company of Wausau ("EICOW")	21458	8.0%	All Lines
	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	8.0%	All Lines
	The Ohio Casualty Insurance Company ("OCIC")	24074	8.0%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	6.0%	All Lines
	American Economy Insurance Company ("AEIC")	19690	0.0%	All Lines
	America First Insurance Company ("AFIC")	12696	0.0%	All Lines
	America Fire and Casualty Company ("AFCIC")	24066	0.0%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.0%	All Lines
	American States Insurance Company ("ASIC")	19704	0.0%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.0%	All Lines
	American States Lloyd's Insurance Company ("ASLCO")	31933	0.0%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.0%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.0%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.0%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.0%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.0%	All Lines
	The First Liberty Insurance Corporation ("FST")	33588	0.0%	All Lines
	General Insurance Company of America ("GICA")	24732	0.0%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	0.0%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.0%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.0%	All Lines
	Indiana Insurance Company ("IIC")	22659	0.0%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	0.0%	All Lines

NOTES TO FINANCIAL STATEMENTS

	Liberty Insurance Underwriters, Inc. (“LIU”)	19917	0.0%	All Lines
	Liberty County Mutual Insurance Company (“LCMIC”)	19544	0.0%	All Lines
	LM General Insurance Company (“LMGIC”)	36447	0.0%	All Lines
	Liberty Lloyd’s of Texas Insurance Company (“LLOT”)	11041	0.0%	All Lines
	LM Insurance Corporation (“LMC”)	33600	0.0%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company (“LMMAIC”)	14486	0.0%	All Lines
	Liberty Mutual Personal Insurance Company (“LMPICO”)	12484	0.0%	All Lines
	Liberty Northwest Insurance Corporation (“LNW”)	41939	0.0%	All Lines
	Liberty Personal Insurance Company (LPIC”)	11746	0.0%	All Lines
	Liberty Surplus Insurance Corporation (“LSI”)	10725	0.0%	All Lines
	Mid-American Fire & Casualty Company (“MAFCC”)	23507	0.0%	All Lines
	Montgomery Mutual Insurance Company (“MMIC”)	14613	0.0%	All Lines
	The Midwestern Indemnity Company (“MWIC”)	23515	0.0%	All Lines
	National Insurance Association (“NIA”)	27944	0.0%	All Lines
	The Netherlands Insurance Company (“NIC”)	24171	0.0%	All Lines
	North Pacific Insurance Company (“NPIC”)	23892	0.0%	All Lines
	Ohio Security Insurance Company (“OSIC”)	24082	0.0%	All Lines
	Oregon Automobile Insurance Company (“OAIC”)	23922	0.0%	All Lines
	Peerless Indemnity Insurance Company (“PIIC”)	18333	0.0%	All Lines
	Safeco Insurance Company of Illinois (“SICIL”)	39012	0.0%	All Lines
	Safeco Insurance Company of Indiana (“SICIN”)	11215	0.0%	All Lines
	Safeco Insurance Company of Oregon (“SICOR”)	11071	0.0%	All Lines
	Safeco Lloyds Insurance Company (“SLICO”)	11070	0.0%	All Lines
	Safeco National Insurance Company (“SNIC”)	24759	0.0%	All Lines
	Safeco Surplus Lines Insurance Company (“SSLIC”)	11100	0.0%	All Lines
	Wausau Business Insurance Company (“WBIC”)	26069	0.0%	All Lines
	Wausau General Insurance Company (“WGIC”)	26425	0.0%	All Lines
	Wausau Underwriters Insurance Company (“WUIC”)	26042	0.0%	All Lines
	West American Insurance Company (“WAIC”)	44393	0.0%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Bridgefield Employers Insurance Company (“BEIC”)	10701	0.0%	All Lines
	Bridgefield Casualty Insurance Company (“BCIC”)	10335	0.0%	All Lines
	LM Property and Casualty Insurance Company (“LMPAC”)	32352	0.0%	All Lines

Note 27 - Structured Settlements

A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of $20,296,257 after applying Intercompany Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was $20,296,257 as of December 31, 2012.

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

Life Insurance Company and Location	Licensed in Company’s State of Domicile (Yes/No)	Statement Value of Annuities
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	$ 11,834,788
Nationwide Life Insurance Company Columbus, Ohio	Yes	$ 5,225,038

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 - Premium Deficiency Reserves

1. Liability carried for premium deficiency reserves	$ -
2. Date of the most recent evaluation of this liability	12/31/2012
3. Was anticipated investment income utilized in the calculation?	Yes

NOTES TO FINANCIAL STATEMENTS

Note 31 - High Dollar Deductible Policies

As of December 31, 2012, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was $ 223,278,945 and the amount billed and recoverable on paid claims was $ 8,677,793.

Note 32 - Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses

For Workers Compensation the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by their respective states at an annual discount rate of 4.0%. Asbestos structured settlements are discounted at 4.5%.

A. The amount of tabular discount for case and IBNR reserves is as follows:

Schedule P Lines of Business	Tabular Discount Included in Schedule P, Part 1*	
	1 Case	2 IBNR
1. Homeowners/Farmowners	-	-
2. Private Passenger Auto Liability/Medical	-	-
3. Commercial Auto/Truck Liability/Medical	-	-
4. Workers' Compensation	26,099,870	27,396,652
5. Commercial Multiple Peril	-	-
6. Medical Professional Liability – occurrence	-	-
7. Medical Professional Liability – claims-made	-	-
8. Special Liability	-	-
9. Other Liability - occurrence	246,017	-
10. Other Liability – claims-made	-	-
11. Special Property	-	-
12. Auto Physical Damage	-	-
13. Fidelity, Surety	-	-
14. Other (including Credit, Accident & Health)	-	-
15. International	-	-
16. Reinsurance Nonproportional Assumed Property	-	-
17. Reinsurance Nonproportional Assumed Liability	-	-
18. Reinsurance Nonproportional Assumed Financial Lines	-	-
19. Products Liability – occurrence	-	-
20. Products Liability – claims-made	-	-
21. Financial Guaranty/Mortgage Guaranty	-	-
22. Warranty	-	-
23. Total	26,345,887	27,396,652

* Must exclude medical loss reserves and all loss adjustment expense reserves.

B. Nontabular Discount:

Not applicable

Note 33 - Asbestos/Environmental Reserves

The Company has exposure to asbestos and environmental claims that emanate principally from general liability policies written prior to the mid-1980's. In establishing the Company's asbestos and environmental reserves, the Company estimates case reserves for anticipated losses and bulk reserves for claim adjustment expenses and incurred but not reported claims reserves ("IBNR"). The Company maintained casualty excess of loss reinsurance during the relevant periods. The reserves are reported net of cessions to reinsurers and include any reserves reported by ceding reinsurers on assumed reinsurance contracts.

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

NOTES TO FINANCIAL STATEMENTS

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

In the third quarter of 2011, the Company completed asbestos ground-up and aggregate environmental reserve studies. These studies were completed by a multi-disciplinary team of internal claims, legal, reinsurance and actuarial personnel, and included all major business segments of the Company’s direct, assumed, and ceded asbestos and environmental unpaid claim liabilities. As part of the internal review, policyholders with the largest direct asbestos unpaid claim liabilities were individually evaluated using the Company's proprietary stochastic ground-up model, which is consistent with published actuarial methods of asbestos reserving. Among the factors reviewed in depth by the team of specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, injury type, jurisdiction and legal defenses. Reinsurance recoveries for these policyholders were then separately evaluated by the Company’s reinsurance and actuarial personnel. Asbestos and environmental unpaid claim liabilities for all other policyholders were evaluated using aggregate methods that utilized information and experience specific to these policyholders. The studies resulted in an increase to reserves.

Uncertainty Regarding Reserving Methodologies
As a result of the significant uncertainty inherent in determining a company's asbestos and environmental liabilities and establishing related reserves, the amount of reserves required to adequately fund the Company's asbestos and environmental claims cannot be accurately estimated using conventional reserving methodologies based on historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment. In that regard, the estimation of asbestos claims and associated liabilities and the analysis of environmental claims considered prevailing applicable law and certain inconsistencies of court decisions as to coverage, plaintiffs’ expanded theories of liability, and the risks inherent in major litigation and other uncertainties, the Company believes that in future periods it is possible that the outcome of the continued uncertainties regarding asbestos and environmental related claims could result in an aggregate liability that differs from current reserves by an amount that could be material to the Company’s future operating results and financial condition.

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

The following tables summarize the activity for the Company’s asbestos and environmental claims and claim adjustment expenses, a component of the Company’s unpaid claims and claim adjustment expenses, for the years ended December 31, 2012, 2011, 2010, 2009, and 2008:

Asbestos:

	2008	2009	2010	2011	2012
Direct Basis					
Beginning Reserves	67,292,281	62,526,875	74,057,842	54,487,644	59,293,276
Incurred losses and LAE	5,705,766	21,971,511	3,074,621	17,281,354	9,744,950
Calendar year payments	10,471,172	10,440,544	22,644,819	12,475,722	10,328,969
Ending Reserves	62,526,875	74,057,842	54,487,644	59,293,276	58,709,257
Assumed Reinsurance Basis					
Beginning Reserves	28,330,065	26,821,517	19,197,430	19,105,105	18,786,173
Incurred losses and LAE	(302,866)	(6,110,277)	1,949,861	793,874	16,722
Calendar year payments	1,205,682	1,513,810	2,042,186	1,112,807	1,644,711
Ending Reserves	26,821,517	19,197,430	19,105,105	18,786,173	17,158,183
Net of Ceded Reinsurance Basis					
Beginning Reserves	31,893,395	26,374,271	35,474,803	23,077,748	30,412,764
Incurred losses and LAE	569,762	15,822,067	(4,286,886)	13,140,742	6,222,974
Calendar year payments	6,088,887	6,721,535	8,110,169	5,805,726	8,826,294
Ending Reserves	26,374,271	35,474,803	23,077,748	30,412,764	27,809,444

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	30,497,964
Assumed Reinsurance Basis	13,167,773
Net of Ceded Reinsurance Basis	15,045,188

NOTES TO FINANCIAL STATEMENTS

Ending Reserves for LAE included above (Case, Bulk & IBNR)

Direct Basis	26,567,383
Assumed Reinsurance Basis	1,043,543
Net of Ceded Reinsurance Basis	11,480,128

Environmental:	2008	2009	2010	2011	2012
Direct Basis					
Beginning Reserves	18,034,940	14,929,679	12,261,553	11,742,092	11,867,439
Incurred losses and LAE	273,487	1,126,144	1,577,650	2,479,498	2,477,968
Calendar year payments	3,378,749	3,794,270	2,097,112	2,354,150	2,057,770
Ending Reserves	14,929,679	12,261,553	11,742,092	11,867,439	12,287,637
Assumed Reinsurance Basis					
Beginning Reserves	1,634,208	1,629,635	2,110,061	1,629,053	1,677,517
Incurred losses and LAE	143,612	687,464	(22,095)	377,045	351,872
Calendar year payments	148,185	207,038	458,914	328,580	117,308
Ending Reserves	1,629,635	2,110,061	1,629,053	1,677,517	1,912,080
Net of Ceded Reinsurance Basis					
Beginning Reserves	14,545,437	12,463,485	10,547,836	9,245,495	8,523,030
Incurred losses and LAE	(528)	(113)	(113,370)	559,966	(1,272,892)
Calendar year payments	2,081,424	1,915,536	1,188,971	1,282,430	(390,966)
Ending Reserves	12,463,485	10,547,836	9,245,495	8,523,030	7,641,104

Ending Reserves for Bulk + IBNR included above (Loss & LAE)

Direct Basis	8,040,155
Assumed Reinsurance Basis	1,328,984
Net of Ceded Reinsurance Basis	4,428,110

Ending Reserves for LAE included above (Case, Bulk & IBNR)

Direct Basis	6,067,312
Assumed Reinsurance Basis	360,738
Net of Ceded Reinsurance Basis	2,681,907

Note 34 - Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

Note 36 - Financial Guaranty Insurance

Not applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No [ ]

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

1.3 State Regulating? Illinois

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2009

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. 12/31/2009

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/31/2011

3.4 By what department or departments?
Illinois Department of Financial and Professional Regulation Division of Insurance

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [ ] No [ ] N/A [X]

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

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

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

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

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

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

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

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

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

GENERAL INTERROGATORIES

6.2 If yes, give full information:

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]

7.2 If yes,

7.21 State the percentage of foreign control. 0.00 %

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

1 Nationality	2 Type of Entity

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

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

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the 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 FDIC	6 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

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [X]

10.2 If response to 10.1 is yes, provide information related to this exemption:

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]

10.4 If response to 10.3 is yes, provide information related to this exemption:

GENERAL INTERROGATORIES

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [ ] N/A [ ]

10.6 If the response to 10.5 is no or n/a, please explain:

11. 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?
William Finn
175 Berkeley Street, Boston, MA 02116
Officer of Liberty Mutual Group Inc.

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

12.11 Name of real estate holding company	
12.12 Number of parcels involved	0
12.13 Total book/adjusted carrying value	$ 0

12.2 If yes, provide explanation:

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

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

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [X]

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

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
c. Compliance with applicable governmental laws, rules, and regulations;
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
e. Accountability for adherence to the code. Yes [X] No [ ]

14.11 If the response to 14.1 is no, please explain:

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

14.21 If the response to 14.2 is yes, provide information related to amendment(s).
During Q1 and Q3, 2012, Liberty Mutual Insurance Group published certain non-material changes to its Code of Business Ethics and Conduct designed to clarify existing Code provisions.

GENERAL INTERROGATORIES

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
0	0	0	0
0	0	0	0
0	0	0	0

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate thereof? Yes [X] No [ ]

17. 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 [ ]

18. 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

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

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

20.11	To directors or other officers	$ 0
20.12	To stockholders not officers	$ 0
20.13	Trustees, supreme or grand (Fraternal only)	$ 0

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

20.21	To directors or other officers	$ 0
20.22	To stockholders not officers	$ 0
20.23	Trustees, supreme or grand (Fraternal only)	$ 0

21.1 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]

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

21.21	Rented from others	$ 0
21.22	Borrowed from others	$ 0
21.23	Leased from others	$ 0
21.24	Other	$ 0

22.1 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]

GENERAL INTERROGATORIES

22.2 If answer is yes:

22.21	Amount paid as losses or risk adjustment	$ 0
22.22	Amount paid as expenses	$ 0
22.23	Other amounts paid	$ 0

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

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 0

INVESTMENT

24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03) Yes [X] No [ ]

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

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

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

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. $ 28,667,486

24.06 If answer to 24.04 is no, report amount of collateral for other programs. $ 0

24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [X] No [ ] N/A [ ]

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [X] No [ ] N/A [ ]

24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [X] No [ ] N/A [ ]

24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101	Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	$ 24,658,590
24.102	Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	$ 24,658,590
24.103	Total payable for securities lending reported on the liability page	$ 24,658,590

25.1 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 21.1 and 24.03). Yes [X] No [ ]

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

25.21	Subject to repurchase agreements	$ 0
25.22	Subject to reverse repurchase agreements	$ 0
25.23	Subject to dollar repurchase agreements	$ 0
25.24	Subject to reverse dollar repurchase agreements	$ 0
25.25	Pledged as collateral	$ 0
25.26	Placed under option agreements	$ 0
25.27	Letter stock or securities restricted as to sale	$ 0
25.28	On deposit with state or other regulatory body	$ 87,891,480
25.29	Other	$ 0

GENERAL INTERROGATORIES

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		0
		0
		0

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

26.2 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.

27.1 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]

27.2 If yes, state the amount thereof at December 31 of the current year. $ 0

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

28.01 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	1 Chase Manhattan Plaza, New York, NY 10005
Bank of New York Mellon	601 Travis Street, Houston, TX 77002

28.02 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)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [ ] No [X]

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address
N/A	Liberty Mutual Group Asset Managemen	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116

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

GENERAL INTERROGATORIES

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
		0
		0
		0
29.2999 TOTAL		0

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

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

30. 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 (+)
30.1 Bonds	1,080,699,556	1,159,631,642	78,932,086
30.2 Preferred stocks	0	0	0
30.3 Totals	1,080,699,556	1,159,631,642	78,932,086

30.4 Describe the sources or methods utilized in determining the fair values:
The primary source is published unit prices from the NAIC Securities Valuation Office. The secondary source is the pricing vendor, Interactive Data Corporation, followed by backfill from Bloomberg and Markit. Lastly, management determines fair value based on quoted market prices of similar financial instruments or by using industry recognized valuation techniques.

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [ ] No [X]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [ ] No [ ]

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

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

32.2 If no, list exceptions:

OTHER

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

GENERAL INTERROGATORIES

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

1 Name	2 Amount Paid
0	$ 0
0	$ 0
	$ 0

34.1 Amount of payments for legal expenses, if any? $ 0

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

1 Name	2 Amount Paid
0	$ 0
	$ 0
	$ 0

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 0

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

1 Name	2 Amount Paid
0	$ 0
	$ 0
	$ 0

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

1.2 If yes, indicate premium earned on U.S. business only. $ 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 Current Year	2 Prior Year
2.1	Premium Numerator	$ 53,848	$ 47,691
2.2	Premium Denominator	$ 493,169,022	$ 436,473,146
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 180,944	$ 188,751
2.5	Reserve Denominator	$ 1,178,967,664	$ 1,094,566,156
2.6	Reserve Ratio (2.4/2.5)	0.00	0.00

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

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

3.21	Participating policies	$ 1,843,728,215
3.22	Non-participating policies	$ 117,759,905

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5.5 If yes, give full information

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:
See Note 21C3

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
See Note 21C3

6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
See Note 21C3

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 [X]

6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss
The Company cedes 100% of its business to Liberty Mutual Insurance Company, the lead company in the Liberty Mutual Pool. Liberty Mutual Insurance Company purchases external catastrophe reinsurance coverage.

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 [X]

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 [X]

8.2 If yes, give full information

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No [X]

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 [X]

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]

9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
(a) The entity does not utilize reinsurance; or, Yes [ ] No [X]
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [X] No [ ]

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
12.11 Unpaid losses $ 8,986,800
12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 3,137,126

12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? $ 8,430,704

12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [X] No [ ] N/A [ ]

12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
12.41 From 4.00 %
12.42 To 7.00 %

12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting 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 [X] No [ ]

12.6 If yes, state the amount thereof at December 31 of current year:
12.61 Letters of Credit $ 271,737,964
12.62 Collateral and other funds $ 59,044,392

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 4,356,813

13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [ ] No [X]

13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 3

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 the intercompany pooling agreement.

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:
N/A

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

15.2 If yes, give full information

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

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11 Home	$ 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

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5. Yes [ ] No [X]

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

17.11	Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	$ 0
17.12	Unfunded portion of Interrogatory 17.11	$ 0
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	$ 0
17.14	Case reserves portion of Interrogatory 17.11	$ 0
17.15	Incurred but not reported portion of Interrogatory 17.11	$ 0
17.16	Unearned premium portion of Interrogatory 17.11	$ 0
17.17	Contingent commission portion of Interrogatory 17.11	$ 0

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

18.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]

18.2 If yes, please provide the amount of custodial funds held as of the reporting date. $ 0

18.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]

18.4 If yes, please provide the balance of the funds adminstered as of the reporting date. $ 0

FIVE – YEAR HISTORICAL DATA

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

	1 2012	2 2011	3 2010	4 2009	5 2008
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,525,741,600	1,499,770,191	1,348,875,456	1,365,672,548	1,707,041,444
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	159,236,460	121,175,395	110,842,377	93,441,851	105,233,953
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	784,865,826	524,329,196	341,856,811	139,882,577	62,323,791
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,118,482	554,341	609,702	472,236	(4,667,280)
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	12,768,000	10,570,762	10,844,940	7,559,490	6,939,289
6. Total (Line 35)	2,483,730,368	2,156,399,885	1,813,029,286	1,607,028,702	1,876,871,197
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,19.4)	316,031,800	286,079,113	293,278,719	191,702,477	212,300,963
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	96,480,813	80,376,508	76,677,155	56,949,348	55,001,400
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	95,849,756	80,394,998	79,767,135	43,303,275	51,703,059
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,111,879	532,891	563,616	413,005	(4,748,489)
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	12,768,000	10,570,762	10,844,940	7,559,490	6,939,289
12. Total (Line 35)	522,242,248	457,954,272	461,131,565	299,927,595	321,196,222
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(108,773,084)	(74,867,025)	(33,479,927)	(33,054,208)	(18,937,376)
14. Net investment gain (loss) (Line 11)	51,447,908	52,310,176	46,730,294	33,701,953	45,553,316
15. Total other income (Line 15)	(2,451,228)	(10,656,577)	(4,229,190)	(4,783,342)	(3,701,023)
16. Dividends to policyholders (Line 17)	984,139	1,627,183	2,517,914	694,148	803,722
17. Federal and foreign income taxes incurred (Line 19)	(12,215,673)	(6,391,528)	4,698,351	(412,214)	(5,254,315)
18. Net income (Line 20)	(48,544,870)	(28,449,081)	1,804,912	(4,417,531)	27,365,510
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	1,449,663,496	1,428,338,741	1,421,193,156	1,118,517,583	1,044,251,579
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	48,752,423	47,838,685	41,866,747	35,631,482	37,376,397
20.2 Deferred and not yet due (Line 15.2)	156,188,205	132,903,909	109,490,782	84,459,460	72,801,434
20.3 Accrued retrospective premiums (Line 15.3)	11,765,829	16,387,019	22,910,967	13,192,033	14,375,261
21. Total liabilities excluding protected cell business (Page 3, Line 26)	1,281,011,536	1,183,332,710	1,145,022,495	845,905,167	788,841,631
22. Losses (Page 3, Line 1)	766,623,991	710,148,007	697,631,883	503,227,918	498,208,512
23. Loss adjustment expenses (Page 3, Line 3)	157,843,231	147,190,991	139,810,190	101,808,760	97,489,153
24. Unearned premiums (Page 3, Line 9)	227,920,958	203,928,776	189,839,082	131,721,712	131,230,035
25. Capital paid up (Page 3, Lines 30 & 31)	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
26. Surplus as regards policyholders (Page 3, Line 37)	168,651,960	245,006,031	276,170,661	272,612,416	255,409,948
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	11,425,946	(33,468,810)	284,942,506	(4,307,802)	2,114,345
Risk-Based Capital Analysis					
28. Total adjusted capital	168,651,960	245,006,031	276,170,661	272,612,416	255,409,948
29. Authorized control level risk-based capital	75,977,431	63,943,845	59,632,180	44,607,431	43,855,045
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	89.6	91.2	87.8	83.7	75.5
31. Stocks (Lines 2.1 & 2.2)	0.0			0.0	7.2
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	2.4	1.1	2.8	9.7	9.5
35. Contract loans (Line 6)					
36. Derivatives (Line 7)				XXX	XXX
37. Other invested assets (Line 8)	5.7	5.7	5.5	6.7	7.8
38. Receivables for securities (Line 9)	0.2	0.0	0.2		
39. Securities lending reinvested collateral assets (Line 10)	2.1	2.0	3.6	XXX	XXX
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated	4,482,151			307,575	
48. Total of above Lines 42 to 47	4,482,151			307,575	
49. Total investment in parent included in Lines 42 to 47 above					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	2.7				

FIVE – YEAR HISTORICAL DATA
(Continued)

		1	2	3	4	5
		2012	2011	2010	2009	2008
	Capital and Surplus Accounts (Page 4)					
51.	Net unrealized capital gains (losses) (Line 24)	1,594,128	913,974	2,081,171	7,627,043	(18,199,139)
52.	Dividends to stockholders (Line 35)					(109,694,838)
53.	Change in surplus as regards policyholders for the year (Line 38)	(76,354,071)	(31,164,630)	3,558,245	17,202,468	(108,586,862)
	Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54.	Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	807,135,963	832,880,554	688,607,220	831,878,489	844,943,779
55.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	99,014,783	63,164,284	53,357,981	59,355,843	64,077,580
56.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	466,171,113	356,320,515	160,192,690	50,372,149	46,870,745
57.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	86,730	241,203	307,317	113,279	3,279,589
58.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	4,795,103	4,391,848	2,595,915	2,262,666	2,648,240
59.	Total (Line 35)	1,377,203,692	1,256,998,404	905,061,123	943,982,426	961,819,933
	Net Losses Paid (Page 9, Part 2, Col. 4)					
60.	Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	188,685,556	193,525,325	5,185,604	122,619,857	145,441,937
61.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	58,505,157	46,950,590	36,712,924	36,981,630	32,556,550
62.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	49,569,476	49,006,065	32,218,404	31,595,068	39,640,655
63.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	86,730	241,203	307,317	104,263	3,278,317
64.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	4,795,103	4,391,848	2,595,915	2,262,666	2,648,240
65.	Total (Line 35)	301,642,022	294,115,031	77,020,164	193,563,484	223,565,699
	Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66.	Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67.	Losses incurred (Line 2)	72.6	70.3	65.1	65.8	67.8
68.	Loss expenses incurred (Line 3)	17.8	19.8	17.9	19.5	15.8
69.	Other underwriting expenses incurred (Line 4)	31.7	27.1	25.1	25.8	22.1
70.	Net underwriting gain (loss) (Line 8)	(22.1)	(17.2)	(8.1)	(11.1)	(5.7)
	Other Percentages					
71.	Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0	30.4	28.1	23.5	27.3	24.1
72.	Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	90.3	90.1	83.0	85.3	83.5
73.	Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	309.7	186.9	167.0	110.0	125.8
	One Year Loss Development (000 omitted)					
74.	Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	24,320	20,943	(4,754)	7,227	(9,994)
75.	Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100.0)	9.9	7.6	(1.7)	2.8	(2.7)
	Two Year Loss Development (000 omitted)					
76.	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)	38,737	10,409	(4,409)	(1,518)	7,132
77.	Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0)	14.0	3.8	(1.7)	(0.4)	2.2

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [ ] No [X]

If no, please explain:
Not Applicable

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY

($000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1–2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	X X X	X X X	X X X	29,626	9,238	8,812	3,783	170	265	143	25,322	X X X
2. 2003	497,494	120,718	376,776	266,017	59,659	22,936	3,144	35,847	542	15,386	261,455	X X X
3. 2004	519,382	136,386	382,996	261,110	67,565	21,206	4,211	36,620	1,881	15,141	245,279	X X X
4. 2005	534,768	126,231	408,537	311,915	94,983	22,299	4,737	36,712	2,602	14,869	268,604	X X X
5. 2006	580,443	132,392	448,051	267,812	52,408	22,517	3,360	39,294	2,762	15,199	271,093	X X X
6. 2007	609,048	144,046	465,002	300,369	68,635	23,777	3,703	40,539	3,381	18,493	288,966	X X X
7. 2008	640,428	172,762	467,666	351,060	82,997	25,390	3,550	45,068	2,886	16,746	332,085	X X X
8. 2009	607,744	189,681	418,063	298,059	79,307	19,344	2,827	42,712	591	15,571	277,390	X X X
9. 2010	614,229	199,999	414,230	295,007	90,661	16,127	2,318	43,063	290	15,841	260,928	X X X
10. 2011	663,500	227,027	436,473	282,533	102,788	10,848	2,777	43,143	326	16,267	230,633	X X X
11. 2012	739,395	246,225	493,170	218,187	85,787	4,557	851	35,627	163	9,424	171,570	X X X
12. Totals	X X X	X X X	X X X	2,881,695	794,028	197,813	35,261	398,795	15,689	153,080	2,633,325	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR						
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior	195,356	69,444	76,398	56,303	13,020	10,721	37,313	16,665	8,350	24	1,327	177,280	X X X
2. 2003	10,133	4,429	16,668	6,859	266	99	1,837	426	669	7	239	17,753	X X X
3. 2004	10,363	3,786	18,812	5,627	308	127	3,840	377	621	4	320	24,023	X X X
4. 2005	12,119	4,615	18,451	8,660	408	129	3,081	535	684	1	364	20,803	X X X
5. 2006	14,720	4,057	24,218	7,033	558	251	3,432	732	674	5	543	31,524	X X X
6. 2007	20,789	4,660	26,586	6,865	1,014	379	5,353	860	380	15	802	41,343	X X X
7. 2008	30,721	6,195	31,635	9,274	1,576	362	10,411	1,768	1,642	72	1,179	58,314	X X X
8. 2009	32,736	5,432	40,257	9,666	1,827	392	12,104	1,774	2,133	58	1,302	71,735	X X X
9. 2010	46,114	8,725	53,334	10,498	2,201	445	13,060	2,294	3,046	95	1,916	95,698	X X X
10. 2011	59,304	9,613	84,469	17,322	3,053	835	21,353	3,133	6,298	145	2,794	143,429	X X X
11. 2012	84,560	15,133	175,909	42,835	2,292	464	25,776	3,227	16,103	419	8,853	242,562	X X X
12. Totals	516,915	136,089	566,737	180,942	26,523	14,204	137,560	31,791	40,600	845	19,639	924,464	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	146,007	31,273
2. 2003	354,373	75,165	279,208	71.232	62.265	74.105			4.000	15,513	2,240
3. 2004	352,880	83,578	269,302	67.942	61.280	70.315			4.000	19,762	4,261
4. 2005	405,669	116,262	289,407	75.859	92.103	70.840			4.000	17,295	3,508
5. 2006	373,225	70,608	302,617	64.300	53.333	67.541			4.000	27,848	3,676
6. 2007	418,807	88,498	330,309	68.764	61.437	71.034			4.000	35,850	5,493
7. 2008	497,503	107,104	390,399	77.683	61.995	83.478			4.000	46,887	11,427
8. 2009	449,172	100,047	349,125	73.908	52.745	83.510			4.000	57,895	13,840
9. 2010	471,952	115,326	356,626	76.836	57.663	86.094			4.000	80,225	15,473
10. 2011	511,001	136,939	374,062	77.016	60.318	85.701			4.000	116,838	26,591
11. 2012	563,011	148,879	414,132	76.145	60.465	83.973			4.000	202,501	40,061
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	766,621	157,843

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

SCHEDULE P – PART 2 – SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED) 1 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012	DEVELOPMENT 11 One Year	12 Two Year
1. Prior	494,617	534,762	581,795	609,405	638,931	638,907	655,748	654,691	671,789	677,760	5,971	23,069
2. 2003	259,520	233,212	226,592	239,727	243,327	243,187	244,642	244,730	244,428	244,660	232	(70)
3. 2004	XXX	260,529	241,823	235,201	236,512	235,986	235,579	236,897	236,264	236,159	(105)	(738)
4. 2005	XXX	XXX	283,549	269,809	262,741	258,854	258,825	257,994	257,701	257,131	(570)	(863)
5. 2006	XXX	XXX	XXX	289,787	276,843	271,414	270,283	267,949	267,104	268,120	1,016	171
6. 2007	XXX	XXX	XXX	XXX	309,689	302,329	294,629	293,899	292,341	295,219	2,878	1,320
7. 2008	XXX	XXX	XXX	XXX	XXX	353,664	350,713	343,763	346,793	350,397	3,604	6,634
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	304,685	310,420	309,092	307,747	(1,345)	(2,673)
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	302,828	308,601	314,715	6,114	11,887
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	321,998	328,523	6,525	XXX
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	365,174	XXX	XXX
									12. Totals		24,320	38,737

SCHEDULE P – PART 3 – SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED) 1 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012	11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
1. Prior	000	127,879	208,417	270,258	319,624	361,676	395,411	430,065	456,935	482,352	XXX	XXX
2. 2003	97,990	149,566	175,216	193,625	206,198	213,887	219,295	222,584	224,917	226,150	XXX	XXX
3. 2004	XXX	89,492	138,222	161,569	180,265	192,663	200,398	205,142	208,105	210,540	XXX	XXX
4. 2005	XXX	XXX	103,215	158,710	186,686	205,360	218,030	226,058	230,672	234,494	XXX	XXX
5. 2006	XXX	XXX	XXX	100,764	155,263	186,000	206,853	220,463	228,996	234,561	XXX	XXX
6. 2007	XXX	XXX	XXX	XXX	103,577	166,638	200,717	224,274	240,556	251,808	XXX	XXX
7. 2008	XXX	XXX	XXX	XXX	XXX	126,638	202,582	242,194	270,451	289,903	XXX	XXX
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	108,257	173,166	209,488	235,269	XXX	XXX
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	110,974	180,349	218,155	XXX	XXX
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	127,008	187,816	XXX	XXX
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	136,106	XXX	XXX

SCHEDULE P – PART 4 – SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED) 1 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012
1. Prior	118,829	83,960	88,445	86,408	90,033	72,470	79,353	52,221	58,762	47,434
2. 2003	108,294	44,517	20,358	23,441	21,708	17,953	16,170	14,106	12,817	11,920
3. 2004	XXX	119,524	66,689	44,461	34,422	27,919	23,331	21,408	19,627	17,973
4. 2005	XXX	XXX	127,999	69,503	46,141	32,374	25,266	19,711	17,395	14,125
5. 2006	XXX	XXX	XXX	133,409	78,337	52,605	38,805	29,395	24,208	21,751
6. 2007	XXX	XXX	XXX	XXX	142,447	86,880	56,793	41,203	30,716	25,872
7. 2008	XXX	XXX	XXX	XXX	XXX	149,016	90,660	60,221	44,691	34,033
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	135,279	87,876	60,683	43,072
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	131,536	79,649	56,639
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	130,224	88,472
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	157,671

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken 2 Direct Premiums Written	 3 Direct Premiums Earned	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)
1. Alabama AL	L	24,331,328	22,376,595	58	13,395,787	14,044,947	41,112,854	14,860	
2. Alaska AK	L	6,498,798	5,023,311	(178)	4,141,229	4,982,433	26,560,434		
3. Arizona AZ	L	35,214,855	30,166,734	2,221	15,709,218	16,973,289	44,290,180	21,545	
4. Arkansas AR	L	6,010,229	6,317,513	2,334	2,148,391	(82,065)	22,857,287	175	
5. California CA	L	147,883,901	135,756,674	31,963	58,048,041	87,782,509	541,816,310		
6. Colorado CO	L	27,128,130	23,503,742	8,072	25,577,758	33,963,971	59,313,444	12,546	
7. Connecticut CT	L	42,034,754	36,251,475	71,413	25,317,746	31,573,182	76,996,467	53,810	
8. Delaware DE	L	10,966,906	9,607,146	177	5,219,243	7,333,131	17,559,078	8,449	
9. District of Columbia DC	L	4,861,733	4,436,953	(543)	2,825,158	3,399,019	10,605,321	2,798	
10. Florida FL	L	62,045,978	60,311,838	82,804	27,343,390	38,393,096	201,939,543	25,968	
11. Georgia GA	L	61,905,865	58,927,170	(2,642)	40,661,387	32,212,886	145,642,652	24,693	
12. Hawaii HI	L	4,953,367	4,351,720	423	2,506,150	1,332,000	9,924,172	8,593	
13. Idaho ID	L	4,269,868	4,155,397	63	2,929,533	5,048,854	13,589,649	3,387	
14. Illinois IL	L	75,029,777	63,750,264	26,783	54,913,332	52,499,848	237,709,129	42,419	
15. Indiana IN	L	29,174,625	26,325,422	159	18,464,193	15,415,633	51,957,740	21,074	
16. Iowa IA	L	14,620,259	13,369,776	(5,302)	9,226,657	6,167,948	35,331,055	2,436	
17. Kansas KS	L	17,530,321	14,564,015	(1)	7,699,391	6,789,334	51,200,788	2,852	
18. Kentucky KY	L	24,539,964	22,086,595	(725)	25,725,460	28,541,969	50,722,758	19,488	
19. Louisiana LA	L	36,490,967	33,865,090	188	19,327,764	25,864,019	78,818,156	16,618	
20. Maine ME	L	11,745,757	10,247,026	(76)	6,313,462	5,283,213	15,121,755	25,108	
21. Maryland MD	L	49,622,666	47,175,117	815	25,909,622	39,731,007	75,134,533	31,396	
22. Massachusetts MA	L	28,983,402	25,944,470	18,952	19,177,095	14,496,485	134,565,703	14,439	
23. Michigan MI	L	46,891,734	43,036,227	(17,401)	32,344,783	27,272,898	68,306,501	57,108	
24. Minnesota MN	L	28,321,098	26,149,272	260	14,045,165	21,062,283	52,104,513	13,594	
25. Mississippi MS	L	7,199,128	7,148,377	1	3,729,085	3,926,932	20,412,534	2,407	
26. Missouri MO	L	36,236,568	30,182,641	2,029	32,622,126	41,153,802	67,600,842	18,615	
27. Montana MT	L	1,963,942	1,944,792	1,395	1,225,128	1,153,088	9,552,932	1,060	
28. Nebraska NE	L	8,662,785	7,997,162	(103)	3,956,545	1,675,294	25,224,268	2,085	
29. Nevada NV	L	15,860,296	13,390,858	1,025	8,732,591	10,938,153	24,604,724	13,052	
30. New Hampshire NH	L	17,667,677	15,271,732	48,596	10,665,742	11,847,352	49,930,620	25,266	
31. New Jersey NJ	L	136,803,715	112,166,917	344,547	80,994,450	100,356,934	316,360,652	211,116	
32. New Mexico NM	L	8,704,622	7,982,548	958	6,837,455	11,110,559	20,972,086	7,982	
33. New York NY	L	232,197,119	206,181,492	308,015	111,520,292	147,617,406	477,492,951	192,643	
34. North Carolina NC	L	29,918,208	31,298,730	1,664	19,136,532	28,714,965	98,685,175		
35. North Dakota ND	L	1,621,336	1,525,409		459,060	974,495	1,035,456	4	
36. Ohio OH	L	29,608,721	26,605,868	(7,231)	17,083,990	19,728,037	74,070,257	37,626	
37. Oklahoma OK	L	45,957,839	39,366,778	(338)	43,439,203	48,787,116	64,914,918	15,784	
38. Oregon OR	L	30,137,478	23,263,448	269	17,410,584	15,008,958	50,010,738	9,950	
39. Pennsylvania PA	L	131,953,196	118,063,361	52,257	59,229,392	91,247,512	188,715,217	116,583	
40. Rhode Island RI	L	8,772,132	7,650,541	40	5,570,674	5,551,322	14,484,818	13,086	
41. South Carolina SC	L	31,707,583	29,798,055	14,153	20,452,573	17,557,605	51,953,781	24,559	
42. South Dakota SD	L	1,301,458	1,192,605		308,137	(55,656)	5,338,937	28	
43. Tennessee TN	L	42,499,966	36,740,320	(59)	27,573,816	32,848,762	58,394,495	31,469	
44. Texas TX	L	204,674,418	171,607,780	14,386	72,200,701	114,104,353	332,666,886	164,143	
45. Utah UT	L	10,823,606	9,473,342	858	5,707,271	2,473,520	17,874,364	5,059	
46. Vermont VT	L	4,309,610	4,396,135	11,548	2,506,365	2,934,229	10,043,313	7,308	
47. Virginia VA	L	49,610,556	47,649,179	9,687	28,156,526	27,424,170	75,137,639	35,878	
48. Washington WA	L	10,216,885	9,087,194		2,084,405	2,960,385	21,279,106	3,770	
49. West Virginia WV	L	6,998,966	6,758,127	49	5,307,690	7,434,607	15,430,991	10,811	
50. Wisconsin WI	L	51,367,345	48,851,561	207,235	29,619,598	34,004,496	100,345,724	21,289	
51. Wyoming WY	L	849,356	829,591		40,083	85,875	255,713	88	
52. American Samoa AS	N								
53. Guam GU	L	23,014	27,816			987	37,144		
54. Puerto Rico PR	L	107,300	105,150			9,302	38,418		
55. U.S. Virgin Islands VI	N								
56. Northern Mariana Islands MP	L								
57. Canada CAN	N								
58. Aggregate Other Alien OT	X X X	2,677,016	2,716,763		21,706	1,335,868	8,144,031		
59. Totals	(a) 54	1,961,488,123	1,746,973,814	1,230,798	1,075,561,675	1,302,992,317	4,264,188,752	1,395,017	

DETAILS OF WRITE-INS									
58001. Other Alien	X X X	2,677,016	2,716,763		21,706	1,335,868	8,144,031		
58002.	X X X								
58003.	X X X								
58998. Summary of remaining write-ins for Line 58 from overflow page	X X X								
58999. Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	X X X	2,677,016	2,716,763		21,706	1,335,868	8,144,031		

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines In the state; (N) None of the above - Not allowed to write business in the state.

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 employee's main work place - Worker's Compensation | *Location of Court or Obligee - Surety

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

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

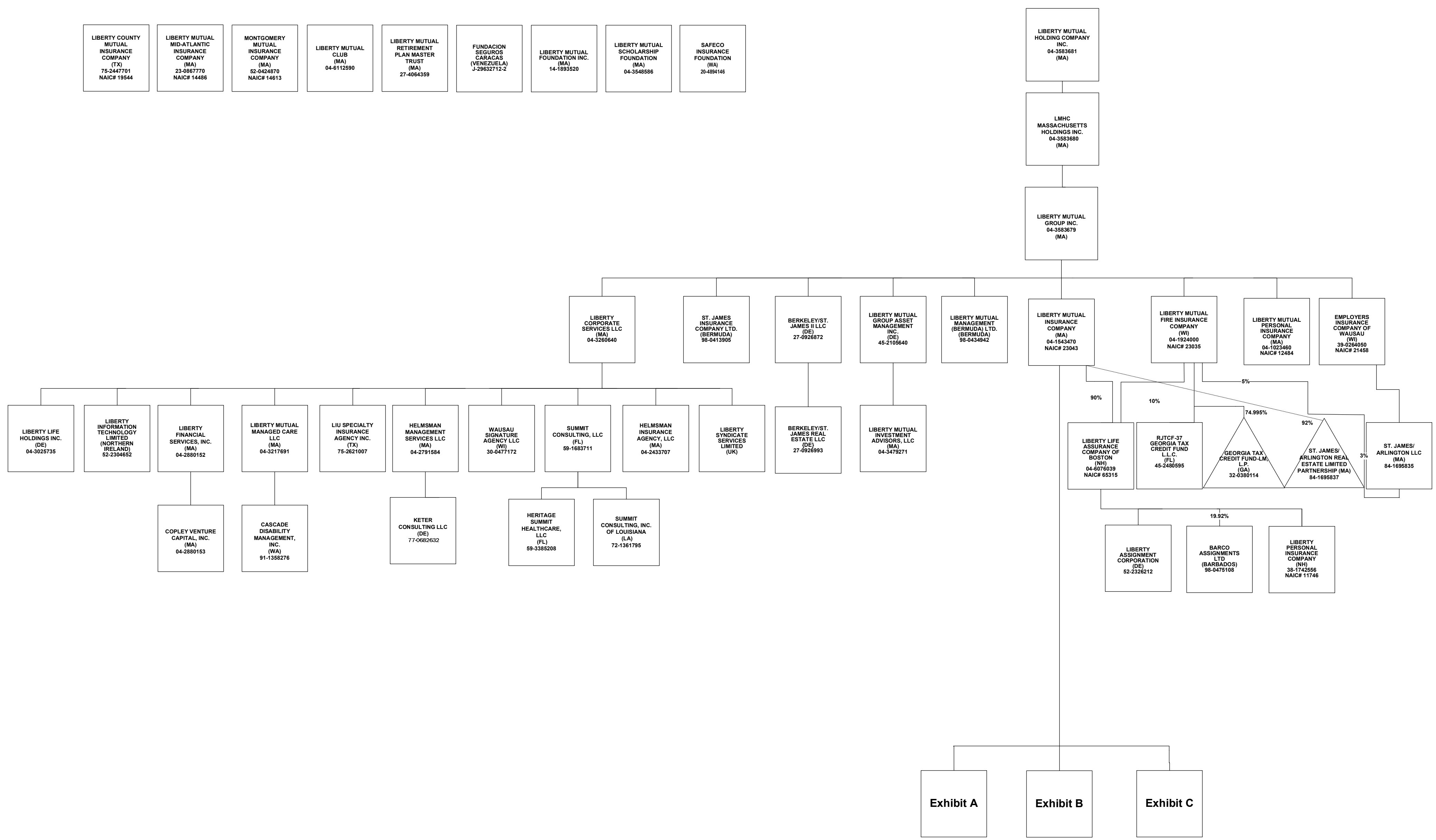
*Point of origin of shipment or principal location of assured - Inland Marine | *Principal Location of Assured - Ocean Marine, Credit

*State in which employees regularly work - Group Accident and Health | *Primary residence of Assured - Aircraft (all perils)

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

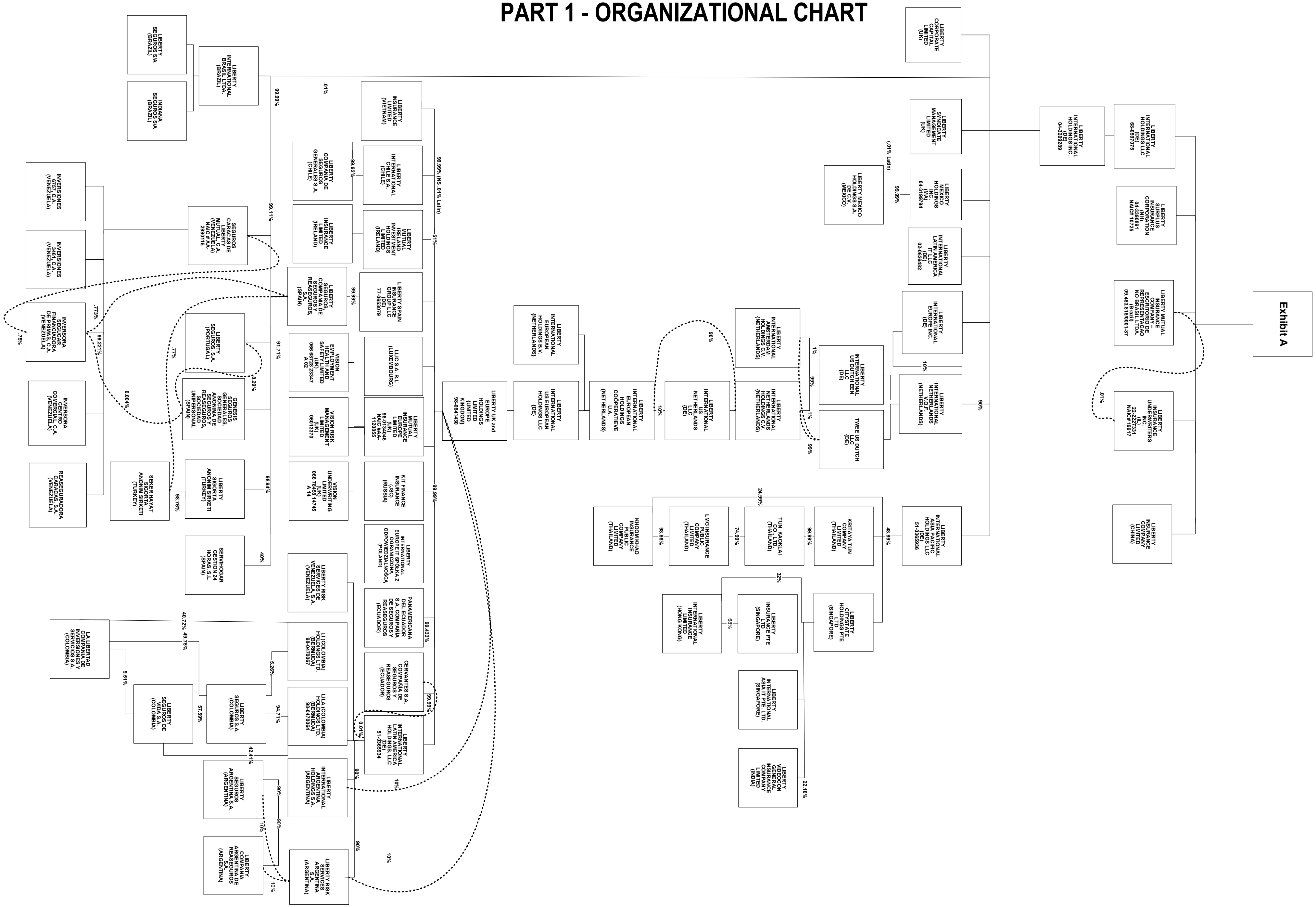
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



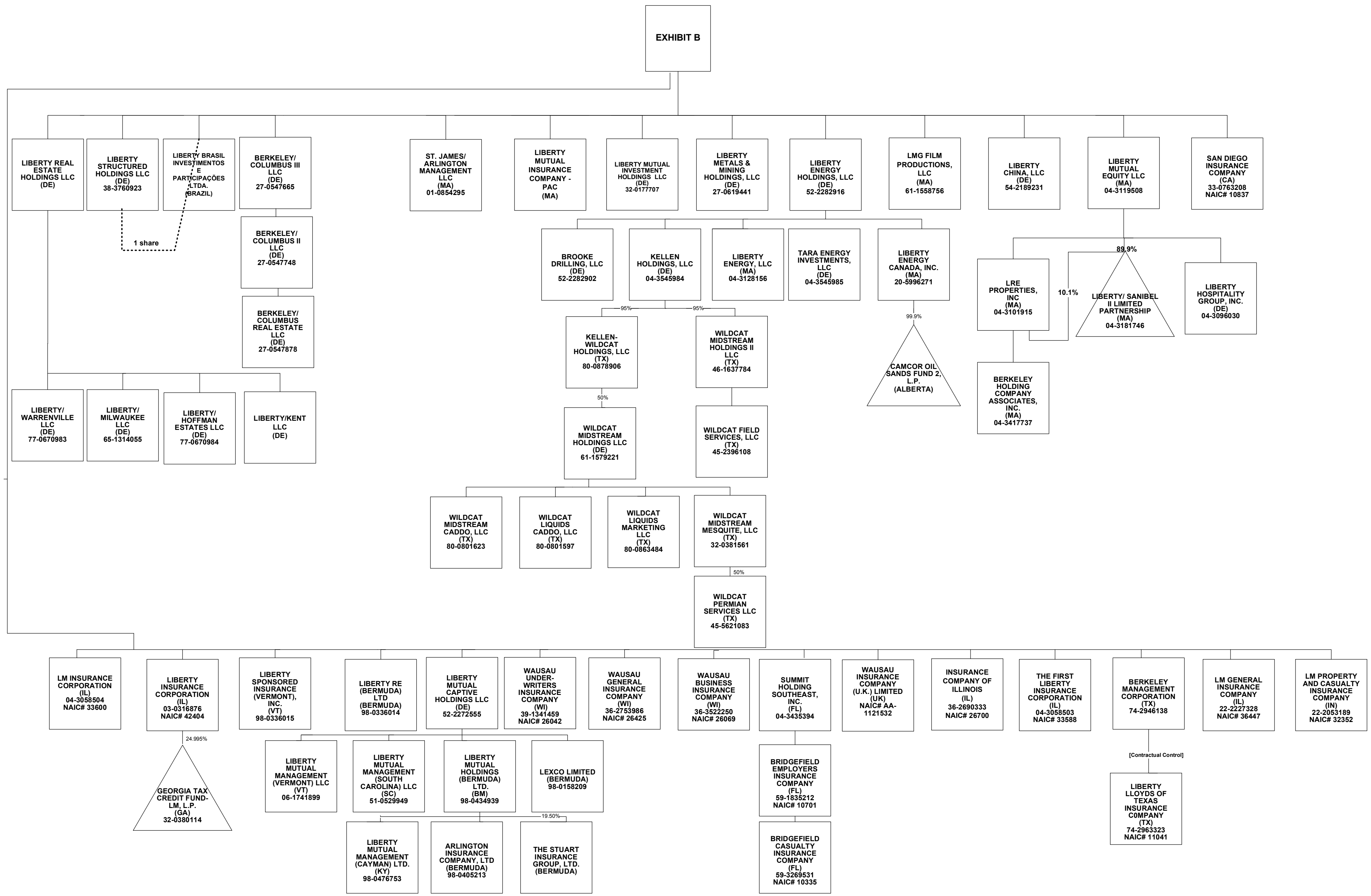
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



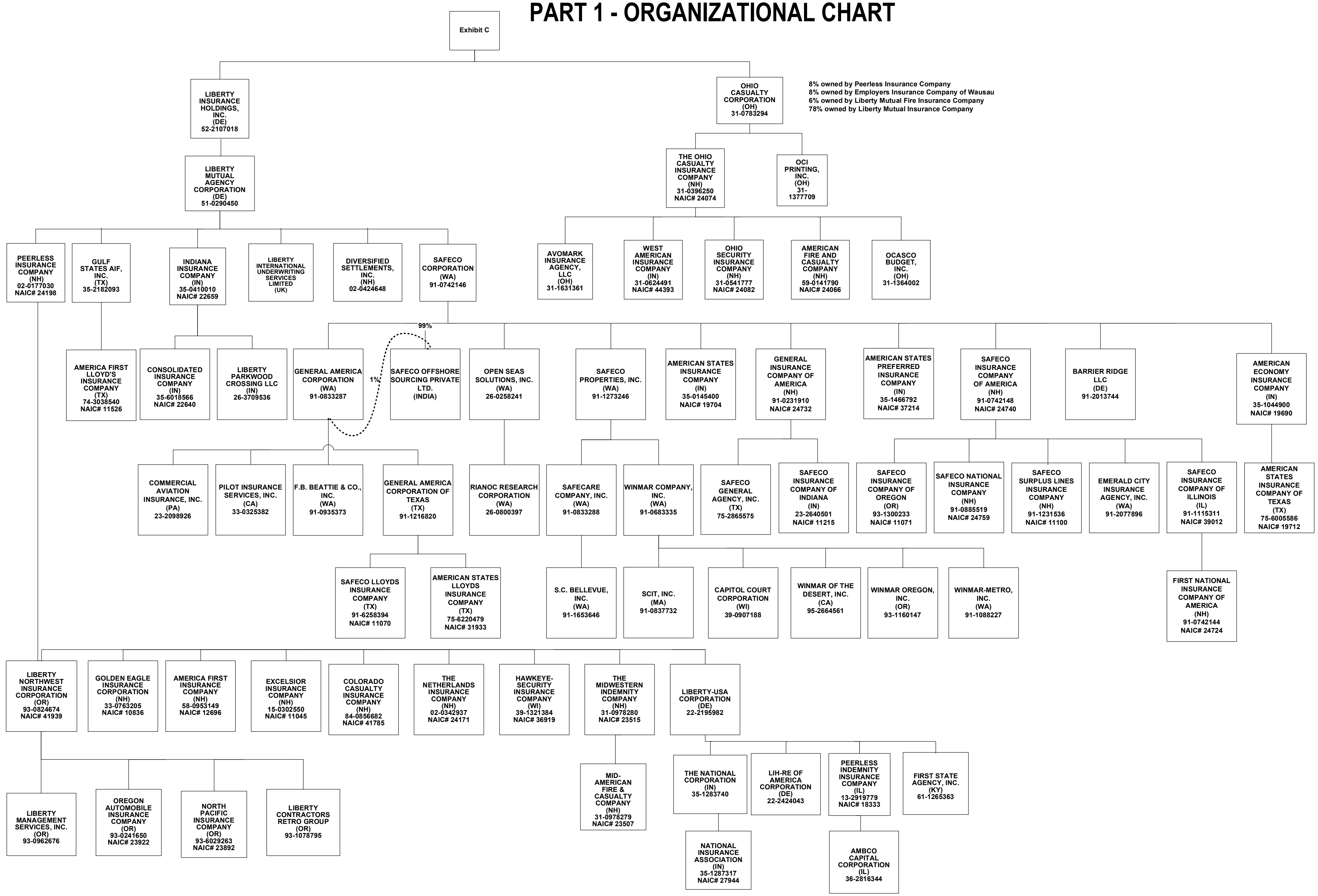
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation

	Current Year			Prior Year
	1	2	3	4
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504. Other assets	2,245,022	1,601,156	643,866	279,689
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	2,245,022	1,601,156	643,866	279,689

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT