

ANNUAL STATEMENT

OF THE

LIBERTY INSURANCE UNDERWRITERS INC

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



19917201220100100

ANNUAL STATEMENT

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

Liberty Insurance Underwriters Inc

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) NAIC Company Code 19917 Employer's ID Number 22-2227331

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

Country of Domicile United States of America

Incorporated/Organized November 17, 1978 Commenced Business December 29, 1978

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

Main Administrative Office 55 Water Street 18th Floor (Street and Number)

New York, NY, US 10041 (City or Town, State, Country and Zip Code) 212-208-2802 (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) 212-208-8834 (Area Code) (Telephone Number)

Internet Web Site Address www.libertyiu.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

Christopher Locke Peirce #

Table with 3 columns: Name, Title, #. Includes Christopher Locke Peirce, Dexter Robert Legg, and Laurance Henry Soyer Yahia.

VICE-PRESIDENTS

Table with 4 columns: Name, Title, Name, Title. Includes John Derek Doyle, Francis William Robinson, Jr., Anthony Alexander Fontanes, and Ralph Tortorella, III.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Includes John Derek Doyle, Deborah Lucille Michel, Ralph Tortorella, III, Daniel Terence Niall Forsythe, Rodolfo Ortiz, John Douglas Whelan, Dexter Robert Legg, Christopher Locke Peirce, and Anthony Gus Martella, Jr.

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) Christopher Locke Peirce # (Printed Name) 1. President and Chief Executive Officer (Title)

(Signature) Dexter Robert Legg (Printed Name) 2. Vice President and Secretary (Title)

(Signature) Laurance Henry Soyer Yahia (Printed Name) 3. Vice President and Treasurer (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			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	147,723,657		147,723,657	157,034,445
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ (3,571,330), Schedule E - Part 1), cash equivalents (\$ 0, Schedule E - Part 2), and short-term investments (\$ 11,673,482, Schedule DA)	8,102,152		8,102,152	12,017,613
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				
10. Securities lending reinvested collateral assets (Schedule DL)	5,272,983		5,272,983	10,764,938
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	161,098,792		161,098,792	179,816,996
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	1,454,656		1,454,656	1,551,982
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	1,256,837	38,027	1,218,810	1,195,967
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 7,941 earned but unbilled premiums)	3,907,383	2,678	3,904,705	3,322,598
15.3 Accrued retrospective premiums	326,740	32,595	294,145	409,676
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	37,327,397		37,327,397	25,923,098
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	720	238	482	28
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset	1,022,000	120	1,021,880	888,696
19. Guaranty funds receivable or on deposit	19,068		19,068	20,495
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)	45,735	45,735		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	10,470,992		10,470,992	
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	1,019,208	40,029	979,179	878,727
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	217,949,528	159,422	217,790,106	214,008,263
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	217,949,528	159,422	217,790,106	214,008,263

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	643,824		643,824	593,846
2502. Amounts receivable under high deductible policies	216,945		216,945	203,450
2503. Equities and deposits in pools and associations	102,313		102,313	74,439
2598. Summary of remaining write-ins for Line 25 from overflow page	56,126	40,029	16,097	6,992
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,019,208	40,029	979,179	878,727

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	19,165,601	17,753,700
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	664,487	832,460
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	3,946,082	3,679,775
4. Commissions payable, contingent commissions and other similar charges	132,462	103,258
5. Other expenses (excluding taxes, licenses and fees)	507,029	403,232
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	238,942	240,487
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	138,752	137,481
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 \$ 197,147,243 and including warranty reserves of \$ 0 and accrued accident and health experience rating refunds including \$ 0 for medical loss ratio rebate per the Public Health Service Act)	5,698,024	5,098,219
10. Advance premium	53,996	59,874
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	3,327	6,309
12. Ceded reinsurance premiums payable (net of ceding commissions)	53,765,430	26,434,752
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	90,742	73,554
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 8)		2,469,893
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	494,390	456,994
19. Payable to parent, subsidiaries and affiliates	8,827,465	31,666,609
20. Derivatives		
21. Payable for securities	71	
22. Payable for securities lending	5,272,983	10,764,938
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	1,821,637	1,766,535
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	100,821,420	101,948,070
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	100,821,420	101,948,070
29. Aggregate write-ins for special surplus funds	819,270	908,539
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	69,386,705	69,386,705
35. Unassigned funds (surplus)	43,262,711	38,264,949
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)	116,968,686	112,060,193
38. Totals (Page 2, Line 28, Col. 3)	217,790,106	214,008,263

DETAILS OF WRITE-IN LINES		
2501. Other liabilities	2,297,710	2,336,776
2502. Amounts held under uninsured plans	783,811	747,597
2503. Retroactive reinsurance reserves	(1,259,884)	(1,317,838)
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,821,637	1,766,535
2901. Special surplus from retroactive reinsurance	819,270	815,750
2902. SSAP 10R incremental change		92,789
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	819,270	908,539
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	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	12,329,226	10,911,829
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	8,945,345	7,669,811
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	2,192,467	2,157,483
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	3,910,739	2,956,758
5. Aggregate write-ins for underwriting deductions		(548)
6. Total underwriting deductions (Lines 2 through 5)	15,048,551	12,783,504
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(2,719,325)	(1,871,675)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	5,563,286	6,049,525
10. Net realized capital gains (losses) less capital gains tax of \$ 91,230 (Exhibit of Capital Gains (Losses))	169,426	24,863
11. Net investment gain (loss) (Lines 9 + 10)	5,732,712	6,074,388
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 3,927 amount charged off \$ 48,773)	(44,846)	(46,719)
13. Finance and service charges not included in premiums	40,094	42,799
14. Aggregate write-ins for miscellaneous income	(52,330)	(225,388)
15. Total other income (Lines 12 through 14)	(57,082)	(229,308)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	2,956,305	3,973,405
17. Dividends to policyholders	24,603	40,680
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)	2,931,702	3,932,725
19. Federal and foreign income taxes incurred	1,176,770	997,612
20. Net income (Line 18 minus Line 19) (to Line 22)	1,754,932	2,935,113
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	112,060,193	108,695,161
22. Net income (from Line 20)	1,754,932	2,935,113
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 143,563	266,616	(147,628)
25. Change in net unrealized foreign exchange capital gain (loss)	2,482	(1,490)
26. Change in net deferred income tax	157,563	(372,842)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	349,796	510,580
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	2,469,893	496,702
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		9,986
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	(92,789)	(65,389)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	4,908,493	3,365,032
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	116,968,686	112,060,193

DETAILS OF WRITE-IN LINES		
0501. Private passenger auto escrow		(548)
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)		(548)
1401. Other income/(expense)	(21,365)	(87,434)
1402. Retroactive reinsurance gain/(loss)	(30,965)	(137,954)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(52,330)	(225,388)
3701. SSAP 10R incremental change	(92,789)	(65,389)
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)	(92,789)	(65,389)

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	39,776,339	(3,302,297)
2. Net investment income	6,283,215	6,551,494
3. Miscellaneous income	(43,766)	(274,932)
4. Total (Lines 1 through 3)	46,015,788	2,974,265
5. Benefit and loss related payments	19,076,270	8,977,017
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	5,710,063	4,779,561
8. Dividends paid to policyholders	27,586	40,842
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	1,266,729	4,974,682
10. Total (Lines 5 through 9)	26,080,648	18,772,102
11. Net cash from operations (Line 4 minus Line 10)	19,935,140	(15,797,837)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	49,907,810	27,780,777
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	45,770,496	50,831,714
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		1,060
12.7 Miscellaneous proceeds	70	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	95,678,376	78,613,551
13. Cost of investments acquired (long-term only):		
13.1 Bonds	40,548,791	26,632,021
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	40,278,540	48,295,811
13.6 Miscellaneous applications		2,086,625
13.7 Total investments acquired (Lines 13.1 to 13.6)	80,827,331	77,014,457
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)	14,851,045	1,599,094
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)	(38,701,646)	10,599,833
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(38,701,646)	10,599,833
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)	(3,915,461)	(3,598,910)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	12,017,613	15,616,523
19.2 End of year (Line 18 plus Line 19.1)	8,102,152	12,017,613

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	354,266	131,342	159,092	326,516
2. Allied lines	144,017	64,926	71,840	137,103
3. Farmowners multiple peril	1,845	152	170	1,827
4. Homeowners multiple peril	1,969,995	869,784	1,188,343	1,651,436
5. Commercial multiple peril	299,518	166,329	157,445	308,402
6. Mortgage guaranty				
8. Ocean marine	51,459	20,678	22,335	49,802
9. Inland marine	534,601	53,899	57,093	531,407
10. Financial guaranty				
11.1 Medical professional liability—occurrence	39,360	20,790	20,689	39,461
11.2 Medical professional liability—claims-made	4,611	861	1,547	3,925
12. Earthquake	52,523	18,947	24,933	46,537
13. Group accident and health	680			680
14. Credit accident and health (group and individual)				
15. Other accident and health	660	66	60	666
16. Workers' compensation	3,033,326	87,465	196,805	2,923,986
17.1 Other liability—occurrence	919,808	375,543	395,050	900,301
17.2 Other liability—claims-made	310,158	147,957	170,216	287,899
17.3 Excess workers' compensation	77,510	36,380	40,034	73,856
18.1 Products liability—occurrence	134,792	83,075	83,980	133,887
18.2 Products liability—claims-made	6,629	1,223	1,343	6,509
19.1,19.2 Private passenger auto liability	2,936,353	1,375,855	1,490,760	2,821,448
19.3,19.4 Commercial auto liability	438,249	183,211	191,544	429,916
21. Auto physical damage	1,326,205	947,002	1,036,164	1,237,043
22. Aircraft (all perils)	42,800	11,856	9,194	45,462
23. Fidelity	12,166	4,382	5,519	11,029
24. Surety	5,947	2,455	5,549	2,853
26. Burglary and theft	409	107	197	319
27. Boiler and machinery	30,627	12,370	13,663	29,334
28. Credit	1,844		954	890
29. International				
30. Warranty	6,500		5,571	929
31. Reinsurance-nonproportional assumed property	284,342	23,477	24,880	282,939
32. Reinsurance-nonproportional assumed liability	34,827	7,834	4,080	38,581
33. Reinsurance-nonproportional assumed financial lines	31			31
34. Aggregate write-ins for other lines of business				
35. TOTALS	13,056,058	4,647,966	5,379,050	12,324,974

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	156,747	2,345			159,092
2. Allied lines	71,175	665			71,840
3. Farmowners multiple peril	170				170
4. Homeowners multiple peril	1,188,343				1,188,343
5. Commercial multiple peril	149,325	8,120			157,445
6. Mortgage guaranty					
8. Ocean marine	19,446	2,888			22,334
9. Inland marine	37,988	19,105			57,093
10. Financial guaranty					
11.1 Medical professional liability—occurrence	20,501	188			20,689
11.2 Medical professional liability—claims-made	1,539	8			1,547
12. Earthquake	24,699	234			24,933
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	60				60
16. Workers' compensation	510,491	13,561		(327,247)	196,805
17.1 Other liability—occurrence	329,548	66,684		(1,182)	395,050
17.2 Other liability—claims-made	130,079	40,137			170,216
17.3 Excess workers' compensation	33,958	6,076			40,034
18.1 Products liability—occurrence	44,542	38,829		610	83,981
18.2 Products liability—claims-made	1,343				1,343
19.1,19.2 Private passenger auto liability	1,489,082	1,678			1,490,760
19.3,19.4 Commercial auto liability	178,677	4,023		8,844	191,544
21. Auto physical damage	1,034,992	1,172			1,036,164
22. Aircraft (all perils)	9,194				9,194
23. Fidelity	5,303	216			5,519
24. Surety	(76)	5,625			5,549
26. Burglary and theft	197				197
27. Boiler and machinery	13,448	214			13,662
28. Credit	954				954
29. International					
30. Warranty		5,571			5,571
31. Reinsurance-nonproportional assumed property	24,880				24,880
32. Reinsurance-nonproportional assumed liability	4,000	80			4,080
33. Reinsurance-nonproportional assumed financial lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	5,480,605	217,419		(318,975)	5,379,049
36. Accrued retrospective premiums based on experience					318,976
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					5,698,025

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		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	4,121	354,266		4,121		354,266
2. Allied lines	15,853	144,017		15,853		144,017
3. Farmowners multiple peril		1,845				1,845
4. Homeowners multiple peril		1,969,995				1,969,995
5. Commercial multiple peril	144,840	299,518		144,840		299,518
6. Mortgage guaranty						
8. Ocean marine	2,121,702	51,459		2,121,702		51,459
9. Inland marine	(662,583)	534,601		(662,583)		534,601
10. Financial guaranty						
11.1 Medical professional liability--occurrence	43,546,327	39,360		43,546,327		39,360
11.2 Medical professional liability--claims-made	1,502,891	4,611		1,502,891		4,611
12. Earthquake		52,523				52,523
13. Group accident and health		680				680
14. Credit accident and health (group and individual)						
15. Other accident and health		660				660
16. Workers' compensation		3,033,326				3,033,326
17.1 Other liability—occurrence	169,653,172	919,808		169,653,172		919,808
17.2 Other liability—claims-made	171,790,488	310,158		171,790,488		310,158
17.3 Excess workers' compensation		77,510				77,510
18.1 Products liability—occurrence	1,145,856	134,792		1,145,856		134,792
18.2 Products liability—claims-made		6,629				6,629
19.1,19.2 Private passenger auto liability		2,936,353				2,936,353
19.3,19.4 Commercial auto liability	38,315,184	438,249		38,315,184		438,249
21. Auto physical damage	7,177,421	1,326,205		7,177,421		1,326,205
22. Aircraft (all perils)		42,800				42,800
23. Fidelity	42,719	12,166		42,719		12,166
24. Surety		5,947				5,947
26. Burglary and theft		409				409
27. Boiler and machinery		30,627				30,627
28. Credit		1,844				1,844
29. International						
30. Warranty		6,500				6,500
31. Reinsurance-nonproportional assumed property	X X X	284,342				284,342
32. Reinsurance-nonproportional assumed liability	X X X	34,827				34,827
33. Reinsurance-nonproportional assumed financial lines	X X X	31				31
34. Aggregate write-ins for other lines of business						
35. TOTALS	434,797,991	13,056,058		434,797,991		13,056,058

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

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

If yes: 1. The amount of such installment premiums \$ 0

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 0

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

Line of Business	Reported Losses				Incurred But Not Reported			Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire		184,664		184,664	329	79,936	329	264,600	21,246
2. Allied lines		62,806		62,806	8,265	23,017	8,265	85,823	13,021
3. Farmowners multiple peril									
4. Homeowners multiple peril		238,383		238,383		218,177		456,560	121,415
5. Commercial multiple peril	180,212	265,091	180,212	265,091	(8,489,978)	106,415	(8,489,978)	371,506	140,321
6. Mortgage guaranty									
8. Ocean marine	599,609	36,781	599,609	36,781	(3,454,018)	28,837	(3,454,018)	65,618	9,944
9. Inland marine	16,078,242	29,048	16,078,242	29,048	5,452,037	59,980	5,452,037	89,028	11,254
10. Financial guaranty									
11.1 Medical professional liability—occurrence	2,208,692	2,078	2,208,692	2,078	44,147,986	38,678	44,147,986	40,756	1,211
11.2 Medical professional liability—claims-made	212,500	483	212,500	483	1,535,770	4,046	1,535,770	4,529	2,028
12. Earthquake		464		464		2,111		2,575	1,510
13. Group accident and health		2,017		2,017		354		(a) 2,371	189
14. Credit accident and health (group and individual)									
15. Other accident and health		531		531		1,249		(a) 1,780	122
16. Workers' compensation		5,585,588		5,585,588		5,183,678		10,769,266	1,564,407
17.1 Other liability—occurrence	125,524,803	877,082	125,524,803	877,082	414,175,229	1,315,319	414,175,229	2,192,401	862,369
17.2 Other liability—claims-made	57,141,224	112,153	57,141,224	112,153	194,219,070	428,446	194,219,070	540,599	170,324
17.3 Excess workers' compensation		218,595		218,595		322,227		540,822	54,859
18.1 Products liability—occurrence		73,826		73,826	1,284,005	329,608	1,284,005	403,434	246,303
18.2 Products liability—claims-made		841		841		27,660		28,501	17,591
19.1,19.2 Private passenger auto liability	53,601	1,225,257	53,601	1,225,257	199	813,402	199	2,038,659	473,030
19.3,19.4 Commercial auto liability	2,484,015	359,406	2,484,015	359,406	12,058,522	194,057	12,058,522	553,463	119,121
21. Auto physical damage	32,051	1,123	32,051	1,123	4,174,808	(23,906)	4,174,808	(22,783)	63,060
22. Aircraft (all perils)		32,149		32,149		14,866		47,015	12,292
23. Fidelity		3,021		3,021	29,921	24,171	29,921	27,192	4,197
24. Surety		461		461		1,014		1,475	2,578
26. Burglary and theft		30		30	218,208	250	218,208	280	263
27. Boiler and machinery		5,126		5,126		5,651		10,777	852
28. Credit						679		679	
29. International									
30. Warranty					356,758	384	356,758	384	208
31. Reinsurance-nonproportional assumed property	X X X	99,517		99,517	X X X	157,301		256,818	2,871
32. Reinsurance-nonproportional assumed liability	X X X	99,438		99,438	X X X	287,244		386,682	29,325
33. Reinsurance-nonproportional assumed financial lines	X X X	4,798		4,798	X X X	(8)		4,790	172
34. Aggregate write-ins for other lines of business									
35. TOTALS	204,514,949	9,520,757	204,514,949	9,520,757	665,717,111	9,644,843	665,717,111	19,165,600	3,946,083

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	75,714,354			75,714,354
1.2 Reinsurance assumed	1,131,610			1,131,610
1.3 Reinsurance ceded	75,714,354			75,714,354
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	1,131,610			1,131,610
2. Commission and brokerage:				
2.1 Direct, excluding contingent		76,652,442		76,652,442
2.2 Reinsurance assumed, excluding contingent		(365,602)		(365,602)
2.3 Reinsurance ceded, excluding contingent		76,652,442		76,652,442
2.4 Contingent—direct		90,000		90,000
2.5 Contingent—reinsurance assumed		136,141		136,141
2.6 Contingent—reinsurance ceded		90,000		90,000
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)		(229,461)		(229,461)
3. Allowances to manager and agents		237,307		237,307
4. Advertising	7,038	321,104	352	328,494
5. Boards, bureaus and associations	2,920	26,624	18	29,562
6. Surveys and underwriting reports	20	42,096	6,141	48,257
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	561,570	1,420,194	222,927	2,204,691
8.2 Payroll taxes	28,130	128,246	1,444	157,820
9. Employee relations and welfare	136,583	599,648	10,853	747,084
10. Insurance	120,611	19,538	5,139	145,288
11. Directors' fees	1	4		5
12. Travel and travel items	45,930	95,802	8,387	150,119
13. Rent and rent items	29,958	133,803	2,667	166,428
14. Equipment	17,546	52,624	3,820	73,990
15. Cost or depreciation of EDP equipment and software	20,576	70,612	7,589	98,777
16. Printing and stationery	5,494	23,500	633	29,627
17. Postage, telephone and telegraph, exchange and express	16,525	81,140	7,247	104,912
18. Legal and auditing	4,426	26,990	19,567	50,983
19. Totals (Lines 3 to 18)	997,328	3,279,232	296,784	4,573,344
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 5,498		482,275		482,275
20.2 Insurance department licenses and fees		25,848		25,848
20.3 Gross guaranty association assessments		5,162		5,162
20.4 All other (excluding federal and foreign income and real estate)		22,595		22,595
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		535,880		535,880
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	63,477	325,092	64,585	453,154
25. Total expenses incurred	2,192,415	3,910,743	361,369	(a) 6,464,527
26. Less unpaid expenses—current year	3,946,082	878,433		4,824,515
27. Add unpaid expenses—prior year	3,679,775	746,977		4,426,752
28. Amounts receivable relating to uninsured plans, prior year		28		28
29. Amounts receivable relating to uninsured plans, current year		483		483
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	1,926,108	3,779,742	361,369	6,067,219

DETAILS OF WRITE-IN LINES				
2401. Other expenses	63,477	325,092	64,585	453,154
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)	63,477	325,092	64,585	453,154

(a) Includes management fees of \$ 3,221,029 to affiliates and \$ 283,783 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 1,868,366	1,890,150
1.1 Bonds exempt from U.S. tax	(a) 185,735	185,735
1.2 Other bonds (unaffiliated)	(a) 3,915,514	3,794,848
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) 25,677	27,232
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	26,690	26,690
10. Total gross investment income	6,021,982	5,924,655
11. Investment expenses		(g) 361,370
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)		361,370
17. Net investment income (Line 10 minus Line 16)		5,563,285

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	26,690	26,690
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)	26,690	26,690
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		

- (a) Includes \$ 91,854 accrual of discount less \$ 714,458 amortization of premium and less \$ 99,402 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 \$ 2,952 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					
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	274,290	(13,634)	260,656	410,179	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	274,290	(13,634)	260,656	410,179	

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	38,027	38,183	156
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	2,678	520	(2,158)
15.3 Accrued retrospective premiums	32,595	45,772	13,177
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	238	12	(226)
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	120	119,304	119,184
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets	45,735	176,381	130,646
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	40,029	35,667	(4,362)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	159,422	415,839	256,417
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	159,422	415,839	256,417

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	40,029	35,667	(4,362)
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	40,029	35,667	(4,362)

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 Underwriters, Inc. (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. Effective January 3, 2011, the Company, formerly named LM Personal Insurance Company (“LMPIC”), merged with an affiliate, Liberty Insurance Underwriters, Inc., an Illinois domiciled company. LMPIC, the surviving entity, was renamed Liberty Insurance Underwriters, Inc. The merger was accounted for under the statutory merger method. In accordance with the National Association of Insurance Commissioner’s Annual Statement Instructions, the Company’s prior year amounts were updated to reflect the merger.

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, including Mezzanine Real Estate 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:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than- temporary impairment	Amortized cost after other-than- temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
74958YAA0	999,766	939,250	60,516	939,250	856,625	12/31/2010
74958YAA0	939,301	934,040	5,261	934,040	866,323	3/31/2011
74958YAA0	925,292	917,522	7,770	917,522	833,806	6/30/2011
74958YAA0	866,185	859,638	6,547	859,638	762,856	12/31/2011
74958YAA0	737,375	736,663	712	736,663	713,427	9/30/2012
74958YAA0	701,907	700,637	1,270	700,637	700,637	12/31/2012

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	\$	-
		2.	12 Months or Longer	\$	(18,343)
b.	The aggregate related fair value of securities with unrealized losses:				
		1.	Less than 12 Months	\$	-
		2.	12 Months or Longer	\$	682,294

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.

NOTES TO FINANCIAL STATEMENTS

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.
3. Aggregate Amount of Contractually open cash collateral positions:

- a. Aggregate Amount Cash Collateral Received

	<u>Fair Value</u>
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	\$ 5,272,983
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	5,272,983
(g) Securities Received	3,710,629
(h) Total Collateral Received	\$ 8,983,612

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)

	\$ 5,272,983
--	--------------

- 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.

NOTES TO FINANCIAL STATEMENTS

5. Collateral Reinvestment

a. Aggregate Amount Cash Collateral Reinvested

	<u>Amortized Cost</u>	<u>Fair Value</u>
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	\$ -	\$ -
2. Securities Lending		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	809,562	809,562
(c) 31 to 60 Days	2,060,790	2,060,767
(d) 61 to 90 Days	2,403,719	2,402,653
(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	5,274,071	5,272,982
(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$ 5,274,071	\$ 5,272,982
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

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

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

The Company does not own any investments in joint ventures, partnerships, and limited liability companies.

NOTES TO FINANCIAL STATEMENTS

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).

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2012.

Note 8 - Derivative Instruments

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

Note 9 - Income Taxes

A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

1.

	12/31/2012		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
(a) Gross Deferred Tax Assets	\$ 1,306,330	\$ 32,670	\$ 1,339,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	1,306,330	32,670	1,339,000
(d) Deferred Tax Assets Nonadmitted	-	120	120
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	1,306,330	32,550	1,338,880
(f) Deferred Tax Liabilities	284,450	32,550	317,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 1,021,880	\$ -	\$ 1,021,880

	12/31/2011		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 1,282,768	\$ 176,232	\$ 1,459,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	1,282,768	176,232	1,459,000
(d) Deferred Tax Assets Nonadmitted	23,922	95,382	119,304
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	1,258,846	80,850	1,339,696
(f) Deferred Tax Liabilities	370,150	80,850	451,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 888,696	\$ -	\$ 888,696

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ 23,562	\$ (143,562)	\$ (120,000)
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	23,562	(143,562)	(120,000)
(d) Deferred Tax Assets Nonadmitted	(23,922)	(95,262)	(119,184)
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	47,484	(48,300)	(816)
(f) Deferred Tax Liabilities	(85,700)	(48,300)	(134,000)
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 133,184	\$ -	\$ 133,184

NOTES TO FINANCIAL STATEMENTS

2.

	12/31/2012		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ 1,251,950	\$ -	\$ 1,251,950
(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)	-	-	-
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	-	-	-
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			17,576,636
(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	54,380	32,550	86,930
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 1,306,330	\$ 32,550	\$ 1,338,880

	12/31/2011		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ 134,030	\$ -	\$ 134,030
(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)	754,666	-	754,666
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	754,666	-	754,666
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			16,587,912
(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	370,150	80,850	451,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 1,258,846	\$ 80,850	\$ 1,339,696

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ 1,117,920	\$ -	\$ 1,117,920
(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)	(754,666)	-	(754,666)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	(754,666)	-	(754,666)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			988,724
(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	(315,770)	(48,300)	(364,070)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 47,484	\$ (48,300)	\$ (816)

NOTES TO FINANCIAL STATEMENTS

3.

	2012	2011
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	5669.49%	420.40%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	115,946,806	111,171,497

4.

	12/31/2012			12/31/2011			Change		
	(1)	(2)	(3) (Col 1+2) Total Percent	(4)	(5)	(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%	0%	0%	0%	0%	0%	0%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	0%	0%	0%	0%	0%	0%	0%	0%	0%

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

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	\$ 1,176,770	\$ 997,612	\$ 179,158
(b) Foreign	-	-	-
(c) Subtotal	1,176,770	997,612	179,158
(d) Federal income tax on net capital gains	91,230	13,388	77,842
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	\$ 1,268,000	\$ 1,011,000	\$ 257,000
2. Deferred Tax Assets:			
(a) Ordinary			
(1) Discounting of unpaid losses	\$ 595,000	\$ 550,000	\$ 45,000
(2) Unearned premium reserve	462,000	424,000	38,000
(3) Policyholder reserves	-	-	-
(4) Investments	5,000	-	5,000
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	9,000	16,000	(7,000)
(8) Compensation and benefits accrual	65,000	61,000	4,000
(9) Pension accrual	-	-	-
(10) Receivables – nonadmitted	56,000	104,000	(48,000)
(11) Net operating loss carry-forward	-	-	-
(12) Tax credit carry-forward	-	-	-
(13) Other (including items <5% of total ordinary tax assets)	114,330	127,768	(13,438)
(99) Subtotal	1,306,330	1,282,768	23,562
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	-	23,922	(23,922)
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	1,306,330	1,258,846	47,484
(e) Capital			
(1) Investments	32,670	176,232	(143,562)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	32,670	176,232	(143,562)

NOTES TO FINANCIAL STATEMENTS

(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	120	95,382	(95,262)
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	32,550	80,850	(48,300)
(i) Admitted deferred tax assets (2d + 2h)	1,338,880	1,339,696	(816)
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	183,000	283,000	(100,000)
(2) Fixed assets	78,000	65,000	13,000
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total capital tax liabilities)	23,450	22,150	1,300
(99) Subtotal	284,450	370,150	(85,700)
(b) Capital:			
(1) Investments	32,550	80,850	(48,300)
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	32,550	80,850	(48,300)
(c) Deferred tax liabilities (3a99 + 3b99)	317,000	451,000	(134,000)
4. Net deferred tax assets/liabilities (2i – 3c)	\$ 1,021,880	\$ 888,696	\$ 133,184

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax exempt interest.
- E. The Company has no net operating loss carry-forwards available to offset future net income subject to Federal income tax.

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 \$1,159,000 from the current year and \$1,227,450 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	Liberty Mutual Insurance Company
America First Insurance Company	Liberty Mutual Personal Insurance Company
America First Lloyd's Insurance Company	Liberty Northwest Insurance Corporation
American Economy Insurance Company	Liberty Personal Insurance Company
American Fire and Casualty Company	Liberty RE (Bermuda) Limited
American States Insurance Company	Liberty Sponsored Insurance (Vermont), Inc.
American States Insurance Company of Texas	Liberty Surplus Insurance Corporation
American States Lloyds Insurance Company	LIH-RE of America Corporation
American States Preferred Insurance Company	LIU Specialty Insurance Agency Inc.
Barrier Ridge LLC	LM General Insurance Company
Berkeley Holding Company Associates, Inc.	LM Insurance Corporation
Berkeley Management Corporation	LM Property & Casualty Insurance Company
Bridgefield Casualty Insurance Company	LMHC Massachusetts Holdings Inc.
Bridgefield Employers Insurance Company	LRE Properties, Inc.
Capitol Court Corporation	Mid-American Fire & Casualty Company
Cascade Disability Management, Inc.	North Pacific Insurance Company
Colorado Casualty Insurance Company	Ocasco Budget, Inc.
Commercial Aviation Insurance, Inc.	OCI Printing, Inc.
Consolidated Insurance Company	Ohio Casualty Corporation
Copley Venture Capital, Inc.	Ohio Security Insurance Company
Diversified Settlements, Inc.	Open Seas Solutions, Inc.
Emerald City Insurance Agency, Inc.	Oregon Automobile Insurance Company
Employers Insurance Company of Wausau	Peerless Indemnity Insurance Company
Excelsior Insurance Company	Peerless Insurance Company
F.B. Beattie & Co., Inc.	Pilot Insurance Services, Inc.
First National Insurance Company of America	Rianoc Research Corporation
First State Agency Inc.	S.C. Bellevue, Inc.
General America Corporation	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. There have been no material transactions with the Company’s affiliates during 2012.
- D. At December 31, 2012, the Company reported a net \$1,643,527 due from 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.
- 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”) and a cash management agreement with LMGAM. Under these agreements, LMGAM provides services to 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	\$50,000,000

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.
- J. 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 5,000 shares authorized and 2,000 shares issued and outstanding as of December 31, 2012. All shares have a stated par value of \$1,750.
2. Preferred Stock
Not applicable
3. There are no dividend restrictions.
4. The Company did not pay any dividends to its parent during 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 maximum dividend payout which may be made without prior approval in 2013 is \$11,696,869.
6. As of December 31, 2012, the Company has pre-tax restricted surplus of \$819,270 resulting from retroactive reinsurance contracts.
7. The Company had no advances to surplus.
8. The Company does not hold stock for special purposes.
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 \$(18,343) after applicable deferred taxes of \$6,420.
11. Surplus Notes
Not applicable

NOTES TO FINANCIAL STATEMENTS

12. Quasi re-organization (dollar impact)

Not applicable

13. Quasi re-organization (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 \$ 155,321 that is offset by future premium tax credits of \$14,427. 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	\$ 18,693
b. Decreases current year:	-
Premium tax offset applied	4,405
c. Increases current year:	-
Premium tax offset increase	139
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$ 14,427

C. Gain Contingencies

Not applicable

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

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

E. Product Warranties

The Company does not write product warranty business.

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.

NOTES TO FINANCIAL STATEMENTS

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,	<u>Operating Leases</u>
2013	\$ 112,365
2014	107,162
2015	68,757
2016	64,456
2017	35,077
2018 & thereafter	305,294
Total	\$ 693,111

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 transfer of receivables reported as sales during the year.

B. Transfers and Servicing of Financial Assets

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income and mortgage backed securities are loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. The Company does not participate in term loans; therefore, the Company does not have contractual collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of 102% of the 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 \$8,802,037, with corresponding collateral value of \$8,983,612 of which \$5,272,983 cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

NOTES TO FINANCIAL STATEMENTS

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

Full Name and Address of MGA or TPA	FEIN #	Exclusive Contract	Type of Business Written	Type of Authority Granted	Total Direct Written Premiums
CAMICO Services Inc. 1235 Radio Road Redwood City, CA 94065-1217	94-3226026	N	Other Liability (Claims-Made)	U, P, CA	\$24,313,008
GMI NA Inc. 99 Starr Street Phoenixville, PA 19460	23-2839622	N	Auto Liability Auto PD	U, P, CA	\$29,848,981

U – Underwriting
P – Premium Collection
CA – Claims Adjustment

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	\$ -	\$ -	\$ -	\$ -	\$ -
Residential Mortgage-Backed Securities	-	682,294	-	-	682,294
Total Bonds	\$ -	\$682,294	\$ -	\$ -	\$682,294
Preferred Stocks					
Industrial and Miscellaneous (Unaffiliated)	\$ -	\$ -	\$ -	\$ -	\$ -
Total Preferred Stocks	\$ -	\$ -	\$ -	\$ -	\$ -
Common Stocks					
Industrial and Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -
Total Common Stocks	\$ -	\$ -	\$ -	\$ -	\$ -
Total assets at fair value	\$ -	\$682,294	\$ -	\$ -	\$682,294
Liabilities at fair value					
Derivative Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities at fair value	\$ -	\$ -	\$ -	\$ -	\$ -

The Company did not have significant transfers between Levels 1 and 2 during the period ended December 31, 2012.

2. Rollforward of Level 3 Items

The Company has no assets or liabilities measured at fair value in the Level 3 category.

NOTES TO FINANCIAL STATEMENTS

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.

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.

NOTES TO FINANCIAL STATEMENTS

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	\$8,102,152	\$8,102,152	\$8,102,152	\$ -	\$ -	\$ -
Bonds	157,368,092	147,723,657	30,297,668	127,070,424	-	-
Preferred Stock	-	-	-	-	-	-
Common Stock	-	-	-	-	-	-
Securities Lending	5,272,983	5,272,983	-	5,272,983	-	-
Mortgage Loans	-	-	-	-	-	-
Surplus Notes	-	-	-	-	-	-
Total	\$170,743,227	\$161,098,792	\$38,399,820	\$132,343,407	\$ -	\$ -

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

C. Other Disclosures

1) Assets in the amount of \$8,721,002 and \$8,556,850 as of December 31, 2012 and 2011, respectively, were on deposit with government authorities or trustees as required by law.

2) Interrogatory 6.1

The Company does not write Workers Compensation

Interrogatory 6.2

All property locations are tracked by the company. World cat software analyzes exposure, model wind/earthquake scenarios, calculate terrorism aggregations and clash event scenarios. Open Energy Software models track platform aggregations and perform windstorm analysis for offshore energy business.

Interrogatory 6.3

The Company has purchased proportional and risk catastrophe XOL reinsurance to protect from concentrations of insured exposures. The Cat reins. purchased protects the company for at least a 1-in-100 year return period for wind exposures and 1-in-250 year return period for earthquake exposures.

NOTES TO FINANCIAL STATEMENTS

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable and Non-transferable Tax Credits

The Company does not hold state transferable and/or non-transferable tax credits.

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.
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 summarizes ceded and assumed unearned premiums and the related commission equity at December 31, 2012.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$ 5,698,024	\$ 72,630	\$ 197,147,243	\$ 37,796,759	\$ (191,449,219)	\$ (34,724,129)
All other	-	-	-	-	-	-
Total	\$ 5,698,024	\$ 72,630	\$ 197,147,243	\$ 34,796,759	\$ (191,449,219)	\$ (34,724,129)

Direct Unearned Premium Reserve: \$ 197,147,243

2. Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. There are no amounts accrued at December 31, 2012.

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:	
	<u>Assumed</u>	<u>Ceded</u>
a. Reserves Transferred:		
1. Initial Reserves	\$ (1,431,410)	\$ -
2. Adjustments – Prior Year (s)	226,064	-
3. Adjustments – Current Year	57,962	-
4. Current Total	\$ (1,147,384)	\$ -
b. Consideration Paid or Received:		
1. Initial Consideration	\$ (425,007)	\$ -
2. Adjustments – Prior Year (s)	(68,570)	-
3. Adjustments – Current Year	(692)	-
4. Current Total	\$ (494,269)	\$ -
c. Paid Losses Reimbursed or Recovered:		
1. Initial	\$ (36,083)	\$ -
2. Adjustments - Prior Year(s)	(221,361)	-
3. Adjustments - Current Year	(27,689)	-
4. Total	\$ (285,133)	\$ -
d. Special Surplus from the Retroactive Reinsurance:		
1. Initial Surplus Gain or Loss	\$ 1,042,486	\$ -
2. Adjustments – Prior Year (s)	(73,273)	-
3. Adjustments – Current Year	(30,965)	-
4. Current Year Restricted Surplus	819,270	-
5. Cumulative Total Transferred to Unassigned Funds	\$ 118,978	\$ -
e. All cedents and reinsurers involved in all transactions included in summary totals above:		
	<u>Assumed</u>	<u>Ceded</u>
<u>Company</u>	<u>Amount</u>	<u>Amount</u>
Liberty Mutual Insurance Company, 23043	\$ (1,147,384)	\$ -
Total	\$ (1,147,384)	\$ -

f. List total Paid Loss/LAE amounts recoverable and amounts more than 90 days overdue, and collateral held as respects amounts recoverable from unauthorized reinsurers:

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

G. 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 property and casualty run-off agreements which qualify for prospective reinsurance accounting treatment, pursuant to SSAP No. 62R, *Property and Casualty Reinsurance*.

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.

J. Effective January 21, 2012, all of the Company's reinsurance was assigned to Liberty Mutual Insurance Company ("LMIC"), the lead company in the Liberty Mutual Pool. As of December 31, 2012 all unaffiliated reinsurance is reflected on LMIC's Schedule F. There was no impact to surplus as a result of the assignment.

NOTES TO FINANCIAL STATEMENTS

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.
- D. 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.

- E. 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 non-admitted.

a.	Total accrued retro premium	\$ 326,740
b.	Unsecured amount	-
c.	Less: Non-admitted amount (10%)	32,595
d.	Less: Non-admitted for any person for whom agents' balances or uncollected premiums are non-admitted	-
e.	Admitted amount (a) - (c) - (d)	\$ 294,145

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%	Personal Lines Only
			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

NOTES TO FINANCIAL STATEMENTS

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

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (b) 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.
- (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 inter-company pool as of December 31, 2012:

Affiliate:	Amount:
Liberty Mutual Insurance Company	\$ (446,669)

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 <u>Number</u>	Pooling <u>Percentage</u>	Line of <u>Business</u>
Lead				
Company:	Liberty Mutual Insurance Company ("LMIC")	23043	50.0%	All Lines
Affiliated	Peerless Insurance Company ("PIC")	24198	20.0%	All Lines
Pool	Employers Insurance Company of Wausau ("EICOW")	21458	8.0%	All Lines
Companies:	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

NOTES TO FINANCIAL STATEMENTS

	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
	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 \$507,406 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$507,406 as of December 31, 2012.
- B. The Company does not have material structured settlements from life insurers for which the Company has not obtained a release of liability from the claimant.

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 - Premium Deficiency Reserves

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

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 \$5,581,974 and the amount billed and recoverable on paid claims was \$216,945.

NOTES TO FINANCIAL STATEMENTS

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	652,497	684,916
5. Commercial Multiple Peril	-	-
6. Medical Professional Liability – occurrence	-	-
7. Medical Professional Liability – claims-made	-	-
8. Special Liability	-	-
9. Other Liability - occurrence	6,150	-
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	658,647	684,916

* 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:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Direct Basis					
Beginning Reserves	1,682,307	1,563,172	1,851,446	1,362,191	1,482,332
Incurring losses and LAE	142,644	549,288	76,866	432,034	243,624
Calendar year payments	261,779	261,014	566,120	311,893	258,224
Ending Reserves	<u>1,563,172</u>	<u>1,851,446</u>	<u>1,362,191</u>	<u>1,482,332</u>	<u>1,467,731</u>
Assumed Reinsurance Basis					
Beginning Reserves	708,252	670,538	479,936	477,628	469,654
Incurring losses and LAE	(7,572)	(152,757)	48,747	19,847	418
Calendar year payments	30,142	37,845	51,055	27,820	41,118
Ending Reserves	<u>670,538</u>	<u>479,936</u>	<u>477,628</u>	<u>469,654</u>	<u>428,955</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	797,335	659,357	886,870	576,944	760,319
Incurring losses and LAE	14,244	395,552	(107,172)	328,519	155,574
Calendar year payments	152,222	168,038	202,754	145,143	220,657
Ending Reserves	<u>659,357</u>	<u>886,870</u>	<u>576,944</u>	<u>760,319</u>	<u>695,236</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					762,449
Assumed Reinsurance Basis					329,194
Net of Ceded Reinsurance Basis					376,130

NOTES TO FINANCIAL STATEMENTS

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

Direct Basis	664,185
Assumed Reinsurance Basis	26,089
Net of Ceded Reinsurance Basis	287,003

<u>Environmental:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Direct Basis					
Beginning Reserves	450,874	373,242	306,539	293,552	296,686
Incurred losses and LAE	6,837	28,154	39,441	61,987	61,949
Calendar year payments	84,469	94,857	52,428	58,854	51,444
Ending Reserves	373,242	306,539	293,552	296,686	307,191

Assumed Reinsurance Basis

Beginning Reserves	40,855	40,741	52,752	40,726	41,938
Incurred losses and LAE	3,590	17,187	(552)	9,426	8,797
Calendar year payments	3,705	5,176	11,473	8,215	2,933
Ending Reserves	40,741	52,752	40,726	41,938	47,802

Net of Ceded Reinsurance Basis

Beginning Reserves	363,636	311,587	263,696	231,137	213,076
Incurred losses and LAE	(13)	(3)	(2,834)	13,999	(31,822)
Calendar year payments	52,036	47,888	29,724	32,061	(9,774)
Ending Reserves	311,587	263,696	231,137	213,076	191,028

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

Direct Basis	201,004
Assumed Reinsurance Basis	33,225
Net of Ceded Reinsurance Basis	110,703

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

Direct Basis	151,683
Assumed Reinsurance Basis	9,018
Net of Ceded Reinsurance Basis	67,048

Note 34 - Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

Note 36 - Financial Guarantee Insurance

Not applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes No
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes No N/A
- 1.3 State Regulating? _____ 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
- 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). _____ 06/29/2011 _____
- 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
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes No
- 4.12 renewals? Yes No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes No
- 4.22 renewals? Yes No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

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

GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....

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

Yes [] No [X]

7.2 If yes,

7.21 State the percentage of foreign control.

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 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

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

	0
\$	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

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

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

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 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 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

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 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 No N/A

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ 8,983,612

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 No N/A

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes 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 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	\$	5,272,983
24.102	Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$	5,272,983
24.103	Total payable for securities lending reported on the liability page	\$	5,272,983

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 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	\$	8,721,002
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
.....

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
.....

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	159,397,139	169,041,575	9,644,436
30.2 Preferred stocks	0	0	0
30.3 Totals	159,397,139	169,041,575	9,644,436

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	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ 1,346	\$ 1,192
2.2 Premium Denominator	\$ 12,329,226	\$ 10,911,829
2.3 Premium Ratio (2.1/2.2)	0.00	0.00
2.4 Reserve Numerator	\$ 4,524	\$ 4,719
2.5 Reserve Denominator	\$ 29,474,195	\$ 27,364,154
2.6 Reserve Ratio (2.4/2.5)	0.00	0.00

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

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

3.21 Participating policies \$ 0

3.22 Non-participating policies \$ 0

4. For Mutual reporting entities and Reciprocal 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 21C2

.....

.....

.....

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 21C2
.....
.....
- 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 21C2
.....
.....
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes No
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss
N/A
.....
.....
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes No
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. _____ 3
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes No
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes No
- 8.2 If yes, give full information
N/A
.....
.....
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes No
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes No
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 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
- 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
(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
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes No

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 No N/A

11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes No

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	\$	224,670
12.12 Unpaid underwriting expenses (including loss adjustment expenses)	\$	78,428

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? \$ 210,768

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

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 No

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

12.61 Letters of Credit	\$	6,793,449
12.62 Collateral and other funds	\$	1,476,110

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 108,920

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

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

14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes No

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:

Premiums and recoverables were allocated pursuant to allocation 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

14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes No

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

-

.....

.....

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

15.2 If yes, give full information

.....

.....

.....

16.1 Does the reporting entity write any warranty business? Yes No

If yes, disclose the following information for each of the following types of warranty coverage:

		1		2		3		4		5
		Direct Losses Incurred		Direct Losses Unpaid		Direct Written Premium		Direct Premium Unearned		Direct Premium Earned
16.11 Home	\$	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	\$ <u>0</u>
17.12 Unfunded portion of Interrogatory 17.11	\$ <u>0</u>
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$ <u>0</u>
17.14 Case reserves portion of Interrogatory 17.11	\$ <u>0</u>
17.15 Incurred but not reported portion of Interrogatory 17.11	\$ <u>0</u>
17.16 Unearned premium portion of Interrogatory 17.11	\$ <u>0</u>
17.17 Contingent commission portion of Interrogatory 17.11	\$ <u>0</u>

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

17.18 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	\$ <u>0</u>
17.19 Unfunded portion of Interrogatory 17.18	\$ <u>0</u>
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$ <u>0</u>
17.21 Case reserves portion of Interrogatory 17.18	\$ <u>0</u>
17.22 Incurred but not reported portion of Interrogatory 17.18	\$ <u>0</u>
17.23 Unearned premium portion of Interrogatory 17.18	\$ <u>0</u>
17.24 Contingent commission portion of Interrogatory 17.18	\$ <u>0</u>

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 administered 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	2	3	4	5
	2012	2011	2010	2009	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)	433,854,714	396,316,533	316,223,524		
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	8,946,833	8,901,830	6,216,166		
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	4,662,786	4,667,901	5,262,541		
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	70,516	49,274	2,077,092		
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	319,200	264,269	289,700		
6. Total (Line 35)	447,854,049	410,199,807	330,069,023		
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)	7,900,796	7,151,977	8,753,359		
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,412,021	2,009,413	2,730,063		
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,396,244	2,009,874	2,663,842		
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	27,797	13,323	19,117		
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	319,200	264,269	289,700		
12. Total (Line 35)	13,056,058	11,448,856	14,456,081		
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(2,719,325)	(1,871,675)	(836,999)		
14. Net investment gain (loss) (Line 11)	5,732,712	6,074,388	6,175,878	195,553	252,145
15. Total other income (Line 15)	(57,082)	(229,308)	(105,694)		
16. Dividends to policyholders (Line 17)	24,603	40,680	62,948		
17. Federal and foreign income taxes incurred (Line 19)	1,176,770	997,612	2,880,754	68,292	79,150
18. Net income (Line 20)	1,754,932	2,935,113	2,289,483	127,261	172,995
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	217,790,106	214,008,263	220,471,596	8,680,399	8,006,471
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	1,218,810	1,195,967	1,046,669		
20.2 Deferred and not yet due (Line 15.2)	3,904,705	3,322,598	2,737,269		
20.3 Accrued retrospective premiums (Line 15.3)	294,145	409,676	572,774		
21. Total liabilities excluding protected cell business (Page 3, Line 26)	100,821,420	101,948,070	111,776,435	1,602,127	1,118,170
22. Losses (Page 3, Line 1)	19,165,601	17,753,700	17,440,797		
23. Loss adjustment expenses (Page 3, Line 3)	3,946,082	3,679,775	3,495,255		
24. Unearned premiums (Page 3, Line 9)	5,698,024	5,098,219	4,745,977		
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)	116,968,686	112,060,193	108,695,161	7,078,272	6,888,301
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	19,935,140	(15,797,837)	26,535,181	49,131	117,308
Risk-Based Capital Analysis					
28. Total adjusted capital	116,968,686	112,060,193	108,695,161	7,078,272	6,888,301
29. Authorized control level risk-based capital	2,045,101	26,444,088	23,924,900	29,223	28,532
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)	91.7	87.3	84.6	66.8	72.8
31. Stocks (Lines 2.1 & 2.2)					
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	5.0	6.7	8.3	33.2	27.2
35. Contract loans (Line 6)					
36. Derivatives (Line 7)				X X X	X X X
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)					
39. Securities lending reinvested collateral assets (Line 10)	3.3	6.0	7.1	X X X	X X X
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					
48. Total of above Lines 42 to 47					
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)					

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)	266,616	(147,628)	41,894		
52. Dividends to stockholders (Line 35)					
53. Change in surplus as regards policyholders for the year (Line 38)	4,908,493	3,365,032	5,603,662	189,971	102,995
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)	224,660,519	120,188,360	82,036,304	948,166	3,100,959
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,761,818	1,907,932	1,606,159	(16,461)	(14,230)
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	5,485,453	3,463,082	2,543,438		
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	2,168	6,030	754,092		
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	119,878	109,796	(312,854)		
59. Total (Line 35)	232,029,836	125,675,200	86,627,139	931,705	3,086,729
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)	4,717,138	4,838,131	(11,214,792)		
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,462,630	1,173,765	703,784		
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,239,236	1,225,152	174,861		
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	2,168	6,030	(9,264)		
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	119,878	109,796	(312,854)		
65. Total (Line 35)	7,541,050	7,352,874	(10,658,265)		
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			
68. Loss expenses incurred (Line 3)	17.8	19.8			
69. Other underwriting expenses incurred (Line 4)	31.7	27.1			
70. Net underwriting gain (loss) (Line 8)	(22.1)	(17.2)			
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	27.8			
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			
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)	11.2	10.2			
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)	621	527			
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)	0.6	0.5			
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)	988	262			
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)	0.9	0.3			

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 Number of Claims Reported Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4	5	6	7	8	9			
				Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	X X X	X X X	X X X	740	231	219	95	5	7	2	631	X X X
2. 2003	12,437	3,018	9,419	6,652	1,491	573	78	897	13	384	6,540	X X X
3. 2004	12,985	3,410	9,575	6,530	1,689	529	105	917	47	378	6,135	X X X
4. 2005	13,369	3,156	10,213	7,798	2,373	558	117	918	65	371	6,719	X X X
5. 2006	14,511	3,310	11,201	6,695	1,310	561	84	984	68	379	6,778	X X X
6. 2007	15,226	3,601	11,625	7,510	1,714	594	92	1,014	85	461	7,227	X X X
7. 2008	16,011	4,319	11,692	8,777	2,075	636	87	1,127	71	419	8,307	X X X
8. 2009	15,194	4,742	10,452	7,451	1,982	484	69	1,068	14	389	6,938	X X X
9. 2010	15,356	5,000	10,356	7,376	2,266	402	58	1,076	7	395	6,523	X X X
10. 2011	16,588	5,676	10,912	7,063	2,571	270	69	1,080	7	407	5,766	X X X
11. 2012	18,486	6,154	12,332	5,457	2,144	114	21	891	4	235	4,293	X X X
12. Totals	X X X	X X X	X X X	72,049	19,846	4,940	875	9,977	388	3,820	65,857	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13	14	15	16	17	18	19	20	21	22			
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	4,883	1,735	1,909	1,407	326	268	932	418	210		32	4,432	X X X
2. 2003	251	110	415	170	7	3	46	10	15		5	441	X X X
3. 2004	260	95	472	141	8	2	97	9	15		7	605	X X X
4. 2005	303	114	461	217	9	2	75	13	17		8	519	X X X
5. 2006	368	101	604	175	13	5	86	18	17		13	789	X X X
6. 2007	520	116	665	172	25	9	135	21	9		19	1,036	X X X
7. 2008	769	156	791	233	39	9	261	43	40	1	29	1,458	X X X
8. 2009	816	136	1,008	243	45	9	305	45	50	1	32	1,790	X X X
9. 2010	1,152	218	1,336	263	54	10	327	55	75	3	49	2,395	X X X
10. 2011	1,483	240	2,111	433	75	21	534	78	158	4	71	3,585	X X X
11. 2012	2,115	378	4,395	1,072	56	10	646	79	402	10	221	6,065	X X X
12. Totals	12,920	3,399	14,167	4,526	657	348	3,444	789	1,008	19	486	23,115	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26	27	28	29	30	31	32	33		35	36
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense		Losses Unpaid	Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	3,650	782
2. 2003	8,856	1,875	6,981	71.207	62.127	74.116			0.100	386	55
3. 2004	8,828	2,088	6,740	67.986	61.232	70.392			0.100	496	109
4. 2005	10,139	2,901	7,238	75.840	91.920	70.870			0.100	433	86
5. 2006	9,328	1,761	7,567	64.282	53.202	67.556			0.100	696	93
6. 2007	10,472	2,209	8,263	68.777	61.344	71.080			0.100	897	139
7. 2008	12,440	2,675	9,765	77.697	61.936	83.519			0.100	1,171	287
8. 2009	11,227	2,499	8,728	73.891	52.699	83.506			0.100	1,445	345
9. 2010	11,798	2,880	8,918	76.830	57.600	86.114			0.100	2,007	388
10. 2011	12,774	3,423	9,351	77.007	60.307	85.695			0.100	2,921	664
11. 2012	14,076	3,718	10,358	76.144	60.416	83.993			0.100	5,060	1,005
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	19,162	3,953

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

SCHEDULE P – PART 2 – SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior	12,365	13,369	14,545	15,235	15,973	15,973	16,394	16,367	16,795	16,939	144	572
2. 2003	6,488	5,830	5,665	5,993	6,083	6,080	6,116	6,118	6,111	6,117	6	(1)
3. 2004	XXX	6,513	6,046	5,880	5,913	5,900	5,889	5,922	5,907	5,910	3	(12)
4. 2005	XXX	XXX	7,089	6,745	6,569	6,471	6,471	6,450	6,443	6,431	(12)	(19)
5. 2006	XXX	XXX	XXX	7,245	6,921	6,785	6,757	6,699	6,678	6,702	24	3
6. 2007	XXX	XXX	XXX	XXX	7,742	7,558	7,366	7,347	7,309	7,386	77	39
7. 2008	XXX	XXX	XXX	XXX	XXX	8,842	8,768	8,594	8,670	8,764	94	170
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	7,617	7,760	7,727	7,695	(32)	(65)
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,571	7,715	7,872	157	301
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	8,050	8,210	160	XXX
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	9,134	XXX	XXX
											12. Totals	
											621	988

SCHEDULE P – PART 3 – SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
1. Prior	000	3,197	5,210	6,756	7,991	9,042	9,885	10,751	11,423	12,056	XXX	XXX
2. 2003	2,450	3,739	4,380	4,841	5,155	5,347	5,482	5,565	5,623	5,656	XXX	XXX
3. 2004	XXX	2,237	3,456	4,039	4,507	4,817	5,010	5,129	5,203	5,265	XXX	XXX
4. 2005	XXX	XXX	2,580	3,968	4,667	5,134	5,451	5,651	5,767	5,866	XXX	XXX
5. 2006	XXX	XXX	XXX	2,519	3,882	4,650	5,171	5,512	5,725	5,862	XXX	XXX
6. 2007	XXX	XXX	XXX	XXX	2,589	4,166	5,018	5,607	6,014	6,298	XXX	XXX
7. 2008	XXX	XXX	XXX	XXX	XXX	3,166	5,065	6,055	6,761	7,251	XXX	XXX
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	2,706	4,329	5,237	5,884	XXX	XXX
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,774	4,509	5,454	XXX	XXX
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,175	4,693	XXX	XXX
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,406	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	2	3	4	5	6	7	8	9	10
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Prior	2,970	2,099	2,211	2,161	2,251	1,811	1,984	1,305	1,469	1,183
2. 2003	2,707	1,113	509	586	543	449	404	353	320	298
3. 2004	XXX	2,988	1,667	1,112	861	698	583	535	491	452
4. 2005	XXX	XXX	3,200	1,738	1,154	809	632	493	435	351
5. 2006	XXX	XXX	XXX	3,335	1,958	1,315	970	735	605	544
6. 2007	XXX	XXX	XXX	XXX	3,561	2,172	1,420	1,030	768	648
7. 2008	XXX	XXX	XXX	XXX	XXX	3,725	2,266	1,506	1,117	852
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	3,382	2,197	1,517	1,079
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,288	1,991	1,421
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,256	2,212
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,941

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

States, Etc.	Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	L	3,349,729	2,818,504	30,295	777,796	3,865,287		
2. Alaska	AK	L	632,426	676,295	11,675,000	3,499,861	1,422,554		
3. Arizona	AZ	L	7,588,062	7,433,573	517,509	4,820,117	15,180,980		
4. Arkansas	AR	L	2,575,068	2,102,061	6,662	422,290	3,758,368		
5. California	CA	L	68,966,144	68,808,778	13,098,902	40,380,888	150,762,723		
6. Colorado	CO	L	5,225,350	4,903,927	3,058,071	6,622,873	13,758,105		
7. Connecticut	CT	L	4,395,788	4,542,245	356,151	1,861,122	11,378,294		
8. Delaware	DE	L	481,061	534,183	15,451	134,017	654,591		
9. District of Columbia	DC	L	1,296,864	1,140,217		488,025	2,204,251		
10. Florida	FL	L	17,332,657	15,650,215	1,777,677	6,748,020	23,262,168		
11. Georgia	GA	L	10,673,569	10,282,003	273,214	4,273,818	18,501,571		
12. Hawaii	HI	L	2,162,383	2,318,773	6,966	713,505	6,013,408		
13. Idaho	ID	L	984,358	1,121,174	635,850	1,019,590	2,957,816		
14. Illinois	IL	L	17,995,199	17,189,875	3,424,336	11,520,113	45,515,523		
15. Indiana	IN	L	2,841,734	3,052,023	7,567,631	(2,170,953)	7,839,367		
16. Iowa	IA	L	1,438,335	1,448,035	2,713,607	757,190	3,593,559		
17. Kansas	KS	L	2,336,395	2,342,546	247,611	1,025,671	4,692,508		
18. Kentucky	KY	L	3,633,230	4,489,889	181,998	2,288,195	5,384,938		
19. Louisiana	LA	L	6,398,896	4,735,256	(331,857)	(34,660)	2,365,994		
20. Maine	ME	L	960,655	918,881	633,859	981,647	1,675,204		
21. Maryland	MD	L	4,928,745	4,768,814	3,181,432	5,804,706	8,571,322		
22. Massachusetts	MA	L	9,264,703	9,578,552	4,026,009	6,068,990	17,577,902		
23. Michigan	MI	L	5,394,970	5,417,629	3,508,515	4,890,812	11,005,837		
24. Minnesota	MN	L	5,608,190	5,216,012	1,050,879	1,747,883	10,789,536		
25. Mississippi	MS	L	4,935,309	4,651,607	901,298	4,272,897	8,676,297		
26. Missouri	MO	L	5,440,349	5,315,103	1,004,229	2,920,885	14,530,210		
27. Montana	MT	L	449,340	462,145	122,997	152,751	700,615		
28. Nebraska	NE	L	1,215,652	1,256,528	200,000	(1,179,663)	400,335		
29. Nevada	NV	L	3,575,747	3,459,218	401,076	1,504,353	7,389,351		
30. New Hampshire	NH	L	1,874,511	1,875,562	451,625	1,292,944	2,802,266		
31. New Jersey	NJ	L	15,529,041	16,472,802	1,755,019	11,175,108	33,155,692		
32. New Mexico	NM	L	943,144	1,023,021	509,097	452,478	1,634,357		
33. New York	NY	L	116,987,176	108,849,452	59,653,520	114,471,215	193,518,331		
34. North Carolina	NC	L	4,969,565	4,741,552	437,281	1,928,180	10,138,146		
35. North Dakota	ND	L	354,655	358,629	(29,510)	26,417	618,014		
36. Ohio	OH	L	6,928,463	7,176,281	52,570,636	52,844,665	16,935,117		
37. Oklahoma	OK	L	3,104,101	3,444,953	5,423	18,160,427	23,705,507		
38. Oregon	OR	L	3,530,053	3,511,066	763,323	1,355,988	7,967,686		
39. Pennsylvania	PA	L	13,082,037	13,236,410	5,294,383	11,631,395	23,576,768		
40. Rhode Island	RI	L	4,406,978	4,337,200	2,084,501	2,872,784	9,428,345		
41. South Carolina	SC	L	3,766,374	2,847,781	869,182	1,060,438	3,200,458		
42. South Dakota	SD	L	246,959	229,203	225,000	(44,048)	297,378		
43. Tennessee	TN	L	5,482,417	5,737,428	1,049,137	3,241,422	9,594,553		
44. Texas	TX	L	25,895,586	23,847,163	27,539,026	59,355,427	83,417,266		
45. Utah	UT	L	2,560,901	2,374,307	408,167	1,029,019	4,371,041		
46. Vermont	VT	L	791,469	841,513	185,067	379,614	1,561,155		
47. Virginia	VA	L	6,899,220	6,808,743	428,188	2,570,091	10,126,190		
48. Washington	WA	L	7,139,792	6,193,571	4,485,987	5,023,871	13,473,199		
49. West Virginia	WV	L	3,296,264	3,317,765	775,399	2,554,101	5,174,635		
50. Wisconsin	WI	L	4,610,307	4,645,973	602,946	1,465,391	10,673,444		
51. Wyoming	WY	L	207,129	190,447		87,697	232,046		
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	N							
55. U.S. Virgin Islands	VI	N	114	41		36	11		
56. Northern Mariana Islands	MP	N							
57. Canada	CAN	N				(340)	(2,281)		
58. Aggregate Other Alien	OT	X X X	110,829	63,688		495,874	204,122		
59. Totals	(a) 51		434,797,993	418,758,612	220,348,765	405,742,933	870,232,060		

DETAILS OF WRITE-INS									
58001. BERMUDA	X X X		43,000	23,789		17,846	44,401		
58002. GEORGIA	X X X		41,982	33,405		(22,991)	237,766		
58003. SWITZERLAND	X X X		20,252	2,609		2,244	2,249		
58998. Summary of remaining write-ins for Line 58 from overflow page	X X X		5,595	3,885		498,775	(80,294)		
58999. Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	X X X		110,829	63,688		495,874	204,122		

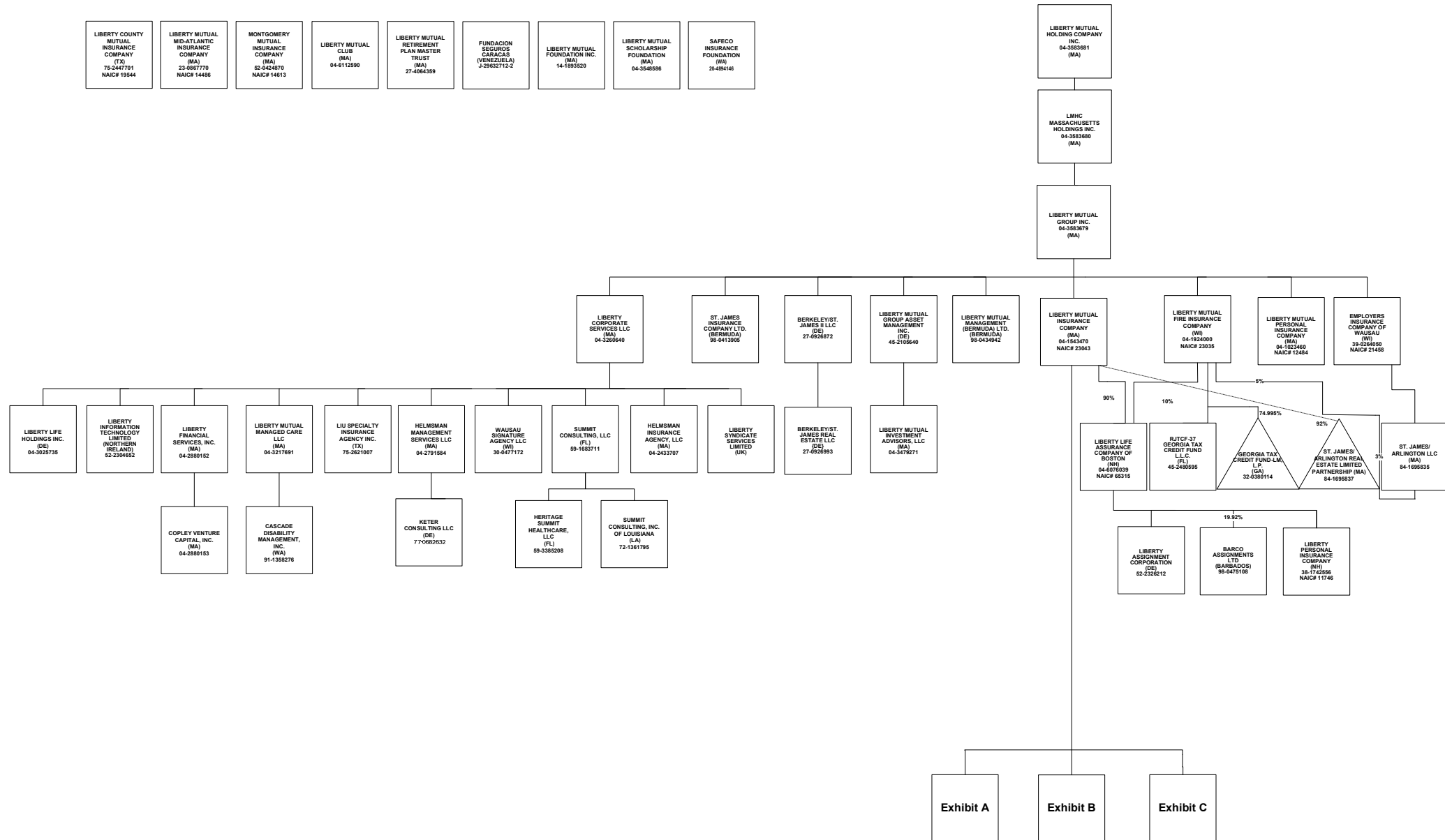
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business 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	*Location of Court or Obligatee - Surety
*States employee's main work place - Worker's Compensation	*Address of Assured - Other Accident and Health
*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage	*Location of Properties covered - Burglary and Theft
*Principal Location of business or location of coverage - Liability other than Auto, Fidelity, Warranty	*Principal Location of Assured - Ocean Marine, Credit
*Point of origin of shipment or principal location of assured - Inland Marine	*Primary residence of Assured - Aircraft (all perils)
*State in which employees regularly work - Group Accident and Health	

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

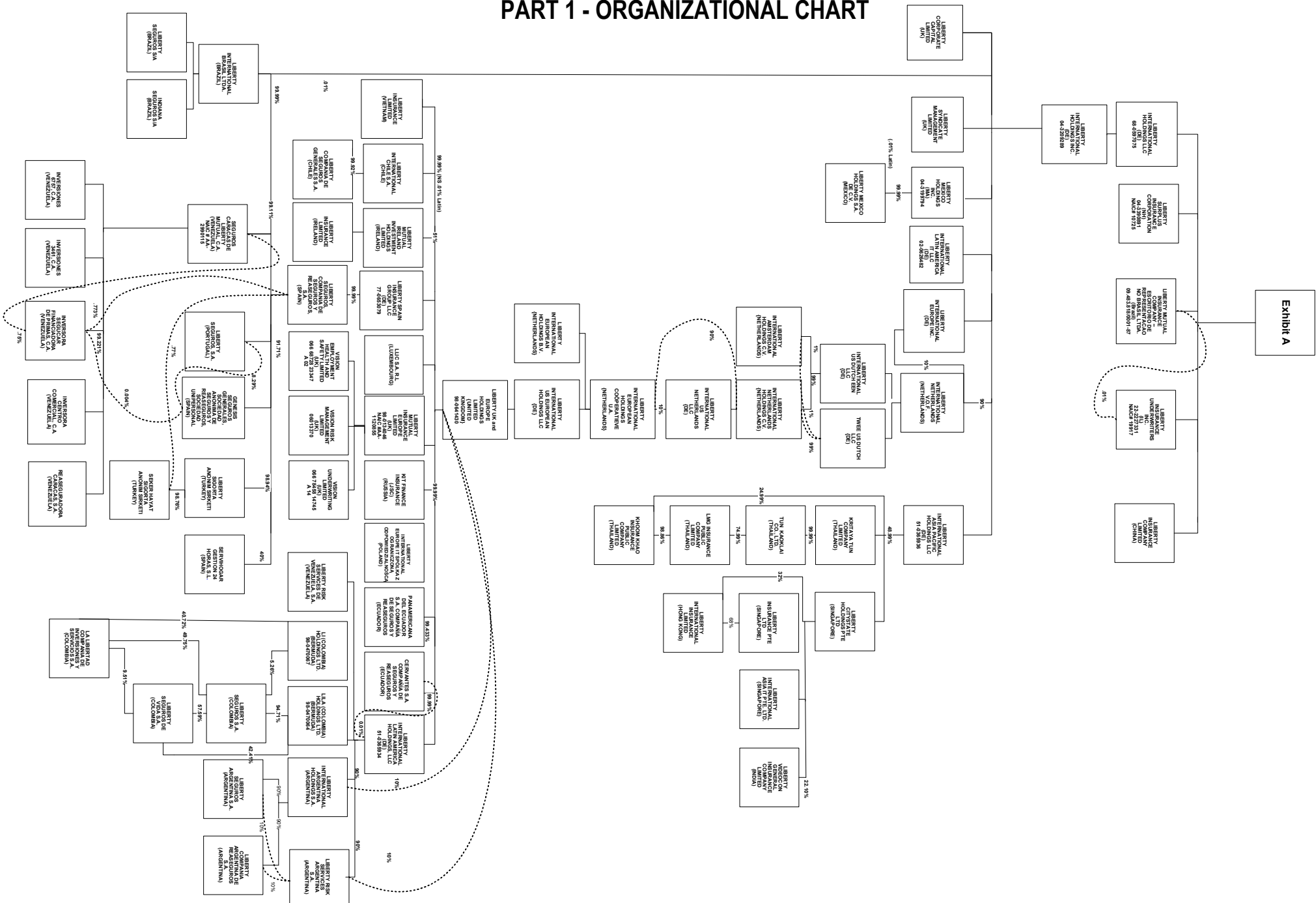
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



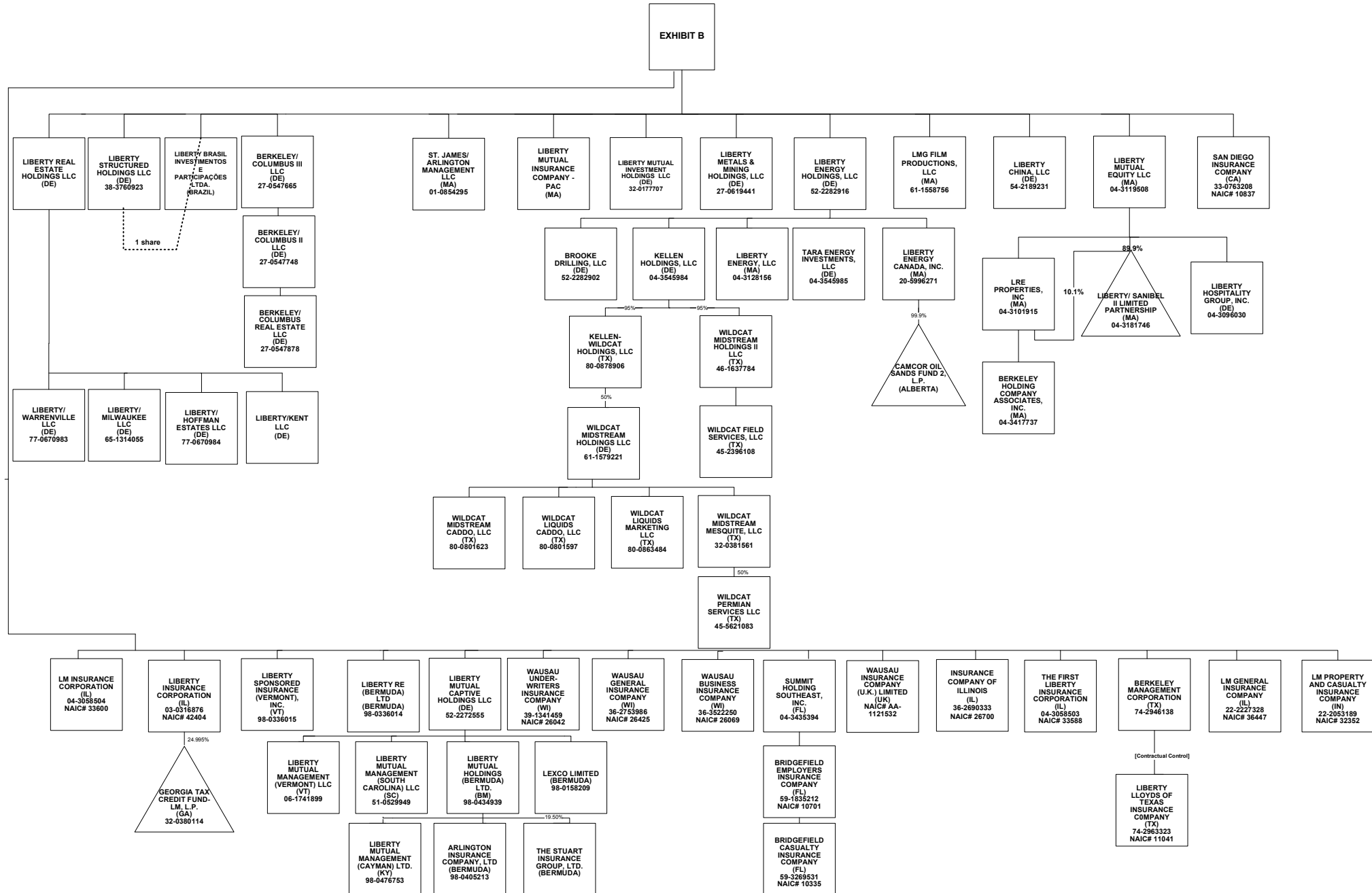
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



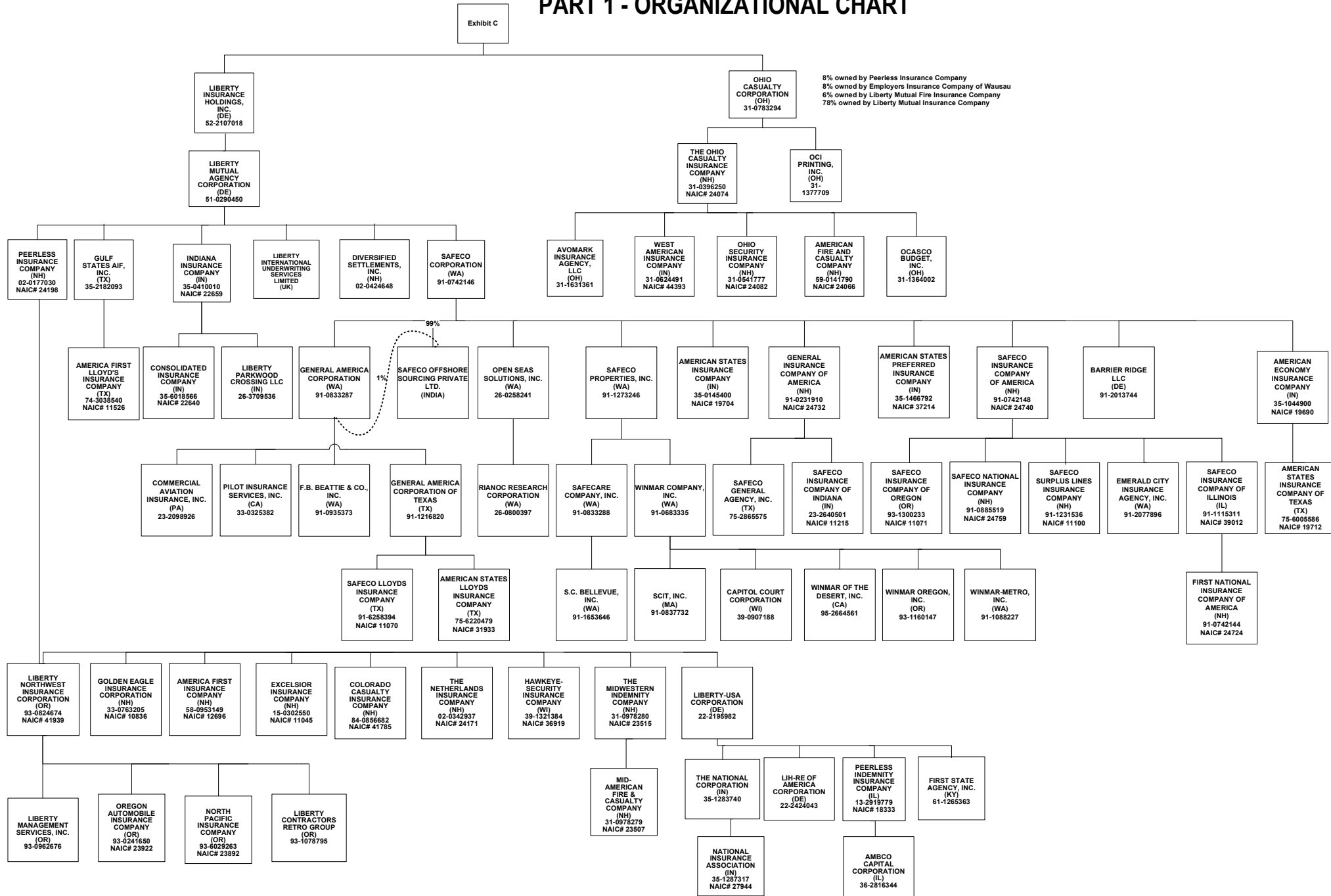
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

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	56,126	40,029	16,097	6,992
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	56,126	40,029	16,097	6,992

OVERFLOW PAGE FOR WRITE-INS

Page 95 - Continuation

REMAINING WRITE-INS AGGREGATED AT LINE 58 FOR OTHER ALIEN	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
58004. ISRAEL	X X X	5,595	1,820			(15)	1,667		
58005. BAHAMAS	X X X					(2,523)	(21,796)		
58006. BRITISH VIRGIN ISLANDS	X X X		2,065			1,298	27,975		
58007. CAYMAN ISLANDS	X X X					(189)	(1,270)		
58008. COSTA RICA	X X X					7			
58009. DOMINICAN REPUBLIC	X X X					(978)	(6,569)		
58010. ECUADOR	X X X					495,625	166,109		
58011. EL SALVADOR	X X X						(6,569)		
58012. ENGLAND	X X X					(2,852)			
58013. FRANCE	X X X					(9,517)	(63,917)		
58014. GERMANY	X X X					(2,728)	(19,125)		
58015. GIBRALTAR	X X X					(978)			
58016. NETHERLAND ANTILLES	X X X						(2,376)		
58017. NIGERIA	X X X					40,435			
58018. PANAMA	X X X					(2,129)	(14,300)		
58019. SINGAPORE	X X X					(5,592)	(38,129)		
58020. SWEDEN	X X X					(959)			
58021. SPAIN	X X X						(6,440)		
58022. UK	X X X					(10,130)	(95,554)		
58097. Total (Lines 58004 through 58096) (Page 95, Line 58998)	X X X	5,595	3,885			498,775	(80,294)		

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

Assets	2	Schedule E – Verification Between Years	SI15
Cash Flow	5	Schedule F – Part 1	20
Exhibit of Capital Gains (Losses)	12	Schedule F – Part 2	21
Exhibit of Net Investment Income	12	Schedule F – Part 3	22
Exhibit of Nonadmitted Assets	13	Schedule F – Part 4	23
Exhibit of Premiums and Losses (State Page)	19	Schedule F – Part 5	24
Five-Year Historical Data	17	Schedule F – Part 6 - Section 1	25
General Interrogatories	15	Schedule F – Part 6 - Section 2	27
Jurat Page	1	Schedule F – Part 7	28
Liabilities, Surplus and Other Funds	3	Schedule F – Part 8	29
Notes To Financial Statements	14	Schedule F – Part 9	30
Overflow Page For Write-ins	101	Schedule H – Accident and Health Exhibit – Part 1	31
Schedule A – Part 1	E01	Schedule H – Part 2, Part 3 and Part 4	32
Schedule A – Part 2	E02	Schedule H – Part 5 – Health Claims	33
Schedule A – Part 3	E03	Schedule P – Part 1 – Summary	34
Schedule A – Verification Between Years	SI02	Schedule P – Part 1A – Homeowners/Farmowners	36
Schedule B – Part 1	E04	Schedule P – Part 1B – Private Passenger Auto Liability/Medical	37
Schedule B – Part 2	E05	Schedule P – Part 1C – Commercial Auto/Truck Liability/Medical	38
Schedule B – Part 3	E06	Schedule P – Part 1D – Workers' Comp (Excluding Excess Workers' Comp)	39
Schedule B – Verification Between Years	SI02	Schedule P – Part 1E – Commercial Multiple Peril	40
Schedule BA – Part 1	E07	Schedule P – Part 1F – Section 1 – Medical Professional Liability	
Schedule BA – Part 2	E08	– Occurrence	41
Schedule BA – Part 3	E09	Schedule P – Part 1F – Section 2 – Medical Professional Liability	
Schedule BA – Verification Between Years	SI03	– Claims-Made	42
Schedule D – Part 1	E10	Schedule P – Part 1G - Special Liability (Ocean, Marine, Aircraft (All	
Schedule D – Part 1A – Section 1	SI05	Perils), Boiler and Machinery)	43
Schedule D – Part 1A – Section 2	SI08	Schedule P – Part 1H – Section 1 – Other Liability – Occurrence	44
Schedule D – Part 2 – Section 1	E11	Schedule P – Part 1H – Section 2 – Other Liability – Claims-Made	45
Schedule D – Part 2 – Section 2	E12	Schedule P – Part 1I – Special Property (Fire, Allied Lines, Inland Marine,	
Schedule D – Part 3	E13	Earthquake, Burglary & Theft)	46
Schedule D – Part 4	E14	Schedule P – Part 1J – Auto Physical Damage	47
Schedule D – Part 5	E15	Schedule P – Part 1K – Fidelity/Surety	48
Schedule D – Part 6 – Section 1	E16	Schedule P – Part 1L – Other (Including Credit, Accident and Health)	49
Schedule D – Part 6 – Section 2	E16	Schedule P – Part 1M – International	50
Schedule D – Summary By Country	SI04	Schedule P – Part 1N – Reinsurance - Nonproportional Assumed Property	51
Schedule D – Verification Between Years	SI03	Schedule P – Part 1O – Reinsurance - Nonproportional Assumed Liability	52
Schedule DA – Part 1	E17	Schedule P – Part 1P – Reinsurance - Nonproportional Assumed Financial Lines	53
Schedule DA – Verification Between Years	SI10	Schedule P – Part 1R – Section 1 – Products Liability – Occurrence	54
Schedule DB – Part A – Section 1	E18	Schedule P – Part 1R – Section 2 – Products Liability – Claims – Made	55
Schedule DB – Part A – Section 2	E19	Schedule P – Part 1S – Financial Guaranty/Mortgage Guaranty	56
Schedule DB – Part A – Verification Between Years	SI11	Schedule P – Part 1T – Warranty	57
Schedule DB – Part B – Section 1	E20	Schedule P – Part 2, Part 3 and Part 4 - Summary	35
Schedule DB – Part B – Section 2	E21	Schedule P – Part 2A – Homeowners/Farmowners	58
Schedule DB – Part B – Verification Between Years	SI11	Schedule P – Part 2B – Private Passenger Auto Liability/Medical	58
Schedule DB – Part C – Section 1	SI12	Schedule P – Part 2C – Commercial Auto/Truck Liability/Medical	58
Schedule DB – Part C – Section 2	SI13	Schedule P – Part 2D – Workers' Comp (Excluding Excess Workers' Comp)	58
Schedule DB - Part D	E22	Schedule P – Part 2E – Commercial Multiple Peril	58
Schedule DB - Verification	SI14	Schedule P – Part 2F – Section 1 – Medical Professional Liability	
Schedule DL - Part 1	E23	– Occurrence	59
Schedule DL - Part 2	E24	Schedule P - Part 2F - Medical Professional Liability - Claims - Made	59
Schedule E – Part 1 – Cash	E25	Schedule P – Part 2G – Special Liability (Ocean Marine, Aircraft (All Perils),	
Schedule E – Part 2 – Cash Equivalents	E26	Boiler and Machinery)	59
Schedule E – Part 3 – Special Deposits	E27	Schedule P – Part 2H – Section 1 – Other Liability – Occurrence	59

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

Schedule P – Part 2H – Section 2 – Other Liability – Claims – Made	59	Schedule P – Part 4I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary and Theft)	70
Schedule P – Part 2I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	60	Schedule P – Part 4J – Auto Physical Damage	70
Schedule P – Part 2J – Auto Physical Damage	60	Schedule P – Part 4K – Fidelity/Surety	70
Schedule P – Part 2K – Fidelity, Surety	60	Schedule P – Part 4L – Other (Including Credit, Accident and Health)	70
Schedule P – Part 2L – Other (Including Credit, Accident and Health)	60	Schedule P – Part 4M – International	70
Schedule P – Part 2M – International	60	Schedule P – Part 4N – Reinsurance - Nonproportional Assumed Property	71
Schedule P – Part 2N – Reinsurance - Nonproportional Assumed Property	61	Schedule P – Part 4O – Reinsurance - Nonproportional Assumed Liability	71
Schedule P – Part 2O – Reinsurance - Nonproportional Assumed Liability	61	Schedule P – Part 4P – Reinsurance - Nonproportional Assumed Financial Lines	71
Schedule P – Part 2P – Reinsurance - Nonproportional Assumed Financial Lines	61	Schedule P – Part 4R – Section 1 – Products Liability – Occurrence	72
Schedule P – Part 2R – Section 1 – Products Liability – Occurrence	62	Schedule P – Part 4R – Section 2 – Products Liability – Claims-Made	72
Schedule P – Part 2R – Section 2 – Products Liability – Claims-Made	62	Schedule P – Part 4S – Financial Guaranty/Mortgage Guaranty	72
Schedule P – Part 2S – Financial Guaranty/Mortgage Guaranty	62	Schedule P – Part 4T – Warranty	72
Schedule P – Part 2T – Warranty	62	Schedule P – Part 5A – Homeowners/Farmowners	73
Schedule P – Part 3A – Homeowners/Farmowners	63	Schedule P – Part 5B – Private Passenger Auto Liability/Medical	74
Schedule P – Part 3B – Private Passenger Auto Liability/Medical	63	Schedule P – Part 5C – Commercial Auto/Truck Liability/Medical	75
Schedule P – Part 3C – Commercial Auto/Truck Liability/Medical	63	Schedule P – Part 5D – Workers' Comp (Excluding Excess Workers' Comp)	76
Schedule P – Part 3D – Workers' Comp (Excluding Excess Workers' Comp)	63	Schedule P – Part 5E – Commercial Multiple Peril	77
Schedule P – Part 3E – Commercial Multiple Peril	63	Schedule P – Part 5F – Medical Professional Liability – Claims-Made	79
Schedule P – Part 3F – Section 1 – Medical Professional Liability – Occurrence	64	Schedule P – Part 5F – Medical Professional Liability – Occurrence	78
Schedule P – Part 3F – Section 2 – Medical Professional Liability – Claims-Made	64	Schedule P – Part 5H – Other Liability – Claims-Made	81
Schedule P – Part 3G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	64	Schedule P – Part 5H – Other Liability – Occurrence	80
Schedule P – Part 3H – Section 1 – Other Liability – Occurrence	64	Schedule P – Part 5R – Products Liability – Claims-Made	83
Schedule P – Part 3H – Section 2 – Other Liability – Claims-Made	64	Schedule P – Part 5R – Products Liability – Occurrence	82
Schedule P – Part 3I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	65	Schedule P – Part 5T – Warranty	84
Schedule P – Part 3J – Auto Physical Damage	65	Schedule P – Part 6C – Commercial Auto/Truck Liability/Medical	85
Schedule P – Part 3K – Fidelity/Surety	65	Schedule P – Part 6D – Workers' Comp (Excluding Excess Workers' Comp)	85
Schedule P – Part 3L – Other (Including Credit, Accident and Health)	65	Schedule P – Part 6E – Commercial Multiple Peril	86
Schedule P – Part 3M – International	65	Schedule P – Part 6H – Other Liability – Claims-Made	87
Schedule P – Part 3N – Reinsurance - Nonproportional Assumed Property	66	Schedule P – Part 6H – Other Liability – Occurrence	86
Schedule P – Part 3O – Reinsurance - Nonproportional Assumed Liability	66	Schedule P – Part 6M – International	87
Schedule P – Part 3P – Reinsurance - Nonproportional Assumed Financial Lines	66	Schedule P – Part 6N – Reinsurance - Nonproportional Assumed Property	88
Schedule P – Part 3R – Section 1 – Products Liability – Occurrence	67	Schedule P – Part 6O – Reinsurance - Nonproportional Assumed Liability	88
Schedule P – Part 3R – Section 2 – Products Liability – Claims-Made	67	Schedule P – Part 6R – Products Liability – Claims-Made	89
Schedule P – Part 3S – Financial Guaranty/Mortgage Guaranty	67	Schedule P – Part 6R – Products Liability – Occurrence	89
Schedule P – Part 3T – Warranty	67	Schedule P – Part 7A – Primary Loss Sensitive Contracts	90
Schedule P – Part 4A – Homeowners/Farmowners	68	Schedule P – Part 7B – Reinsurance Loss Sensitive Contracts	92
Schedule P – Part 4B – Private Passenger Auto Liability/Medical	68	Schedule P Interrogatories	94
Schedule P – Part 4C – Commercial Auto/Truck Liability/Medical	68	Schedule T – Exhibit of Premiums Written	95
Schedule P – Part 4D – Workers' Comp (Excluding Excess Workers' Comp)	68	Schedule T – Part 2 – Interstate Compact	96
Schedule P – Part 4E – Commercial Multiple Peril	68	Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group	97
Schedule P – Part 4F – Section 1 – Medical Professional Liability – Occurrence	68	Schedule Y - Part 1A - Detail of Insurance Holding Company System	98
Schedule P – Part 4F – Section 2 – Medical Professional Liability – Claims-Made	69	Schedule Y – Part 2 – Summary of Insurer's Transactions With Any Affiliates	99
Schedule P – Part 4G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	69	Statement of Income	4
Schedule P – Part 4H – Section 1 – Other Liability – Occurrence	69	Summary Investment Schedule	SI01
Schedule P – Part 4H – Section 2 – Other Liability – Claims-Made	69	Supplemental Exhibits and Schedules Interrogatories	100
		Underwriting and Investment Exhibit Part 1	6
		Underwriting and Investment Exhibit Part 1A	7
		Underwriting and Investment Exhibit Part 1B	8
		Underwriting and Investment Exhibit Part 2	9
		Underwriting and Investment Exhibit Part 2A	10
		Underwriting and Investment Exhibit Part 3	11