# ANNUAL STATEMENT

OF THE

LIBERTY MUTUAL FIRE INSURANCE COMPANY

of WAUSAU

in the state of WISCONSIN

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2011

PROPERTY AND CASUALTY

2011

23035201120100100

# ANNUAL STATEMENT

**For the Year Ended December 31, 2011**

OF THE CONDITION AND AFFAIRS OF THE

## Liberty Mutual Fire Insurance Company

**NAIC Group Code** 0111 (Current Period) 0111 (Prior Period) **NAIC Company Code** 23035 **Employer's ID Number** 04-1924000

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

**Country of Domicile** United States of America

**Incorporated/Organized** October 31, 1908 **Commenced Business** November 5, 1908

**Statutory Home Office** 2000 Westwood Drive (Street and Number), Wausau, WI 54401 (City or Town, State and Zip Code)

**Main Administrative Office** 175 Berkeley Street (Street and Number)

Boston, MA 02116 (City or Town, State and Zip Code) 617-357-9500 (Area Code) (Telephone Number)

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

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

**Internet Web Site Address** www.LibertyMutualGroup.com

**Statutory Statement Contact** Pamela Heenan (Name) 617-357-9500 x44689 (Area Code) (Telephone Number) (Extension)

Statutory.Compliance@LibertyMutual.com (E-Mail Address) 617-574-5955 (Fax Number)

## OFFICERS

### Chairman of the Board

David Henry Long

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

## VICE-PRESIDENTS

| Name | Title | Name | Title |
|---|---|---|---|
| James Paul Condrin, III | Executive Vice President | Anthony Alexander Fontanes | EVP & Chief Investment Officer |
| Christopher Locke Peirce # | Executive Vice President | Dennis James Langwell | SVP & Chief Financial Officer |
| Christopher Charles Mansfield | SVP & General Counsel | James Martin McGlennon | SVP & Chief Information Officer |
| John Derek Doyle | Vice President & Comptroller | Paul Garvin Alexander | Senior Vice President |
| Timothy Michael Sweeney | Executive Vice President | John Eric Brosius | SVP & Corporate Actuary |
| Melanie Marie Foley | Senior Vice President | | |

## DIRECTORS OR TRUSTEES

| | | | |
|---|---|---|---|
| Anthony Alexander Fontanes | Dennis James Langwell | Dexter Robert Legg # | David Henry Long |
| Christopher Charles Mansfield | Timothy Michael Sweeney | Christopher Locke Peirce # | |

State of Massachusetts

County of Suffolk ss

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

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

Subscribed and sworn to (or affirmed) before me on this
23rd day of January , 2012, by

a. Is this an original filing? [ X ] Yes [ ] No

b. If no: 1. State the amendment number

2. Date filed

3. Number of pages attached

# ASSETS

| | Current Year 1 Assets | 2 Nonadmitted Assets | 3 Net Admitted Assets (Cols. 1 - 2) | Prior Year 4 Net Admitted Assets |
|---|---|---|---|---|
| 1. Bonds (Schedule D) | 3,015,091,860 | | 3,015,091,860 | 3,067,835,003 |
| 2. Stocks (Schedule D): | | | | |
| 2.1 Preferred stocks | 18,718,548 | | 18,718,548 | 26,934,273 |
| 2.2 Common stocks | 332,911,747 | | 332,911,747 | 342,517,541 |
| 3. Mortgage loans on real estate (Schedule B): | | | | |
| 3.1 First liens | 95,325,758 | | 95,325,758 | 82,187,166 |
| 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 ($ 37,058, Schedule E - Part 1), cash equivalents ($ 6,612,188, Schedule E - Part 2), and short-term investments ($ 49,922,053, Schedule DA) | 56,571,299 | | 56,571,299 | 127,076,709 |
| 6. Contract loans (including $ 0 premium notes) | | | | |
| 7. Derivatives (Schedule DB) | | | | |
| 8. Other invested assets (Schedule BA) | 381,496,442 | | 381,496,442 | 313,228,788 |
| 9. Receivables for securities | 2,044,447 | | 2,044,447 | 8,815,548 |
| 10. Securities lending reinvested collateral assets (Schedule DL) | 54,376,803 | | 54,376,803 | 48,979,680 |
| 11. Aggregate write-ins for invested assets | | | | |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 3,956,536,904 | | 3,956,536,904 | 4,017,574,708 |
| 13. Title plants less $ 0 charged off (for Title insurers only) | | | | |
| 14. Investment income due and accrued | 32,689,505 | | 32,689,505 | 32,487,535 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | 159,205,398 | 4,925,638 | 154,279,760 | 135,020,259 |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 0 earned but unbilled premiums) | 428,682,245 | 67,138 | 428,615,107 | 353,107,772 |
| 15.3 Accrued retrospective premiums | 58,752,781 | 5,904,646 | 52,848,135 | 73,887,870 |
| 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 | 5,200 | 1,544 | 3,656 | 7,569 |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | 3,208,391 | | 3,208,391 | |
| 18.2 Net deferred tax asset | 182,703,000 | 53,913,648 | 128,789,352 | 95,941,989 |
| 19. Guaranty funds receivable or on deposit | 2,643,877 | | 2,643,877 | 3,928,454 |
| 20. Electronic data processing equipment and software | | | | |
| 21. Furniture and equipment, including health care delivery assets ($ 0) | | | | |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | | |
| 23. Receivables from parent, subsidiaries and affiliates | 3,790,604 | | 3,790,604 | 3,737,638 |
| 24. Health care ($ 0) and other amounts receivable | | | | |
| 25. Aggregate write-ins for other than invested assets | 117,974,184 | 4,601,038 | 113,373,146 | 109,582,591 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 4,946,192,089 | 69,413,652 | 4,876,778,437 | 4,825,276,385 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | | |
| 28. Total (Lines 26 and 27) | 4,946,192,089 | 69,413,652 | 4,876,778,437 | 4,825,276,385 |

| 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 | 76,606,078 | | 76,606,078 | 72,346,597 |
| 2502. Amounts receivable under high deductible policies | 26,245,032 | | 26,245,032 | 28,698,451 |
| 2503. Equities and deposits in pools and associations | 9,602,684 | | 9,602,684 | 7,873,750 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 5,520,390 | 4,601,038 | 919,352 | 663,793 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 117,974,184 | 4,601,038 | 113,373,146 | 109,582,591 |

# LIABILITIES, SURPLUS AND OTHER FUNDS

| | 1<br>Current Year | 2<br>Prior Year |
|---|---|---|
| 1. Losses (Part 2A, Line 35, Column 8) | 2,290,227,323 | 2,249,862,822 |
| 2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6) | 107,387,283 | 107,363,002 |
| 3. Loss adjustment expenses (Part 2A, Line 35, Column 9) | 474,690,945 | 450,887,864 |
| 4. Commissions payable, contingent commissions and other similar charges | 13,320,255 | 11,917,885 |
| 5. Other expenses (excluding taxes, licenses and fees) | 52,016,921 | 31,432,659 |
| 6. Taxes, licenses and fees (excluding federal and foreign income taxes) | 31,022,821 | 35,233,442 |
| 7.1 Current federal and foreign income taxes (including $ 0 on realized capital gains (losses)) | | 22,675,326 |
| 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 $ 2,846,632,847 and including warranty reserves of $ 0 and accrued accident and healthexperience rating refunds including $ 0 for medical loss ratio rebate per the Public Health Service Act) | 657,670,302 | 612,231,039 |
| 10. Advance premium | 7,723,750 | 7,497,579 |
| 11. Dividends declared and unpaid: | | |
| 11.1 Stockholders | | |
| 11.2 Policyholders | 813,903 | 834,905 |
| 12. Ceded reinsurance premiums payable (net of ceding commissions) | | |
| 13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19) | | |
| 14. Amounts withheld or retained by company for account of others | 9,488,413 | 10,681,430 |
| 15. Remittances and items not allocated | | |
| 16. Provision for reinsurance (Schedule F, Part 7) | | |
| 17. Net adjustments in assets and liabilities due to foreign exchange rates | | |
| 18. Drafts outstanding | 58,952,170 | 54,710,644 |
| 19. Payable to parent, subsidiaries and affiliates | 36,926,184 | 26,739,767 |
| 20. Derivatives | | |
| 21. Payable for securities | 9,189,730 | 43,117,225 |
| 22. Payable for securities lending | 54,376,803 | 48,979,680 |
| 23. Liability for amounts held under uninsured plans | | |
| 24. Capital notes $ 0 and interest thereon $ 0 | | |
| 25. Aggregate write-ins for liabilities | (71,022) | (93,245,076) |
| 26. Total liabilities excluding protected cell liabilities (Lines 1 through 25) | 3,803,735,781 | 3,620,920,193 |
| 27. Protected cell liabilities | | |
| 28. Total liabilities (Lines 26 and 27) | 3,803,735,781 | 3,620,920,193 |
| 29. Aggregate write-ins for special surplus funds | 149,920,527 | 166,907,969 |
| 30. Common capital stock | 10,000,000 | 10,000,000 |
| 31. Preferred capital stock | | |
| 32. Aggregate write-ins for other than special surplus funds | 1,250,000 | 1,250,000 |
| 33. Surplus notes | | |
| 34. Gross paid in and contributed surplus | 375,000,000 | 375,000,000 |
| 35. Unassigned funds (surplus) | 536,872,129 | 651,198,223 |
| 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) | 1,073,042,656 | 1,204,356,192 |
| 38. Totals (Page 2, Line 28, Col. 3) | 4,876,778,437 | 4,825,276,385 |

| DETAILS OF WRITE-IN LINES | | |
|---|---|---|
| 2501. Amounts held under uninsured plans | 96,440,065 | 101,797,212 |
| 2502. Other liabilities | 73,489,985 | 73,354,734 |
| 2503. Private passenger auto escrow | | 70,675 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | (170,001,072) | (268,467,697) |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | (71,022) | (93,245,076) |
| 2901. Special surplus from retroactive reinsurance | 105,231,809 | 166,907,969 |
| 2902. SSAP 10R incremental change | 44,688,718 | |
| 2903. | | |
| 2998. Summary of remaining write-ins for Line 29 from overflow page | | |
| 2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) | 149,920,527 | 166,907,969 |
| 3201. Guaranty funds | 1,250,000 | 1,250,000 |
| 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) | 1,250,000 | 1,250,000 |

# STATEMENT OF INCOME

| | | 1<br>Current Year | 2<br>Prior Year |
|---|---|---|---|
| | **UNDERWRITING INCOME** | | |
| 1. | Premiums earned (Part 1, Line 35, Column 4) | 1,407,625,896 | 1,335,890,697 |
| | DEDUCTIONS: | | |
| 2. | Losses incurred (Part 2, Line 35, Column 7) | 989,405,588 | 870,026,034 |
| 3. | Loss adjustment expenses incurred (Part 3, Line 25, Column 1) | 278,315,308 | 238,720,412 |
| 4. | Other underwriting expenses incurred (Part 3, Line 25, Column 2) | 381,421,833 | 335,167,359 |
| 5. | Aggregate write-ins for underwriting deductions | (70,675) | (50,347) |
| 6. | Total underwriting deductions (Lines 2 through 5) | 1,649,072,054 | 1,443,863,458 |
| 7. | Net income of protected cells | | |
| 8. | Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7) | (241,446,158) | (107,972,761) |
| | **INVESTMENT INCOME** | | |
| 9. | Net investment income earned (Exhibit of Net Investment Income, Line 17) | 148,332,163 | 201,066,800 |
| 10. | Net realized capital gains (losses) less capital gains tax of $ 8,519,091 (Exhibit of Capital Gains (Losses)) | 15,821,170 | 4,628,847 |
| 11. | Net investment gain (loss) (Lines 9 + 10) | 164,153,333 | 205,695,647 |
| | **OTHER INCOME** | | |
| 12. | Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 461,836 amount charged off $ 6,488,650) | (6,026,814) | (9,422,563) |
| 13. | Finance and service charges not included in premiums | 5,521,006 | 5,879,294 |
| 14. | Aggregate write-ins for miscellaneous income | (36,168,058) | (10,104,311) |
| 15. | Total other income (Lines 12 through 14) | (36,673,866) | (13,647,580) |
| 16. | Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15) | (113,966,691) | 84,075,306 |
| 17. | Dividends to policyholders | 5,247,666 | 8,120,272 |
| 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) | (119,214,357) | 75,955,034 |
| 19. | Federal and foreign income taxes incurred | (19,792,091) | 8,838,227 |
| 20. | Net income (Line 18 minus Line 19) (to Line 22) | (99,422,266) | 67,116,807 |
| | **CAPITAL AND SURPLUS ACCOUNT** | | |
| 21. | Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2) | 1,204,356,192 | 1,072,874,999 |
| 22. | Net income (from Line 20) | (99,422,266) | 67,116,807 |
| 23. | Net transfers (to) from Protected Cell accounts | | |
| 24. | Change in net unrealized capital gains or (losses) less capital gains tax of $ 3,068,771 | (2,515,831) | 102,163,679 |
| 25. | Change in net unrealized foreign exchange capital gain (loss) | (3,341,331) | (3,652,190) |
| 26. | Change in net deferred income tax | 41,764,908 | 29,218,095 |
| 27. | Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3) | (48,775,890) | (21,905,660) |
| 28. | Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1) | | |
| 29. | Change in surplus notes | | |
| 30. | Surplus (contributed to) withdrawn from protected cells | | |
| 31. | Cumulative effect of changes in accounting principles | 1,288,156 | |
| 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 | (65,000,000) | (15,000,000) |
| 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 | 44,688,718 | (26,459,538) |
| 38. | Change in surplus as regards policyholders for the year (Lines 22 through 37) | (131,313,536) | 131,481,193 |
| 39. | Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37) | 1,073,042,656 | 1,204,356,192 |

| | **DETAILS OF WRITE-IN LINES** | | |
|---|---|---|---|
| 0501. | Private passenger auto escrow | (70,675) | (50,347) |
| 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) | (70,675) | (50,347) |
| 1401. | Retroactive reinsurance gain/(loss) | (17,796,089) | 16,864,704 |
| 1402. | Other income/(expense) | (18,371,969) | (26,969,015) |
| 1403. | | | |
| 1498. | Summary of remaining write-ins for Line 14 from overflow page | | |
| 1499. | Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) | (36,168,058) | (10,104,311) |
| 3701. | SSAP 10R incremental change | 44,688,718 | (31,020,351) |
| 3702. | Other changes in surplus | | 4,560,813 |
| 3703. | | | |
| 3798. | Summary of remaining write-ins for Line 37 from overflow page | | |
| 3799. | Totals (Lines 3701 through 3703 plus 3798) (Line 37 above) | 44,688,718 | (26,459,538) |

# CASH FLOW

| | | 1 | 2 |
|---|---|---|---|
| | **Cash from Operations** | Current Year | Prior Year |
| 1. | Premiums collected net of reinsurance | 1,381,205,978 | 1,388,762,730 |
| 2. | Net investment income | 154,631,690 | 199,045,581 |
| 3. | Miscellaneous income | (42,559,609) | (33,693,004) |
| 4. | Total (Lines 1 through 3) | 1,493,278,059 | 1,554,115,307 |
| 5. | Benefit and loss related payments | 944,253,023 | 775,015,655 |
| 6. | Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | | |
| 7. | Commissions, expenses paid and aggregate write-ins for deductions | 616,563,342 | 573,034,217 |
| 8. | Dividends paid to policyholders | 5,268,668 | 7,595,101 |
| 9. | Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses) | 14,610,716 | (55,948,033) |
| 10. | Total (Lines 5 through 9) | 1,580,695,749 | 1,299,696,940 |
| 11. | Net cash from operations (Line 4 minus Line 10) | (87,417,690) | 254,418,367 |
| | **Cash from Investments** | | |
| 12. | Proceeds from investments sold, matured or repaid: | | |
| | 12.1 Bonds | 512,092,355 | 1,053,807,791 |
| | 12.2 Stocks | 21,640,362 | 287,065,938 |
| | 12.3 Mortgage loans | 5,768,636 | 3,327,593 |
| | 12.4 Real estate | | |
| | 12.5 Other invested assets | 292,447,992 | 38,600,726 |
| | 12.6 Net gains (or losses) on cash, cash equivalents and short-term investments | | |
| | 12.7 Miscellaneous proceeds | 6,790,382 | (1,436,548) |
| | 12.8 Total investment proceeds (Lines 12.1 to 12.7) | 838,739,727 | 1,381,365,500 |
| 13. | Cost of investments acquired (long-term only): | | |
| | 13.1 Bonds | 471,108,101 | 1,437,134,044 |
| | 13.2 Stocks | 13,857,366 | 36,402,600 |
| | 13.3 Mortgage loans | 19,952,477 | 10,392,437 |
| | 13.4 Real estate | | |
| | 13.5 Other invested assets | 327,159,571 | 169,883,454 |
| | 13.6 Miscellaneous applications | 33,927,495 | (4,862,868) |
| | 13.7 Total investments acquired (Lines 13.1 to 13.6) | 866,005,010 | 1,648,949,667 |
| 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) | (27,265,283) | (267,584,167) |
| | **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 | 65,000,000 | 15,000,000 |
| | 16.6 Other cash provided (applied) | 109,177,563 | (49,148,232) |
| 17. | Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6) | 44,177,563 | (64,148,232) |
| | **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) | (70,505,410) | (77,314,032) |
| 19. | Cash, cash equivalents and short-term investments: | | |
| | 19.1 Beginning of year | 127,076,709 | 204,390,741 |
| | 19.2 End of year (Line 18 plus Line 19.1) | 56,571,299 | 127,076,709 |

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

| | | | |
|---|---|---|---|
| 20.0001 | 12.1 - Proceeds from investments sold, matured or repaid - Bonds | 3,600,000 | |
| 20.0002 | 12.2 - Proceeds from investments sold, matured or repaid - Stocks | 3,930,000 | 167,589,588 |
| 20.0003 | 12.3 - Proceeds from investments sold, matured or repaid - Mortgage loans | 1,106,837 | |
| 20.0004 | 13.1 Cost of Investment Acquired - Bonds | 7,530,000 | 370,517,831 |
| 20.0005 | 13.2 Cost of Investment Acquired - Stocks | | 1,245,300 |
| 20.0006 | 13.5 Cost of Investment Acquired - Other invested assets | 1,106,837 | |

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 1 – PREMIUMS EARNED

| Line of Business | 1<br>Net Premiums Written per Column 6, Part 1B | 2<br>Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1 | 3<br>Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A | 4<br>Premiums Earned During Year (Cols. 1 + 2 - 3) |
|---|---|---|---|---|
| 1. Fire | 33,849,346 | 14,084,687 | 16,943,175 | 30,990,858 |
| 2. Allied lines | 16,189,104 | 6,642,637 | 8,375,492 | 14,456,249 |
| 3. Farmowners multiple peril | 147,869 | | 19,668 | 128,201 |
| 4. Homeowners multiple peril | 200,880,748 | 102,634,314 | 112,202,093 | 191,312,969 |
| 5. Commercial multiple peril | 42,253,958 | 19,589,544 | 21,456,502 | 40,387,000 |
| 6. Mortgage guaranty | | | | |
| 8. Ocean marine | 5,873,754 | 2,542,721 | 2,667,400 | 5,749,075 |
| 9. Inland marine | 60,920,378 | 4,709,516 | 6,952,997 | 58,676,897 |
| 10. Financial guaranty | | | | |
| 11.1 Medical professional liability—occurrence | 7,248,532 | 1,007,333 | 2,681,898 | 5,573,967 |
| 11.2 Medical professional liability—claims-made | 408,441 | 61,236 | 111,061 | 358,616 |
| 12. Earthquake | 5,088,020 | 1,982,968 | 2,444,204 | 4,626,784 |
| 13. Group accident and health | 106,108 | | | 106,108 |
| 14. Credit accident and health (group and individual) | | | | |
| 15. Other accident and health | 46,590 | 9,666 | 8,559 | 47,697 |
| 16. Workers' compensation | 349,574,562 | 3,004,140 | 11,282,971 | 341,295,731 |
| 17.1 Other liability—occurrence | 105,096,559 | 37,347,312 | 48,445,024 | 93,998,847 |
| 17.2 Other liability—claims-made | 30,992,701 | 17,020,036 | 19,086,416 | 28,926,321 |
| 17.3 Excess workers' compensation | 9,403,779 | 6,284,727 | 4,693,063 | 10,995,443 |
| 18.1 Products liability—occurrence | 18,023,034 | 8,321,793 | 10,716,616 | 15,628,211 |
| 18.2 Products liability—claims-made | 812,528 | 167,671 | 157,732 | 822,467 |
| 19.1,19.2 Private passenger auto liability | 350,157,117 | 165,340,301 | 177,485,235 | 338,012,183 |
| 19.3,19.4 Commercial auto liability | 50,887,886 | 17,733,405 | 23,634,264 | 44,987,027 |
| 21. Auto physical damage | 143,127,802 | 114,411,713 | 122,163,233 | 135,376,282 |
| 22. Aircraft (all perils) | 6,694,125 | 1,978,106 | 1,529,449 | 7,142,782 |
| 23. Fidelity | 1,219,131 | 520,444 | 565,222 | 1,174,353 |
| 24. Surety | 346,747 | 170,440 | 316,734 | 200,453 |
| 26. Burglary and theft | 39,586 | 19,536 | 13,856 | 45,266 |
| 27. Boiler and machinery | 3,423,414 | 1,149,492 | 1,595,718 | 2,977,188 |
| 28. Credit | | | | |
| 29. International | | | | |
| 30. Warranty | | | | |
| 31. Reinsurance-nonproportional assumed property | 24,562,241 | 1,692,152 | 3,028,507 | 23,225,886 |
| 32. Reinsurance-nonproportional assumed liability | 9,527,007 | 2,137,911 | 1,010,610 | 10,654,308 |
| 33. Reinsurance-nonproportional assumed financial lines | 1,458 | | | 1,458 |
| 34. Aggregate write-ins for other lines of business | | | | |
| 35. TOTALS | 1,476,902,525 | 530,563,801 | 599,587,699 | 1,407,878,627 |

| 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<br>Amount Unearned (Running One Year or Less from Date of Policy) (a) | 2<br>Amount Unearned (Running More Than One Year from Date of Policy) (a) | 3<br>Earned but Unbilled Premium | 4<br>Reserve for Rate Credits and Retrospective Adjustments Based on Experience | 5<br>Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4 |
|---|---|---|---|---|---|
| 1. Fire | 16,530,265 | 412,911 | | | 16,943,176 |
| 2. Allied lines | 8,013,217 | 362,275 | | | 8,375,492 |
| 3. Farmowners multiple peril | 19,668 | | | | 19,668 |
| 4. Homeowners multiple peril | 112,202,093 | | | | 112,202,093 |
| 5. Commercial multiple peril | 14,123,179 | 7,333,323 | | | 21,456,502 |
| 6. Mortgage guaranty | | | | | |
| 8. Ocean marine | 2,217,877 | 449,523 | | | 2,667,400 |
| 9. Inland marine | 2,442,631 | 4,510,366 | | | 6,952,997 |
| 10. Financial guaranty | | | | | |
| 11.1 Medical professional liability—occurrence | 2,681,898 | | | | 2,681,898 |
| 11.2 Medical professional liablity—claims-made | 107,913 | 3,148 | | | 111,061 |
| 12. Earthquake | 2,412,232 | 31,972 | | | 2,444,204 |
| 13. Group accident and health | | | | | |
| 14. Credit accident and health (group and individual) | | | | | |
| 15. Other accident and health | 8,559 | | | | 8,559 |
| 16. Workers' compensation | 67,444,035 | 3,259,250 | | (59,420,315) | 11,282,970 |
| 17.1 Other liability—occurrence | 36,136,110 | 11,959,103 | | 349,810 | 48,445,023 |
| 17.2 Other liability—claims-made | 12,293,367 | 6,793,050 | | | 19,086,417 |
| 17.3 Excess workers' compensation | 3,806,764 | 886,298 | | | 4,693,062 |
| 18.1 Products liability—occurrence | 5,707,022 | 4,712,190 | | 297,404 | 10,716,616 |
| 18.2 Products liability—claims-made | 157,632 | 100 | | | 157,732 |
| 19.1,19.2 Private passenger auto liability | 177,485,235 | | | | 177,485,235 |
| 19.3,19.4 Commercial auto liability | 23,022,202 | (78,432) | | 690,494 | 23,634,264 |
| 21. Auto physical damage | 122,247,412 | (84,178) | | | 122,163,234 |
| 22. Aircraft (all perils) | 1,529,449 | | | | 1,529,449 |
| 23. Fidelity | 516,052 | 49,170 | | | 565,222 |
| 24. Surety | 97,687 | 219,048 | | | 316,735 |
| 26. Burglary and theft | 13,801 | 54 | | | 13,855 |
| 27. Boiler and machinery | 1,554,095 | 41,622 | | | 1,595,717 |
| 28. Credit | | | | | |
| 29. International | | | | | |
| 30. Warranty | | | | | |
| 31. Reinsurance-nonproportional assumed property | 3,028,507 | | | | 3,028,507 |
| 32. Reinsurance-nonproportional assumed liability | 995,150 | 15,460 | | | 1,010,610 |
| 33. Reinsurance-nonproportional assumed financial lines | | | | | |
| 34. Aggregate write-ins for other lines of business | | | | | |
| 35. TOTALS | 616,794,052 | 40,876,253 | | (58,082,607) | 599,587,698 |
| 36. Accrued retrospective premiums based on experience | | | | | 58,082,606 |
| 37. Earned but unbilled premiums | | | | | |
| 38. Balance (Sum of Lines 35 through 37) | | | | | 657,670,304 |

| 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<br>Direct Business (a) | Reinsurance Assumed<br>2<br>From Affiliates | Reinsurance Assumed<br>3<br>From Non-Affiliates | Reinsurance Ceded<br>4<br>To Affiliates | Reinsurance Ceded<br>5<br>To Non-Affiliates | 6<br>Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5 |
|---|---|---|---|---|---|---|
| 1. Fire | 298,135,299 | 33,849,346 | | 298,135,299 | | 33,849,346 |
| 2. Allied lines | 148,321,778 | 16,189,104 | | 148,321,778 | | 16,189,104 |
| 3. Farmowners multiple peril | | 147,869 | | | | 147,869 |
| 4. Homeowners multiple peril | 1,496,871,697 | 200,880,748 | | 1,496,871,697 | | 200,880,748 |
| 5. Commercial multiple peril | 32,178,395 | 42,253,958 | | 32,178,395 | | 42,253,958 |
| 6. Mortgage guaranty | | | | | | |
| 8. Ocean marine | 4,533,656 | 5,873,754 | | 4,533,656 | | 5,873,754 |
| 9. Inland marine | 31,964,336 | 60,920,378 | | 31,964,336 | | 60,920,378 |
| 10. Financial guaranty | | | | | | |
| 11.1 Medical professional liability--occurrence | | 7,248,532 | | | | 7,248,532 |
| 11.2 Medical professional liability--claims-made | | 408,441 | | | | 408,441 |
| 12. Earthquake | 42,265,469 | 5,088,020 | | 42,265,469 | | 5,088,020 |
| 13. Group accident and health | | 106,108 | | | | 106,108 |
| 14. Credit accident and health (group and individual) | | | | | | |
| 15. Other accident and health | | 46,590 | | | | 46,590 |
| 16. Workers' compensation | 428,992,281 | 349,574,562 | | 428,992,281 | | 349,574,562 |
| 17.1 Other liability—occurrence | 200,884,811 | 105,096,559 | | 200,884,811 | | 105,096,559 |
| 17.2 Other liability—claims-made | 1,602,924 | 30,992,701 | | 1,602,924 | | 30,992,701 |
| 17.3 Excess workers' compensation | 2,143,494 | 9,403,779 | | 2,143,494 | | 9,403,779 |
| 18.1 Products liability—occurrence | 77,179,208 | 18,023,034 | | 77,179,208 | | 18,023,034 |
| 18.2 Products liability—claims-made | 6,180,907 | 812,528 | | 6,180,907 | | 812,528 |
| 19.1,19.2 Private passenger auto liability | 1,666,359,112 | 350,157,117 | | 1,666,359,112 | | 350,157,117 |
| 19.3,19.4 Commercial auto liability | 191,493,734 | 50,887,886 | | 191,493,734 | | 50,887,886 |
| 21. Auto physical damage | 1,150,858,467 | 143,127,802 | | 1,150,858,467 | | 143,127,802 |
| 22. Aircraft (all perils) | | 6,694,125 | | | | 6,694,125 |
| 23. Fidelity | 116,510 | 1,219,131 | | 116,510 | | 1,219,131 |
| 24. Surety | 5,717,110 | 346,747 | | 5,717,110 | | 346,747 |
| 26. Burglary and theft | 91,005 | 39,586 | | 91,005 | | 39,586 |
| 27. Boiler and machinery | 24,611,049 | 3,423,414 | | 24,611,049 | | 3,423,414 |
| 28. Credit | | | | | | |
| 29. International | | | | | | |
| 30. Warranty | | | | | | |
| 31. Reinsurance-nonproportional assumed property | X X X | 24,562,241 | | | | 24,562,241 |
| 32. Reinsurance-nonproportional assumed liability | X X X | 9,527,007 | | | | 9,527,007 |
| 33. Reinsurance-nonproportional assumed financial lines | X X X | 1,458 | | | | 1,458 |
| 34. Aggregate write-ins for other lines of business | | | | | | |
| 35. TOTALS | 5,810,501,242 | 1,476,902,525 | | 5,810,501,242 | | 1,476,902,525 |

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

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

If yes: 1. The amount of such installment premiums $ 406,576,600

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis $ 424,168,610

# UNDERWRITING AND INVESTMENT EXHIBIT
## PART 2 – LOSSES PAID AND INCURRED

| Line of Business | Losses Paid Less Salvage<br>1<br>Direct Business | <br>2<br>Reinsurance Assumed | <br>3<br>Reinsurance Recovered | <br>4<br>Net Payments (Cols. 1 + 2 - 3) | 5<br>Net Losses Unpaid Current Year (Part 2A, Col. 8) | 6<br>Net Losses Unpaid Prior Year | 7<br>Losses Incurred Current Year (Cols. 4 + 5 - 6) | 8<br>Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1) |
|---|---|---|---|---|---|---|---|---|
| 1. Fire | 140,628,847 | 18,355,276 | 140,628,847 | 18,355,276 | 19,552,096 | 11,981,450 | 25,925,922 | 83.657 |
| 2. Allied lines | 72,834,809 | 7,440,026 | 72,834,809 | 7,440,026 | 7,313,983 | 4,945,030 | 9,808,979 | 67.853 |
| 3. Farmowners multiple peril | | 91,055 | | 91,055 | | | 91,055 | 71.025 |
| 4. Homeowners multiple peril | 932,785,368 | 131,021,857 | 932,785,368 | 131,021,857 | 53,321,503 | 49,751,058 | 134,592,302 | 70.352 |
| 5. Commercial multiple peril | 22,150,036 | 20,467,706 | 22,150,036 | 20,467,706 | 44,534,331 | 41,396,712 | 23,605,325 | 58.448 |
| 6. Mortgage guaranty | | | | | | | | |
| 8. Ocean marine | 2,296,445 | 1,795,060 | 2,296,445 | 1,795,060 | 7,620,219 | 7,060,519 | 2,354,760 | 40.959 |
| 9. Inland marine | 9,956,337 | 43,784,630 | 9,956,337 | 43,784,630 | 7,590,500 | 11,458,085 | 39,917,045 | 68.029 |
| 10. Financial guaranty | | | | | | | | |
| 11.1 Medical professional liability—occurrence | | 1,890 | | 1,890 | 5,532,643 | (75,694) | 5,610,227 | 100.651 |
| 11.2 Medical professional liability—claims-made | | 10,091 | | 10,091 | 1,023,033 | 185,872 | 847,252 | 236.256 |
| 12. Earthquake | | 6,815 | | 6,815 | 24,277 | 19,962 | 11,130 | 0.241 |
| 13. Group accident and health | | 72,495 | | 72,495 | 318,858 | 361,878 | 29,475 | 27.778 |
| 14. Credit accident and health (group and individual) | | | | | | | | |
| 15. Other accident and health | | 28,016 | | 28,016 | 239,244 | 248,525 | 18,735 | 39.279 |
| 16. Workers' compensation | 511,926,392 | 288,647,440 | 511,926,392 | 288,647,440 | 1,298,388,071 | 1,305,613,392 | 281,422,119 | 82.457 |
| 17.1 Other liability—occurrence | 146,925,565 | 56,628,760 | 146,925,565 | 56,628,760 | 245,519,961 | 238,310,302 | 63,838,419 | 67.914 |
| 17.2 Other liability—claims-made | 5,807,487 | 9,010,382 | 5,807,487 | 9,010,382 | 59,999,330 | 58,037,026 | 10,972,686 | 37.933 |
| 17.3 Excess workers' compensation | 78,535 | 6,345,567 | 78,535 | 6,345,567 | 63,831,214 | 52,639,363 | 17,537,418 | 159.497 |
| 18.1 Products liability—occurrence | 22,735,040 | 5,238,206 | 22,735,040 | 5,238,206 | 55,411,544 | 48,191,952 | 12,457,798 | 79.714 |
| 18.2 Products liability—claims-made | 11,750 | (26,153) | 11,750 | (26,153) | 3,090,681 | 2,800,624 | 263,904 | 32.087 |
| 19.1,19.2 Private passenger auto liability | 1,172,852,406 | 223,942,490 | 1,172,852,406 | 223,942,490 | 254,765,798 | 267,721,541 | 210,986,747 | 62.420 |
| 19.3,19.4 Commercial auto liability | 142,032,554 | 34,320,498 | 142,032,554 | 34,320,498 | 74,034,844 | 72,403,090 | 35,952,252 | 79.917 |
| 21. Auto physical damage | 639,504,191 | 81,803,843 | 639,504,191 | 81,803,843 | 1,616,013 | (300,705) | 83,720,561 | 61.843 |
| 22. Aircraft (all perils) | | 4,122,209 | | 4,122,209 | 6,471,719 | 6,013,283 | 4,580,645 | 64.130 |
| 23. Fidelity | 105,314 | 659,292 | 105,314 | 659,292 | 3,038,294 | 2,662,345 | 1,035,241 | 88.154 |
| 24. Surety | | 18,076 | | 18,076 | 151,481 | 118,167 | 51,390 | 25.637 |
| 26. Burglary and theft | 8,816 | 25,064 | 8,816 | 25,064 | 40,710 | 84,766 | (18,992) | (41.956) |
| 27. Boiler and machinery | 3,753,055 | 546,669 | 3,753,055 | 546,669 | 632,888 | 246,724 | 932,833 | 31.333 |
| 28. Credit | | | | | 3,598 | | 3,598 | |
| 29. International | | | | | | | | |
| 30. Warranty | | | | | (3,066) | 4,792 | (7,858) | |
| 31. Reinsurance-nonproportional assumed property | X X X | 8,194,625 | | 8,194,625 | 20,700,141 | 15,866,027 | 13,028,739 | 56.096 |
| 32. Reinsurance-nonproportional assumed liability | X X X | 5,920,811 | | 5,920,811 | 54,872,446 | 51,569,911 | 9,223,346 | 86.569 |
| 33. Reinsurance-nonproportional assumed financial lines | X X X | 48,276 | | 48,276 | 590,971 | 546,826 | 92,421 | 6338.889 |
| 34. Aggregate write-ins for other lines of business | | | | | | | | |
| 35. TOTALS | 3,826,392,947 | 948,520,972 | 3,826,392,947 | 948,520,972 | 2,290,227,325 | 2,249,862,823 | 988,885,474 | 70.239 |

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

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

| | Reported Losses | | | | Incurred But Not Reported | | | 8 | 9 |
|---|---|---|---|---|---|---|---|---|---|
| Line of Business | 1<br>Direct | 2<br>Reinsurance Assumed | 3<br>Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies | 4<br>Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3) | 5<br>Direct | 6<br>Reinsurance Assumed | 7<br>Reinsurance Ceded | Net Losses Unpaid (Cols. 4 + 5 + 6 - 7) | Net Unpaid Loss Adjustment Expenses |
| 1. Fire | 109,139,393 | 14,201,372 | 109,139,393 | 14,201,372 | 41,358,744 | 5,350,724 | 41,358,744 | 19,552,096 | 1,641,007 |
| 2. Allied lines | 44,562,769 | 3,828,964 | 44,562,769 | 3,828,964 | 14,060,213 | 3,485,020 | 14,060,213 | 7,313,984 | 683,502 |
| 3. Farmowners multiple peril | | | | | | | | | |
| 4. Homeowners multiple peril | 182,530,822 | 27,041,099 | 182,530,822 | 27,041,099 | 189,424,701 | 26,280,404 | 189,424,701 | 53,321,503 | 15,367,380 |
| 5. Commercial multiple peril | 19,862,121 | 30,857,709 | 19,862,121 | 30,857,709 | 17,865,663 | 13,676,622 | 17,865,663 | 44,534,331 | 15,049,274 |
| 6. Mortgage guaranty | | | | | | | | | |
| 8. Ocean marine | 243,912 | 4,392,485 | 243,912 | 4,392,485 | 1,973,209 | 3,227,733 | 1,973,209 | 7,620,218 | 1,193,080 |
| 9. Inland marine | 1,755,812 | 3,075,420 | 1,755,812 | 3,075,420 | 1,583,007 | 4,515,080 | 1,583,007 | 7,590,500 | 1,228,189 |
| 10. Financial guaranty | | | | | | | | | |
| 11.1 Medical professional liablity—occurrence | | 25,847 | | 25,847 | | 5,506,795 | | 5,532,642 | 7,744 |
| 11.2 Medical professional liablity—claims-made | | 45,861 | | 45,861 | | 977,171 | | 1,023,032 | 559,431 |
| 12. Earthquake | 50,000 | 33,762 | 50,000 | 33,762 | 1,328 | (9,485) | 1,328 | 24,277 | 2,444 |
| 13. Group accident and health | | 260,433 | | 260,433 | | 58,425 | | (a) 318,858 | 25,460 |
| 14. Credit accident and health (group and individual) | | | | | | | | | |
| 15. Other accident and health | | 62,956 | | 62,956 | | 176,288 | | (a) 239,244 | 16,601 |
| 16. Workers' compensation | 1,887,202,184 | 713,103,506 | 1,887,202,184 | 713,103,506 | 1,054,990,489 | 585,284,564 | 1,054,990,489 | 1,298,388,070 | 183,267,109 |
| 17.1 Other liability—occurrence | 167,382,048 | 91,569,065 | 167,382,048 | 91,569,065 | 467,347,218 | 153,950,896 | 467,347,218 | 245,519,961 | 110,566,862 |
| 17.2 Other liability—claims-made | 521,333 | 15,202,694 | 521,333 | 15,202,694 | 3,543,276 | 44,796,635 | 3,543,276 | 59,999,329 | 19,604,342 |
| 17.3 Excess workers' compensation | 371,433 | 23,751,371 | 371,433 | 23,751,371 | 3,521,486 | 40,079,843 | 3,521,486 | 63,831,214 | 5,225,986 |
| 18.1 Products liability—occurrence | 35,981,869 | 9,975,174 | 35,981,869 | 9,975,174 | 137,003,752 | 45,436,370 | 137,003,752 | 55,411,544 | 34,398,872 |
| 18.2 Products liability—claims-made | 225,261 | 29,126 | 225,261 | 29,126 | 11,485,504 | 3,061,555 | 11,485,504 | 3,090,681 | 1,956,832 |
| 19.1,19.2 Private passenger auto liability | 993,753,627 | 149,175,522 | 993,753,627 | 149,175,522 | 566,915,040 | 105,590,276 | 566,915,040 | 254,765,798 | 58,770,937 |
| 19.3,19.4 Commercial auto liability | 170,201,043 | 42,815,286 | 170,201,043 | 42,815,286 | 148,791,449 | 31,219,558 | 148,791,449 | 74,034,844 | 11,301,527 |
| 21. Auto physical damage | | 178,802 | | 178,802 | 1,875,630 | 1,437,211 | 1,875,630 | 1,616,013 | 7,461,892 |
| 22. Aircraft (all perils) | | 5,160,684 | | 5,160,684 | | 1,311,035 | | 6,471,719 | 1,776,955 |
| 23. Fidelity | 87,508 | 111,443 | 87,508 | 111,443 | 63,100 | 2,926,851 | 63,100 | 3,038,294 | 495,848 |
| 24. Surety | | 74,057 | | 74,057 | 1,796,614 | 77,424 | 1,796,614 | 151,481 | 1,830 |
| 26. Burglary and theft | | 33,731 | | 33,731 | 14,944 | 6,980 | 14,944 | 40,711 | 40,682 |
| 27. Boiler and machinery | 2,817,003 | 374,567 | 2,817,003 | 374,567 | 1,794,524 | 258,322 | 1,794,524 | 632,889 | 46,872 |
| 28. Credit | | | | | | 3,598 | | 3,598 | |
| 29. International | | | | | | | | | |
| 30. Warranty | | | | | | (3,066) | | (3,066) | 1,996 |
| 31. Reinsurance-nonproportional assumed property | X X X | 10,607,823 | | 10,607,823 | X X X | 10,092,317 | | 20,700,140 | 331,174 |
| 32. Reinsurance-nonproportional assumed liability | X X X | 15,034,979 | | 15,034,979 | X X X | 39,837,466 | | 54,872,445 | 3,659,718 |
| 33. Reinsurance-nonproportional assumed financial lines | X X X | 592,962 | | 592,962 | X X X | (1,991) | | 590,971 | 7,398 |
| 34. Aggregate write-ins for other lines of business | | | | | | | | | |
| 35. TOTALS | 3,616,688,138 | 1,161,616,700 | 3,616,688,138 | 1,161,616,700 | 2,665,409,891 | 1,128,610,621 | 2,665,409,891 | 2,290,227,321 | 474,690,944 |

| 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<br>Loss Adjustment<br>Expenses | 2<br>Other Underwriting<br>Expenses | 3<br>Investment<br>Expenses | 4<br>Total |
|---|---|---|---|---|
| 1. Claim adjustment services: | | | | |
| 1.1 Direct | 346,533,512 | | | 346,533,512 |
| 1.2 Reinsurance assumed | 158,583,093 | | | 158,583,093 |
| 1.3 Reinsurance ceded | 346,533,512 | | | 346,533,512 |
| 1.4 Net claim adjustment services (1.1 + 1.2 - 1.3) | 158,583,093 | | | 158,583,093 |
| 2. Commission and brokerage: | | | | |
| 2.1 Direct, excluding contingent | | 190,023,888 | | 190,023,888 |
| 2.2 Reinsurance assumed, excluding contingent | | (65,908,508) | | (65,908,508) |
| 2.3 Reinsurance ceded, excluding contingent | | 190,023,888 | | 190,023,888 |
| 2.4 Contingent—direct | | 82,133,717 | | 82,133,717 |
| 2.5 Contingent—reinsurance assumed | | 12,749,509 | | 12,749,509 |
| 2.6 Contingent—reinsurance ceded | | 82,133,717 | | 82,133,717 |
| 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) | | (53,158,999) | | (53,158,999) |
| 3. Allowances to manager and agents | | 29,572,964 | | 29,572,964 |
| 4. Advertising | 1,886,416 | 29,460,227 | 74,953 | 31,421,596 |
| 5. Boards, bureaus and associations | 354,030 | 3,167,101 | 2,149 | 3,523,280 |
| 6. Surveys and underwriting reports | 5,713 | 4,564,215 | 53,322 | 4,623,250 |
| 7. Audit of assureds' records | | | | |
| 8. Salary and related items: | | | | |
| 8.1 Salaries | 67,054,340 | 158,090,618 | 4,817,305 | 229,962,263 |
| 8.2 Payroll taxes | 4,048,429 | 13,980,191 | 161,769 | 18,190,389 |
| 9. Employee relations and welfare | 14,277,474 | 48,545,200 | 616,570 | 63,439,244 |
| 10. Insurance | 7,570,778 | 1,691,089 | 88,720 | 9,350,587 |
| 11. Directors' fees | 43 | 146 | 2 | 191 |
| 12. Travel and travel items | 4,680,197 | 10,051,975 | 163,539 | 14,895,711 |
| 13. Rent and rent items | 4,683,179 | 16,375,895 | 197,808 | 21,256,882 |
| 14. Equipment | 1,859,303 | 9,164,569 | 107,323 | 11,131,195 |
| 15. Cost or depreciation of EDP equipment and software | 2,412,885 | 5,279,518 | 229,108 | 7,921,511 |
| 16. Printing and stationery | 681,564 | 2,749,177 | 20,583 | 3,451,324 |
| 17. Postage, telephone and telegraph, exchange and express | 2,249,858 | 9,562,742 | 223,290 | 12,035,890 |
| 18. Legal and auditing | 529,078 | 3,015,636 | 327,722 | 3,872,436 |
| 19. Totals (Lines 3 to 18) | 112,293,287 | 345,271,263 | 7,084,163 | 464,648,713 |
| 20. Taxes, licenses and fees: | | | | |
| 20.1 State and local insurance taxes deducting guaranty association credits of $ 868,425 | | 56,936,254 | | 56,936,254 |
| 20.2 Insurance department licenses and fees | | 2,781,085 | | 2,781,085 |
| 20.3 Gross guaranty association assessments | | 606,506 | | 606,506 |
| 20.4 All other (excluding federal and foreign income and real estate) | | 3,486,251 | | 3,486,251 |
| 20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) | | 63,810,096 | | 63,810,096 |
| 21. Real estate expenses | | | | |
| 22. Real estate taxes | | | | |
| 23. Reimbursements by uninsured plans | | | | |
| 24. Aggregate write-ins for miscellaneous expenses | 7,438,928 | 25,499,474 | 1,375,826 | 34,314,228 |
| 25. Total expenses incurred | 278,315,308 | 381,421,834 | 8,459,989 | (a) 668,197,131 |
| 26. Less unpaid expenses—current year | 474,690,945 | 96,359,996 | | 571,050,941 |
| 27. Add unpaid expenses—prior year | 450,887,864 | 78,583,986 | | 529,471,850 |
| 28. Amounts receivable relating to uninsured plans, prior year | | 7,569 | | 7,569 |
| 29. Amounts receivable relating to uninsured plans, current year | | 3,656 | | 3,656 |
| 30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29) | 254,512,227 | 363,641,911 | 8,459,989 | 626,614,127 |

| DETAILS OF WRITE-IN LINES | | | | |
|---|---|---|---|---|
| 2401. Other expenses | 7,438,928 | 25,499,474 | 1,375,826 | 34,314,228 |
| 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) | 7,438,928 | 25,499,474 | 1,375,826 | 34,314,228 |

(a) Includes management fees of $ 290,787,334 to affiliates and $ 35,458,228 to non-affiliates.

# EXHIBIT OF NET INVESTMENT INCOME

| | | | 1 Collected During Year | 2 Earned During Year |
|---|---|---|---|---|
| 1. | U.S. Government bonds | (a) | 15,113,072 | 14,835,147 |
| 1.1 | Bonds exempt from U.S. tax | (a) | 43,176,588 | 43,001,545 |
| 1.2 | Other bonds (unaffiliated) | (a) | 83,935,609 | 84,495,146 |
| 1.3 | Bonds of affiliates | (a) | | |
| 2.1 | Preferred stocks (unaffiliated) | (b) | 1,406,609 | 1,406,609 |
| 2.11 | Preferred stocks of affiliates | (b) | | |
| 2.2 | Common stocks (unaffiliated) | | 2,690,888 | 2,723,535 |
| 2.21 | Common stocks of affiliates | | | |
| 3. | Mortgage loans | (c) | 5,460,652 | 5,533,699 |
| 4. | Real estate | (d) | | |
| 5. | Contract loans | | | |
| 6. | Cash, cash equivalents and short-term investments | (e) | 93,733 | 83,440 |
| 7. | Derivative instruments | (f) | | |
| 8. | Other invested assets | | 5,995,438 | 5,995,438 |
| 9. | Aggregate write-ins for investment income | | (1,282,407) | (1,282,407) |
| 10. | Total gross investment income | | 156,590,182 | 156,792,152 |
| 11. | Investment expenses | | | (g) 8,459,990 |
| 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) | | | 8,459,990 |
| 17. | Net investment income (Line 10 minus Line 16) | | | 148,332,162 |

| | DETAILS OF WRITE-IN LINES | | |
|---|---|---|---|
| 0901. | Miscellaneous Income/(Expense) | (1,282,407) | (1,282,407) |
| 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) | (1,282,407) | (1,282,407) |
| 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 $ 2,688,029 accrual of discount less $ 9,478,899 amortization of premium and less $ 1,815,072 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 $ 32,537 paid for accrued interest on purchases.
(d) Includes $ 0 for company's occupancy of its own buildings; and excludes $ 0 interest on encumbrances.
(e) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.
(f) Includes $ 0 accrual of discount less $ 0 amortization of premium.
(g) Includes $ 0 investment expenses and $ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $ 0 interest on surplus notes and $ 0 interest on capital notes.
(i) Includes $ 0 depreciation on real estate and $ 0 depreciation on other invested assets.

# EXHIBIT OF CAPITAL GAINS (LOSSES)

| | | 1 Realized Gain (Loss) on Sales or Maturity | 2 Other Realized Adjustments | 3 Total Realized Capital Gain (Loss) (Columns 1 + 2) | 4 Change in Unrealized Capital Gain (Loss) | 5 Change in Unrealized Foreign Exchange Capital Gain (Loss) |
|---|---|---|---|---|---|---|
| 1. | U.S. Government bonds | 19,289 | | 19,289 | | |
| 1.1 | Bonds exempt from U.S. tax | 118,221 | | 118,221 | | |
| 1.2 | Other bonds (unaffiliated) | 6,296,102 | (2,669,224) | 3,626,878 | (8,818,515) | 86,113 |
| 1.3 | Bonds of affiliates | | | | | |
| 2.1 | Preferred stocks (unaffiliated) | (118,580) | | (118,580) | (2,871,565) | |
| 2.11 | Preferred stocks of affiliates | | | | | |
| 2.2 | Common stocks (unaffiliated) | 5,519,963 | (370,136) | 5,149,827 | (4,558,682) | |
| 2.21 | Common stocks of affiliates | | | | (7,639,526) | |
| 3. | Mortgage loans | (890,947) | | (890,947) | (154,301) | |
| 4. | Real estate | | | | | |
| 5. | Contract loans | | | | | |
| 6. | Cash, cash equivalents and short-term investments | | | | | |
| 7. | Derivative instruments | | | | | |
| 8. | Other invested assets | 27,418,195 | (10,982,623) | 16,435,572 | 24,595,530 | (2,348,001) |
| 9. | Aggregate write-ins for capital gains (losses) | | | | | |
| 10. | Total capital gains (losses) | 38,362,243 | (14,021,983) | 24,340,260 | 552,941 | (2,261,888) |

| | 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<br>Current Year<br>Total<br>Nonadmitted<br>Assets | 2<br>Prior Year<br>Total<br>Nonadmitted Assets | 3<br>Change in Total<br>Nonadmitted Assets<br>(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 | 4,925,638 | 4,501,061 | (424,577) |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due | 67,138 | 59,459 | (7,679) |
| 15.3 Accrued retrospective premiums | 5,904,646 | 8,232,503 | 2,327,857 |
| 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 | 1,544 | 3,526 | 1,982 |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | | | |
| 18.2 Net deferred tax asset | 53,913,648 | 48,064,841 | (5,848,807) |
| 19. Guaranty funds receivable or on deposit | | | |
| 20. Electronic data processing equipment and software | | | |
| 21. Furniture and equipment, including health care delivery assets | | | |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | |
| 23. Receivables from parent, subsidiaries and affiliates | | | |
| 24. Health care and other amounts receivable | | | |
| 25. Aggregate write-ins for other than invested assets | 4,601,038 | 4,552,884 | (48,154) |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 69,413,652 | 65,414,274 | (3,999,378) |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | |
| 28. Total (Lines 26 and 27) | 69,413,652 | 65,414,274 | (3,999,378) |

| 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 | 4,601,038 | 4,545,407 | (55,631) |
| 2502. Amounts receivable under high deductible policies | | 7,477 | 7,477 |
| 2503. | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | | |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 4,601,038 | 4,552,884 | (48,154) |

# 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 Wisconsin, the accompanying financial statements of Liberty Mutual Fire Insurance Company (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

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

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

C. Accounting Policies

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

In addition, the Company 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 2011.

13. The Company has no pharmaceutical rebate receivables.

**Note 2 - Accounting Changes and Correction of Errors**

A. The Company adopted SSAP No. 35R, *Guaranty Fund and Other Assessments*, effective January 1, 2011. The cumulative effect of adopting SSAP No. 35R is reported in the Capital and Surplus Account and is not considered material.

The Company adopted SSAP No. 5R, *Liabilities, Contingencies and Impairments of Assets*, effective December 31, 2011. The adoption of SSAP No. 5R did not impact on the Company's surplus. Refer to Note 14A(2).

# NOTES TO FINANCIAL STATEMENTS

**Note 3 - Business Combinations and Goodwill**

A. Statutory Purchase Method

On August 24, 2007, the Company and three affiliates (Liberty Mutual Insurance Company ("LMIC"), a Massachusetts insurance company; Peerless Insurance Company ("PIC"), a New Hampshire insurance company; and Employers Insurance Company of Wausau ("EICOW"), a Wisconsin insurance company) acquired all of the issued and outstanding voting securities of Ohio Casualty Corporation, an insurance holding company, which is the upstream parent of four property casualty insurance companies. The Company directly acquired a 6% ownership interest in Ohio Casualty Corporation, while the affiliates account for the remaining 94% (LMIC 78%, PIC 8%, and EICOW 8%). The transaction was accounted for as a statutory purchase and the cost was $166,800,420, resulting in goodwill in the amount of $88,284,180. Goodwill amortization relating to the purchase of Ohio Casualty Corporation was $8,828,420 for year ended December 31, 2011; goodwill is being amortized over ten years.

B. Statutory Mergers

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

C. Impairment Loss

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

**Note 4 - Discontinued Operations**

The Company has no discontinued operations.

**Note 5 - Investments**

A. Mortgage Loans, including Mezzanine Real Estate Loans

During 2011, the Company participated in direct investment in commercial mortgage loans using an experienced external manager, StanCorp Mortgage Investors.

(1) The maximum and minimum lending rates received for new mortgage loans during 2011 were 7.00% and 5.00%, respectively.
(2) During 2011, the Company did not reduce interest rates of any outstanding mortgage loans.
(3) The maximum loan to value of any loan written during 2011 was 75%.
(4) As of year end, LMFIC held mortgages with interest more than 180 days past due with a recorded investment, excluding accrued interest of $173,024.
   a) Total interest due on mortgages with interest more than 180 days past due was $21,719.
(5) There were $9,891 in taxes, assessments and any amounts advanced and not included in the mortgage loan.
(6) Total recorded investment in impaired loans as of December 31, 2011 was $1,589,925, of which there is a related allowance for credit losses of $735,487.
(7) There was no recorded investment in impaired loans without a related allowance for credit losses.
(8) The average recorded investment in impaired loans was $48,180 for 2011.
(9) There was $22,587 interest income recognized for impaired loans during 2011.
(10) There was $22,587 interest income recognized on a cash basis for impaired loans during 2011.
   a) The balance in the allowance for credit losses at the beginning of 2011 was $581,186 and at the beginning of 2010 was $110,065.
   b) There were $818,217 of additions to the allowance charged to operations in 2011 and $772,180 in 2010.
   c) There were $663,916 of direct write-downs charged against the allowance in 2011 and $301,059 in 2010.
   d) There were no recoveries of amounts previously charged off.
   e) The balance in the allowance for credit losses was $735,487 in 2011 and $581,186 in 2010.
(11) The Company recognizes interest income on its impaired loans upon receipt.

B. Troubled Debt Restructuring for Creditors

(1) There was $1,551,253 of recorded investment in mortgage loans for which impairment has been recognized.
(2) There was no realized capital loss.
(3) There were no commitments to lend additional funds to debtors owing receivables whose terms have been modified in trouble debt restructuring.
(4) The Company accrues interest income on impaired loans to the extent it is deemed collectible and the loan continues to perform under its original or restructured contractual terms. Interest income on non-performing loans is generally recognized on a cash basis.

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 2011 as of December 31, 2011: None

# NOTES TO FINANCIAL STATEMENTS

3. Each Loan-Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2011:

| 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 |
| 32052TAD8 | 8,649,449 | 8,043,795 | 605,654 | 8,043,795 | 3,277,308 | 12/31/2009 |
| 32052TAD8 | 8,071,441 | 7,869,262 | 202,178 | 7,869,262 | 6,066,035 | 9/30/2010 |
| 32052TAD8 | 7,869,262 | 7,766,800 | 102,462 | 7,766,800 | 6,920,041 | 12/31/2010 |
| 32052TAD8 | 7,652,411 | 7,574,070 | 78,341 | 7,574,070 | 6,979,434 | 6/30/2011 |
| 32052TAD8 | 7,447,561 | 7,401,622 | 45,938 | 7,401,622 | 6,318,304 | 9/30/2011 |
| 32052TAD8 | 7,199,441 | 7,023,101 | 176,340 | 7,023,101 | 5,628,276 | 12/31/2011 |
| 81375BAM4 | 30,996 | 3,099 | 27,897 | 3,099 | 3,100 | 6/30/2009 |
| 74958YAA0 | 2,000,000 | 1,878,500 | 121,500 | 1,878,500 | 1,713,250 | 12/31/2010 |
| 74958YAA0 | 1,878,500 | 1,868,080 | 10,420 | 1,868,080 | 1,732,646 | 3/31/2011 |
| 74958YAA0 | 1,850,585 | 1,835,045 | 15,540 | 1,835,045 | 1,667,613 | 6/30/2011 |
| 74958YAA0 | 1,732,369 | 1,719,275 | 13,094 | 1,719,275 | 1,525,712 | 12/31/2011 |
| 12544LAK7 | 4,884,552 | 4,760,950 | 123,602 | 4,760,950 | 4,760,950 | 3/31/2011 |
| 12544LAK7 | 4,760,453 | 4,710,920 | 49,533 | 4,710,920 | 4,707,275 | 9/30/2011 |
| 12544LAK7 | 4,489,292 | 4,435,907 | 53,386 | 4,435,907 | 4,433,072 | 12/31/2011 |

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, 2011:

| | 1 | 2 |
|---|---|---|
| | Less Than 12 Months | 12 Months or Longer |
| Gross Unrealized Loss | (17,826) | (4,129,703) |
| Fair Value of Securities with Unrealized Losses | 8,523,447 | 17,317,124 |

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

E. Repurchase Agreements and Securities Lending

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

2. The Company has not pledged any of its assets as collateral as of December 31, 2011.

3. Aggregate Amount of Contractually open cash collateral positions:

| Aging of Collateral | Total Fair Value |
|---|---|
| Open | $ 54,376,803 |
| 30 Days or Less | - |
| 31 to 60 Days | - |
| 61 to 90 Days | - |
| Greater than 90 Days | - |
| Sub-Total | 54,376,803 |
| Securities Received | 76,584 |
| Total Collateral Received | $ 54,453,387 |

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

| | Amortized Cost | Fair Value |
|---|---|---|
| Open | $ - | $ - |
| 30 Days or Less | 13,472,725 | 13,472,769 |
| 31 to 60 Days | 26,594,828 | 26,595,292 |
| 61 to 90 Days | 14,314,099 | 14,314,966 |
| 90 to 120 Days | - | - |
| 121 to 180 Days | - | - |
| 181 to 365 Days | - | - |
| 1 to 2 Years | - | - |
| 2 to 3 Years | - | - |
| Greater than 3 Years | - | - |
| Subtotal | 54,381,652 | 54,383,028 |
| Securities Received | - | - |
| Total Collateral Reinvested | $ 54,381,652 | $ 54,383,028 |

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

F. Real Estate

The Company does not own real estate.

G. Investments in Low Income Housing Tax Credits

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

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

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

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

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

**Note 6 - Joint Ventures, Partnerships & Limited Liability Companies**

A. Investments in joint ventures, partnerships and limited liability companies

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

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

The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the assets leads to impairment losses being recognized by management. The Company realized impairment losses of $10,982,622 during the year.

**Note 7 - Investment Income**

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2011.

# NOTES TO FINANCIAL STATEMENTS

**Note 8 - Derivative Instruments**

The Company maintains an active Derivative Use Policy as approved by the New York State Insurance Department. Pursuant to the policy, the Company may enter into derivative transactions. The Company may also acquire derivatives as additions to bond, common stock, or preferred stock investments. These derivatives are ancillary to the overall investment and are immaterial to the underlying investment portfolio.

**Note 9 - Income Taxes**

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

| | December 31, 2011 | | | December 31, 2010 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| | | | (Col 1 + 2) | | | (Col 4 + 5) | (Col 1 - 4) | (Col 2- 5) | (Col 7 + 8) |
| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| Gross Deferred Tax Assets | 222,483,700 | 35,111,300 | 257,595,000 | 172,318,849 | 37,331,651 | 209,650,500 | 50,164,851 | (2,220,351) | 47,944,500 |
| Statutory Valuation Allowance Adjustment | - | - | - | - | - | - | - | - | - |
| Adjusted Gross Deferred Tax Assets | 222,483,700 | 35,111,300 | 257,595,000 | 172,318,849 | 37,331,651 | 209,650,500 | 50,164,851 | (2,220,351) | 47,944,500 |
| Deferred Tax Liabilities | (51,844,959) | (23,047,041) | (74,892,000) | (42,636,278) | (23,007,392) | (65,643,670) | (9,208,681) | (39,649) | (9,248,330) |
| Net DTA (DTL) | 170,638,741 | 12,064,259 | 182,703,000 | 129,682,571 | 14,324,259 | 144,006,830 | 40,956,170 | (2,260,000) | 38,696,170 |
| Deferred Tax Assets Nonadmitted | (42,708,010) | (11,205,638) | (53,913,648) | (47,461,849) | (602,992) | (48,064,841) | 4,753,839 | (10,602,646) | (5,848,807) |
| Net Admitted DTA (DTL) | 127,930,731 | 858,621 | 128,789,352 | 82,220,722 | 13,721,267 | 95,941,989 | 45,710,009 | (12,862,646) | 32,847,363 |

The Company has elected to admit additional DTAs pursuant to SSAP No. 10R, paragraph 10e. The current period election does not differ from the prior reporting period.

The amount of each result or component of the calculation, by tax character, of paragraphs 10a., 10bi., 10bii., 10c.:

| | December 31, 2011 | | | December 31, 2010 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| | | | (Col 1 + 2) | | | (Col 4 + 5) | (Col 1 - 4) | (Col 2- 5) | (Col 7 + 8) |
| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| Recoverable through loss carrybacks (10a.) | - | - | - | 1,989,704 | 12,165,770 | 14,155,474 | (1,989,704) | (12,165,770) | (14,155,474) |
| Lesser of: | | | | | | | | | |
| Expected to be recognized within one year (10bi.) | 83,242,012 | 858,621 | 84,100,633 | 80,231,018 | 1,555,497 | 81,786,515 | 3,010,994 | (696,876) | 2,314,118 |
| 10% of adjusted capital and surplus (10bii.) | | | 85,859,568 | | | 101,834,524 | | | (15,974,956) |
| Adj. gross DTAs offset against existing DTLs (10c.) | 51,844,959 | 23,047,041 | 74,892,000 | 42,636,278 | 23,007,392 | 65,643,670 | 9,208,681 | 39,649 | 9,248,330 |
| Total | 135,086,971 | 23,905,662 | 158,992,633 | 124,857,000 | 36,728,659 | 161,585,659 | 10,229,971 | (12,822,997) | (2,593,026) |

The amount of each result or component of the calculation, by tax character, of paragraphs 10ei., 10eiia., 10eiib., and 10eiii.:

| | December 31, 2011 | | | December 31, 2010 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| | | | (Col 1 + 2) | | | (Col 4 + 5) | (Col 1 - 4) | (Col 2- 5) | (Col 7 + 8) |
| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| Recoverable through loss carrybacks (10ei.) | - | - | - | 1,989,704 | 12,165,770 | 14,155,474 | (1,989,704) | (12,165,770) | (14,155,474) |
| Lesser of: | | | | | | | | | |
| Expected to be recognized within three years (10eiia.) | 146,918,930 | 858,621 | 147,777,551 | 80,231,018 | 1,555,497 | 81,786,515 | 66,687,912 | (696,876) | 65,991,036 |
| 15% of adjusted capital and surplus (10eiib.) | | | 128,789,352 | | | 152,751,786 | | | (23,962,434) |
| Adj. gross DTAs offset against existing DTLs (10eiii.) | 51,844,959 | 23,047,041 | 74,892,000 | 42,636,278 | 23,007,392 | 65,643,670 | 9,208,681 | 39,649 | 9,248,330 |
| Total | 179,775,690 | 23,905,662 | 203,681,352 | 124,857,000 | 36,728,659 | 161,585,659 | 54,918,690 | (12,822,997) | 42,095,693 |

| Used in SSAP No. 10R, Paragraph 10.d. | December 31, 2011 | December 31, 2010 | Change |
|---|---|---|---|
| Total Adjusted Capital | 1,036,787,938 | 1,211,788,687 | (175,000,749) |
| Authorized Control Level | 236,040,967 | 219,990,980 | 16,049,987 |

| | December 31, 2011 | | | December 31, 2010 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Impact of Tax Planning Strategies | | | (Col 1 + 2) | | | (Col 4 + 5) | (Col 1 - 4) | (Col 2- 5) | (Col 7 + 8) |
| | Ordinary Percent | Capital Percent | Total Percent | Ordinary Percent | Capital Percent | Total Percent | Ordinary Percent | Capital Percent | Total Percent |
| (a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs) | 25% | 0% | 25% | 20% | 0% | 20% | 5% | 0% | 5% |
| (b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Gross DTAs) | 49% | 0% | 49% | 43% | 0% | 43% | 6% | 0% | 6% |

# NOTES TO FINANCIAL STATEMENTS

The following amounts result from the calculation in paragraphs 10a., 10b., and 10c.:

| | December 31, 2011 | | | December 31, 2010 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| | | | (Col 1 + 2) | | | (Col 4 + 5) | (Col 1 - 4) | (Col 2- 5) | (Col 7 + 8) |
| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| Admitted Deferred Tax Assets | 83,242,012 | 858,621 | 84,100,633 | 82,220,722 | 13,721,267 | 95,941,989 | 1,021,290 | (12,862,646) | (11,841,356) |
| Admitted Assets | | | 4,832,089,719 | | | 4,825,276,385 | | | 6,813,334 |
| Adjusted Statutory Surplus* | | | 858,595,679 | | | 1,018,345,241 | | | (159,749,562) |
| Total Adjusted Capital from DTAs | | | 84,100,633 | | | 95,941,989 | | | (11,841,356) |

* As reported on the statutory balance sheet for the most recently filed statement with the domiciliary state commissioner adjusted in accordance with SSAP No.10R, Paragraph 10bii

| Increase due to SSAP No. 10R, Paragraph 10.e. | December 31, 2011 | | | December 31, 2010 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| | | | (Col 1 + 2) | | | (Col 4 + 5) | (Col 1 - 4) | (Col 2- 5) | (Col 7 + 8) |
| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| Admitted Deferred Tax Assets | 44,688,718 | - | 44,688,718 | - | - | - | 44,688,719 | - | 44,688,719 |
| Admitted Assets | 44,688,718 | - | 44,688,718 | - | - | - | 44,688,719 | - | 44,688,719 |
| Adjusted Statutory Surplus | 44,688,718 | - | 44,688,718 | - | - | - | 44,688,719 | - | 44,688,719 |

B. The Company does not have any DTLs described in SSAP No. 10R, *Income Taxes*, paragraph 6d.

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

| | 2011 | 2010 |
|---|---|---|
| Federal | (19,792,091) | 8,838,227 |
| Foreign | - | - |
| Realized capital gains | 8,519,091 | 6,853,423 |
| Federal and foreign income taxes incurred | (11,273,000) | 15,691,650 |

The Company's deferred tax assets and liabilities result primarily from limits on unearned premium reserves, discounting of unpaid losses and LAE reserves, permanent impairments, net operating loss carry-forward, income/loss from partnerships, and unrealized gains and losses.

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

| | 2011 |
|---|---|
| Change in net deferred income tax (without unrealized gain or loss) | 41,764,908 |
| Change in tax effect of unrealized (gains) losses | (3,068,771) |
| Total change in net deferred income tax | 38,696,137 |

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, unearned premium reserves, net operating loss carry-forward, discounting of unpaid losses and LAE reserves, and depreciation.

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

The Company has net operating loss carry-forward available to offset future net income subject to Federal income taxes as follows:

| Year Generated | Amount | Expiration |
|---|---|---|
| 2011 | 145,834,000 | 2031 |

The Company has an alternative minimum tax credit carry-forward of $3,194,000. The alternative minimum tax credit carry-forward does not expire.

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:

Access Insurance Services, Co. (Dissolved 10/24/2011)
AMBCO Capital Corporation
America First Insurance Company
America First Lloyds Insurance Company
American Economy Insurance Company
American Fire & Casualty Company
Liberty Mutual Holding Company Inc.
Liberty Mutual Insurance Company
Liberty Mutual Personal Insurance Company
Liberty Northwest Insurance Corporation
Liberty Personal Insurance Company
Liberty RE (Bermuda) Limited

# NOTES TO FINANCIAL STATEMENTS

American States Insurance Company
American States Insurance Company of Texas
American States Lloyds Insurance Company
American States Preferred Insurance Company
Barrier Ridge LLC
Berkeley Holding Company Associates, Inc.
Berkeley Management Corporation
Bridgefield Casualty Insurance Company
Bridgefield Employers Insurance Company
Capitol Court Corporation
Capitol Agency, Inc., The (Arizona corporation) (Dissolved 1/20/2011)
Cascade Disability Management, Inc.
Colorado Casualty Insurance Company
Commercial Aviation Insurance, Inc.
Consolidated Insurance Company
Copley Venture Capital, Inc.
Diversified Settlements, Inc.
Emerald City Insurance Agency, Inc.
Employers Insurance Company of Wausau
Excelsior Insurance Company
F.B. Beattie & Co., Inc.
First National Insurance Company of America
First State Agency Inc.
General America Corporation
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, Inc.
Indiana Insurance Company
Insurance Company of Illinois
LEXCO Limited
Liberty-USA Corporation
Liberty Assignment Corporation
Liberty Energy Canada, Inc.
Liberty Financial Services, Inc.
Liberty Hospitality Group, Inc.
Liberty Insurance 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 Sponsored Insurance (Vermont) Inc.
Liberty Surplus Insurance Corporation
LIH-RE of America Corporation
LIU Specialty Insurance Agency Inc.
LM General Insurance Company
LM Insurance Corporation
LM Property & Casualty Insurance Company
LMHC Massachusetts Holdings Inc.
LRE Properties, Inc.
Mid-American Fire & Casualty Company
North Pacific Insurance Company
OCASCO Budget, Inc.
OCI Printing, Inc.
Ohio Casualty Corporation
Ohio Security Insurance Company
Open Seas Solutions, Inc.
Oregon Automobile Insurance Company
Peerless Indemnity Insurance Company
Peerless Insurance Company
Pilot Insurance Services, Inc.
Rianoc Research Corporation
S.C. Bellevue, Inc.
SAFECARE Company, Inc.
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, Inc.
Summit Consulting, Inc. of Louisiana
Summit Holding Southeast, Inc.
The First Liberty Insurance Corporation
The Midwestern Indemnity Company
The National Corporation
The Netherlands Insurance Company
The Ohio Casualty Insurance Company
Wausau Business Insurance Company
Wausau General Insurance Company
Wausau Underwriters Insurance Company
West American Insurance Company
Winmar Company, Inc.
Winmar of the Desert, Inc.
Winmar Oregon, Inc.
Winmar-Metro, Inc.

* Merged with and into LM Personal Insurance Company and LM Personal Insurance Company changed its name to Liberty Insurance Underwriters Inc. on January 3, 2011.

** This company joined the consolidated group in 2011 and its activity from the date it joined the group is included in the consolidated return.

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

# NOTES TO FINANCIAL STATEMENTS

**Note 10 - Information Concerning Parent, Subsidiaries and Affiliates**

A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Group Inc. ("LMGI"), a Massachusetts company. The ultimate parent of LMGI is Liberty Mutual Holding Company Inc., a Massachusetts company.

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

C. As of December 31, 2011, the Company had the following capital transactions with its parent and subsidiaries:

1. Received return of capital distributions of $1,122,453.

2. Contributed capital in the amount of $1,574,776.

3. Received dividends in the amount of $1,452,547.

D. At December 31, 2011, the Company reported a net $33,135,580 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.

E. The Company has entered into guarantees to or on behalf of the following affiliates, as described in Note 14A(2):

Liberty Mutual Group Inc.

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

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

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

The Company is a party to a revolving credit agreement under which the Company may borrow up to $150,000,000 from LMIC. The purpose of the extension of credit is for operating liquidity to accommodate fluctuations in daily cash flow and to promote efficient management of investments. As of December 31, 2011, there have been no drawings under this agreement.

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

The Company paid $14,610,716 under the LMHC Tax Sharing Agreement and paid $293,152,407 under the LMGAM and LMIA investment management agreements. Pursuant to the Inter-Company Reinsurance Agreement with LMIC (Refer to Note 26), the expenses incurred under the Liberty Mutual management services agreement are allocated to the Company in accordance with the Company’s “Pool” participation percentage.

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 that exceed 10% of its admitted assets.

J. The Company did not recognize any impairment write down for its investments in subsidiary, controlled, or affiliated entities during the statement period.

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

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

**Note 11 - Debt**

A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

B. Federal Home Loan Bank Agreements

On January 11, 2012, the Company became a member of the Federal Home Loan Bank of Chicago. This membership provides the Company with access to a secured asset-based borrowing with loan maturities of up to 30 years. To date, no funds have been borrowed.

# NOTES TO FINANCIAL STATEMENTS

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

A. Eligible employees may participate in the Liberty Mutual Retirement Benefit Plan for U.S. Employees, the Supplemental Income at Retirement Plan (SIRP) which has both a defined benefit component and defined contribution component, the Employees' Thrift Incentive Plan (defined contribution savings) and the U.S. postretirement health and life insurance benefit plans sponsored by a Holding Company, Liberty Mutual Group Inc. (LMGI).

Also, eligible employees may participate in non-contributory defined benefit plans, contributory defined contribution pension plans and health care and life insurance postretirement benefits plans sponsored by Liberty Mutual Insurance Company (LMIC).

The Company has no legal obligation for these plans except for the minimum required contributions described in note 14. Accordingly, these plans' assets and obligations are not disclosed in this note. The costs of the LMGI plans are allocated by LMGI to LMIC, pursuant to an Employee Benefit Plan Cost-Sharing Agreement, and a portion of the LMGI and LMIC benefit plan costs, in turn, are allocated to the Company through the Liberty Mutual Inter-Company Reinsurance Agreement, as described in Note 26.

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

1. The Company has 100,000 shares authorized, issued and outstanding as of December 31, 2011. All shares have a stated par value of $100.

   The Company has 100,000 shares authorized of 10% non-convertible perpetual Series A Preferred Stock. All shares have a stated par value of $0.01.

2. On December 31, 2008, the Company issued 1,000 shares at an issuance price of $200,000,000 to its parent, LMGI at a discount of 25%. Dividends, based on the issuance price, are cumulative and payable on a quarterly basis.

3. There are no dividend restrictions.

4. The Company paid ordinary dividends to its parent in 2011 of:

| | Ordinary | Total Dividends |
|---|---|---|
| March | $ 3,750,000 | $ 3,750,000 |
| April | 50,000,000 | 50,000,000 |
| June | 3,750,000 | 3,750,000 |
| September | 3,750,000 | 3,750,000 |
| December | 3,750,000 | 3,750,000 |
| Total | $ 65,000,000 | $ 65,000,000 |

5. The maximum amount of dividends that can be paid by Wisconsin-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the lesser of (a) 10% of surplus, or the greater of (b) or (c); (b) net income for calendar year preceding date of dividend less realized gains for that calendar year, or (c) the aggregate of net income for three calendar years preceding the date of dividend less realized gains for those calendar years less dividends paid/credited within the first two of the preceding three calendar years. The maximum dividend payout that may be made without prior approval in 2012 is $0.

6. As of December 31, 2011, the Company has restricted surplus of $44,688,718 from recording the increase in admitted DTA's as a result of applying the revised guidance in SSAP No. 10R, *Income Taxes,* (refer to Note 2A) and pre-tax restricted surplus of $105,231,809 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 2011 and from the adoption of the revised guidance on calculating admitted adjusted gross DTA's in SSAP 10R.

10. The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is $41,037,321 after applicable deferred taxes of $(20,991,841).

11. Surplus Notes

    Not applicable

12. Quasi-reorganization (dollar impact)

    Not applicable

# NOTES TO FINANCIAL STATEMENTS

13. Quasi-reorganization (effective date)

Not applicable

**Note 14 - Contingencies**

A. Contingent Commitments

1. The Company has made no commitments or contingent commitments on behalf of affiliates.

2. The Company has made a guarantee on behalf of its affiliate as follows:

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| Nature and circumstances of guarantee and key attributes, including date and duration of the agreement | Liability recognition of the guarantee | Ultimate financial statement impact if action under the guarantee is required | Maximum potential amount of future payments (undiscounted) | Current status of payment or performance risk of the guarantee |
| The Company guarantees, jointly and severally with Liberty Mutual Insurance Company, $25,000,000 of the medium term notes payable that are obligations of its parent, LMGI. | No liability at inception of the guarantee | Dividend to Stockholder | $ 25,000,000 | Guaranteed affiliate is in compliance with the terms of guaranteed contract. |
| | | | | |
| | | Total: | $ 25,000,000 | |

3. Aggregate compilation of guarantee obligations:

| | |
|---|---|
| a. Aggregate Maximum Potential of Future Payments of All Guarantees (undiscounted) the guarantor could be required to make under guarantees. | $ 25,000,000 |
| b. Current Liability Recognized in Financial Statements: | |
| 1. Noncontingent Liabilities | - |
| 2. Contingent Liabilities | - |
| c. Ultimate Financial Statement Impact if action under the guarantee is required. | |
| 1. Investments in SCA | - |
| 2. Joint Venture | - |
| 3. Dividends to Stockholders (capital contribution) | 25,000,000 |
| 4. Expense | - |
| 5. Other | - |
| 6. Total (Should equal (3)a.) | $25,000,000 |

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 $24,535,436 that is offset by future premium tax credits of $2,411,374. 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 2012. During 2011 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 | $ 3,258,527 |
| b. | Decreases current year: Premium tax offset applied | 847,153 |
| c. | Increases current year: Premium tax offset increase | - |
| d. | Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end | $ 2,411,374 |

C. Gain Contingencies

Not applicable

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

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

| | Direct |
|---|---|
| Claims related ECO and bad faith losses paid during the reporting period | $19,147,091 |

# NOTES TO FINANCIAL STATEMENTS

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

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

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

D. Product Warranties

The Company does not write product warranty business.

E. All Other Contingencies

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

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

## Note 15 - Leases

A. Lessee Leasing Arrangements

LMIC leases office space, plant and equipment under various non-cancelable operating lease arrangements. The Company has also entered into sale-leaseback arrangements with unrelated parties on certain property, plant and equipment. The transactions have been accounted for in accordance with SSAP No. 22, *Leases*. The Company has a purchase option for all property, plant and equipment at the end of each respective lease.

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

| Year(s) | Sale Lease-back | All Other Operating Lease Arrangements |
|---|---|---|
| 2012 | $ 5,187,670 | $ 15,942,899 |
| 2013 | 5,207,065 | 15,179,648 |
| 2014 | 3,636,496 | 10,262,906 |
| 2015 | 3,589,717 | 6,388,518 |
| 2016 | 3,415,687 | 7,103,464 |
| 2017 & thereafter | 11,415,835 | 43,195,159 |
| Total | $ 32,452,470 | $ 98,072,594 |

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

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

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

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

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

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

A. Transfers of Receivables Reported as Sales

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

# NOTES TO FINANCIAL STATEMENTS

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, 2011 the total fair value of securities on loan was $53,308,693, with corresponding collateral value of $54,453,386 of which $54,376,803 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Net reimbursement for administrative expenses in excess of actual expenses on ASO plans and the net gain was $20,675. Claim payment volume was $596,636.

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

**Note 20 - Fair Value Measurements**

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

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

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

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

- Level 1 — Valuations based on unadjusted observable quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 — Valuations based on directly or indirectly observable inputs (other than Level 1 prices) at the measurement date, such as quoted prices in active markets or prices in markets that are not active for similar assets or liabilities or other inputs that are observable.
- Level 3 — Valuations based on inputs that are unobservable and reflect the Company's own assumptions about the assumptions that market participants might use.

The following table summarizes the Company's assets and liabilities that are measured at fair value at December 31, 2011:

# NOTES TO FINANCIAL STATEMENTS

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| Description | Level 1 | Level 2 | Level 3 | Total |
| Assets at fair value | | | | |
| Bonds | | | | |
| Issuer Obligations | - | $ 160,292,283 | $ 1,000,004 | $ 161,292,287 |
| Residential Mortgage-Backed Securities | - | 12,877,358 | - | 12,877,358 |
| Commercial Mortgage-Backed Securities | - | - | - | - |
| Total Bonds | - | $ 173,169,641 | $ 1,000,004 | $ 174,169,645 |
| Preferred Stocks | | | | |
| Industrial and Miscellaneous (Unaffiliated) | - | $ 17,288,975 | $ 93,250 | $ 17,382,225 |
| Total Preferred Stocks | - | $ 17,288,975 | $ 93,250 | $ 17,382,225 |
| Common Stocks | | | | |
| Industrial and Miscellaneous | $ 128,427,785 | - | - | $ 128,427,785 |
| Total Common Stocks | $ 128,427,785 | - | - | $ 128,427,785 |
| Total assets at fair value | $ 128,427,785 | $ 190,458,616 | $ 1,093,254 | $ 319,979,955 |
| | | | | |
| Liabilities at fair value | - | - | - | - |
| | | | | |
| Total liabilities at fair value | $ 0 | $ 0 | $ 0 | $ 0 |

The Company did not have significant transfers between Levels 1 and 2 during the period ended December 31, 2011.

2. Rollforward of Level 3 Items

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

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance at 12/31/2010 | Transfers into Level 3 | Transfers out of Level 3 | Total gains and (losses) included in Net Income | Total gains and (losses) included in Surplus | Purchases | Issuances | Sales | Settlements | Balance at 12/31/2011 |
| | | | | | | | | | | |
| Bonds | $ 1,557 | $ - | $ - | $ - | $ (1,549) | $ 1,000,000 | $ - | $ (4) | $ - | $ 1,000,004 |
| Preferred Stock | - | 93,250 | - | - | - | - | - | - | - | 93,250 |
| Common Stock | - | - | - | - | - | - | - | - | - | - |
| Total | $ 1,557 | $ 93,250 | $ - | $ - | $ (1,549) | $ 1,000,000 | $ - | $ (4) | $ - | $ 1,093,254 |

3. Policy on Transfers Into and Out of Level 3

Transfers in and/or out of Level 3 are due to 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.

# NOTES TO FINANCIAL STATEMENTS

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.

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. Reasons Not Practical to Estimate Fair Value

   Not applicable

**Note 21 - Other Items**

A. Extraordinary Items

   The Company has no extraordinary items to report.

# NOTES TO FINANCIAL STATEMENTS

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

1) Florida Special Disability Trust Fund

a) The amount of credit taken by the Company in determination of its loss reserves was $0 in 2011 and 2010.

b) The Company reported loss recoveries from the Special Disability Trust Fund of $458,257 in 2011 and $267,470 in 2010.

c) The amount the Company was assessed by the Special Disability Trust Fund was $104,969 in 2011 and $440,895 in 2010.

2) Assets in the amount of $243,334,234 and $244,168,241 as of December 31, 2011 and 2010, respectively, were on deposit with government authorities or trustees as required by law.

3) Interrogatory 6.1

In 2011, as a member of the inter-company reinsurance pooling arrangement in which Liberty Mutual Insurance Company is the pool leader, the Company had the benefit, together with its affiliates that cede business to Liberty Mutual Insurance Company or that are members of the reinsurance pooling arrangement, of Workers Compensation Catastrophe excess of loss reinsurance with the following limits: (1) $400,000,000 part of $500,000,000 xs $700,000,000 per occurrence; or (2) $261,000,000 part of $500,000,000 xs $200,000,000 (excluding CA EQ) per occurrence, each insured, each location. This Workers Compensation Catastrophe Excess of Loss reinsurance purchased by Liberty Mutual Insurance Company covers Liberty Mutual's direct and assumed from affiliates workers compensation business.

Interrogatory 6.2

The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, the Company employs RiskLink v10.0 and v11.0 from RMS and AIR Clasic/2 v12. For workers' compensation, Liberty Mutual utilizes RiskLink v11.0 from RMS.

Interrogatory 6.3

In 2011, as a member of the inter-company pooling arrangement in which Liberty Mutual Insurance Company is the pool leader, the Company had the benefit, together with its affiliates that cede business to Liberty Mutual Insurance Company or that are members of the reinsurance pooling arrangement, traditional Prop Cat excess of loss reinsurance, with limits of $750,000,000 part of $1,000,000,000 xs $1,300,000,000, and $525,000,000 part of $700,000,000 xs $2,300,000,000 (excluding CA) covering Liberty's direct and assumed from affiliates property business. Additionally, Liberty has purchased $585,000,000 part of $650,000,000 xs $650,000,000 xs $650,000,000 in second event coverage should there be multiple large events in a single year. Liberty also has a 30% QS treaty in place for its US Homeowner's portfolio that covers catastrophe losses up to $1,750,000,000 for Wind and $400,000,000 for EQ.

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable and Non-transferable Tax Credits

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

| Description of State Transferable and Non-transferable Tax Credits | State | Carrying Value | Unused Amount |
|---|---|---|---|
| Urban Industrial Site Reinvestment Tax Credit | CT | $720,000 | $720,000 |
| Total | | $720,000 | $720,000 |

(2) Method of Estimating Utilization of Remaining Transferable State Tax Credits

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

(3) Impairment Loss

The Company has not recognized any impairment losses associate with its Transferable State Tax Credits.

# NOTES TO FINANCIAL STATEMENTS

(4) Identify state tax credit by transferable and non-transferable classification, and identify the admitted and nonadmitted portions of each classification.

| Description of State Transferable Tax Credits | State | | Transferable | Non-Transferable |
|---|---|---|---|---|
| Urban Industrial Site Reinvestment Tax Credit | CT | Admitted | - | $720,000 |
| Urban Industrial Site Reinvestment Tax Credit | | Non Admitted | - | - |
| Total | | | | $720,000 |

G. Subprime-Mortgage-Related Risk Exposure

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

2. The Company does not have any direct exposure through investments in subprime mortgage loans.

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

| Actual Cost | Book Adjusted Carrying Value | Fair Value | Other-Than-Temporary Impairments Recognized |
|---|---|---|---|
| $1,453,024 | $1,453,012 | $1,452,372 | $0 |

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 24, 2012, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2011 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 with an individual reinsurer that exceed 3% of the Company's policyholder's surplus.

B. Reinsurance Recoverable in Dispute

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

C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were cancelled as of December 31, 2011.

| | Assumed Reinsurance | | Ceded Reinsurance | | Net Reinsurance | |
|---|---|---|---|---|---|---|
| | UEP | Commission Equity | UEP | Commission Equity | UEP | Commission Equity |
| Affiliates | $657,670,302 | $176,426 | $2,846,632,847 | $133,333,209 | $(2,188,962,545) | $(133,156,783) |
| All Other | - | - | - | - | - | - |
| Total | $657,670,302 | $176,426 | $2,846,632,847 | $133,333,209 | $(2,188,962,545) | $(133,156,783) |

Direct Unearned Premium Reserve: $2,846,632,847

2. Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2011 are as follows:

| Description | Direct | Assumed | Ceded | Net |
|---|---|---|---|---|
| Contingent commissions | $7,926,001 | $4,104,005 | $7,926,001 | $4,104,005 |
| Sliding scale adjustments | - | - | - | - |
| Other profit commissions | - | (14,512,500) | - | (14,512,500) |
| Totals | $7,926,001 | $(10,408,495) | $7,926,001 | $(10,408,495) |

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.

# NOTES TO FINANCIAL STATEMENTS

E. Commutation of Ceded Reinsurance

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

F. Retroactive Reinsurance

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

| | | Assumed | Ceded |
|---|---|---|---|
| a. | Reserves Transferred: | | |
| | 1. Initial | $(295,778,350) | - |
| | 2. Adjustments – Prior Year(s) | 52,465,654 | - |
| | 3. Adjustments – Current Year | 87,824,124 | - |
| | 4. Total | $(155,488,572) | - |
| | | | |
| b. | Consideration Paid or Received: | | |
| | 1. Initial | $(138,139,190) | - |
| | 2. Adjustments – Prior Year(s) | (7,201,205) | - |
| | 3. Adjustments – Current Year | (12,133,377) | - |
| | 4. Total | $(157,473,772) | - |
| | | | |
| c. | Amounts Recovered / Paid – Cumulative: | | |
| | 1. Initial | $(4,673,100) | - |
| | 2. Adjustments – Prior Year(s) | (67,634,551) | - |
| | 3. Adjustments – Current Year | (82,161,412) | - |
| | 4. Total | $(154,469,063) | - |
| | | | |
| d. | Special Surplus from Retroactive Reinsurance: | | |
| | 1. Initial Surplus Gain or Loss | $162,312,260 | - |
| | 2. Adjustments – Prior Year(s) | 7,967,692 | - |
| | 3. Adjustments – Current Year | (17,796,089) | - |
| | 4. Current Year Special Surplus | 105,231,809 | - |
| | 5. Cumulative Total Transferred to Unassigned Funds | $47,252,054 | - |
| | | | |
| e. | All cedents and reinsurers included in the above transactions: | | |
| | Liberty Mutual Insurance Company, 23043 | $(155,488,572) | - |
| | | | |
| | Total | $(155,488,572) | - |

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, 2011.

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

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

**Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination**

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

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

C. For detail of net premium written subject to retrospective rating features 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.

# NOTES TO FINANCIAL STATEMENTS

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 nonadmitted.

| | | |
|---|---|---|
| a. | Total accrued retro premium | $58,752,781 |
| b. | Unsecured amount | |
| c. | Less: Nonadmitted amount (10%) | 5,904,646 |
| d. | Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted | |
| e. | Admitted amount (a) - (c) - (d) | $52,848,135 |

**Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses**

Incurred loss and loss adjustment expense attributed to insured events on prior years has increased overall in 2011. This increase was primarily the result of updated reserve analysis in the Homeowners/Farmowners, Commercial Auto Liability, Auto Physical Damage, Special Liability, Other Liability Occurrence, Assumed Liability and Workers Compensation lines. The increases were partially offset by decreases in reserve estimates for the Property lines – Commercial Multiple Peril, Special Property and Assumed Property – and for the Products Liability Occurrence line. 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 |

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

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

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

(g) Amounts due (to)/from affiliated entities participating in the Liberty Mutual inter-company pool as at December 31, 2011:

| Affiliate: | Amount: |
|---|---|
| Liberty Mutual Insurance Company | $ (8,293,901) |

Effective January 3, 2011, the entity formerly named LM Personal Insurance Company (LMPIC), merged with an affiliate, Liberty Insurance Underwriters, Inc. LMPIC, the surviving entity, was renamed Liberty Insurance Underwriters, Inc.

**Note 27 - Structured Settlements**

A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of $ 68,030,127 after applying Intercompany Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was $68,030,127 as of December 31, 2011.

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

| Life Insurance Company and Location | Licensed in Company's State of Domicile (Yes/No) | Statement Value of Annuities |
|---|---|---|
| Liberty Life Assurance Company of Boston<br>Boston, Massachusetts | Yes | $ 39,408,262 |
| Nationwide Life Insurance Company<br>Columbus, Ohio | Yes | $ 17,569,146 |

**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 | 12/31/2011 |
| 3. Was anticipated investment income utilized in the calculation? | Yes |

**Note 31 - High Dollar Deductible Policies**

As of December 31, 2011, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was $636,363,327 and the amount billed and recoverable on paid claims was $26,245,032.

**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 the respective states at an annual discount rate of 4.0%. Asbestos structured settlements are discounted at 4.5%. The December 31, 2011 liabilities subject to discount were carried at a value representing a discount of $156,569,481 net of all reinsurance.

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

**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.

# NOTES TO FINANCIAL STATEMENTS

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.

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

In the third quarter of 2011, the Company completed ground-up asbestos and environmental reserve studies. The studies were completed by a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel, and they included all major segments of the Company’s direct, assumed, and ceded asbestos and environmental claims. As part of the internal reviews, potential exposures of certain policyholders were individually evaluated using the Company's proprietary stochastic model, which is consistent with published actuarial papers on 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, types of injury, state jurisdictions, legal defenses, and reinsurance potential. The remaining policyholders (those with less potential exposure) were evaluated using aggregate methods that utilized information and experience specific to these insureds. The studies resulted in an increase to reserves. Between comprehensive studies, the Company monitors asbestos and environmental activity to determine whether or not any adjustment to reserves is warranted.

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, 2011, 2010, 2009, 2008, and 2007:

**Asbestos:**

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| **Direct Basis** | | | | | |
| Beginning Reserves | $ 238,619,098 | $ 217,017,606 | $ 201,649,173 | $ 238,836,539 | $175,722,652 |
| Incurred losses and LAE | 29,825,119 | 18,401,096 | 70,858,121 | 9,915,652 | 55,732,365 |
| Calendar year payments | 51,426,610 | 33,769,530 | 33,670,755 | 73,029,540 | 40,234,203 |
| Ending Reserves | $ 217,017,606 | $ 201,649,173 | $ 238,836,539 | $ 175,722,652 | $191,220,814 |
| | | | | | |
| **Assumed Reinsurance Basis** | | | | | |
| Beginning Reserves | $ 70,106,688 | $ 91,364,459 | $ 86,499,393 | $ 61,911,712 | $61,613,965 |
| Incurred losses and LAE | 24,722,400 | (976,742) | (19,705,643) | 5,903,826 | 2,560,245 |
| Calendar year payments | 3,464,629 | 3,888,323 | 4,882,038 | 6,201,573 | 3,588,801 |
| Ending Reserves | $ 91,364,459 | $ 86,499,393 | $ 61,911,712 | $ 61,613,965 | $60,585,409 |

# NOTES TO FINANCIAL STATEMENTS

| | | | | | |
|---|---|---|---|---|---|
| **Net of Ceded Reinsurance Basis** | | | | | |
| Beginning Reserves | $ 115,715,869 | $ 102,856,200 | $ 85,057,023 | $ 114,406,239 | $74,425,737 |
| Incurred losses and LAE | 10,981,285 | 1,837,484 | 51,026,166 | (6,722,552) | 41,063,092 |
| Calendar year payments | 23,840,954 | 19,636,660 | 21,676,950 | 33,257,950 | 17,407,666 |
| Ending Reserves | $ 102,856,200 | $ 85,057,023 | $ 114,406,239 | $ 74,425,737 | $98,081,163 |

| | |
|---|---|
| **Ending Reserves for Bulk + IBNR included above (Loss & LAE)** | |
| Direct Basis | $113,015,031 |
| Assumed Reinsurance Basis | 46,666,260 |
| Net of Ceded Reinsurance Basis | $67,448,190 |
| **Ending Reserves for LAE included above (Case, Bulk & IBNR)** | |
| Direct Basis | $83,263,185 |
| Assumed Reinsurance Basis | 3,445,121 |
| Net of Ceded Reinsurance Basis | $44,904,397 |

| **Environmental:** | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| **Direct Basis** | | | | | |
| Beginning Reserves | $ 65,211,288 | $ 58,162,682 | $ 48,148,214 | $ 39,543,509 | $37,868,245 |
| Incurred losses and LAE | 758,673 | 881,996 | 3,631,816 | 5,087,923 | 7,996,380 |
| Calendar year payments | 7,807,279 | 10,896,464 | 12,236,520 | 6,763,187 | 7,592,134 |
| Ending Reserves | $ 58,162,682 | $ 48,148,214 | $ 39,543,509 | $ 37,868,245 | $38,272,492 |
| | | | | | |
| **Assumed Reinsurance Basis** | | | | | |
| Beginning Reserves | $ 6,185,179 | $ 5,270,321 | $ 5,255,573 | $ 6,804,948 | $5,253,694 |
| Incurred losses and LAE | 190,329 | 463,148 | 2,217,073 | (74,433) | 1,215,969 |
| Calendar year payments | 1,105,187 | 477,896 | 667,698 | 1,476,820 | 1,059,672 |
| Ending Reserves | $ 5,270,321 | $ 5,255,573 | $ 6,804,948 | $ 5,253,694 | $5,409,991 |
| | | | | | |
| **Net of Ceded Reinsurance Basis** | | | | | |
| Beginning Reserves | $ 51,002,210 | $ 46,909,033 | $ 40,194,738 | $ 34,016,770 | $29,816,720 |
| Incurred losses and LAE | 1,266,653 | (1,703) | (366) | (368,794) | 5,662,990 |
| Calendar year payments | 5,359,831 | 6,712,592 | 6,177,603 | 3,831,255 | 7,992,938 |
| Ending Reserves | $ 46,909,033 | $ 40,194,738 | $ 34,016,770 | $ 29,816,720 | $27,486,773 |

| | |
|---|---|
| **Ending Reserves for Bulk + IBNR included above (Loss & LAE)** | |
| Direct Basis | $24,557,424 |
| Assumed Reinsurance Basis | 3,534,139 |
| Net of Ceded Reinsurance Basis | $16,811,074 |
| **Ending Reserves for LAE included above (Case, Bulk & IBNR)** | |
| Direct Basis | $17,679,553 |
| Assumed Reinsurance Basis | 1,180,133 |
| Net of Ceded Reinsurance Basis | $10,136,362 |

**Note 34 - Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 35 - Multiple Peril Crop Insurance**

Not applicable

**Note 36 - Financial Guaranty Insurance**

Not applicable

# GENERAL INTERROGATORIES

## PART 1 – COMMON INTERROGATORIES

### GENERAL

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

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

1.3 State Regulating? Wisconsin

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

2.2 If yes, date of change:

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

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2009

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/25/2011

3.4 By what department or departments?
Wisconsin Department of Insurance

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

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

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

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

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

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

| 1<br>Name of Entity | 2<br>NAIC Company Code | 3<br>State of Domicile |
|---|---|---|
| | 00000 | |
| | 00000 | |
| | 00000 | |

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

# GENERAL INTERROGATORIES

6.2 If yes, give full information:

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

7.2 If yes,

7.21 State the percentage of foreign control. 0.00 %

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

| 1<br>Nationality | 2<br>Type of Entity |
|---|---|
| | |
| | |

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

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

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

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

| 1<br>Affiliate<br>Name | 2<br>Location<br>(City, State) | 3<br>FRB | 4<br>OCC | 5<br>OTS | 6<br>FDIC | 7<br>SEC |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | |

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young, LLP
200 Clarendon Street
Boston, MA 02116

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

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

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

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

# GENERAL INTERROGATORIES

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

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

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
William Finn
175 Berkeley Street, Boston, MA 02116
Officer of Liberty Mutual Group Inc.

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

| | | |
|---|---|---|
| 12.11 | Name of real estate holding company | St. James/Arlington Real Estate |
| 12.12 | Number of parcels involved | 2 |
| 12.13 | Total book/adjusted carrying value | $ 21,416,403 |

12.2 If yes, provide explanation:
Liberty Mutual Fire Insurance Company directly owns 5% of St. James/ Arlington Real Estate LP.

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

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

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

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

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

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

a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
c. Compliance with applicable governmental laws, rules, and regulations;
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
e. Accountability for adherence to the code. Yes [ X ] No [ ]

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

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

14.21 If the response to 14.2 is yes, provide information related to amendment(s).
In 2011, Code provisions were added for Registered Investment Adviser compliance, as a Liberty Mutual subsidiary obtained SEC approval as a Registered Investment Adviser. Several non-material Code changes were also made to clarify existing 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 with a NAIC rating of 3 or below? 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<br>American Bankers Association (ABA) Routing Number | 2<br>Issuing or Confirming Bank Name | 3<br>Circumstances That Can Trigger the Letter of Credit | 4<br>Amount |
|---|---|---|---|
| 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 ]

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

# GENERAL INTERROGATORIES

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

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

## INVESTMENT

24.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.3) Yes [ X ] No [ ]

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

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

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

24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. $ 54,453,386

24.6 If answer to 24.4 is no, report amount of collateral for other programs. $ 0

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

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

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

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 24.3). Yes [ X ] No [ ]

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

| | | |
|---|---|---|
| 25.21 | Subject to repurchase agreements | $ 0 |
| 25.22 | Subject to reverse repurchase agreements | $ 0 |
| 25.23 | Subject to dollar repurchase agreements | $ 0 |
| 25.24 | Subject to reverse dollar repurchase agreements | $ 0 |
| 25.25 | Pledged as collateral | $ 0 |
| 25.26 | Placed under option agreements | $ 0 |
| 25.27 | Letter stock or securities restricted as to sale | $ 0 |
| 25.28 | On deposit with state or other regulatory body | $ 243,334,234 |
| 25.29 | Other | $ 0 |

25.3 For category (25.27) provide the following:

| 1<br>Nature of Restriction | 2<br>Description | 3<br>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.

# GENERAL INTERROGATORIES

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<br>Name of Custodian(s) | 2<br>Custodian's Address |
|---|---|
| JP Morgan Chase | 1 Chase Manhattan Plaza, New York, NY 10005 |
| Royal Trust | 77 King Street West, Toronto, ON Canada M5W 1 P9 |
| Bank of New York | 601 Travis Street, Houston, TX 77002 |

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

| 1<br>Name(s) | 2<br>Location(s) | 3<br>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<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>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<br>Central Registration Depository Number(s) | 2<br>Name | 3<br>Address |
|---|---|---|
| N/A | Liberty Mutual Investment Advisors, LLC | 175 Berkeley Street, Boston, MA, 02116 |
| N/A | Liberty Mutual Group Asset Managemen | 175 Berkeley Street, Boston, MA, 02116 |
| N/A | Stancorp Mortgage Investors | 1100 SW Sixth Avenue, Portland, OR 97204 |

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 ]

29.2 If yes, complete the following schedule:

| 1<br>CUSIP # | 2<br>Name of Mutual Fund | 3<br>Book/Adjusted Carrying Value |
|---|---|---|
| | | 0 |
| | | 0 |
| | | 0 |
| 29.2999 TOTAL | | 0 |

# GENERAL INTERROGATORIES

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

| 1<br>Name of Mutual Fund<br>(from above table) | 2<br>Name of Significant Holding<br>of the Mutual Fund | 3<br>Amount of Mutual Fund's<br>Book/Adjusted Carrying Value<br>Attributable to the Holding | 4<br>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<br>Statement (Admitted)<br>Value | 2<br>Fair Value | 3<br>Excess of Statement<br>over Fair Value (-),<br>or Fair Value over<br>Statement (+) |
|---|---|---|---|
| 30.1 Bonds | 3,065,013,913 | 3,232,249,823 | 167,235,910 |
| 30.2 Preferred stocks | 18,718,548 | 18,773,234 | 54,686 |
| 30.3 Totals | 3,083,732,461 | 3,251,023,057 | 167,290,596 |

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

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<br>Name | 2<br>Amount Paid |
|---|---|
| | $ 0 |
| | $ 0 |
| | $ 0 |

34.1 Amount of payments for legal expenses, if any? $ 9,521,454

# GENERAL INTERROGATORIES

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<br>Name | 2<br>Amount Paid |
|---|---|
| | $ 0 |
| | $ 0 |
| | $ 0 |

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 248,442

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<br>Name | 2<br>Amount Paid |
|---|---|
| | $ 0 |
| | $ 0 |
| | $ 0 |

# GENERAL INTERROGATORIES

## PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

1.2 If yes, indicate premium earned on U.S. business only. $ 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<br>Current Year | 2<br>Prior Year |
|---|---|---|---|
| 2.1 | Premium Numerator | $ 153,804 | $ 277,755 |
| 2.2 | Premium Denominator | $ 1,407,625,896 | $ 1,335,890,697 |
| 2.3 | Premium Ratio (2.1/2.2) | 0.00 | 0.00 |
| 2.4 | Reserve Numerator | $ 608,722 | $ 664,424 |
| 2.5 | Reserve Denominator | $ 3,529,975,854 | $ 3,420,344,727 |
| 2.6 | Reserve Ratio (2.4/2.5) | 0.00 | 0.00 |

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

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

| | | |
|---|---|---|
| 3.21 | Participating policies | $ 5,739,747,040 |
| 3.22 | Non-participating policies | $ 70,754,202 |

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?

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 21C

# 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 21C

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 21C

6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [ X ] No [ ]

6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss

7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [ ] No [ X ]

7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 0

7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [ X ]

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

8.2 If yes, give full information

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

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [ ] No [ X ]

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

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

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

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

# GENERAL INTERROGATORIES

## PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [ X ] No [ ] N/A [ ]

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

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11 Unpaid losses $ 43,216,858
12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 13,991,592

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? $ 12,108,995

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

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

12.41 From 4.00 %
12.42 To 7.00 %

12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [ X ] No [ ]

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

12.61 Letters of Credit $ 915,539,424
12.62 Collateral and other funds $ 175,898,578

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 9,188,126

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

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

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

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
Premiums and recoverables were allocated pursuant to the intercompany pooling agreement.

14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [ ] No [ X ]

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

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

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

15.2 If yes, give full information

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

| | | 1<br>Direct Losses Incurred | 2<br>Direct Losses Unpaid | 3<br>Direct Written Premium | 4<br>Direct Premium Unearned | 5<br>Direct Premium Earned |
|---|---|---|---|---|---|---|
| 16.11 | Home | $ (3,953,175) | $ 5,712,164 | $ 787,448 | $ 896,875 | $ 787,448 |
| 16.12 | Products | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| 16.13 | Automobile | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| 16.14 | Other* | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |

* Disclose type of coverage:

# GENERAL INTERROGATORIES

## PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

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

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

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

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

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

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

# FIVE – YEAR HISTORICAL DATA

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

| | 1<br>2011 | 2<br>2010 | 3<br>2009 | 4<br>2008 | 5<br>2007 |
|---|---|---|---|---|---|
| **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) | 3,497,441,610 | 3,580,509,074 | 3,590,647,037 | 3,718,690,571 | 3,926,002,421 |
| 2. Property lines (Lines 1, 2, 9, 12, 21 & 26) | 1,930,850,590 | 1,889,538,771 | 2,010,912,616 | 1,993,882,355 | 2,004,950,580 |
| 3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | 1,817,468,665 | 1,810,596,040 | 1,804,217,748 | 1,730,228,776 | 1,707,461,220 |
| 4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | 7,552,196 | 6,240,766 | 9,919,017 | (7,207,304) | 36,159,337 |
| 5. Nonproportional reinsurance lines (Lines 31, 32 & 33) | 34,090,706 | 34,176,123 | 33,282,664 | 23,130,966 | 18,761,642 |
| 6. Total (Line 35) | 7,287,403,767 | 7,321,060,774 | 7,448,979,082 | 7,458,725,364 | 7,693,335,200 |
| **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) | 922,605,139 | 884,704,009 | 879,669,500 | 707,669,879 | 785,354,232 |
| 8. Property lines (Lines 1, 2, 9, 12, 21 & 26) | 259,214,236 | 212,319,062 | 276,270,576 | 183,338,000 | 183,855,128 |
| 9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | 259,273,868 | 228,453,431 | 209,918,385 | 172,343,529 | 197,164,058 |
| 10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | 1,718,576 | 1,601,488 | 1,898,466 | (15,828,295) | 29,822,829 |
| 11. Nonproportional reinsurance lines (Lines 31, 32 & 33) | 34,090,706 | 34,176,123 | 33,282,664 | 23,130,966 | 18,761,642 |
| 12. Total (Line 35) | 1,476,902,525 | 1,361,254,113 | 1,401,039,591 | 1,070,654,079 | 1,214,957,889 |
| **Statement of Income (Page 4)** | | | | | |
| 13. Net underwriting gain (loss) (Line 8) | (241,446,158) | (107,972,761) | (142,133,087) | (63,124,588) | (65,389,363) |
| 14. Net investment gain (loss) (Line 11) | 164,153,333 | 205,695,647 | 151,268,944 | 154,213,924 | 141,144,337 |
| 15. Total other income (Line 15) | (36,673,866) | (13,647,580) | (22,092,934) | (12,278,518) | (9,215,093) |
| 16. Dividends to policyholders (Line 17) | 5,247,666 | 8,120,272 | 2,984,835 | 2,679,073 | 6,977,259 |
| 17. Federal and foreign income taxes incurred (Line 19) | (19,792,091) | 8,838,227 | (608,129) | (25,866,829) | 9,189,847 |
| 18. Net income (Line 20) | (99,422,266) | 67,116,807 | (15,333,783) | 101,998,574 | 50,372,775 |
| **Balance Sheet Lines (Pages 2 and 3)** | | | | | |
| 19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3) | 4,876,778,437 | 4,825,276,385 | 4,590,131,975 | 3,569,946,982 | 3,565,128,451 |
| 20. Premiums and considerations (Page 2, Col. 3) | | | | | |
| 20.1 In course of collection (Line 15.1) | 154,279,760 | 135,020,259 | 153,215,375 | 124,587,991 | 106,169,541 |
| 20.2 Deferred and not yet due (Line 15.2) | 428,615,107 | 353,107,772 | 363,175,679 | 242,671,447 | 275,048,165 |
| 20.3 Accrued retrospective premiums (Line 15.3) | 52,848,135 | 73,887,870 | 56,725,740 | 47,917,537 | 51,079,004 |
| 21. Total liabilities excluding protected cell business (Page 3, Line 26) | 3,803,735,781 | 3,620,920,193 | 3,517,256,976 | 2,601,953,831 | 2,603,833,443 |
| 22. Losses (Page 3, Line 1 ) | 2,290,227,323 | 2,249,862,822 | 2,163,880,048 | 1,660,695,040 | 1,659,389,032 |
| 23. Loss adjustment expenses (Page 3, Line 3) | 474,690,945 | 450,887,864 | 437,777,667 | 324,963,843 | 338,953,051 |
| 24. Unearned premiums (Page 3, Line 9) | 657,670,302 | 612,231,039 | 566,403,363 | 437,433,448 | 484,675,823 |
| 25. Capital paid up (Page 3, Lines 30 & 31) | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| 26. Surplus as regards policyholders (Page 3, Line 37) | 1,073,042,656 | 1,204,356,192 | 1,072,874,999 | 967,993,151 | 961,295,008 |
| **Cash Flow (Page 5)** | | | | | |
| 27. Net cash from operations (Line 11) | (87,417,690) | 254,418,367 | 603,268,357 | 47,086,432 | 180,566,720 |
| **Risk-Based Capital Analysis** | | | | | |
| 28. Total adjusted capital | 1,081,476,656 | 1,211,788,687 | 1,079,605,217 | 974,300,833 | 968,354,122 |
| 29. Authorized control level risk-based capital | 236,072,173 | 219,990,980 | 239,615,136 | 194,652,242 | 191,184,380 |
| **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) | 76.2 | 76.4 | 71.9 | 66.0 | 71.0 |
| 31. Stocks (Lines 2.1 & 2.2) | 8.9 | 9.2 | 14.4 | 15.4 | 15.4 |
| 32. Mortgage loans on real estate (Lines 3.1 and 3.2) | 2.4 | 2.0 | 2.0 | 2.5 | 2.3 |
| 33. Real estate (Lines 4.1, 4.2 & 4.3) | | | | | |
| 34. Cash, cash equivalents and short-term investments (Line 5) | 1.4 | 3.2 | 5.5 | 7.3 | 3.7 |
| 35. Contract loans (Line 6) | | | | | |
| 36. Derivatives (Line 7) | | | XXX | XXX | XXX |
| 37. Other invested assets (Line 8) | 9.6 | 7.8 | 5.9 | 8.9 | 7.5 |
| 38. Receivables for securities (Line 9) | 0.1 | 0.2 | 0.2 | 0.1 | 0.2 |
| 39. Securities lending reinvested collateral assets (Line 10) | 1.4 | 1.2 | XXX | XXX | XXX |
| 40. Aggregate write-ins for invested assets (Line 11) | | | | | |
| 41. Cash, cash equivalents and invested assets (Line 12) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **Investments in Parent, Subsidiaries and Affiliates** | | | | | |
| 42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1) | | | | | |
| 43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1) | | | 24,312,264 | 24,312,264 | |
| 44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1) | 204,483,961 | 212,123,488 | 369,991,686 | 316,685,493 | 214,218,007 |
| 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 | 22,987,455 | 23,400,914 | 23,137,046 | 26,531,878 | 25,620,108 |
| 48. Total of above Lines 42 to 47 | 227,471,416 | 235,524,402 | 417,440,996 | 367,529,635 | 239,838,115 |
| 49. 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) | 21.2 | 19.6 | 38.9 | 38.0 | 24.9 |

# FIVE – YEAR HISTORICAL DATA
## (Continued)

| | | 1<br>2011 | 2<br>2010 | 3<br>2009 | 4<br>2008 | 5<br>2007 |
|---|---|---|---|---|---|---|
| | **Capital and Surplus Accounts (Page 4)** | | | | | |
| 50. | Net unrealized capital gains (losses) (Line 24) | (2,515,831) | 102,163,679 | 63,738,367 | (243,003,410) | 2,217,240 |
| 51. | Dividends to stockholders (Line 35) | (65,000,000) | (15,000,000) | (15,000,000) | | |
| 52. | Change in surplus as regards policyholders for the year (Line 38) | (131,313,536) | 131,481,193 | 104,881,848 | 6,698,143 | 47,764,493 |
| | **Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)** | | | | | |
| 53. | 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) | 2,626,488,900 | 2,396,253,988 | 2,062,366,481 | 2,496,216,598 | 2,337,127,553 |
| 54. | Property lines (Lines 1, 2, 9, 12, 21 & 26) | 1,014,348,654 | 967,872,358 | 1,129,670,727 | 990,204,294 | 1,007,871,398 |
| 55. | Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | 1,119,029,460 | 948,548,110 | 975,767,824 | 1,040,851,660 | 806,812,793 |
| 56. | All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | 883,193 | 2,125,725 | 410,383 | 11,287,934 | 3,422,622 |
| 57. | Nonproportional reinsurance lines (Lines 31, 32 & 33) | 14,163,712 | 24,615,133 | (4,293,205) | 8,827,470 | 10,724,488 |
| 58. | Total (Line 35) | 4,774,913,919 | 4,339,415,314 | 4,163,922,210 | 4,547,387,956 | 4,165,958,854 |
| | **Net Losses Paid (Page 9, Part 2, Col. 4)** | | | | | |
| 59. | 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) | 624,119,171 | 504,534,122 | 102,519,076 | 484,806,456 | 401,485,489 |
| 60. | Property lines (Lines 1, 2, 9, 12, 21 & 26) | 151,415,654 | 127,602,846 | 146,808,198 | 108,521,833 | 100,000,740 |
| 61. | Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | 158,044,556 | 131,020,070 | 105,966,265 | 132,135,513 | 89,124,148 |
| 62. | All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | 777,879 | 1,719,767 | (122,299) | 10,927,722 | 3,189,058 |
| 63. | Nonproportional reinsurance lines (Lines 31, 32 & 33) | 14,163,712 | 24,615,133 | (4,293,205) | 8,827,470 | 10,724,488 |
| 64. | Total (Line 35) | 948,520,972 | 789,491,938 | 350,878,035 | 745,218,994 | 604,523,923 |
| | **Operating Percentages (Page 4)**<br>(Item divided by Page 4, Line 1) x 100.0 | | | | | |
| 65. | Premiums earned (Line 1) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 66. | Losses incurred (Line 2) | 70.3 | 65.1 | 65.8 | 67.8 | 61.9 |
| 67. | Loss expenses incurred (Line 3) | 19.8 | 17.9 | 19.5 | 15.8 | 15.9 |
| 68. | Other underwriting expenses incurred (Line 4) | 27.1 | 25.1 | 25.8 | 22.1 | 27.8 |
| 69. | Net underwriting gain (loss) (Line 8) | (17.2) | (8.1) | (11.1) | (5.7) | (5.5) |
| | **Other Percentages** | | | | | |
| 70. | 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 | 28.3 | 25.6 | 25.2 | 24.1 | 27.7 |
| 71. | Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0) | 90.1 | 83.0 | 85.3 | 83.5 | 77.8 |
| 72. | 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) | 137.6 | 113.0 | 130.6 | 110.6 | 126.4 |
| | **One Year Loss Development (000 omitted)** | | | | | |
| 73. | Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11) | 67,537 | (15,345) | 31,108 | (33,312) | 31,239 |
| 74. | Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100.0) | 5.6 | (1.4) | 3.2 | (3.5) | 3.4 |
| | **Two Year Loss Development (000 omitted)** | | | | | |
| 75. | 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) | 33,566 | (14,232) | (6,480) | 23,775 | 112,836 |
| 76. | Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0) | 3.1 | (1.5) | (0.7) | 2.6 | 13.6 |

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 1 Direct and Assumed | 2 Ceded | 3 Net (Cols. 1–2) | Loss and Loss Expense Payments: Loss Payments 4 Direct and Assumed | 5 Ceded | Defense and Cost Containment Payments 6 Direct and Assumed | 7 Ceded | Adjusting and Other Payments 8 Direct and Assumed | 9 Ceded | 10 Salvage and Subrogation Received | 11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) | 12 Number of Claims Reported Direct and Assumed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior | X X X | X X X | X X X | 100,129 | 34,163 | 29,956 | 15,011 | 9,173 | 975 | 1,848 | 89,109 | X X X |
| 2. 2002 | 1,435,201 | 290,273 | 1,144,928 | 931,930 | 209,657 | 77,118 | 13,563 | 109,255 | 1,270 | 47,181 | 893,813 | X X X |
| 3. 2003 | 1,604,419 | 389,315 | 1,215,104 | 852,240 | 190,042 | 73,120 | 9,961 | 115,742 | 1,720 | 49,412 | 839,379 | X X X |
| 4. 2004 | 1,675,006 | 439,844 | 1,235,162 | 833,068 | 215,653 | 66,719 | 12,996 | 118,129 | 6,025 | 48,650 | 783,242 | X X X |
| 5. 2005 | 1,724,628 | 407,094 | 1,317,534 | 990,989 | 301,141 | 68,025 | 13,958 | 118,334 | 8,324 | 47,620 | 853,925 | X X X |
| 6. 2006 | 1,871,929 | 426,963 | 1,444,966 | 840,950 | 161,196 | 68,557 | 9,799 | 126,430 | 8,805 | 48,346 | 856,137 | X X X |
| 7. 2007 | 1,964,179 | 464,547 | 1,499,632 | 924,067 | 208,388 | 70,766 | 10,653 | 128,584 | 10,807 | 57,891 | 893,569 | X X X |
| 8. 2008 | 2,065,381 | 557,156 | 1,508,225 | 1,065,403 | 254,356 | 69,595 | 8,438 | 142,411 | 9,091 | 51,238 | 1,005,524 | X X X |
| 9. 2009 | 1,959,974 | 611,723 | 1,348,251 | 879,155 | 245,374 | 48,744 | 6,925 | 133,997 | 1,728 | 46,902 | 807,869 | X X X |
| 10. 2010 | 1,980,888 | 644,997 | 1,335,891 | 826,325 | 274,144 | 34,560 | 5,117 | 132,623 | 626 | 47,064 | 713,621 | X X X |
| 11. 2011 | 2,139,789 | 732,163 | 1,407,626 | 652,370 | 254,353 | 14,872 | 3,287 | 108,843 | 787 | 32,863 | 517,658 | X X X |
| 12. Totals | X X X | X X X | X X X | 8,896,626 | 2,348,467 | 622,032 | 109,708 | 1,243,521 | 50,158 | 479,015 | 8,253,846 | X X X |

| | Losses Unpaid: Case Basis 13 Direct and Assumed | 14 Ceded | Bulk + IBNR 15 Direct and Assumed | 16 Ceded | Defense and Cost Containment Unpaid: Case Basis 17 Direct and Assumed | 18 Ceded | Bulk + IBNR 19 Direct and Assumed | 20 Ceded | Adjusting and Other Unpaid 21 Direct and Assumed | 22 Ceded | 23 Salvage and Subrogation Anticipated | 24 Total Net Losses and Expenses Unpaid | 25 Number of Claims Outstanding Direct and Assumed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior | 612,488 | 199,834 | 259,733 | 181,900 | 40,758 | 33,541 | 123,802 | 41,821 | 15,805 | 39 | 6,650 | 595,451 | X X X |
| 2. 2002 | 39,061 | 25,477 | 28,835 | 24,913 | 810 | 314 | 4,969 | 1,392 | 393 | 72 | 692 | 21,900 | X X X |
| 3. 2003 | 33,916 | 15,457 | 57,533 | 23,462 | 805 | 229 | 5,807 | 1,434 | 455 | 1 | 992 | 57,933 | X X X |
| 4. 2004 | 37,259 | 13,647 | 66,533 | 18,668 | 1,347 | 320 | 12,082 | 1,347 | 422 | 70 | 1,302 | 83,591 | X X X |
| 5. 2005 | 44,448 | 16,793 | 68,859 | 27,362 | 1,547 | 527 | 10,329 | 1,973 | 928 | 442 | 1,595 | 79,014 | X X X |
| 6. 2006 | 57,361 | 17,460 | 87,628 | 26,182 | 2,383 | 865 | 13,595 | 3,235 | 763 | 12 | 2,644 | 113,976 | X X X |
| 7. 2007 | 79,529 | 17,188 | 100,870 | 27,064 | 4,335 | 1,396 | 23,499 | 4,050 | 2,597 | 14 | 3,734 | 161,118 | X X X |
| 8. 2008 | 119,483 | 24,290 | 139,400 | 39,777 | 6,276 | 1,763 | 42,091 | 8,107 | 8,932 | 1,301 | 4,732 | 240,944 | X X X |
| 9. 2009 | 135,812 | 18,040 | 193,662 | 51,967 | 6,790 | 1,354 | 57,191 | 10,630 | 12,046 | 464 | 6,450 | 323,046 | X X X |
| 10. 2010 | 180,349 | 31,839 | 250,721 | 51,299 | 8,082 | 1,404 | 55,257 | 8,339 | 19,457 | 752 | 8,787 | 420,233 | X X X |
| 11. 2011 | 240,869 | 38,934 | 478,026 | 130,597 | 7,695 | 1,277 | 73,221 | 11,490 | 50,839 | 640 | 27,830 | 667,712 | X X X |
| 12. Totals | 1,580,575 | 418,959 | 1,731,800 | 603,191 | 80,828 | 42,990 | 421,843 | 93,818 | 112,637 | 3,807 | 65,408 | 2,764,918 | X X X |

| | Total Losses and Loss Expenses Incurred 26 Direct and Assumed | 27 Ceded | 28 Net | Loss and Loss Expense Percentage (Incurred/Premiums Earned) 29 Direct and Assumed | 30 Ceded | 31 Net | Nontabular Discount 32 Loss | 33 Loss Expense | 34 Inter-Company Pooling Participation Percentage | Net Balance Sheet Reserves After Discount 35 Losses Unpaid | 36 Loss Expenses Unpaid |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior | X X X | X X X | X X X | X X X | X X X | X X X | | | X X X | 490,487 | 104,964 |
| 2. 2002 | 1,192,371 | 276,658 | 915,713 | 83.080 | 95.310 | 79.980 | | | 12.900 | 17,506 | 4,394 |
| 3. 2003 | 1,139,618 | 242,306 | 897,312 | 71.030 | 62.239 | 73.847 | | | 12.900 | 52,530 | 5,403 |
| 4. 2004 | 1,135,559 | 268,726 | 866,833 | 67.794 | 61.096 | 70.180 | | | 12.900 | 71,477 | 12,114 |
| 5. 2005 | 1,303,459 | 370,520 | 932,939 | 75.579 | 91.016 | 70.809 | | | 12.900 | 69,152 | 9,862 |
| 6. 2006 | 1,197,667 | 227,554 | 970,113 | 63.980 | 53.296 | 67.137 | | | 12.900 | 101,347 | 12,629 |
| 7. 2007 | 1,334,247 | 279,560 | 1,054,687 | 67.929 | 60.179 | 70.330 | | | 12.900 | 136,147 | 24,971 |
| 8. 2008 | 1,593,591 | 347,123 | 1,246,468 | 77.157 | 62.303 | 82.645 | | | 12.900 | 194,816 | 46,128 |
| 9. 2009 | 1,467,397 | 336,482 | 1,130,915 | 74.868 | 55.006 | 83.880 | | | 12.900 | 259,467 | 63,579 |
| 10. 2010 | 1,507,374 | 373,520 | 1,133,854 | 76.096 | 57.910 | 84.876 | | | 12.900 | 347,932 | 72,301 |
| 11. 2011 | 1,626,735 | 441,365 | 1,185,370 | 76.023 | 60.282 | 84.211 | | | 12.900 | 549,364 | 118,348 |
| 12. Totals | X X X | X X X | X X X | X X X | X X X | X X X | | | X X X | 2,290,225 | 474,693 |

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<br>2002 | 2<br>2003 | 3<br>2004 | 4<br>2005 | 5<br>2006 | 6<br>2007 | 7<br>2008 | 8<br>2009 | 9<br>2010 | 10<br>2011 | 11<br>One Year | 12<br>Two Year |
| 1. Prior | 1,607,026 | 1,734,413 | 1,863,395 | 1,989,175 | 2,063,100 | 2,152,584 | 2,148,317 | 2,203,172 | 2,197,624 | 2,250,606 | 52,982 | 47,434 |
| 2. 2002 | 799,680 | 756,340 | 756,827 | 782,729 | 797,847 | 803,583 | 807,771 | 807,231 | 809,368 | 811,531 | 2,163 | 4,300 |
| 3. 2003 | X X X | 836,952 | 752,109 | 730,760 | 773,120 | 784,730 | 784,277 | 788,971 | 789,256 | 788,280 | (976) | (691) |
| 4. 2004 | X X X | X X X | 840,205 | 779,881 | 758,522 | 762,752 | 761,054 | 759,741 | 763,993 | 761,950 | (2,043) | 2,209 |
| 5. 2005 | X X X | X X X | X X X | 914,444 | 870,133 | 847,339 | 834,803 | 834,709 | 832,029 | 831,085 | (944) | (3,624) |
| 6. 2006 | X X X | X X X | X X X | X X X | 934,563 | 892,819 | 875,311 | 871,661 | 864,136 | 861,410 | (2,726) | (10,251) |
| 7. 2007 | X X X | X X X | X X X | X X X | X X X | 998,746 | 975,011 | 950,180 | 947,826 | 942,799 | (5,027) | (7,381) |
| 8. 2008 | X X X | X X X | X X X | X X X | X X X | X X X | 1,140,565 | 1,131,050 | 1,108,635 | 1,118,409 | 9,774 | (12,641) |
| 9. 2009 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 982,611 | 1,001,104 | 996,822 | (4,282) | 14,211 |
| 10. 2010 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 976,621 | 995,237 | 18,616 | X X X |
| 11. 2011 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 1,038,445 | X X X | X X X |
| | | | | | | | | | | 12. Totals | 67,537 | 33,566 |

# 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<br>2002 | 2<br>2003 | 3<br>2004 | 4<br>2005 | 5<br>2006 | 6<br>2007 | 7<br>2008 | 8<br>2009 | 9<br>2010 | 10<br>2011 | Number of Claims Closed With Loss Payment | Number of Claims Closed Without Loss Payment |
| 1. Prior | 000 | 370,878 | 675,639 | 881,546 | 1,036,570 | 1,175,298 | 1,296,974 | 1,397,084 | 1,502,494 | 1,583,405 | X X X | X X X |
| 2. 2002 | 339,851 | 524,737 | 632,386 | 686,213 | 730,627 | 751,105 | 765,045 | 773,731 | 780,084 | 785,827 | X X X | X X X |
| 3. 2003 | X X X | 316,019 | 482,351 | 565,071 | 624,441 | 664,989 | 689,785 | 707,228 | 717,833 | 725,357 | X X X | X X X |
| 4. 2004 | X X X | X X X | 288,613 | 445,766 | 521,060 | 581,355 | 621,338 | 646,285 | 661,582 | 671,138 | X X X | X X X |
| 5. 2005 | X X X | X X X | X X X | 332,867 | 511,839 | 602,064 | 662,285 | 703,147 | 729,038 | 743,916 | X X X | X X X |
| 6. 2006 | X X X | X X X | X X X | X X X | 324,965 | 500,722 | 599,850 | 667,102 | 710,993 | 738,512 | X X X | X X X |
| 7. 2007 | X X X | X X X | X X X | X X X | X X X | 334,036 | 537,408 | 647,312 | 723,284 | 775,792 | X X X | X X X |
| 8. 2008 | X X X | X X X | X X X | X X X | X X X | X X X | 408,409 | 653,327 | 781,075 | 872,204 | X X X | X X X |
| 9. 2009 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 349,129 | 558,461 | 675,600 | X X X | X X X |
| 10. 2010 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 357,893 | 581,624 | X X X | X X X |
| 11. 2011 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 409,602 | X X X | X X X |

# 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<br>2002 | 2<br>2003 | 3<br>2004 | 4<br>2005 | 5<br>2006 | 6<br>2007 | 7<br>2008 | 8<br>2009 | 9<br>2010 | 10<br>2011 |
| 1. Prior | 388,425 | 287,076 | 227,384 | 252,517 | 253,426 | 268,484 | 217,150 | 242,607 | 157,698 | 180,551 |
| 2. 2002 | 243,466 | 96,149 | 43,385 | 32,719 | 25,240 | 21,872 | 16,568 | 13,307 | 10,713 | 8,956 |
| 3. 2003 | X X X | 349,249 | 143,566 | 65,653 | 75,598 | 70,009 | 57,899 | 52,149 | 45,493 | 41,334 |
| 4. 2004 | X X X | X X X | 385,464 | 215,071 | 143,386 | 111,010 | 90,039 | 75,244 | 69,042 | 63,296 |
| 5. 2005 | X X X | X X X | X X X | 412,797 | 224,146 | 148,806 | 104,407 | 81,484 | 63,567 | 56,100 |
| 6. 2006 | X X X | X X X | X X X | X X X | 430,244 | 252,636 | 169,651 | 125,147 | 94,800 | 78,072 |
| 7. 2007 | X X X | X X X | X X X | X X X | X X X | 459,392 | 280,188 | 183,156 | 132,879 | 99,058 |
| 8. 2008 | X X X | X X X | X X X | X X X | X X X | X X X | 480,577 | 292,377 | 194,211 | 144,127 |
| 9. 2009 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 436,275 | 283,401 | 195,702 |
| 10. 2010 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 424,202 | 256,869 |
| 11. 2011 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 419,972 |

# SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

## Allocated By States and Territories

| States, Etc. | | 1<br>Active Status | Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken<br>2<br>Direct Premiums Written | 3<br>Direct Premiums Earned | 4<br>Dividends Paid or Credited to Policyholders on Direct Business | 5<br>Direct Losses Paid (Deducting Salvage) | 6<br>Direct Losses Incurred | 7<br>Direct Losses Unpaid | 8<br>Finance and Service Charges Not Included in Premiums | 9<br>Direct Premium Written for Federal Purchasing Groups (Included in Col. 2) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. Alabama | AL | L | 64,928,456 | 64,892,817 | 4,286 | 66,057,196 | 70,102,214 | 72,506,756 | 178,252 | |
| 2. Alaska | AK | L | 5,807,883 | 5,163,129 | (12,349) | 2,360,277 | 1,796,380 | 11,037,800 | 7,509 | |
| 3. Arizona | AZ | L | 84,602,306 | 93,805,929 | 21,544 | 73,394,088 | 47,405,843 | 71,388,283 | 294,921 | |
| 4. Arkansas | AR | L | 23,275,292 | 23,412,934 | (14,097) | 16,057,202 | 15,423,409 | 28,991,368 | 38,058 | |
| 5. California | CA | L | 616,102,145 | 585,449,249 | 874,845 | 359,299,252 | 336,178,537 | 693,960,620 | 2,484,681 | |
| 6. Colorado | CO | L | 74,425,693 | 80,488,879 | (9,113) | 52,354,771 | 46,798,115 | 71,843,051 | 273,670 | |
| 7. Connecticut | CT | L | 202,890,949 | 210,598,906 | (78,157) | 171,643,268 | 176,516,453 | 196,954,213 | 1,177,416 | |
| 8. Delaware | DE | L | 75,725,606 | 76,433,562 | (8,659) | 43,436,146 | 35,589,336 | 48,870,246 | 306,044 | |
| 9. District of Columbia | DC | L | 16,286,678 | 14,452,161 | (20,711) | 8,792,459 | 7,797,757 | 17,386,114 | 48,056 | |
| 10. Florida | FL | L | 270,944,317 | 282,819,915 | 231,336 | 187,775,713 | 120,514,828 | 343,314,452 | 1,884,871 | |
| 11. Georgia | GA | L | 244,626,885 | 243,633,280 | (34,574) | 164,217,237 | 152,561,325 | 162,135,977 | 789,867 | |
| 12. Hawaii | HI | L | 45,919,891 | 45,179,318 | (588) | 21,475,944 | 18,240,810 | 27,317,603 | 220,337 | |
| 13. Idaho | ID | L | 21,960,884 | 21,944,545 | 960 | 10,392,658 | 9,516,186 | 9,168,785 | 82,570 | |
| 14. Illinois | IL | L | 182,206,758 | 186,246,024 | 60,253 | 130,474,463 | 113,050,022 | 220,299,667 | 662,513 | |
| 15. Indiana | IN | L | 86,255,878 | 82,123,434 | (8,841) | 49,747,036 | 44,495,543 | 73,468,348 | 345,753 | |
| 16. Iowa | IA | L | 14,635,879 | 15,416,734 | 8,865 | 13,141,304 | 10,312,567 | 33,001,739 | 29,528 | |
| 17. Kansas | KS | L | 37,347,955 | 36,073,757 | (5,376) | 30,332,504 | 35,364,934 | 40,623,936 | 97,743 | |
| 18. Kentucky | KY | L | 81,878,521 | 82,933,151 | 872 | 50,001,925 | 46,014,919 | 88,112,635 | 365,599 | |
| 19. Louisiana | LA | L | 155,524,914 | 155,542,485 | 677 | 75,926,335 | 62,921,656 | 121,103,263 | 377,377 | |
| 20. Maine | ME | L | 55,232,374 | 55,647,417 | (5,021) | 31,078,488 | 25,033,216 | 35,509,002 | 465,806 | |
| 21. Maryland | MD | L | 151,775,049 | 154,240,841 | (48,113) | 104,322,603 | 105,661,377 | 134,045,197 | 724,546 | |
| 22. Massachusetts | MA | L | 177,123,607 | 171,875,892 | 2,714 | 93,951,125 | 98,657,526 | 158,394,132 | 757,083 | |
| 23. Michigan | MI | L | 188,696,660 | 180,167,596 | (29,165) | 108,456,610 | 142,974,347 | 282,803,077 | 708,251 | |
| 24. Minnesota | MN | L | 98,610,167 | 99,731,926 | 876 | 62,745,072 | 51,569,179 | 130,714,880 | 320,101 | |
| 25. Mississippi | MS | L | 20,844,669 | 18,701,893 | (14,687) | 11,160,370 | 7,132,465 | 23,362,710 | 38,394 | |
| 26. Missouri | MO | L | 91,898,332 | 89,098,801 | (26,309) | 68,960,269 | 87,894,844 | 105,363,703 | 275,964 | |
| 27. Montana | MT | L | 12,753,495 | 12,454,927 | 3,556 | 8,461,445 | 6,440,407 | 21,607,594 | 45,063 | |
| 28. Nebraska | NE | L | 15,996,168 | 15,664,052 | 868 | 14,381,675 | 10,148,183 | 25,828,890 | 43,870 | |
| 29. Nevada | NV | L | 61,001,895 | 64,073,906 | 1,862 | 38,418,022 | 35,794,572 | 52,829,887 | 222,001 | |
| 30. New Hampshire | NH | L | 72,149,774 | 75,148,272 | 184,332 | 49,158,170 | 42,072,619 | 54,340,957 | 492,873 | |
| 31. New Jersey | NJ | L | 407,721,740 | 415,002,445 | (59,116) | 317,887,237 | 312,443,710 | 493,386,934 | 3,427,809 | |
| 32. New Mexico | NM | L | 31,148,042 | 30,473,266 | (1,264) | 19,273,702 | 15,717,128 | 21,048,874 | 96,153 | |
| 33. New York | NY | L | 781,976,938 | 763,119,008 | (20,981) | 504,734,321 | 511,271,600 | 835,227,551 | 5,236,606 | |
| 34. North Carolina | NC | L | 76,504,046 | 70,027,343 | 30 | 70,826,202 | 53,698,822 | 115,028,916 | 138,754 | |
| 35. North Dakota | ND | L | 2,589,867 | 2,629,813 | 101 | 508,953 | 1,603,390 | 3,262,620 | 4,622 | |
| 36. Ohio | OH | L | 142,651,845 | 145,661,767 | (14,617) | 84,039,020 | 77,921,711 | 68,693,069 | 869,355 | |
| 37. Oklahoma | OK | L | 91,504,173 | 88,907,509 | (18,094) | 63,582,757 | 57,404,153 | 67,254,986 | 261,303 | |
| 38. Oregon | OR | L | 52,465,424 | 53,196,020 | 21,785 | 29,125,804 | 26,774,478 | 42,304,584 | 250,754 | |
| 39. Pennsylvania | PA | L | 185,497,404 | 206,527,032 | (129,542) | 131,217,246 | 122,078,089 | 312,876,448 | 1,247,981 | |
| 40. Rhode Island | RI | L | 53,687,330 | 53,102,221 | 82,922 | 32,176,789 | 29,525,400 | 39,939,937 | 306,627 | |
| 41. South Carolina | SC | L | 73,876,971 | 75,817,452 | (7,075) | 53,783,681 | 44,131,843 | 62,632,304 | 282,980 | |
| 42. South Dakota | SD | L | 3,867,513 | 3,239,852 | 76 | 3,295,031 | 3,747,136 | 7,698,274 | 8,485 | |
| 43. Tennessee | TN | L | 100,431,561 | 96,371,735 | 1,072 | 95,255,842 | 92,227,524 | 145,041,815 | 403,752 | |
| 44. Texas | TX | L | 188,439,994 | 168,746,179 | 1,397,938 | 96,281,806 | 116,449,041 | 403,506,693 | 140,055 | |
| 45. Utah | UT | L | 43,385,959 | 45,060,756 | 5,287 | 22,981,665 | 23,860,322 | 33,828,291 | 146,791 | |
| 46. Vermont | VT | L | 24,572,650 | 23,909,485 | 8,284 | 10,881,718 | 12,571,495 | 17,429,069 | 135,368 | |
| 47. Virginia | VA | L | 67,883,838 | 67,081,906 | (4,180) | 38,951,595 | 42,058,112 | 79,022,710 | 290,303 | |
| 48. Washington | WA | L | 109,570,376 | 104,837,831 | (91,593) | 50,256,755 | 43,875,253 | 40,370,062 | 348,918 | |
| 49. West Virginia | WV | L | 34,691,860 | 35,067,729 | 1,268 | 20,128,619 | 19,579,583 | 15,291,873 | 170,308 | |
| 50. Wisconsin | WI | L | 81,102,619 | 83,275,614 | 450,048 | 59,005,190 | 65,002,162 | 105,685,176 | 264,022 | |
| 51. Wyoming | WY | L | 3,745,331 | 3,980,768 | 89 | 2,482,746 | 3,553,668 | 3,361,577 | 9,700 | |
| 52. American Samoa | AS | N | | | | | | | | |
| 53. Guam | GU | N | | 1 | | | (1) | 1 | | |
| 54. Puerto Rico | PR | L | 1,912,875 | 1,904,771 | (29) | 120,867 | 31,400 | 909,977 | | |
| 55. U.S. Virgin Islands | VI | N | 61 | | | | (421) | 330 | | |
| 56. Northern Mariana Islands | MP | N | | | | | | | | |
| 57. Canada | CN | N | | | | 7 | (19) | 53 | | |
| 58. Aggregate Other Alien | OT | XXX | (156,254) | (48,658) | (1,860) | 1,621,779 | 1,947,672 | 12,011,023 | | |
| 59. Totals | | (a) 52 | 5,810,501,243 | 5,781,307,577 | 2,702,635 | 3,826,392,959 | 3,641,452,820 | 6,282,098,032 | 27,799,363 | |

| DETAILS OF WRITE-INS | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 5801. Other Alien | XXX | (156,254) | (48,658) | (1,860) | 1,621,779 | 1,947,672 | 12,011,023 | | |
| 5802. | XXX | | | | | | | | |
| 5803. | XXX | | | | | | | | |
| 5898. Summary of remaining write-ins for Line 58 from overflow page | XXX | | | | | | | | |
| 5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above) | XXX | (156,254) | (48,658) | (1,860) | 1,621,779 | 1,947,672 | 12,011,023 | | |

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

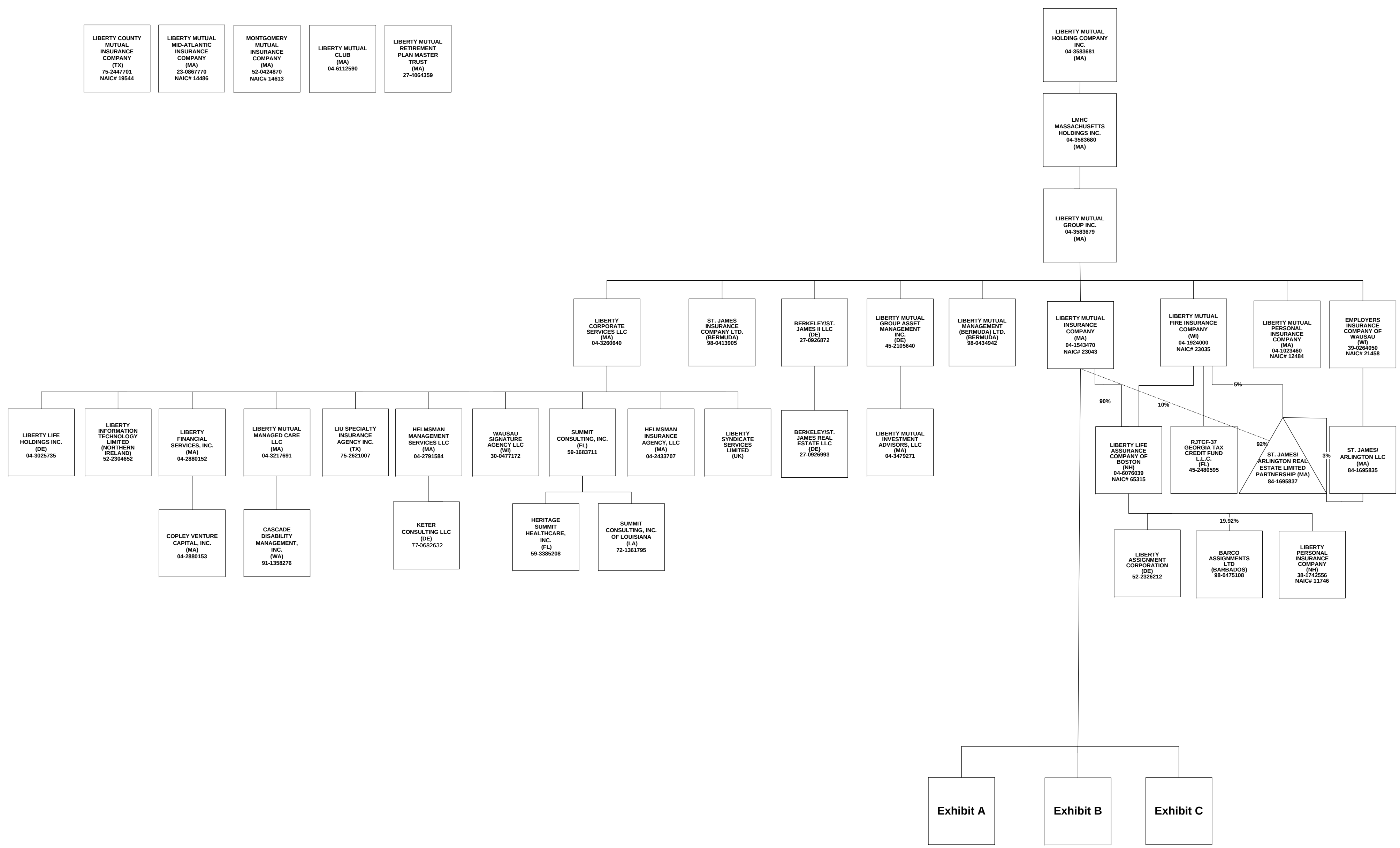
### Explanation of basis of allocation of premiums by states, etc.

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

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

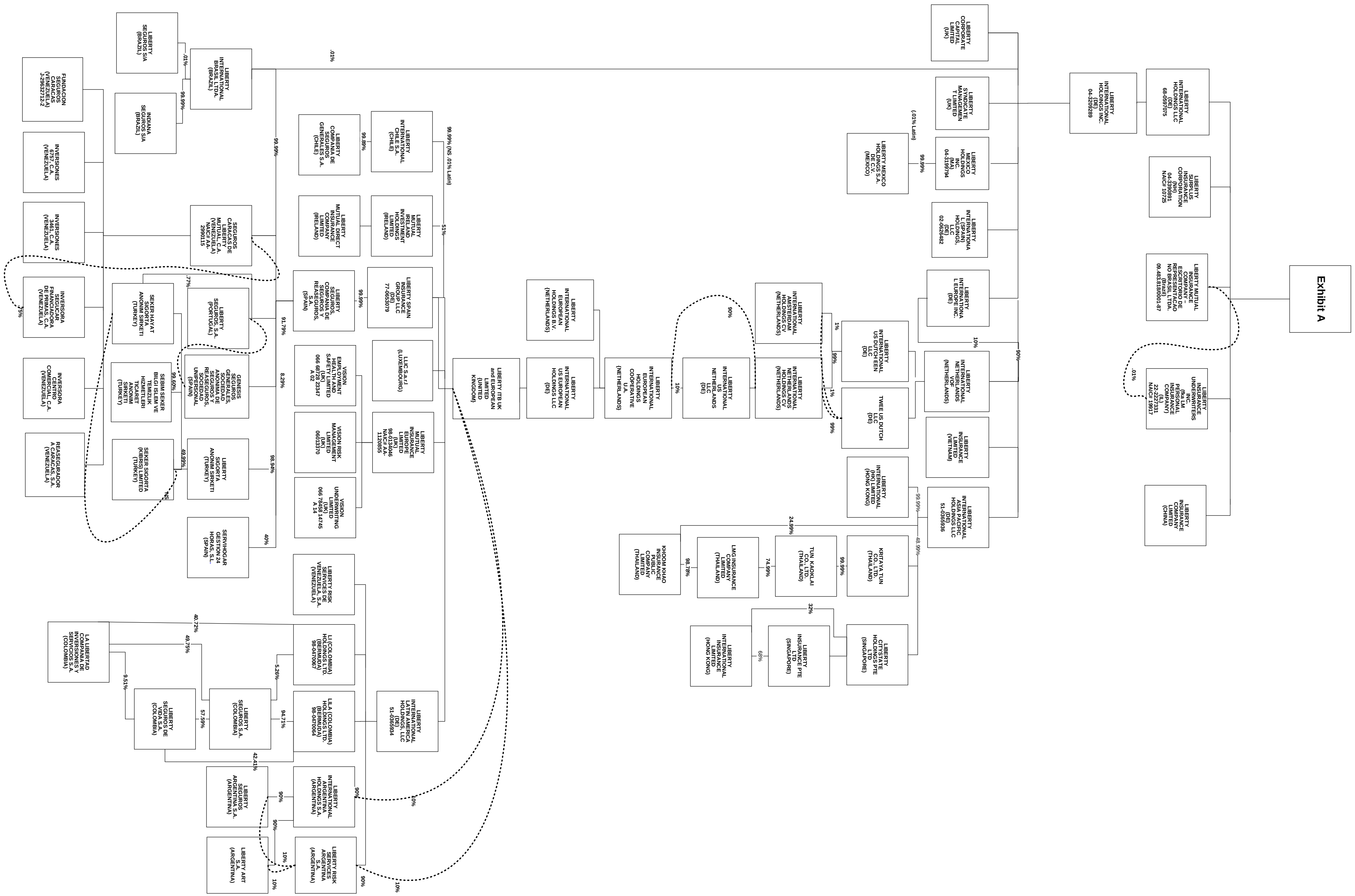
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



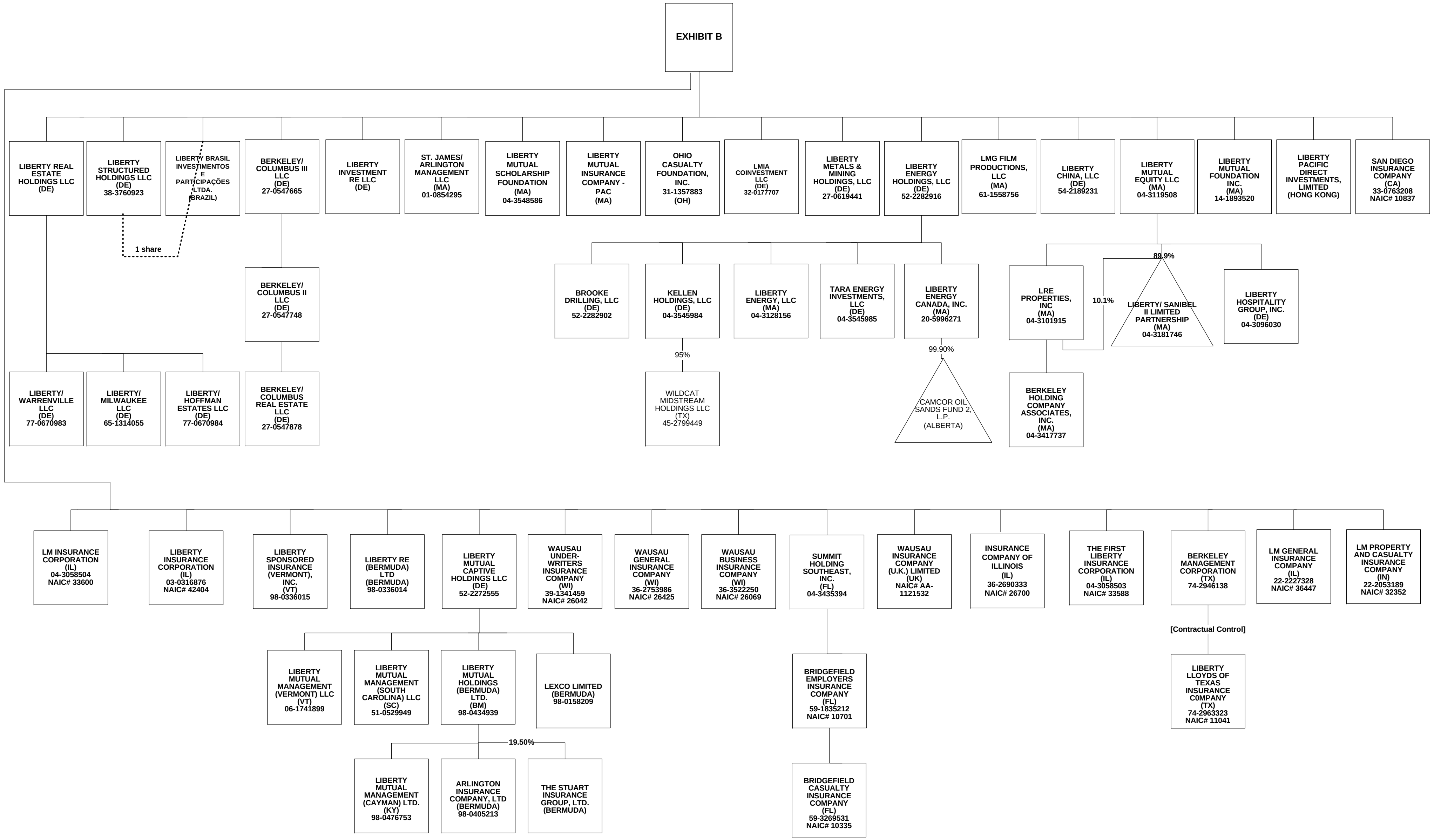
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



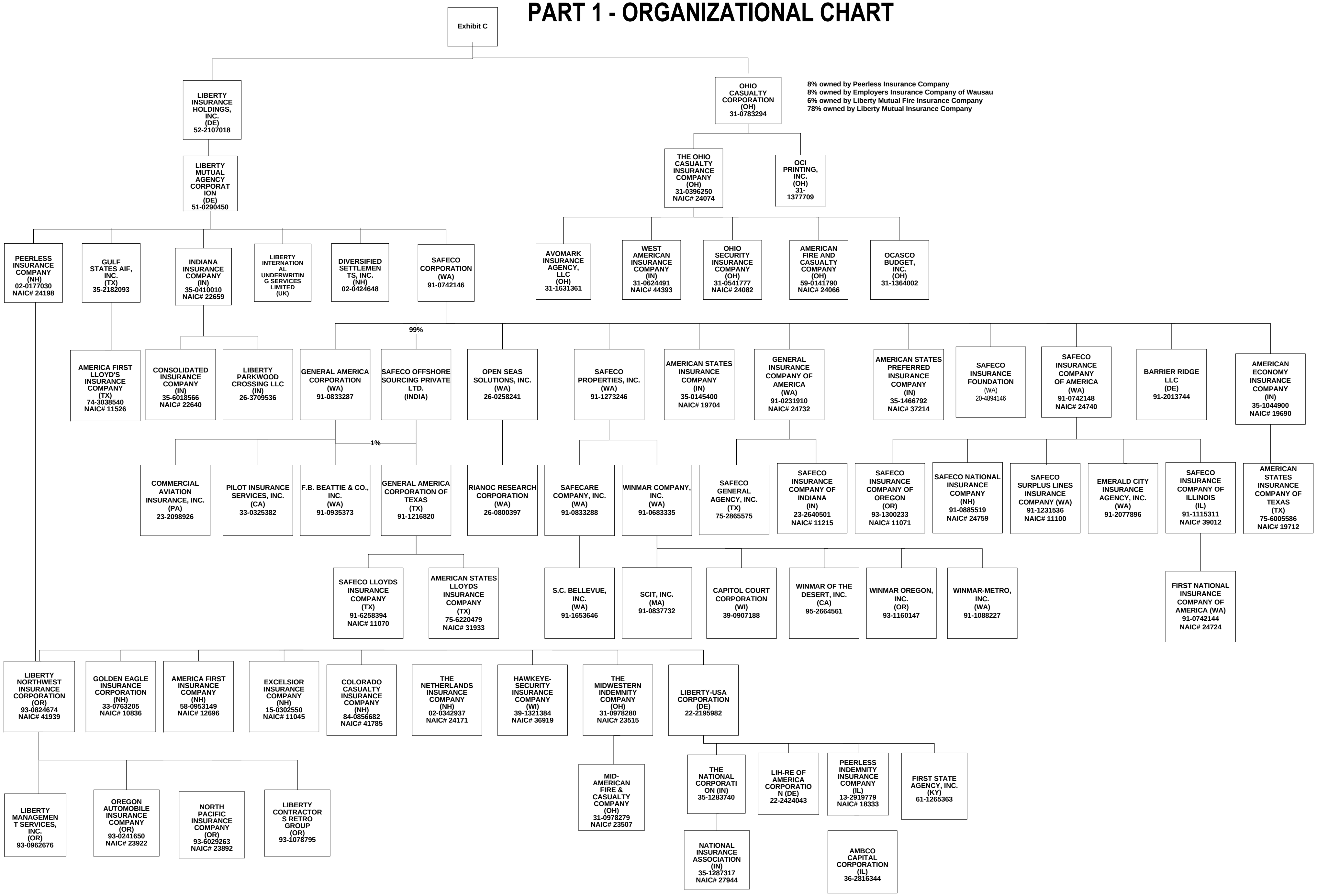
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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

## PART 1 - ORGANIZATIONAL CHART



# OVERFLOW PAGE FOR WRITE-INS

## Page 2 - Continuation

| | Current Year | | | Prior Year |
|---|---|---|---|---|
| | 1 | 2 | 3 | 4 |
| REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS | Assets | Nonadmitted Assets | Net Admitted Assets (Cols. 1 - 2) | Net Admitted Assets |
| 2504. Other assets | 5,520,390 | 4,601,038 | 919,352 | 663,793 |
| 2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598) | 5,520,390 | 4,601,038 | 919,352 | 663,793 |

# OVERFLOW PAGE FOR WRITE-INS

## Page 3 - Continuation

| REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES | 1<br>Current Year | 2<br>Prior Year |
|---|---|---|
| 2504. Retroactive reinsurance reserves | (170,001,072) | (268,467,697) |
| 2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598) | (170,001,072) | (268,467,697) |

# ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

# ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT