

ANNUAL STATEMENT

OF THE

LIBERTY MUTUAL INSURANCE COMPANY

of **BOSTON**

in the state of **MASSACHUSETTS**

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2011

PROPERTY AND CASUALTY

2011



ANNUAL STATEMENT

For the Year Ended December 31, 2011
OF THE CONDITION AND AFFAIRS OF THE

Liberty Mutual Insurance Company

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

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

Country of Domicile United States of America

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

Statutory Home Office 175 Berkeley Street, Boston, MA 02116

Main Administrative Office 175 Berkeley Street, Boston, MA 02116

617-357-9500 (Area Code) (Telephone Number)

Mail Address 175 Berkeley Street, Boston, MA 02116

Primary Location of Books and Records 175 Berkeley Street, Boston, MA 02116

Internet Web Site Address www.LibertyMutualGroup.com

Statutory Statement Contact Pamela Heenan, 617-357-9500 x44689

OFFICERS

Chairman of the Board

David Henry Long

Table with 2 columns: Name, Title. Rows include David Henry Long (President and Chief Executive Officer), Dexter Robert Legg (Vice President & Secretary), and Laurance Henry Soyer Yahia (Vice President & Treasurer).

VICE-PRESIDENTS

Table with 4 columns: Name, Title, Name, Title. Lists various vice-presidents and their roles such as Executive Vice President, SVP & Chief Investment Officer, etc.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Lists directors or trustees and their titles.

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) David Henry Long, (Signature) Dexter Robert Legg, (Signature) Laurance Henry Soyer Yahia
(Printed Name) 1. President and Chief Executive Officer, (Printed Name) 2. Vice President & Secretary, (Printed Name) 3. 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 | | | Prior Year |
|---|----------------|--------------------|-----------------------------------|---------------------|
| | 1 | 2 | 3 | 4 |
| | Assets | Nonadmitted Assets | Net Admitted Assets (Cols. 1 - 2) | Net Admitted Assets |
| 1. Bonds (Schedule D) | 12,704,944,426 | | 12,704,944,426 | 13,198,563,100 |
| 2. Stocks (Schedule D): | | | | |
| 2.1 Preferred stocks | 225,943,300 | | 225,943,300 | 299,237,663 |
| 2.2 Common stocks | 7,990,194,575 | | 7,990,194,575 | 8,111,092,426 |
| 3. Mortgage loans on real estate (Schedule B): | | | | |
| 3.1 First liens | 463,188,539 | | 463,188,539 | 493,521,190 |
| 3.2 Other than first liens | | | | |
| 4. Real estate (Schedule A): | | | | |
| 4.1 Properties occupied by the company (less \$ 0 encumbrances) | 267,510,494 | | 267,510,494 | 279,983,650 |
| 4.2 Properties held for the production of income (less \$ 0 encumbrances) | 910,112 | | 910,112 | 914,275 |
| 4.3 Properties held for sale (less \$ 0 encumbrances) | | | | |
| 5. Cash (\$ 205,159,554, Schedule E - Part 1), cash equivalents (\$ 8,954,474, Schedule E - Part 2), and short-term investments (\$ 482,492,811, Schedule DA) | 696,606,839 | | 696,606,839 | 795,278,733 |
| 6. Contract loans (including \$ 0 premium notes) | | | | |
| 7. Derivatives (Schedule DB) | | | | |
| 8. Other invested assets (Schedule BA) | 8,392,542,408 | | 8,392,542,408 | 6,758,033,907 |
| 9. Receivables for securities | 18,566,572 | | 18,566,572 | 9,300,198 |
| 10. Securities lending reinvested collateral assets (Schedule DL) | 233,928,740 | | 233,928,740 | 289,069,769 |
| 11. Aggregate write-ins for invested assets | | | | |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 30,994,336,005 | | 30,994,336,005 | 30,234,994,911 |
| 13. Title plants less \$ 0 charged off (for Title insurers only) | | | | |
| 14. Investment income due and accrued | 151,164,670 | | 151,164,670 | 156,129,412 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | 1,012,747,535 | 28,179,231 | 984,568,304 | 857,311,095 |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums) | 1,904,744,937 | 384,092 | 1,904,360,845 | 1,691,459,111 |
| 15.3 Accrued retrospective premiums | 336,120,559 | 33,780,067 | 302,340,492 | 422,707,343 |
| 16. Reinsurance: | | | | |
| 16.1 Amounts recoverable from reinsurers | 768,050,054 | | 768,050,054 | 774,154,615 |
| 16.2 Funds held by or deposited with reinsured companies | 5,704,373 | | 5,704,373 | 12,905,748 |
| 16.3 Other amounts receivable under reinsurance contracts | | | | |
| 17. Amounts receivable relating to uninsured plans | 29,749 | 8,835 | 20,914 | 43,304 |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | | | | 234,417,174 |
| 18.2 Net deferred tax asset | 1,343,649,000 | 371,946,406 | 971,702,594 | 977,399,673 |
| 19. Guaranty funds receivable or on deposit | 15,125,437 | | 15,125,437 | 22,474,410 |
| 20. Electronic data processing equipment and software | 497,064,030 | 398,814,388 | 98,249,642 | 74,272,007 |
| 21. Furniture and equipment, including health care delivery assets (\$ 0) | 128,385,172 | 128,385,172 | | |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | | |
| 23. Receivables from parent, subsidiaries and affiliates | 431,999,777 | 1,047 | 431,998,730 | 523,090,898 |
| 24. Health care (\$ 0) and other amounts receivable | | | | |
| 25. Aggregate write-ins for other than invested assets | 813,887,726 | 46,666,637 | 767,221,089 | 720,188,642 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 38,403,009,024 | 1,008,165,875 | 37,394,843,149 | 36,701,548,343 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | | |
| 28. Total (Lines 26 and 27) | 38,403,009,024 | 1,008,165,875 | 37,394,843,149 | 36,701,548,343 |

| 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 | 438,258,027 | | 438,258,027 | 413,889,835 |
| 2502. Other assets | 170,547,417 | 46,666,675 | 123,880,742 | 97,071,802 |
| 2503. Amounts receivable under high deductible policies | 150,145,997 | (38) | 150,146,035 | 164,181,831 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 54,936,285 | | 54,936,285 | 45,045,174 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 813,887,726 | 46,666,637 | 767,221,089 | 720,188,642 |

LIABILITIES, SURPLUS AND OTHER FUNDS

| | 1 | 2 |
|--|----------------|----------------|
| | Current Year | Prior Year |
| 1. Losses (Part 2A, Line 35, Column 8) | 13,102,230,732 | 12,871,308,239 |
| 2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6) | 124,624,517 | 113,863,400 |
| 3. Loss adjustment expenses (Part 2A, Line 35, Column 9) | 2,715,673,770 | 2,579,498,004 |
| 4. Commissions payable, contingent commissions and other similar charges | 76,204,248 | 68,181,388 |
| 5. Other expenses (excluding taxes, licenses and fees) | 299,290,313 | 182,120,072 |
| 6. Taxes, licenses and fees (excluding federal and foreign income taxes) | 177,479,393 | 201,568,065 |
| 7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses)) | 19,357,057 | |
| 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 \$ 2,635,521,844 and including warranty reserves of \$ 0 and accrued accident and health experience rating refunds including \$ 0 for medical loss ratio rebate per the Public Health Service Act) | 3,762,485,913 | 3,502,531,059 |
| 10. Advance premium | 44,187,034 | 42,893,127 |
| 11. Dividends declared and unpaid: | | |
| 11.1 Stockholders | | |
| 11.2 Policyholders | 4,656,284 | 4,776,435 |
| 12. Ceded reinsurance premiums payable (net of ceding commissions) | 993,629,401 | 788,093,015 |
| 13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19) | 1,249,980,610 | 1,764,193,716 |
| 14. Amounts withheld or retained by company for account of others | 348,716,795 | 387,477,225 |
| 15. Remittances and items not allocated | | |
| 16. Provision for reinsurance (Schedule F, Part 7) | 77,791,575 | 89,441,297 |
| 17. Net adjustments in assets and liabilities due to foreign exchange rates | | |
| 18. Drafts outstanding | 337,225,048 | 312,991,627 |
| 19. Payable to parent, subsidiaries and affiliates | 106,431,660 | 134,066,851 |
| 20. Derivatives | | |
| 21. Payable for securities | 37,968,340 | 83,227,947 |
| 22. Payable for securities lending | 233,928,740 | 289,069,769 |
| 23. Liability for amounts held under uninsured plans | | |
| 24. Capital notes \$ 0 and interest thereon \$ 0 | | |
| 25. Aggregate write-ins for liabilities | 86,546,659 | (477,043,922) |
| 26. Total liabilities excluding protected cell liabilities (Lines 1 through 25) | 23,798,408,089 | 22,938,257,314 |
| 27. Protected cell liabilities | | |
| 28. Total liabilities (Lines 26 and 27) | 23,798,408,089 | 22,938,257,314 |
| 29. Aggregate write-ins for special surplus funds | 1,036,917,657 | 1,218,426,655 |
| 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 | 795,539,370 | 795,443,532 |
| 34. Gross paid in and contributed surplus | 6,935,272,283 | 6,935,272,283 |
| 35. Unassigned funds (surplus) | 4,817,455,750 | 4,802,898,559 |
| 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) | 13,596,435,060 | 13,763,291,029 |
| 38. Totals (Page 2, Line 28, Col. 3) | 37,394,843,149 | 36,701,548,343 |

| DETAILS OF WRITE-IN LINES | | |
|---|---------------|-----------------|
| 2501. Amounts held under uninsured plans | 551,726,885 | 582,374,749 |
| 2502. Other liabilities | 448,294,933 | 410,222,280 |
| 2503. Deposit liability | 59,089,112 | 65,839,685 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | (972,564,271) | (1,535,480,636) |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 86,546,659 | (477,043,922) |
| 2901. Special surplus from retroactive reinsurance | 602,023,836 | 954,868,844 |
| 2902. SSAP 10R incremental change | 434,893,821 | 263,557,811 |
| 2903. | | |
| 2998. Summary of remaining write-ins for Line 29 from overflow page | | |
| 2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) | 1,036,917,657 | 1,218,426,655 |
| 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 | 2 |
|---|-----------------|-----------------|
| | Current Year | Prior Year |
| UNDERWRITING INCOME | | |
| 1. Premiums earned (Part 1, Line 35, Column 4) | 8,052,929,355 | 7,642,537,474 |
| DEDUCTIONS: | | |
| 2. Losses incurred (Part 2, Line 35, Column 7) | 5,660,320,341 | 4,977,358,244 |
| 3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1) | 1,592,222,458 | 1,365,702,822 |
| 4. Other underwriting expenses incurred (Part 3, Line 25, Column 2) | 2,220,450,170 | 1,917,467,923 |
| 5. Aggregate write-ins for underwriting deductions | (404,327) | (288,031) |
| 6. Total underwriting deductions (Lines 2 through 5) | 9,472,588,642 | 8,260,240,958 |
| 7. Net income of protected cells | | |
| 8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7) | (1,419,659,287) | (617,703,484) |
| INVESTMENT INCOME | | |
| 9. Net investment income earned (Exhibit of Net Investment Income, Line 17) | 871,978,744 | 3,434,970,805 |
| 10. Net realized capital gains (losses) less capital gains tax of \$ 60,448,689 (Exhibit of Capital Gains (Losses)) | 112,478,216 | 74,437,133 |
| 11. Net investment gain (loss) (Lines 9 + 10) | 984,456,960 | 3,509,407,938 |
| OTHER INCOME | | |
| 12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 2,642,133 amount charged off \$ 37,121,115) | (34,478,982) | (53,905,829) |
| 13. Finance and service charges not included in premiums | 31,585,290 | 33,635,032 |
| 14. Aggregate write-ins for miscellaneous income | (181,978,945) | (58,084,520) |
| 15. Total other income (Lines 12 through 14) | (184,872,637) | (78,355,317) |
| 16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15) | (620,074,964) | 2,813,349,137 |
| 17. Dividends to policyholders | 30,021,529 | 46,455,510 |
| 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) | (650,096,493) | 2,766,893,627 |
| 19. Federal and foreign income taxes incurred | (113,863,689) | (154,849,787) |
| 20. Net income (Line 18 minus Line 19) (to Line 22) | (536,232,804) | 2,921,743,414 |
| CAPITAL AND SURPLUS ACCOUNT | | |
| 21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2) | 13,763,291,029 | 12,491,552,915 |
| 22. Net income (from Line 20) | (536,232,804) | 2,921,743,414 |
| 23. Net transfers (to) from Protected Cell accounts | | |
| 24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 4,012,587 | 568,633,094 | (1,964,736,596) |
| 25. Change in net unrealized foreign exchange capital gain (loss) | (61,963,284) | 59,088,381 |
| 26. Change in net deferred income tax | 226,810,008 | (19,974,701) |
| 27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3) | (490,846,199) | (70,281,000) |
| 28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1) | 11,578,369 | (17,343,044) |
| 29. Change in surplus notes | 95,838 | 95,838 |
| 30. Surplus (contributed to) withdrawn from protected cells | | |
| 31. Cumulative effect of changes in accounting principles | 7,369,449 | |
| 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 | | 500,000,000 |
| 33.2 Transferred to capital (Stock Dividend) | | |
| 33.3 Transferred from capital | | |
| 34. Net remittances from or (to) Home Office | | |
| 35. Dividends to stockholders | (64,766,000) | (139,766,000) |
| 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 | 172,465,560 | 2,911,822 |
| 38. Change in surplus as regards policyholders for the year (Lines 22 through 37) | (166,855,969) | 1,271,738,114 |
| 39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37) | 13,596,435,060 | 13,763,291,029 |

| DETAILS OF WRITE-IN LINES | | |
|---|---------------|---------------|
| 0501. Private passenger auto escrow | (404,327) | (288,031) |
| 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) | (404,327) | (288,031) |
| 1401. Other income/(expense) | (80,168,764) | (154,566,314) |
| 1402. Retroactive reinsurance gain/(loss) | (101,810,181) | 96,481,794 |
| 1403. | | |
| 1498. Summary of remaining write-ins for Line 14 from overflow page | | |
| 1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) | (181,978,945) | (58,084,520) |
| 3701. SSAP 10R incremental change | 171,336,010 | 22,211,004 |
| 3702. Other changes in surplus | 1,129,550 | (19,299,182) |
| 3703. | | |
| 3798. Summary of remaining write-ins for Line 37 from overflow page | | |
| 3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above) | 172,465,560 | 2,911,822 |

CASH FLOW

| | 1 | 2 |
|--|---------------|-----------------|
| | Current Year | Prior Year |
| Cash from Operations | | |
| 1. Premiums collected net of reinsurance | 8,271,067,994 | 7,673,330,709 |
| 2. Net investment income | 978,759,821 | 3,492,952,419 |
| 3. Miscellaneous income | (795,838,991) | (302,559,088) |
| 4. Total (Lines 1 through 3) | 8,453,988,824 | 10,863,724,040 |
| 5. Benefit and loss related payments | 5,385,484,449 | 4,841,205,175 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | | |
| 7. Commissions, expenses paid and aggregate write-ins for deductions | 3,576,192,211 | 3,348,701,311 |
| 8. Dividends paid to policyholders | 30,141,679 | 43,479,854 |
| 9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses) | (307,617,261) | (194,983,878) |
| 10. Total (Lines 5 through 9) | 8,684,201,078 | 8,038,402,462 |
| 11. Net cash from operations (Line 4 minus Line 10) | (230,212,254) | 2,825,321,578 |
| Cash from Investments | | |
| 12. Proceeds from investments sold, matured or repaid: | | |
| 12.1 Bonds | 2,535,636,104 | 4,560,929,116 |
| 12.2 Stocks | 116,650,918 | 894,581,738 |
| 12.3 Mortgage loans | 40,664,380 | 21,368,801 |
| 12.4 Real estate | 3,976,374 | 29,506,223 |
| 12.5 Other invested assets | 1,869,200,903 | 407,575,101 |
| 12.6 Net gains (or losses) on cash, cash equivalents and short-term investments | | (1,916,081) |
| 12.7 Miscellaneous proceeds | (9,261,555) | 26,928,825 |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) | 4,556,867,124 | 5,938,973,723 |
| 13. Cost of investments acquired (long-term only): | | |
| 13.1 Bonds | 2,129,390,672 | 6,100,774,549 |
| 13.2 Stocks | 49,213,440 | 1,552,157,928 |
| 13.3 Mortgage loans | 17,401,979 | 1,096 |
| 13.4 Real estate | 5,413,798 | 8,881,564 |
| 13.5 Other invested assets | 2,584,470,462 | 1,385,597,514 |
| 13.6 Miscellaneous applications | 45,173,575 | 1,430,804 |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) | 4,831,063,926 | 9,048,843,455 |
| 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) | (274,196,802) | (3,109,869,732) |
| Cash from Financing and Miscellaneous Sources | | |
| 16. Cash provided (applied): | | |
| 16.1 Surplus notes, capital notes | 95,838 | 95,838 |
| 16.2 Capital and paid in surplus, less treasury stock | | 500,000,000 |
| 16.3 Borrowed funds | | |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities | | |
| 16.5 Dividends to stockholders | 64,766,000 | 139,766,000 |
| 16.6 Other cash provided (applied) | 470,407,324 | (104,835,413) |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6) | 405,737,162 | 255,494,425 |
| 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) | (98,671,894) | (29,053,729) |
| 19. Cash, cash equivalents and short-term investments: | | |
| 19.1 Beginning of year | 795,278,733 | 824,332,462 |
| 19.2 End of year (Line 18 plus Line 19.1) | 696,606,839 | 795,278,733 |

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

| | | | |
|---------|--|------------|---------------|
| 20.0001 | 12.1 - Proceeds from investments sold, matured or repaid - Bonds | 76,218,235 | 526,177,500 |
| 20.0002 | 12.2 - Proceeds from investments sold, matured or repaid - Stocks | 27,510,000 | |
| 20.0003 | 12.4 - Proceeds from investments sold, matured or repaid - Mortgage loans | 7,580,289 | |
| 20.0004 | 12.5 - Proceeds from investments sold, matured or repaid - Other invested assets | 73,794,649 | |
| 20.0005 | 13.1 Cost of Investment Acquired - Bonds | 47,793,416 | 2,806,395,319 |
| 20.0006 | 13.2 Cost of Investment Acquired - Stocks | 9,832,000 | 126,117,866 |
| 20.0007 | 13.5 Cost of Investment Acquired - Other Invested Assets | 7,580,289 | 6,159,423 |
| 20.0008 | 13.2 Cost of Investment Acquired - Stocks | | 512,259,756 |
| 20.0009 | 13.5 Cost of Investment Acquired - Other Invested Assets | 73,794,649 | |
| 20.0010 | 16.6 Cash provided (applied) - Other cash provided (applied) | 9,832,000 | |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS EARNED

| Line of Business | 1 Net Premiums Written per Column 6, Part 1B | 2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1 | 3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A | 4 Premiums Earned During Year (Cols. 1 + 2 - 3) |
|--|--|---|---|---|
| 1. Fire | 193,649,745 | 80,577,512 | 96,930,723 | 177,296,534 |
| 2. Allied lines | 92,616,737 | 38,002,065 | 47,915,604 | 82,703,198 |
| 3. Farmowners multiple peril | 845,950 | | 112,517 | 733,433 |
| 4. Homeowners multiple peril | 1,149,224,746 | 587,163,751 | 641,900,347 | 1,094,488,150 |
| 5. Commercial multiple peril | 241,731,943 | 112,070,414 | 122,751,149 | 231,051,208 |
| 6. Mortgage guaranty | | | | |
| 8. Ocean marine | 33,603,336 | 14,546,726 | 15,260,010 | 32,890,052 |
| 9. Inland marine | 348,521,234 | 26,942,810 | 39,777,608 | 335,686,436 |
| 10. Financial guaranty | | | | |
| 11.1 Medical professional liability—occurrence | 41,468,343 | 5,762,881 | 15,342,950 | 31,888,274 |
| 11.2 Medical professional liability—claims-made | 2,336,662 | 350,324 | 635,372 | 2,051,614 |
| 12. Earthquake | 29,108,208 | 11,344,422 | 13,983,118 | 26,469,512 |
| 13. Group accident and health | 607,034 | | | 607,034 |
| 14. Credit accident and health (group and individual) | | | | |
| 15. Other accident and health | 266,536 | 55,296 | 48,966 | 272,866 |
| 16. Workers' compensation | 1,999,891,681 | 17,186,475 | 64,549,089 | 1,952,529,067 |
| 17.1 Other liability—occurrence | 601,250,083 | 213,661,364 | 277,150,600 | 537,760,847 |
| 17.2 Other liability—claims-made | 177,307,082 | 97,370,436 | 109,192,056 | 165,485,462 |
| 17.3 Excess workers' compensation | 53,798,366 | 35,954,484 | 26,848,684 | 62,904,166 |
| 18.1 Products liability—occurrence | 103,108,517 | 47,608,395 | 61,309,012 | 89,407,900 |
| 18.2 Products liability—claims-made | 4,648,413 | 959,231 | 902,372 | 4,705,272 |
| 19.1,19.2 Private passenger auto liability | 2,003,224,435 | 945,900,326 | 1,015,380,646 | 1,933,744,115 |
| 19.3,19.4 Commercial auto liability | 291,126,043 | 101,451,571 | 135,209,976 | 257,367,638 |
| 21. Auto physical damage | 818,824,170 | 654,541,427 | 698,887,333 | 774,478,264 |
| 22. Aircraft (all perils) | 38,296,625 | 11,316,606 | 8,749,872 | 40,863,359 |
| 23. Fidelity | 6,974,562 | 2,977,422 | 3,233,594 | 6,718,390 |
| 24. Surety | 1,983,412 | 975,078 | 1,812,014 | 1,146,476 |
| 26. Burglary and theft | 226,468 | 111,767 | 79,267 | 258,968 |
| 27. Boiler and machinery | 19,585,111 | 6,576,164 | 9,128,990 | 17,032,285 |
| 28. Credit | | | | |
| 29. International | | | | |
| 30. Warranty | | | | |
| 31. Reinsurance-nonproportional assumed property | 140,518,866 | 9,680,684 | 17,325,877 | 132,873,673 |
| 32. Reinsurance-nonproportional assumed liability | 54,503,345 | 12,230,838 | 5,781,628 | 60,952,555 |
| 33. Reinsurance-nonproportional assumed financial lines | 8,344 | | | 8,344 |
| 34. Aggregate write-ins for other lines of business | | | | |
| 35. TOTALS | 8,449,255,997 | 3,035,318,469 | 3,430,199,374 | 8,054,375,092 |

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A – RECAPITULATION OF ALL PREMIUMS

| Line of Business | 1 Amount Unearned (Running One Year or Less from Date of Policy) (a) | 2 Amount Unearned (Running More Than One Year from Date of Policy) (a) | 3 Earned but Unbilled Premium | 4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience | 5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4 |
|--|--|--|---|---|--|
| 1. Fire | 94,568,490 | 2,362,233 | | | 96,930,723 |
| 2. Allied lines | 45,843,056 | 2,072,548 | | | 47,915,604 |
| 3. Farmowners multiple peril | 112,517 | | | | 112,517 |
| 4. Homeowners multiple peril | 641,900,347 | | | | 641,900,347 |
| 5. Commercial multiple peril | 80,797,721 | 41,953,428 | | | 122,751,149 |
| 6. Mortgage guaranty | | | | | |
| 8. Ocean marine | 12,688,320 | 2,571,690 | | | 15,260,010 |
| 9. Inland marine | 13,974,120 | 25,803,489 | | | 39,777,609 |
| 10. Financial guaranty | | | | | |
| 11.1 Medical professional liability—occurrence | 15,342,950 | | | | 15,342,950 |
| 11.2 Medical professional liability—claims-made | 617,364 | 18,008 | | | 635,372 |
| 12. Earthquake | 13,800,211 | 182,907 | | | 13,983,118 |
| 13. Group accident and health | | | | | |
| 14. Credit accident and health (group and individual) | | | | | |
| 15. Other accident and health | 48,966 | | | | 48,966 |
| 16. Workers' compensation | 385,842,621 | 18,645,944 | | (339,939,476) | 64,549,089 |
| 17.1 Other liability—occurrence | 206,732,166 | 68,417,193 | | 2,001,241 | 277,150,600 |
| 17.2 Other liability—claims-made | 70,329,494 | 38,862,562 | | | 109,192,056 |
| 17.3 Excess workers' compensation | 21,778,233 | 5,070,451 | | | 26,848,684 |
| 18.1 Products liability—occurrence | 32,649,475 | 26,958,108 | | 1,701,430 | 61,309,013 |
| 18.2 Products liability—claims-made | 901,799 | 573 | | | 902,372 |
| 19.1,19.2 Private passenger auto liability | 1,015,380,646 | | | | 1,015,380,646 |
| 19.3,19.4 Commercial auto liability | 131,708,410 | (448,702) | | 3,950,268 | 135,209,976 |
| 21. Auto physical damage | 699,368,913 | (481,579) | | | 698,887,334 |
| 22. Aircraft (all perils) | 8,749,872 | | | | 8,749,872 |
| 23. Fidelity | 2,952,296 | 281,299 | | | 3,233,595 |
| 24. Surety | 558,858 | 1,253,156 | | | 1,812,014 |
| 26. Burglary and theft | 78,955 | 312 | | | 79,267 |
| 27. Boiler and machinery | 8,890,871 | 238,119 | | | 9,128,990 |
| 28. Credit | | | | | |
| 29. International | | | | | |
| 30. Warranty | | | | | |
| 31. Reinsurance-nonproportional assumed property | 17,325,877 | | | | 17,325,877 |
| 32. Reinsurance-nonproportional assumed liability | 5,693,184 | 88,444 | | | 5,781,628 |
| 33. Reinsurance-nonproportional assumed financial lines | | | | | |
| 34. Aggregate write-ins for other lines of business | | | | | |
| 35. TOTALS | 3,528,635,732 | 233,850,183 | | (332,286,537) | 3,430,199,378 |
| 36. Accrued retrospective premiums based on experience | | | | | 332,286,532 |
| 37. Earned but unbilled premiums | | | | | |
| 38. Balance (Sum of Lines 35 through 37) | | | | | 3,762,485,910 |

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

| Line of Business | 1 Direct Business (a) | Reinsurance Assumed | | Reinsurance Ceded | | 6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5 |
|--|--------------------------------|-------------------------|---------------------------------|-----------------------|-------------------------------|--|
| | | 2 From Affiliates | 3 From Non- Affiliates | 4 To Affiliates | 5 To Non- Affiliates | |
| 1. Fire | 25,614,088 | 303,817,516 | 10,825,072 | 68,746,596 | 77,860,335 | 193,649,745 |
| 2. Allied lines | 17,142,477 | 163,503,402 | 10,274,286 | 36,094,778 | 62,208,650 | 92,616,737 |
| 3. Farmowners multiple peril | | 1,146,274 | | 300,324 | | 845,950 |
| 4. Homeowners multiple peril | 26,242,349 | 2,389,584,581 | 1,056,512 | 407,990,357 | 859,668,340 | 1,149,224,745 |
| 5. Commercial multiple peril | 113,289,323 | 296,318,848 | 51,172,851 | 114,405,417 | 104,643,662 | 241,731,943 |
| 6. Mortgage guaranty | | | | | | |
| 8. Ocean marine | 62,626,210 | 14,297,864 | 3,751,065 | 16,609,300 | 30,462,503 | 33,603,336 |
| 9. Inland marine | 2,112,272,056 | 55,013,092 | 13,474,476 | 127,856,278 | 1,704,382,112 | 348,521,234 |
| 10. Financial guaranty | | | | | | |
| 11.1 Medical professional liability--occurrence | | 56,189,959 | 208 | 14,721,824 | | 41,468,343 |
| 11.2 Medical professional liability--claims-made | | 2,990,863 | 175,346 | 829,547 | | 2,336,662 |
| 12. Earthquake | 18,638 | 46,198,478 | 638,164 | 10,333,808 | 7,413,264 | 29,108,208 |
| 13. Group accident and health | 818,484 | 4,068 | (12) | 215,505 | | 607,035 |
| 14. Credit accident and health (group and individual) | | | | | | |
| 15. Other accident and health | 33,451 | 327,709 | | 94,624 | | 266,536 |
| 16. Workers' compensation | 188,132,004 | 3,019,628,080 | 89,249,962 | 875,377,596 | 421,740,769 | 1,999,891,681 |
| 17.1 Other liability—occurrence | 540,836,956 | 620,813,251 | 36,461,364 | 229,303,036 | 367,558,452 | 601,250,083 |
| 17.2 Other liability—claims-made | 214,382,382 | 132,820,980 | 9,870,775 | 64,910,941 | 114,856,114 | 177,307,082 |
| 17.3 Excess workers' compensation | 18,225,487 | 72,388,500 | 828,765 | 20,662,481 | 16,981,906 | 53,798,365 |
| 18.1 Products liability—occurrence | 35,106,911 | 109,921,397 | 655,111 | 36,819,330 | 5,755,571 | 103,108,518 |
| 18.2 Products liability—claims-made | 241,000 | 6,274,726 | 60,000 | 1,650,250 | 277,063 | 4,648,413 |
| 19.1,19.2 Private passenger auto liability | 437,412,820 | 2,383,976,878 | 17,298,314 | 711,171,818 | 124,291,758 | 2,003,224,436 |
| 19.3,19.4 Commercial auto liability | 66,455,554 | 369,588,099 | 10,601,224 | 107,338,543 | 48,180,291 | 291,126,043 |
| 21. Auto physical damage | 297,062,265 | 1,661,241,178 | 2,895,902 | 1,078,738,647 | 63,636,527 | 818,824,171 |
| 22. Aircraft (all perils) | 61,158,573 | 1,344,279 | 5,182,638 | 14,465,228 | 14,923,638 | 38,296,624 |
| 23. Fidelity | 16,965,281 | 663,649 | 1,699,237 | 2,789,091 | 9,564,514 | 6,974,562 |
| 24. Surety | 442,357,876 | 11,199,483 | 7,411,441 | 448,551,725 | 10,433,662 | 1,983,413 |
| 26. Burglary and theft | 90,622 | 220,581 | 2,271 | 80,399 | 6,607 | 226,468 |
| 27. Boiler and machinery | 9,276 | 26,870,828 | | 6,952,980 | 342,013 | 19,585,111 |
| 28. Credit | | | | | | |
| 29. International | | | | | | |
| 30. Warranty | | | | | | |
| 31. Reinsurance-nonproportional assumed property | X X X | 109,916,343 | 80,479,021 | 49,886,102 | (9,604) | 140,518,866 |
| 32. Reinsurance-nonproportional assumed liability | X X X | 555,666 | 73,297,105 | 19,349,426 | | 54,503,345 |
| 33. Reinsurance-nonproportional assumed financial lines | X X X | | 3,009,102 | 2,962 | 2,997,797 | 8,343 |
| 34. Aggregate write-ins for other lines of business | | | | | | |
| 35. TOTALS | 4,676,494,083 | 11,856,816,572 | 430,370,200 | 4,466,248,913 | 4,048,175,944 | 8,449,255,998 |

| 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 \$ 166,223,467

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 172,803,673

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

| Line of Business | Reported Losses | | | | Incurred But Not Reported | | | Net Losses Unpaid (Cols. 4 + 5 + 6 - 7) | Net Unpaid Loss Adjustment Expenses |
|--|-----------------|--------------------------|--|--|---------------------------|--------------------------|------------------------|--|-------------------------------------|
| | 1 Direct | 2 Reinsurance Assumed | 3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies | 4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3) | 5 Direct | 6 Reinsurance Assumed | 7 Reinsurance Ceded | | |
| 1. Fire | 844,016 | 116,218,818 | 35,817,777 | 81,245,057 | 5,539,515 | 44,796,737 | 19,725,133 | 111,856,176 | 9,388,087 |
| 2. Allied lines | 9,055,981 | 54,919,308 | 42,070,054 | 21,905,235 | 15,108,885 | 17,057,362 | 12,228,693 | 41,842,789 | 3,910,267 |
| 3. Farmowners multiple peril | | | | | | | | | |
| 4. Homeowners multiple peril | 4,694,174 | 289,005,081 | 138,999,017 | 154,700,238 | 2,075,879 | 282,327,440 | 134,054,958 | 305,048,599 | 87,915,706 |
| 5. Commercial multiple peril | 90,915,737 | 213,099,763 | 127,480,700 | 176,534,800 | 12,163,283 | 126,538,534 | 60,458,814 | 254,777,803 | 86,095,845 |
| 6. Mortgage guaranty | | | | | | | | | |
| 8. Ocean marine | 70,414,937 | 18,013,119 | 63,298,954 | 25,129,102 | 33,629,699 | 12,637,807 | 27,801,868 | 43,594,740 | 6,825,530 |
| 9. Inland marine | 48,301,196 | 16,606,975 | 47,313,909 | 17,594,262 | 170,061,100 | 9,220,475 | 153,451,119 | 43,424,718 | 7,026,385 |
| 10. Financial guaranty | | | | | | | | | |
| 11.1 Medical professional liability—occurrence | | 200,366 | 52,496 | 147,870 | 62,682 | 42,625,655 | 11,184,344 | 31,651,863 | 44,303 |
| 11.2 Medical professional liability—claims-made | | 355,513 | 93,144 | 262,369 | | 7,574,973 | 1,984,643 | 5,852,699 | 3,200,468 |
| 12. Earthquake | | 262,470 | 69,321 | 193,149 | 3,296 | 297,738 | 355,295 | 138,888 | 13,980 |
| 13. Group accident and health | 1,724,711 | 1,759,763 | 1,994,556 | 1,489,918 | 372,136 | 80,772 | 118,662 | (a) 1,824,164 | 145,657 |
| 14. Credit accident and health (group and individual) | | | | | | | | | |
| 15. Other accident and health | | 488,028 | 127,863 | 360,165 | 226,008 | 1,140,569 | 358,044 | (a) 1,368,698 | 94,974 |
| 16. Workers' compensation | 1,117,445,463 | 5,908,637,159 | 2,946,467,214 | 4,079,615,408 | 829,256,746 | 5,526,698,261 | 3,007,582,849 | 7,427,987,566 | 1,048,458,345 |
| 17.1 Other liability—occurrence | 446,479,162 | 436,520,075 | 359,139,005 | 523,860,232 | 634,005,863 | 1,026,899,829 | 780,163,356 | 1,404,602,568 | 632,545,305 |
| 17.2 Other liability—claims-made | 75,375,496 | 108,340,027 | 96,741,970 | 86,973,553 | 422,551,711 | 172,111,007 | 338,384,293 | 343,251,978 | 112,155,070 |
| 17.3 Excess workers' compensation | 26,721,943 | 222,499,506 | 113,341,510 | 135,879,939 | 59,768,232 | 364,369,239 | 194,843,487 | 365,173,923 | 29,897,503 |
| 18.1 Products liability—occurrence | 37,164,126 | 55,111,614 | 35,208,465 | 57,067,275 | 212,490,238 | 187,263,193 | 139,815,127 | 317,005,579 | 196,793,545 |
| 18.2 Products liability—claims-made | | 262,773 | 96,143 | 166,630 | 12,916,112 | 11,675,159 | 7,076,331 | 17,681,570 | 11,194,900 |
| 19.1,19.2 Private passenger auto liability | 150,825,955 | 1,253,683,252 | 551,086,452 | 853,422,755 | 78,443,180 | 770,475,384 | 243,168,991 | 1,459,172,328 | 334,549,457 |
| 19.3,19.4 Commercial auto liability | 59,101,523 | 314,283,151 | 128,441,408 | 244,943,266 | 66,545,465 | 248,349,724 | 137,965,248 | 421,873,207 | 66,330,217 |
| 21. Auto physical damage | 1,101,375 | 566,682 | 645,144 | 1,022,913 | 3,957,472 | 7,550,165 | 3,285,454 | 9,245,096 | 42,688,964 |
| 22. Aircraft (all perils) | 75,546,072 | 13,796,359 | 59,818,520 | 29,523,911 | 11,155,276 | (985,670) | 2,669,268 | 37,024,249 | 10,165,837 |
| 23. Fidelity | 710,377 | 201,875 | 274,695 | 637,557 | 30,863,897 | 1,404,423 | 15,524,008 | 17,381,869 | 2,836,712 |
| 24. Surety | (18,923,908) | 874,327 | (18,473,255) | 423,674 | 85,838,101 | 4,585,521 | 89,980,685 | 866,611 | 10,472 |
| 26. Burglary and theft | 4,794 | 256,686 | 68,509 | 192,971 | 204,762 | (140,574) | 24,258 | 232,901 | 232,738 |
| 27. Boiler and machinery | | 2,903,616 | 760,747 | 2,142,869 | 4,975 | 1,997,720 | 524,853 | 3,620,711 | 268,151 |
| 28. Credit | | | | | | 27,889 | 7,307 | 20,582 | |
| 29. International | | | | | | | | | |
| 30. Warranty | | | | | 1,110,143 | (40,203) | 1,087,478 | (17,538) | 11,419 |
| 31. Reinsurance-nonproportional assumed property | X X X | 82,360,649 | 21,674,032 | 60,686,617 | X X X | 78,278,750 | 20,541,307 | 118,424,060 | 1,894,623 |
| 32. Reinsurance-nonproportional assumed liability | X X X | 116,550,228 | 30,536,160 | 86,014,068 | X X X | 308,817,567 | 80,910,202 | 313,921,433 | 20,936,993 |
| 33. Reinsurance-nonproportional assumed financial lines | X X X | 4,596,604 | 1,204,310 | 3,392,294 | X X X | 1,214,975 | 1,226,365 | 3,380,904 | 42,325 |
| 34. Aggregate write-ins for other lines of business | | | | | | | | | |
| 35. TOTALS | 2,197,503,130 | 9,232,373,787 | 4,784,348,820 | 6,645,528,097 | 2,688,354,656 | 9,254,850,421 | 5,486,502,440 | 13,102,230,734 | 2,715,673,778 |
| DETAILS OF WRITE-IN LINES | | | | | | | | | |
| 3401. | | | | | | | | | |
| 3402. | | | | | | | | | |
| 3403. | | | | | | | | | |
| 3498. Sum of remaining write-ins for Line 34 from overflow page | | | | | | | | | |
| 3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above) | | | | | | | | | |

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

| | 1 | 2 | 3 | 4 |
|--|-----------------------------|--------------------------------|------------------------|-------------------|
| | Loss Adjustment Expenses | Other Underwriting Expenses | Investment Expenses | Total |
| 1. Claim adjustment services: | | | | |
| 1.1 Direct | 508,368,593 | | | 508,368,593 |
| 1.2 Reinsurance assumed | 904,211,349 | | | 904,211,349 |
| 1.3 Reinsurance ceded | 505,337,131 | | | 505,337,131 |
| 1.4 Net claim adjustment services (1.1 + 1.2 - 1.3) | 907,242,811 | | | 907,242,811 |
| 2. Commission and brokerage: | | | | |
| 2.1 Direct, excluding contingent | | 203,606,067 | | 203,606,067 |
| 2.2 Reinsurance assumed, excluding contingent | | 605,805,302 | | 605,805,302 |
| 2.3 Reinsurance ceded, excluding contingent | | 1,186,469,344 | | 1,186,469,344 |
| 2.4 Contingent—direct | | 5,968,108 | | 5,968,108 |
| 2.5 Contingent—reinsurance assumed | | 101,662,473 | | 101,662,473 |
| 2.6 Contingent—reinsurance ceded | | 34,691,527 | | 34,691,527 |
| 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) | | (304,118,921) | | (304,118,921) |
| 3. Allowances to manager and agents | | 169,184,864 | | 169,184,864 |
| 4. Advertising | 10,792,056 | 168,539,903 | 687,567 | 180,019,526 |
| 5. Boards, bureaus and associations | 2,025,379 | 18,118,762 | 19,712 | 20,163,853 |
| 6. Surveys and underwriting reports | 32,682 | 26,111,557 | 489,141 | 26,633,380 |
| 7. Audit of assureds' records | | | | |
| 8. Salary and related items: | | | | |
| 8.1 Salaries | 383,613,200 | 904,425,397 | 44,190,653 | 1,332,229,250 |
| 8.2 Payroll taxes | 23,160,778 | 79,979,697 | 1,483,959 | 104,624,434 |
| 9. Employee relations and welfare | 81,680,432 | 277,723,704 | 5,655,995 | 365,060,131 |
| 10. Insurance | 43,311,891 | 9,674,601 | 813,859 | 53,800,351 |
| 11. Directors' fees | 244 | 835 | 16 | 1,095 |
| 12. Travel and travel items | 26,775,082 | 57,506,648 | 1,500,197 | 85,781,927 |
| 13. Rent and rent items | 26,792,139 | 93,685,355 | 1,814,551 | 122,292,045 |
| 14. Equipment | 10,636,945 | 52,429,858 | 984,508 | 64,051,311 |
| 15. Cost or depreciation of EDP equipment and software | 13,803,946 | 30,203,756 | 2,101,679 | 46,109,381 |
| 16. Printing and stationery | 3,899,181 | 15,727,851 | 188,811 | 19,815,843 |
| 17. Postage, telephone and telegraph, exchange and express | 12,871,283 | 54,707,777 | 2,048,313 | 69,627,373 |
| 18. Legal and auditing | 3,026,820 | 17,252,241 | 3,006,301 | 23,285,362 |
| 19. Totals (Lines 3 to 18) | 642,422,058 | 1,975,272,806 | 64,985,262 | 2,682,680,126 |
| 20. Taxes, licenses and fees: | | | | |
| 20.1 State and local insurance taxes deducting guaranty association credits of \$ 4,968,202 | | 325,728,333 | | 325,728,333 |
| 20.2 Insurance department licenses and fees | | 15,910,392 | | 15,910,392 |
| 20.3 Gross guaranty association assessments | | 3,469,778 | | 3,469,778 |
| 20.4 All other (excluding federal and foreign income and real estate) | | 19,944,601 | | 19,944,601 |
| 20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) | | 365,053,104 | | 365,053,104 |
| 21. Real estate expenses | | | 24,559,416 | 24,559,416 |
| 22. Real estate taxes | | | 4,244,922 | 4,244,922 |
| 23. Reimbursements by uninsured plans | | | | |
| 24. Aggregate write-ins for miscellaneous expenses | 42,557,590 | 184,243,182 | 12,620,888 | 239,421,660 |
| 25. Total expenses incurred | 1,592,222,459 | 2,220,450,171 | 106,410,488 | (a) 3,919,083,118 |
| 26. Less unpaid expenses—current year | 2,715,673,770 | 551,268,815 | 1,705,139 | 3,268,647,724 |
| 27. Add unpaid expenses—prior year | 2,579,498,004 | 449,573,500 | 2,296,025 | 3,031,367,529 |
| 28. Amounts receivable relating to uninsured plans, prior year | | 43,304 | | 43,304 |
| 29. Amounts receivable relating to uninsured plans, current year | | 20,914 | | 20,914 |
| 30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29) | 1,456,046,693 | 2,118,732,466 | 107,001,374 | 3,681,780,533 |

| DETAILS OF WRITE-IN LINES | | | | |
|--|------------|-------------|------------|-------------|
| 2401. Other expenses | 42,557,590 | 184,243,182 | 12,620,888 | 239,421,660 |
| 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) | 42,557,590 | 184,243,182 | 12,620,888 | 239,421,660 |

(a) Includes management fees of \$ 1,664,784,198 to affiliates and \$ 203,898,974 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

| | 1 Collected During Year | 2 Earned During Year |
|---|-------------------------------|----------------------------|
| 1. U.S. Government bonds | (a) 40,676,014 | 40,591,210 |
| 1.1 Bonds exempt from U.S. tax | (a) 160,724,166 | 158,277,291 |
| 1.2 Other bonds (unaffiliated) | (a) 476,231,722 | 472,854,544 |
| 1.3 Bonds of affiliates | (a) 800,137 | 800,137 |
| 2.1 Preferred stocks (unaffiliated) | (b) 15,924,039 | 15,678,067 |
| 2.11 Preferred stocks of affiliates | (b) | |
| 2.2 Common stocks (unaffiliated) | 6,111,157 | 6,093,058 |
| 2.21 Common stocks of affiliates | 42,000,000 | 42,000,000 |
| 3. Mortgage loans | (c) 30,186,256 | 30,081,301 |
| 4. Real estate | (d) 55,867,729 | 55,867,729 |
| 5. Contract loans | | |
| 6. Cash, cash equivalents and short-term investments | (e) 4,881,304 | 5,377,690 |
| 7. Derivative instruments | (f) | |
| 8. Other invested assets | 229,100,427 | 229,100,427 |
| 9. Aggregate write-ins for investment income | 606,797 | 606,797 |
| 10. Total gross investment income | 1,062,309,611 | 1,057,328,251 |
| 11. Investment expenses | | (g) 106,410,488 |
| 12. Investment taxes, licenses and fees, excluding federal income taxes | | (g) |
| 13. Interest expense | | (h) 63,525,019 |
| 14. Depreciation on real estate and other invested assets | | (i) 15,414,000 |
| 15. Aggregate write-ins for deductions from investment income | | |
| 16. Total deductions (Lines 11 through 15) | | 185,349,507 |
| 17. Net investment income (Line 10 minus Line 16) | | 871,978,744 |

| DETAILS OF WRITE-IN LINES | | |
|---|---------|---------|
| 0901. Miscellaneous Income/(Expenses) | 606,797 | 606,797 |
| 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) | 606,797 | 606,797 |
| 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 \$ 20,102,983 accrual of discount less \$ 41,389,507 amortization of premium and less \$ 7,427,416 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 \$ 28,388 paid for accrued interest on purchases.
- (d) Includes \$ 53,973,939 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 58,206 accrual of discount less \$ 93,963 amortization of premium and less \$ 112,547 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 \$ 63,271,282 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 15,414,000 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

| | 1 Realized Gain (Loss) on Sales or Maturity | 2 Other Realized Adjustments | 3 Total Realized Capital Gain (Loss) (Columns 1 + 2) | 4 Change in Unrealized Capital Gain (Loss) | 5 Change in Unrealized Foreign Exchange Capital Gain (Loss) |
|--|---|---------------------------------------|---|--|--|
| 1. U.S. Government bonds | 1,256,707 | | 1,256,707 | | |
| 1.1 Bonds exempt from U.S. tax | 1,090,545 | | 1,090,545 | 68,120 | |
| 1.2 Other bonds (unaffiliated) | 30,030,318 | (11,227,526) | 18,802,792 | (30,828,995) | (56,475,886) |
| 1.3 Bonds of affiliates | | | | | |
| 2.1 Preferred stocks (unaffiliated) | 1,586,162 | | 1,586,162 | (13,911,924) | |
| 2.11 Preferred stocks of affiliates | | | | | |
| 2.2 Common stocks (unaffiliated) | 13,274,161 | (24,190,204) | (10,916,043) | (12,722,351) | (2,168,252) |
| 2.21 Common stocks of affiliates | | | | (88,622,328) | |
| 3. Mortgage loans | (6,041,980) | | (6,041,980) | (1,028,270) | |
| 4. Real estate | 1,643,835 | (144,577) | 1,499,258 | | |
| 5. Contract loans | | | | | |
| 6. Cash, cash equivalents and short-term investments | | | | | 94,592 |
| 7. Derivative instruments | | | | | |
| 8. Other invested assets | 225,083,037 | (59,431,888) | 165,651,149 | 709,994,517 | (9,293,181) |
| 9. Aggregate write-ins for capital gains (losses) | (1,685) | | (1,685) | | |
| 10. Total capital gains (losses) | 267,921,100 | (94,994,195) | 172,926,905 | 562,948,769 | (67,842,727) |

| DETAILS OF WRITE-IN LINES | | | | | |
|---|---------|--|---------|--|--|
| 0901. Miscellaneous gains (losses) | (1,685) | | (1,685) | | |
| 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) | (1,685) | | (1,685) | | |

EXHIBIT OF NONADMITTED ASSETS

| | 1 | 2 | 3 |
|---|--|---|--|
| | Current Year Total Nonadmitted Assets | Prior Year Total Nonadmitted Assets | Change in Total Nonadmitted Assets (Col. 2 - Col. 1) |
| 1. Bonds (Schedule D) | | | |
| 2. Stocks (Schedule D): | | | |
| 2.1 Preferred stocks | | | |
| 2.2 Common stocks | | | |
| 3. Mortgage loans on real estate (Schedule B): | | | |
| 3.1 First liens | | | |
| 3.2 Other than first liens | | | |
| 4. Real estate (Schedule A): | | | |
| 4.1 Properties occupied by the company | | | |
| 4.2 Properties held for the production of income | | | |
| 4.3 Properties held for sale | | | |
| 5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA) | | | |
| 6. Contract loans | | | |
| 7. 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 | 28,179,231 | 25,750,257 | (2,428,974) |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due | 384,092 | 340,160 | (43,932) |
| 15.3 Accrued retrospective premiums | 33,780,067 | 47,097,574 | 13,317,507 |
| 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 | 8,835 | 20,170 | 11,335 |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | | | |
| 18.2 Net deferred tax asset | 371,946,406 | 143,446,227 | (228,500,179) |
| 19. Guaranty funds receivable or on deposit | | | |
| 20. Electronic data processing equipment and software | 398,814,388 | 299,218,892 | (99,595,496) |
| 21. Furniture and equipment, including health care delivery assets | 128,385,172 | 118,672,504 | (9,712,668) |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | |
| 23. Receivables from parent, subsidiaries and affiliates | 1,047 | 878 | (169) |
| 24. Health care and other amounts receivable | | | |
| 25. Aggregate write-ins for other than invested assets | 46,666,637 | 54,620,603 | 7,953,966 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 1,008,165,875 | 689,167,265 | (318,998,610) |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | |
| 28. Total (Lines 26 and 27) | 1,008,165,875 | 689,167,265 | (318,998,610) |

| 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 | 46,666,675 | 54,577,825 | 7,911,150 |
| 2502. Amounts receivable under high deductible policies | (38) | 42,778 | 42,816 |
| 2503. | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | | |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 46,666,637 | 54,620,603 | 7,953,966 |

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

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

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

C. Accounting Policies

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

In addition, the Company 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 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 Fire Insurance Company ("LMFIC"), a Wisconsin 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 78% ownership interest in Ohio Casualty Corporation, while the affiliates account for the remaining 22% (LMFIC 6%, PIC 8%, and EICOW 8%). The transaction was accounted for as a statutory purchase and the cost was \$2,168,405,460, resulting in goodwill in the amount of \$1,147,694,340. Goodwill amortization relating to the purchase of Ohio Casualty Corporation was \$114,769,463 for year ended December 31, 2011; goodwill is being amortized over ten years.

On June 9, 2010, the Company purchased LMFIC's 2.892% holdings of the shares of Liberty Insurance Holdings, Inc. ("LIH") for \$249,957,350 in cash and securities and EICOW's 4.048% holdings of shares of LIH for \$349,871,398 in cash and securities. The purchase price represented the estimated fair value of the LIH shares. The transaction resulted in \$288,195,370 of goodwill to LMIC. Goodwill amortization was \$28,819,537 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, LMIC held mortgages with interest more than 180 days past due with a recorded investment, excluding accrued interest of \$1,262,715.
 - a. Total interest due on mortgages with interest more than 180 days past due was \$157,321.
- (5) There were \$64,390 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 \$11,276,368, of which there is a related allowance for credit losses of \$5,166,167.
- (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 \$341,708 for 2011.
- (9) There was \$165,328 interest income recognized for impaired loans during 2011.
- (10) There was \$165,328 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 \$4,137,896 and at the beginning of 2010 was \$960,815.
 - b. There were \$5,590,556 of additions to the allowance charged to operations in 2011 and \$5,307,092 in 2010.
 - c. There were \$4,562,285 of direct write-downs charged against the allowance in 2011 and \$2,130,011 in 2010.
 - d. There were no recoveries of amounts previously charged off.
 - e. The balance in the allowance for credit losses was \$5,166,167 in 2011 and \$4,137,896 in 2010.
- (11) The Company recognizes interest income on its impaired loans upon receipt.

B. Troubled Debt Restructuring for Creditors

- (1) There was \$12,852,009 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.

NOTES TO FINANCIAL STATEMENTS

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
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 |
| 021468AD5 | \$ 6,856,269 | \$ 6,039,793 | \$ 816,476 | \$ 6,039,793 | \$ 4,300,561 | 6/30/2009 |
| 021468AD5 | 11,140,467 | 9,821,678 | 1,318,790 | 9,821,678 | 7,013,600 | 6/30/2009 |
| 021468AD5 | 2,938,401 | 2,631,566 | 306,835 | 2,631,566 | 1,843,097 | 6/30/2009 |
| 021468AD5 | 6,039,793 | 5,793,047 | 246,746 | 5,793,047 | 5,515,454 | 9/30/2010 |
| 021468AD5 | 9,821,678 | 9,426,227 | 395,451 | 9,426,227 | 8,994,918 | 9/30/2010 |
| 021468AD5 | 2,631,566 | 2,482,734 | 148,831 | 2,482,734 | 2,363,766 | 9/30/2010 |
| 021468AD5 | 5,793,047 | 5,723,368 | 69,679 | 5,723,368 | 5,515,874 | 12/31/2010 |
| 021468AD5 | 2,482,734 | 2,471,430 | 11,304 | 2,471,430 | 2,363,946 | 12/31/2010 |
| 021468AD5 | 5,606,928 | 5,545,764 | 61,164 | 5,545,764 | 5,187,558 | 3/31/2011 |
| 021468AD5 | 9,235,366 | 8,961,191 | 274,175 | 8,961,191 | 8,460,165 | 3/31/2011 |
| 021468AD5 | 2,421,299 | 2,321,353 | 99,946 | 2,321,353 | 2,223,239 | 3/31/2011 |
| 021468AD5 | 8,690,002 | 8,584,384 | 105,618 | 8,584,384 | 7,794,663 | 6/30/2011 |
| 021468AD5 | 5,341,002 | 5,263,725 | 77,277 | 5,263,725 | 4,779,488 | 6/30/2011 |
| 021468AD5 | 2,288,821 | 2,258,847 | 29,974 | 2,258,847 | 2,048,352 | 6/30/2011 |
| 021468AD5 | 5,175,565 | 5,131,697 | 43,868 | 5,131,697 | 4,509,751 | 9/30/2011 |
| 021468AD5 | 8,440,700 | 8,352,317 | 88,383 | 8,352,317 | 7,354,760 | 9/30/2011 |
| 021468AD5 | 2,221,031 | 2,199,299 | 21,732 | 2,199,299 | 1,932,751 | 9/30/2011 |
| 021468AD5 | 5,041,244 | 4,837,482 | 203,762 | 4,837,482 | 3,940,774 | 12/31/2011 |
| 021468AD5 | 8,205,096 | 7,873,633 | 331,464 | 7,873,633 | 6,426,839 | 12/31/2011 |
| 021468AD5 | 2,160,533 | 2,073,207 | 87,327 | 2,073,207 | 1,688,903 | 12/31/2011 |
| 02147LAD5 | 8,030,062 | 7,674,975 | 355,086 | 7,674,975 | 7,391,939 | 9/30/2010 |
| 02147LAD5 | 7,635,657 | 7,349,951 | 285,706 | 7,349,951 | 7,052,831 | 12/31/2010 |
| 02147LAD5 | 7,247,191 | 7,150,924 | 96,267 | 7,150,924 | 6,409,984 | 3/31/2011 |
| 02147LAD5 | 6,978,333 | 6,925,976 | 52,357 | 6,925,976 | 6,045,080 | 6/30/2011 |
| 02147LAD5 | 6,780,758 | 6,728,490 | 52,268 | 6,728,490 | 5,839,938 | 9/30/2011 |
| 02147LAD5 | 6,469,556 | 6,358,926 | 110,631 | 6,358,926 | 5,610,840 | 12/31/2011 |
| 02147XAF4 | 3,572,408 | 3,328,846 | 243,562 | 3,328,846 | 2,775,742 | 9/30/2010 |
| 02147XAF4 | 3,328,846 | 3,312,853 | 15,993 | 3,312,853 | 2,746,441 | 12/31/2010 |
| 02147XAF4 | 3,312,853 | 3,244,662 | 68,191 | 3,244,662 | 2,919,217 | 3/31/2011 |
| 02147XAF4 | 3,244,662 | 3,218,176 | 26,486 | 3,218,176 | 2,842,888 | 6/30/2011 |
| 02147XAF4 | 3,218,176 | 3,216,920 | 1,256 | 3,216,920 | 2,774,545 | 9/30/2011 |
| 02147XAF4 | 3,188,714 | 3,091,337 | 97,377 | 3,091,337 | 2,670,104 | 12/31/2011 |
| 36186KAC9 | 2,699,090 | 1,197,142 | 1,501,948 | 1,197,142 | 1,197,142 | 3/31/2009 |
| 43710RAD3 | 3,694,986 | 2,516,160 | 1,178,826 | 2,516,160 | 3,438,803 | 3/31/2009 |
| 81375BAM4 | 77,674 | 7,767 | 69,907 | 7,767 | 7,767 | 6/30/2009 |
| 74958YAA0 | 8,000,000 | 7,514,000 | 486,000 | 7,514,000 | 6,853,000 | 12/31/2010 |
| 74958YAA0 | 1,000,000 | 939,250 | 60,750 | 939,250 | 856,625 | 12/31/2010 |
| 74958YAA0 | 7,514,000 | 7,472,320 | 41,680 | 7,472,320 | 6,930,584 | 3/31/2011 |
| 74958YAA0 | 939,250 | 934,040 | 5,210 | 934,040 | 866,323 | 3/31/2011 |
| 74958YAA0 | 7,402,339 | 7,340,179 | 62,160 | 7,340,179 | 6,670,452 | 6/30/2011 |
| 74958YAA0 | 925,292 | 917,522 | 7,770 | 917,522 | 833,806 | 6/30/2011 |
| 74958YAA0 | 6,929,478 | 6,877,101 | 52,377 | 6,877,101 | 6,102,848 | 12/31/2011 |
| 74958YAA0 | 866,185 | 859,638 | 6,547 | 859,638 | 762,856 | 12/31/2011 |
| 76200RAG3 | 2,906,899 | 2,778,870 | 128,029 | 2,778,870 | 2,616,360 | 12/31/2010 |
| 76200RAG3 | 2,778,551 | 2,777,070 | 1,481 | 2,777,070 | 2,602,947 | 3/31/2011 |
| 76200RAG3 | 2,777,070 | 2,776,050 | 1,020 | 2,776,050 | 2,520,252 | 6/30/2011 |
| 76200RAG3 | 2,690,448 | 2,682,306 | 8,142 | 2,682,306 | 2,355,177 | 12/31/2011 |
| 12544LAK7 | 7,815,283 | 7,617,520 | 197,763 | 7,617,520 | 7,617,520 | 3/31/2011 |

NOTES TO FINANCIAL STATEMENTS

| | | | | | | |
|-----------|-----------|-----------|---------|-----------|-----------|------------|
| 12544LAK7 | 7,616,725 | 7,537,472 | 79,253 | 7,537,472 | 7,531,640 | 9/30/2011 |
| 12544LAK7 | 7,182,867 | 7,097,450 | 85,417 | 7,097,450 | 7,092,915 | 12/31/2011 |
| 74922EAG4 | 7,108,984 | 7,024,531 | 84,453 | 7,024,531 | 6,515,132 | 12/31/2010 |
| 74922EAG4 | 6,830,754 | 6,718,769 | 111,985 | 6,718,769 | 6,259,561 | 3/31/2011 |
| 74922EAG4 | 6,405,368 | 6,357,325 | 48,043 | 6,357,325 | 5,480,842 | 6/30/2011 |
| 74922EAG4 | 5,964,962 | 5,846,982 | 117,981 | 5,846,982 | 4,870,240 | 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 | (1,264,788) | (26,402,698) |
| Fair Value of Securities with Unrealized Losses | 55,978,645 | 126,083,399 |

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. On March 26, 2010, the Company entered into a \$750,000,000 three-year committed repurchase agreement for general corporate purposes. In connection with the new repurchase agreement the Company terminated its existing \$750,000,000 364-day committed repurchase agreement. The Company's practice is to obtain collateral that approximates 91% - 95% of the fair value of securities transferred to the counterparty, as of the transaction date. As of December 31, 2011, no borrowings were outstanding under the agreement.

Refer to Note 17B for the policy on requiring collateral related to securities lending.

2. The Company has not pledged any of its assets as collateral as of December 31, 2011.
3. Aggregate Amount of Contractually open cash collateral positions:

| Aging of Collateral | Total Fair Value |
|---------------------------|------------------|
| Open | \$ 233,928,740 |
| 30 Days or Less | - |
| 31 to 60 Days | - |
| 61 to 90 Days | - |
| Greater than 90 Days | - |
| Sub-Total | 233,928,740 |
| Securities Received | - |
| Total Collateral Received | \$ 233,928,740 |

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 | 57,959,597 | 57,959,784 |
| 31 to 60 Days | 114,410,820 | 114,412,819 |
| 61 to 90 Days | 61,579,186 | 61,582,917 |
| 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 | 233,949,603 | 233,955,520 |
| Securities Received | - | - |
| Total Collateral Reinvested | \$ 233,949,603 | \$ 233,955,520 |

- 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 recognized an impairment of \$144,577 on real estate during 2011.
- The Company has not sold or classified real estate investments as held for sale.
- The Company has not experienced any changes to a plan of sale for investment in real estate.
- The Company does not engage in retail land sale operations.
- The Company does not hold real estate investments with participating mortgage loan features.

G. Investments in Low-Income Housing Tax Credits ("LIHTC")

- There are fourteen years remaining of unexpired tax credits. The required holding period for the LIHTC investment is fifteen years.
- 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.
- The carrying value of the Company's investment in LIHTC did not exceed 10% of its admitted assets.
- The Company did not recognize any impairment loss on its LIHTC investment during the year.
- 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 and Limited Liability Companies

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

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

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

The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim 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 \$59,431,888 during the year.

Note 7 - Investment Income

A. Accrued Investment Income

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

NOTES TO FINANCIAL STATEMENTS

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2011.

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 | 1,860,780,950 | 284,509,050 | 2,145,290,000 | 1,602,545,747 | 263,561,753 | 1,866,107,500 | 258,235,203 | 20,947,297 | 279,182,500 |
| Statutory Valuation Allowance Adjustment | - | - | - | - | - | - | - | - | - |
| Adjusted Gross Deferred Tax Assets | 1,860,780,950 | 284,509,050 | 2,145,290,000 | 1,602,545,747 | 263,561,753 | 1,866,107,500 | 258,235,203 | 20,947,297 | 279,182,500 |
| Deferred Tax Liabilities | (718,200,047) | (83,440,953) | (801,641,000) | (622,689,751) | (122,571,849) | (745,261,600) | (95,510,296) | 39,130,896 | (56,379,400) |
| Net DTA (DTL) | 1,142,580,903 | 201,068,097 | 1,343,649,000 | 979,855,996 | 140,989,904 | 1,120,845,900 | 162,724,907 | 60,078,193 | 222,803,100 |
| Deferred Tax Assets Nonadmitted | (176,414,053) | (195,532,353) | (371,946,406) | (108,551,582) | (34,894,645) | (143,446,227) | (67,862,471) | (160,637,708) | (228,500,179) |
| Net Admitted DTA (DTL) | 966,166,850 | 5,535,744 | 971,702,594 | 871,304,414 | 106,095,259 | 977,399,673 | 94,862,436 | (100,559,515) | (5,697,079) |

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.) | - | - | - | 62,626,000 | 106,095,259 | 168,721,259 | (62,626,000) | (106,095,259) | (168,721,259) |
| Lesser of: | | | | | | | | | |
| Expected to be recognized within one year (10bi.) | 531,273,030 | 5,535,744 | 536,808,774 | 545,120,603 | - | 545,120,603 | (13,847,573) | 5,535,744 | (8,311,829) |
| 10% of adjusted capital and surplus (10bii.) | | | 1,108,166,914 | | | 1,058,188,745 | | | 49,978,169 |
| Adj. gross DTAs offset against existing DTLs (10c.) | 718,200,047 | 83,440,953 | 801,641,000 | 622,689,751 | 122,571,849 | 745,261,600 | 95,510,296 | (39,130,896) | 56,379,400 |
| Total | 1,249,473,077 | 88,976,697 | 1,338,449,774 | 1,230,436,354 | 228,667,108 | 1,459,103,462 | 19,036,723 | (139,690,411) | (120,653,688) |

The amount of each result or component of the calculation, by tax character, of paragraphs 10ei., 10eii., 10eib., 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.) | - | - | - | 62,626,000 | 106,095,259 | 168,721,259 | (62,626,000) | (106,095,259) | (168,721,259) |
| Lesser of: | | | | | | | | | |
| Expected to be recognized within three years (10eii.) | 966,166,850 | 5,535,744 | 971,702,594 | 808,678,414 | - | 808,678,414 | 157,488,436 | 5,535,744 | 163,024,180 |
| 15% of adjusted capital and surplus (10eib.) | | | 1,662,250,371 | | | 1,587,283,117 | | | 74,967,254 |
| Adj. gross DTAs offset against existing DTLs (10eiii.) | 718,200,047 | 83,440,953 | 801,641,000 | 622,689,751 | 122,571,849 | 745,261,600 | 95,510,296 | (39,130,896) | 56,379,400 |
| Total | 1,684,366,897 | 88,976,697 | 1,773,343,594 | 1,493,994,165 | 228,667,108 | 1,722,661,273 | 190,372,732 | (139,690,411) | 50,682,321 |

| Used in SSAP No. 10R, Paragraph 10.d. | December 31, 2011 | December 31, 2010 | Change |
|---------------------------------------|-------------------|-------------------|---------------|
| Total Adjusted Capital | 13,237,447,240 | 13,566,625,675 | (329,178,435) |
| Authorized Control Level | 2,916,828,360 | 2,746,514,501 | 170,313,859 |

NOTES TO FINANCIAL STATEMENTS

| | 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) | 18% | 0% | 18% | 7% | 0% | 7% | 11% | 0% | 11% |
| (b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Gross DTAs) | 40% | 0% | 40% | 14% | 0% | 14% | 26% | 0% | 26% |

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 | 531,273,030 | 5,535,744 | 536,808,774 | 607,746,603 | 106,095,259 | 713,841,862 | (76,473,573) | (100,559,515) | (177,033,088) |
| Admitted Assets | | | 36,959,949,328 | | | 36,437,990,532 | | | |
| Adjusted Statutory Surplus* | | | 11,081,669,143 | | | 10,581,887,450 | | | |
| Total Adjusted Capital from DTAs | 531,273,030 | 5,535,744 | 536,808,774 | 607,746,603 | 106,095,259 | 713,841,862 | (76,473,573) | (100,559,515) | (177,033,088) |

*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 | 434,893,821 | - | 434,893,821 | 263,557,811 | - | 263,557,811 | 171,336,010 | - | 171,336,010 |
| Admitted Assets | 434,893,821 | - | 434,893,821 | 263,557,811 | - | 263,557,811 | 171,336,010 | - | 171,336,010 |
| Statutory Surplus | 434,893,821 | - | 434,893,821 | 263,557,811 | - | 263,557,811 | 171,336,010 | - | 171,336,010 |

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 | (122,641,363) | (198,900,191) |
| Foreign | 8,777,674 | 44,050,404 |
| Realized capital gains | 60,448,689 | 38,970,671 |
| Federal and foreign income taxes incurred | (53,415,000) | (115,879,116) |

The Company's DTAs and DTLs result primarily from net operating loss carry-forward, discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, accrued benefits, intangible drilling costs, investment impairments, partnership investments, and statutory nonadmitted assets.

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

| | 2011 |
|---|-------------|
| Change in net deferred income tax (without unrealized gain or loss) | 226,810,008 |
| Change in tax effect of unrealized (gains) losses | (4,012,587) |
| Total change in net deferred income tax | 222,797,421 |

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of net operating losses generated in 2011, excludable dividend income, partnership income, intangible drilling costs, tax exempt interest, depreciation, and unearned premium reserve deductions.

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

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

| Year Generated | Amount | Expiration |
|----------------|-------------|------------|
| 2011 | 843,943,000 | 2031 |

NOTES TO FINANCIAL STATEMENTS

The Company has foreign tax credit carry-forwards available to offset future net income subject to Federal income taxes as follows:

| Year Generated | Amount | Expiration |
|----------------|------------|------------|
| 2010 | 9,460,000 | 2020 |
| 2011 | 14,368,000 | 2021 |

The Company has general business credit carry-forward available to offset future net income subject to Federal income taxes as follows:

| Year Generated | Amount | Expiration |
|----------------|------------|------------|
| 2011 | 10,589,000 | 2031 |

The Company has an alternative minimum tax credit carry-forward of \$76,238,000. 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) | Liberty Mutual Holding Company Inc. |
| AMBCO Capital Corporation | Liberty Mutual Insurance Company |
| America First Insurance Company | Liberty Mutual Personal Insurance Company |
| America First Lloyds Insurance Company | Liberty Northwest Insurance Corporation |
| American Economy Insurance Company | Liberty Personal Insurance Company |
| American Fire & Casualty Company | Liberty RE (Bermuda) Limited |
| American States Insurance Company | Liberty Sponsored Insurance (Vermont) Inc. |
| American States Insurance Company of Texas | Liberty Surplus Insurance Corporation |
| American States Lloyds Insurance Company | LIH-RE of America Corporation |
| American States Preferred Insurance Company | LIU Specialty Insurance Agency Inc. |
| Barrier Ridge LLC | LM General Insurance Company |
| Berkeley Holding Company Associates, Inc. | LM Insurance Corporation |
| Berkeley Management Corporation | LM Property & Casualty Insurance Company |
| Bridgefield Casualty Insurance Company | LMHC Massachusetts Holdings Inc. |
| Bridgefield Employers Insurance Company | LRE Properties, Inc. |
| Capitol Court Corporation | Mid-American Fire & Casualty Company |
| Capitol Agency, Inc., The (Arizona corporation) (Dissolved 1/20/2011) | North Pacific Insurance Company |
| Cascade Disability Management, Inc. | OCASCO Budget, Inc. |
| Colorado Casualty Insurance Company | OCI Printing, Inc. |
| Commercial Aviation Insurance, Inc. | Ohio Casualty Corporation |
| Consolidated Insurance Company | Ohio Security Insurance Company |
| Copley Venture Capital, Inc. | Open Seas Solutions, Inc. |
| Diversified Settlements, Inc. | Oregon Automobile Insurance Company |
| Emerald City Insurance Agency, Inc. | Peerless Indemnity Insurance Company |
| Employers Insurance Company of Wausau | Peerless Insurance Company |
| Excelsior Insurance Company | Pilot Insurance Services, Inc. |
| F.B. Beattie & Co., Inc. | Rianoc Research Corporation |
| First National Insurance Company of America | S.C. Bellevue, Inc. |
| First State Agency Inc. | SAFECARE Company, Inc. |
| General America Corporation | Safeco Corporation |
| General America Corporation of Texas | Safeco General Agency, Inc. |
| General Insurance Company of America | Safeco Insurance Company of America |
| Golden Eagle Insurance Corporation | Safeco Insurance Company of Illinois |
| Gulf States AIF, Inc. | Safeco Insurance Company of Indiana |
| Hawkeye-Security Insurance Company | Safeco Insurance Company of Oregon |
| Heritage-Summit HealthCare, Inc. | Safeco Lloyds Insurance Company |
| Indiana Insurance Company | Safeco National Insurance Company |
| Insurance Company of Illinois | Safeco Properties, Inc. |
| LEXCO Limited | Safeco Surplus Lines Insurance Company |
| Liberty-USA Corporation | San Diego Insurance Company |
| Liberty Assignment Corporation | SCIT, Inc. |
| Liberty Energy Canada, Inc. | St. James Insurance Company Ltd. |
| Liberty Financial Services, Inc. | Summit Consulting, Inc. |
| Liberty Hospitality Group, Inc. | Summit Consulting, Inc. of Louisiana |
| Liberty Insurance Corporation | Summit Holding Southeast, Inc. |
| Liberty Insurance Holdings, Inc. | The First Liberty Insurance Corporation |
| | The Midwestern Indemnity Company |

NOTES TO FINANCIAL STATEMENTS

| | |
|--|---------------------------------------|
| Liberty Insurance Underwriters Inc.* | The National Corporation |
| Liberty International Europe Inc. | The Netherlands Insurance Company |
| Liberty International Holdings Inc. | The Ohio Casualty Insurance Company |
| Liberty Life Assurance Company of Boston | Wausau Business Insurance Company |
| Liberty Life Holdings Inc. | Wausau General Insurance Company |
| Liberty Lloyds of Texas Insurance Company | Wausau Underwriters Insurance Company |
| Liberty Management Services, Inc. | West American Insurance Company |
| Liberty Mexico Holdings Inc. | Winmar Company, Inc. |
| Liberty Mutual Agency Corporation | Winmar of the Desert, Inc. |
| Liberty Mutual Fire Insurance Company | Winmar Oregon, Inc. |
| Liberty Mutual Group Asset Management Inc.** | Winmar-Metro, Inc. |
| Liberty Mutual Group 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.

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. ("LMHC"), a Massachusetts company.
- B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.
- C. For the year ended December 31, 2011, the Company had the following capital transactions with its parent and subsidiaries:
1. Received return of capital distributions of \$143,185,245.
 2. Contributed capital in the amount of \$812,071,529
 3. Received dividends in the amount of \$253,233,296.
- D. At December 31, 2011 the Company reported a net \$476,367,207 due from affiliates, consisting of net intercompany receivables, \$325,567,070, and loans to Liberty International Netherlands VOF, amounting to \$150,000,000 and \$800,137 of accrued unpaid interest thereon. The loans, reported on Schedule BA, Other Long Term Invested Assets Owned, are payable in full on or before October 26, 2026, while the interest is paid annually. The terms of the intercompany arrangements, in general, 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).

America First Insurance Company
 Bridgefield Casualty Insurance Company
 Liberty Corporate Capital Limited
 Liberty Information Technology Limited
 Liberty Insurance Company Limited
 Liberty Insurance Underwriters Inc.
 Liberty Life Assurance Company of Boston
 Liberty Mutual Group Inc.
 Liberty Mutual Insurance Europe
 Liberty Personal Insurance Company
 Liberty Re (Bermuda) Limited
 Liberty Surplus Insurance Company
 Peerless Insurance Company
 Safeco Insurance Company of America
 San Diego Insurance Company
 St. James/Arlington Real Estate Limited Partnership
 Companies in the Liberty Mutual Group holding custodial accounts with JP Morgan Chase Bank

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

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

NOTES TO FINANCIAL STATEMENTS

There are service agreements between the Company and the following SCA companies -

Berkeley/Columbus II LLC
 Berkeley/Columbus Real Estate LLC
 Bridgefield Casualty Insurance Company
 Bridgefield Employers Insurance Company
 Cascade Disability Management, Inc.
 Employers Insurance Company of Wausau
 Helmsman Insurance Agency LLC
 Helmsman Management Services LLC
 Insurance Company of Illinois
 Liberty Energy Holdings LLC
 Liberty Information Technology Limited
 Liberty Insurance Corporation
 Liberty Insurance Underwriters Inc.
 Liberty Life Assurance Company of Boston
 Liberty Lloyd's of Texas Insurance Company
 Liberty Mutual Agency Corporation
 Liberty Mutual Equity LLC
 Liberty Mutual Fire Insurance Company
 Liberty Mutual Group Inc.
 Liberty Mutual Managed Care LLC
 Liberty Metals & Mining Holdings, LLC
 Liberty Mutual Mid-Atlantic Insurance Company
 Liberty Mutual Personal Insurance Company
 Liberty Personal Insurance Company
 Liberty Surplus Insurance Corporation
 LIU Specialty Insurance Agency Inc.
 LM General Insurance Company
 LM Insurance Corporation
 LM Property and Casualty Insurance Company
 Peerless Insurance Company
 San Diego Insurance Company
 The First Liberty Insurance Corporation
 Wausau Business Insurance Company
 Wausau General Insurance Company
 Wausau Signature Agency LLC
 Wausau Underwriters Insurance Company

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

The Company is a party to a management services agreement with LMGI. Under these agreements, the Company may provide the SCA companies with office space, supplies, equipment, telephone and wire services, the use of computers and similar machines and services of personnel employed by the Company and through a management services agreement entered into by the Company and LMGI. Services include but are not limited to the following: claims handling, credit and collections, sales policy production, underwriting and a variety of computer activities.

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

The Company is a party to a claims service agreement with Peerless Insurance Company ("PIC"). Under the agreement, PIC provides workers compensation claims services to the Company under the policies of workers compensation insurance and claims adjusting service agreements issued by any of the companies operating as the Commercial Markets strategic business unit. The parties agreed to a specific fee schedule applicable to such claims services.

The Company is a party to a claims service agreement with PIC. Under the agreement, the Company provides workers compensation claims services to PIC under the policies of workers compensation insurance issued by any of the companies of Liberty Mutual Agency Corporation. The parties agreed to a specific fee schedule applicable to such claims services.

The Company is a party to an investment management agreement with Liberty Mutual Investment Advisors LLC ("LMIA") and a cash management agreement with LMIA. Under these agreements, LMIA provides services to the Company.

The Company is a party to an investment management agreement with Liberty Mutual Group Asset Management Inc. ("LMGAM"). Under the agreement, LMGAM provides services to the Company.

The Company is a party to investment management agreements with EICOW with respect to its Canadian Branch, LMIA and Safeco Insurance Foundation ("SIF"). Under these agreements, the Company provides services to EICOW, LMIA and SIF.

NOTES TO FINANCIAL STATEMENTS

The Company is a party to revolving credit agreements under which the Company may lend funds to the following SCA companies:

American States Insurance Company
 Bridgefield Employers Insurance Company
 Colorado Casualty Insurance Company
 Employers Insurance Company of Wausau
 General Insurance Company of America
 Golden Eagle Insurance Corporation
 Indiana Insurance Company
 Liberty Corporate Capital Limited
 Liberty Insurance Corporation
 Liberty Insurance Underwriters Inc.
 Liberty Life Assurance Company of Boston
 Liberty Mutual Fire Insurance Company
 Liberty Mutual Group Inc.
 Liberty Mutual Mid-Atlantic Insurance Company
 Liberty Northwest Insurance Corporation
 Peerless Indemnity Insurance Company
 Peerless Insurance Company
 Safeco Insurance Company of America
 The Netherlands Insurance Company
 The Ohio Casualty Insurance 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.

On June 30, 2010, the Company entered into an aggregate stop-loss reinsurance agreement with an affiliate, PIC. Pursuant to the agreement, the Company will indemnify PIC, on an incurred basis, against adverse development in PIC’s legacy run-off liability exposures, which includes any failure to fully realize reinsurance recoverables, whether due to coverage disputes or inability to pay. The agreement provides that, if at any time commencing on July 1, 2010, PIC’s total legacy run-off liability exposures develop adversely from the amounts established as of June 30, 2010, the Company will pay to PIC an amount equal to such adverse development, up to an aggregate amount of \$500,000,000.

The agreement will terminate upon the earlier of the time that there are no liabilities for PIC’s legacy run-off exposures remaining or the second anniversary of the date that the aggregate net payments made by the Company under the agreement equal \$500,000,000 if the parties agree that no reinsurance refunds are likely to become due. The agreement may only be amended or assigned with the written consent of both parties.

- G. The Company is a member of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company discontinued reducing the carrying value of Liberty Insurance Holdings, Inc. (“LIH, Inc.”), a wholly owned downstream holding company, in 2011, as LIH, Inc. no longer has a reciprocal ownership in its parent, LMGI.
- I. The Company owns 100% of LIH, Inc., a downstream holding company. LIH, Inc. is carried at audited U.S Generally Accepted Accounting Principles (“GAAP”) equity, adjusted for statutory basis of accounting in accordance with SSAP No. 97.

At December 31, 2011, the Company’s ownership interest in LIH, Inc.’s assets, liabilities and results of operations are as follows:

| | Assets | Liabilities | Results of Operations |
|--|------------------|-------------|-----------------------|
| Total LIH, Inc | \$ 3,840,459,591 | \$ - | \$ 58,710,177 |
| Total LMIC unamortized admitted goodwill | \$ 243,284,925 | \$ - | \$ - |

The Company did not change the valuation method of its subsidiaries, controlled and affiliated entities.

- 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 use CARVM in calculating its investment in its foreign subsidiaries.
- L. The Company utilizes the look-through approach for the valuation of the following downstream non-insurance holding companies:

| Carrying Value: | |
|---------------------------------|--------------|
| Berkeley Management Corporation | \$16,206,096 |
| LM Captive Holdings LLC | 30,616,715 |
| Summit Holding Southeast | 109,204,735 |
| Berkeley/Columbus III, LLC | 140,442,101 |
| Liberty Mutual Equity LLC | \$ (1,062) |

NOTES TO FINANCIAL STATEMENTS

The Company has limited the value of its investment in downstream non-insurance holding companies to the value contained in the audited financial statements of the entities owned by these companies, including adjustments required by SSAP No. 97 of SCA entities. All liabilities, commitments, contingencies, guarantees or obligations of the downstream non-insurance holding company, which are required to be recorded as liabilities, commitments, contingencies, guarantees or obligations under applicable accounting guidance, are reflected in the Company's determination of the carrying value of the investment in the downstream non-insurance holding company.

Note 11 - Debt

A. Debt (Including Capital Notes)

The Company maintains a \$750,000,000 committed repurchase agreement for general corporate purposes (refer to Note 5E). In 2011, the Company borrowed and repaid \$250,000,000 under the agreement. The Company paid and incurred interest expense of \$157,859 on amounts borrowed during the year. There were no outstanding borrowings as of December 31, 2011.

B. The Company is a member of the Federal Home Loan Bank of Boston. To date, no funds have been borrowed.

Note 12 - Retirement Plans, Deferred Compensation, Post employment 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 the Holding Company, Liberty Mutual Group Inc. (LMGI). Accordingly, the plan assets and obligations are not included in the Company's summary of assets and obligations below.

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

A summary of assets, obligations, and assumptions of the Company sponsored Pension Plans and Postretirement Benefit Plans are as follows as of December 31, 2011 and December 31, 2010.

| | Pension Plans | | Postretirement | |
|---|-----------------------|-----------------------|------------------------|-----------------------|
| | 2011 | 2010 | 2011 | 2010 |
| (1) Change in benefit obligations | | | | |
| a. Benefit obligations, beginning of year | \$128,195,582 | \$119,956,009 | \$ 20,131,956 | \$ 5,852,076 |
| b. Service costs | 2,139,150 | 2,583,086 | - | - |
| c. Interest costs | 7,655,541 | 7,559,539 | 1,640,091 | 1,097,344 |
| d. Eligibility costs | - | - | 1,936,694 | 522,314 |
| e. Amendments | (338,385) | - | - | - |
| f. Actuarial (gains)/losses | 6,449,625 | 869,297 | 6,801,552 | 12,679,096 |
| g. Foreign currency exchange rate change | (1,809,058) | 3,664,489 | (87,509) | 177,476 |
| h. Acquisition / (Divestiture) | - | - | - | - |
| i. Benefits paid | (6,530,744) | (6,436,838) | (249,004) | (196,350) |
| j. Benefit obligations, end of year | <u>\$ 135,761,711</u> | <u>\$ 128,195,582</u> | <u>\$ 30,173,780</u> | <u>\$ 20,131,956</u> |
| (2) Change in plan assets | | | | |
| a. Fair value of plan assets at beginning of year | \$ 61,368,513 | \$ 42,793,454 | \$ - | \$ - |
| b. Actual return on plan assets | (260,810) | 3,419,316 | - | - |
| c. Foreign currency exchange rate changes | (1,410,227) | 3,553,754 | - | - |
| d. Employer contributions | 1,593,034 | 13,856,843 | - | - |
| e. Plan participants' contributions | - | - | - | - |
| f. Benefits paid | (2,718,388) | (2,254,854) | - | - |
| g. Other | - | - | - | - |
| h. Fair value of plan assets at end of the year | <u>\$ 58,572,122</u> | <u>\$ 61,368,513</u> | <u>\$ -</u> | <u>\$ -</u> |
| (3) Reconciliation of funding status | | | | |
| a. Funded status of the plan | \$(77,189,589) | \$(66,827,069) | \$(30,173,780) | \$(20,131,956) |
| b. Unrecognized net loss | 27,320,712 | 18,346,027 | 17,788,002 | 11,631,442 |
| c. Unrecognized prior service costs | 1,091,234 | 1,665,823 | - | - |
| d. Unrecognized net transition (asset)/obligation | 1,525,967 | 1,508,332 | 222,398 | 650,387 |
| e. Net amount recognized | <u>\$(47,251,676)</u> | <u>\$(45,306,887)</u> | <u>\$ (12,163,380)</u> | <u>\$ (7,850,127)</u> |
| (4) Vested accumulated benefit obligation | \$123,231,236 | \$117,906,690 | \$ 30,173,780 | \$ 20,131,956 |
| (5) Non-vested benefit obligation | \$ - | \$ - | \$ 13,876,279 | \$ 8,022,641 |

NOTES TO FINANCIAL STATEMENTS

(6) Components of net periodic benefit costs

| | | | | |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
| a. Service costs | \$ 2,139,150 | \$ 2,583,086 | \$ - | \$ - |
| b. Eligibility costs | - | - | 1,936,694 | 522,314 |
| c. Interest costs | 7,655,541 | 7,559,539 | 1,640,091 | 1,097,344 |
| d. Expected return on plan assets | (4,478,760) | (3,276,038) | - | - |
| e. Amortization of unrecognized: | | | | |
| Net loss | 1,350,028 | 595,903 | 627,331 | 2,388,189 |
| Prior service cost | 217,479 | 210,631 | - | - |
| Net transition (asset)/obligation | (17,635) | 34,965 | 119,469 | 108,507 |
| f. Other one-time adjustment | - | - | 315,511 | - |
| | - | - | - | - |
| Total net periodic benefit cost | <u>\$ 6,865,803</u> | <u>\$ 7,708,086</u> | <u>\$ 4,639,096</u> | <u>\$ 4,116,354</u> |

(7) Amounts recognized in the statutory financial statements consist of

| | | | | |
|---------------------------|-----------------------|-----------------------|------------------------|-----------------------|
| Prepaid Benefit Cost | \$ 23,404,005 | \$ 23,469,187 | \$ - | \$ - |
| Accrued benefit liability | (70,934,529) | (68,463,524) | (12,163,380) | (7,850,127) |
| Minimum pension liability | 85,700 | 426,722 | - | - |
| Intangible asset | 193,148 | (739,273) | - | - |
| Net amount recognized | <u>\$(47,251,676)</u> | <u>\$(45,306,888)</u> | <u>\$ (12,163,380)</u> | <u>\$ (7,850,127)</u> |

| | | | | |
|--|--------------|------------|---|---|
| Change in additional pension liability | \$ (341,022) | \$ 426,722 | - | - |
|--|--------------|------------|---|---|

(8) Weighted-average assumptions used to determine net periodic benefit costs:

| | | | | |
|--------------------------------|-------|-------|-------|-------|
| Discount rate | 6.00% | 6.30% | 6.35% | 6.30% |
| Expected return on plan assets | 6.75% | 6.75% | - | - |
| Rate of compensation increase | 4.10% | 4.65% | - | - |

Weighted-average assumptions used to determine projected benefit obligation:

| | | | | |
|-------------------------------|-------|-------|-------|-------|
| Discount rate | 5.65% | 6.00% | 6.15% | 6.35% |
| Rate of compensation increase | 3.95% | 4.10% | - | - |

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

(10) The weighted average healthcare cost trend rate assumed for 2012 is 9.00% graded to 4.50% for 2021.

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

| | <u>1-Percentage Point Increase</u> | <u>1-Percentage Point Decrease</u> |
|--|--|--|
| Effect on postretirement benefit obligation: | \$ 270,759 | \$ (231,377) |
| Effect on total of service cost and interest cost: | \$ 30,641 | \$ (25,141) |

(12) The Canada Pension Plan is the only benefit plan with assets included in the footnote. The Plan's weighted-average asset allocation by asset category is as follows:

| Asset Category | <u>2011</u> | <u>2010</u> |
|--------------------|--------------------|--------------------|
| Equity Investments | 36% | 34% |
| Debt Investments | 57% | 55% |
| Other | 7% | 11% |
| Total | <u>100%</u> | <u>100%</u> |

Narrative description of investment policy

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

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

- i. The Company is responsible for financing any unfunded liabilities emerging because of poor investment returns. Therefore, the Company has a direct exposure to risk. While it is important to avoid excessive volatility in investment returns, the Company can tolerate some volatility risk;
- ii. The Company contributes to the Plan in compliance with regulatory requirements and at a level sufficient to finance the defined benefits. The Company will establish these contributions based on the advice of an actuary. However, periodic increases in pension contributions, to finance unfunded liabilities emerging from poorer than expected investment performance, should not significantly affect the Company's overall cash flow. Therefore, the Company can tolerate some volatility of investment returns; and,

NOTES TO FINANCIAL STATEMENTS

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

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

| Assets | Minimum % | Target Mix % | Maximum % |
|--------------------|-----------|--------------|-----------|
| Equity Investments | 20 | 35 | 45 |
| Debt Investments | 55 | 65 | 80 |
| Other | 0 | 0 | 10 |

Narrative description of expected long term rate of return assumption

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

(13) Expected Future Benefit Payments

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

| Year | Pension | Postretirement Benefits |
|-----------|-------------|----------------------------|
| 2012 | \$6,295,452 | \$868,271 |
| 2013 | 6,543,829 | 958,851 |
| 2014 | 6,812,959 | 1,056,083 |
| 2015 | 7,101,083 | 1,168,805 |
| 2016 | 7,340,391 | 1,302,403 |
| 2017-2021 | 40,799,604 | 9,109,960 |

(14) Expected Company Contributions

The Company expects to contribute \$5,627,920 and \$868,271 to the pension plan and post retirement plan respectively in 2012.

- B. The Company continues to sponsor various defined contribution savings plans for Canadian and certain U.S. employees. The Company's expense charged to operations amounted to approximately \$459,352 and \$886,700 in 2011 and 2010 respectively. The Company's contribution to the defined contribution plans is based on the employee contribution amounts and company performance.
- C. Multi-employer Plans
Not applicable
- D. LMGI allocates costs to the Company pursuant to the Employee Benefit Plans Cost-Sharing Agreement disclosed in note 10. The Company has no legal obligation for benefits under these plans subsequent to September 24, 2003 except for the minimum required contributions described in note 14F. The Liberty Mutual Retirement Benefit Plan and Liberty Mutual SIRP defined-benefit pension costs are allocated to the Company based on the required contributions to the plans. The Liberty Mutual postretirement health and life plans, Liberty Mutual Employees' Thrift-Incentive plan and Liberty Mutual SIRP defined-contribution pension costs are allocated to the Company based on Statutory incurred amounts.

The cost-sharing agreement includes an amount for former employees who were transferred to the Peerless Insurance Company (PIC) Pool effective January 1, 2011. These employees participate in the Liberty Mutual Agency Corporation pension plans that were established effective January 1, 2011. With respect to any transferred employee, the Company retains the cost of its benefit plans for years of credited service prior to January 1, 2011. The Company does not allocate defined benefit plan costs to the PIC Pool.

LMGI allocated \$294,488,983 and \$210,253,467 of defined benefit pension expense to the Company in 2011 and 2010, respectively. LMGI allocated \$130,989,629 and \$138,731,140 of defined contribution pension expense to the Company in 2011 and 2010, respectively. LMGI allocated \$41,455,075 and \$58,621,864 of postretirement expense to the Company in 2011 and 2010, respectively.

Additionally, the Company allocates a portion of the defined contribution pension and postretirement costs to the PIC Pool through a master service agreement.

The Company allocates a portion of the remaining benefit plan costs and liabilities to affiliated entities per the Liberty Mutual Inter-Company Reinsurance Agreement, as described in note 26.

NOTES TO FINANCIAL STATEMENTS

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

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

1. 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 7,468 preferred shares, at an issuance price of \$647,660,000, to its parent, LMGI. Dividends, based on the issuance price, are cumulative and payable on a quarterly basis.
3. There are no dividend restrictions.
4. The Company paid ordinary dividends to its parent in 2011 of:

| | Ordinary | Total Dividends |
|-----------|---------------|-----------------|
| March | \$ 16,191,500 | \$ 16,191,500 |
| June | 16,191,500 | 16,191,500 |
| September | 16,191,500 | 16,191,500 |
| December | 16,191,500 | 16,191,500 |
| Total | \$ 64,766,000 | \$ 64,766,000 |

5. The maximum amount of dividends which can be paid by Massachusetts-domiciled insurance companies to shareholders without the prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus or (b) net income, subject to the availability of accumulated undistributed earnings. The maximum dividend payout which may be made without prior approval in 2012 is \$1,359,643,506.
6. As of December 31, 2011, the Company has restricted surplus of \$434,893,821 from recording the increase in admitted deferred tax assets as a result of applying the revised guidance in SSAP No. 10R, *Income Taxes*, and pre-tax restricted surplus of \$602,023,836 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 deferred tax assets in SSAP No. 10R.
10. The portion of unassigned funds (surplus) represented by cumulative net unrealized losses is \$(3,747,682,816) after applicable deferred taxes of \$117,347.

11. Surplus Notes

| (1) Date Issued | (2) Interest Rate | (3) Amount of Note(s) | (4) Carrying Value | (5) Interest Paid Current Year | (6) Total Interest Paid | (7) Unapproved Interest | (8) Date of Maturity |
|--------------------|----------------------|--------------------------|-----------------------|-----------------------------------|----------------------------|----------------------------|-------------------------|
| May 18, 1995 | 8.500% | 140,000,000 | 139,871,865 | 11,900,000 | 208,530,972 | 0 | 5/15/2025 |
| Oct 21, 1996 | 7.875% | 227,085,000 | 226,897,308 | 17,882,944 | 291,403,913 | 0 | 10/15/2026 |
| Oct 15, 1997 | 7.697% | 435,083,000 | 428,770,197 | 33,488,338 | 527,508,644 | 0 | 10/15/2097 |
| Total | | \$802,168,000 | \$795,539,370 | \$63,271,282 | \$1,027,443,529 | \$0 | |

The 8.50% surplus debenture listed under 13.10.2 was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by Merrill Lynch & Co., Goldman Sachs & Co. and Salomon Brothers Inc. and is administered by The Bank of New York Mellon as registrar/paying agent. The original amount outstanding was \$150,000,000. In 2009, pursuant to approval from the Massachusetts Division of Insurance, the Company repurchased \$10,000,000 of the outstanding notes. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

The 7.875% surplus debenture listed under 13.10.3 was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by CS First Boston, Morgan Stanley & Co. and Salomon Brothers Inc. and is administered by The Bank of New York Mellon as registrar/paying agent. The original amount outstanding was \$250,000,000. In 2009, pursuant to approval from the Massachusetts Division of Insurance, the Company repurchased \$22,915,000 of the outstanding notes. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

The 7.697% surplus debenture listed under 13.10.4 was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by CS First Boston, Goldman Sachs & Co. and Merrill Lynch & Co. and is administered by The Bank of New York Mellon as registrar/paying agent. The original amount outstanding was \$500,000,000. In 2009, pursuant to approval from the Massachusetts Division of Insurance, the Company repurchased \$64,917,000 of the outstanding notes. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

NOTES TO FINANCIAL STATEMENTS

12. Quasi-reorganization (dollar impact)

Not applicable

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 guarantees on behalf of its affiliates 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 Fire Insurance Company, \$25,000,000 of the medium term notes payable that are obligations of its parent, LMGI. The notes were issued on June 1, 1993 and mature on May 31, 2013. | No liability at inception of the guarantee | Dividend to Stockholder | \$ 25,000,000 | Guaranteed affiliate is in compliance with the terms of guaranteed contract. |
| The Company guarantees the performance of Parent, LMGI, under a \$750,000,000 commercial paper program. The guarantee is effective from October 17, 2011 - October 17, 2016. The amount outstanding as of December 31, 2011 was \$0. | No liability at inception of the guarantee | Dividend to Stockholder | \$ - | Guaranteed affiliate is in compliance with the terms of guaranteed contract. |
| The Company is contingently liable for the performance of Liberty Corporate Capital Limited's obligations under standby letters of credit in the aggregate amount of \$388,550,000, that have been collateralized. The guarantee is effective from November 22, 2011 - November 22, 2012. As of December 31, 2011, there have been no drawings under the standby letters of credit. | Wholly-owned subsidiary | Increase in investment in SCA | \$ 388,550,000 | Guaranteed affiliate is in compliance with the terms of guaranteed contract. |
| The Company guarantees to cover any overdraft of funds, not exceeding \$500,000,000, in the custodial accounts of any Liberty Mutual Group company with JPMorgan Chase Bank. The guarantee was executed on February 19, 2003 and shall continue until terminated. | No liability at inception of the guarantee | Increase in investment in SCA/ Dividend to Stockholder | \$ - | Guaranteed affiliate is in compliance with the terms of guaranteed contract. |
| The Company guarantees that, if America First Insurance Company should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any "qualifying Louisiana investment" as defined in Louisiana Revised Statutes 22.1068, the Company shall pay America First Insurance Company a sufficient amount to reimburse it for such reduction, not exceeding \$5,000,000. As of December 31, 2011, \$7,404,588 in "qualifying Louisiana investment" was held. The agreement shall remain effective until the Company no longer holds "qualifying Louisiana investments." | Wholly-owned subsidiary | Increase in investment in SCA | \$ 5,000,000 | Guaranteed affiliate is in compliance with the terms of guaranteed contract. |
| The Company guarantees that, if Liberty Personal Insurance Company should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any "qualifying Louisiana investment" as defined in Louisiana Revised Statutes 22.1068, the Company shall pay Liberty Personal Insurance Company a sufficient amount to reimburse it for such reduction, not exceeding \$7,000,000. As of December 31, 2011, \$4,672,691 in "qualifying Louisiana investment" was held. The guarantee shall remain effective until the Company no longer holds "qualifying Louisiana investments." | Wholly-owned subsidiary | Increase in investment in SCA | \$ 4,672,691 | Guaranteed entity is in compliance with the terms of guaranteed contract. |
| The Company guarantees obligations of Peerless Insurance Company under a \$250,000,000 repurchase agreement with Mitsubishi UFJ Securities (USA), Inc. The guarantee is effective from March 26, 2010 - March 26, 2013. As of December 31, 2011, there have been no drawings under the repurchase agreement. | Wholly-owned subsidiary | Increase in investment in SCA | \$ - | Guaranteed affiliate is in compliance with the terms of guaranteed contract. |
| The Company guarantees the future non-cancellable lease obligations of Liberty Information Technology Ltd. in the amount of \$11,564,023. | No liability at inception of the guarantee | Dividend to Stockholder | \$ 11,564,023 | Guaranteed affiliate is in compliance with the terms of guaranteed contract. |
| The Company guarantees the future non-cancellable lease obligations of Liberty Insurance Underwriters Inc. in the amount of \$4,454,278. | Wholly-owned subsidiary | Increase in investment in SCA | \$ 4,454,278 | Guaranteed affiliate is in compliance with the terms of guaranteed contract. |
| The Company guarantees obligations of Liberty Life Assurance Company of Boston on policies and contracts issued and is obligated to provide additional capital to that company necessary at any time to raise its Best's Capital Adequacy Ratio to at least 150%. | Guarantee is considered unlimited | Increase in investment in SCA | \$ - | Guaranteed entity is in compliance with the terms of guaranteed contract. |

NOTES TO FINANCIAL STATEMENTS

| | | | | |
|--|--|-------------------------------|----------------|--|
| The Company guarantees obligations of Liberty Mutual Insurance Europe ("LMIE") Limited on policies and contracts issued until such time as LMIE can achieve a Standard & Poor's rating as specified in the guarantee. | Wholly-owned subsidiary; Guarantee is considered unlimited | Increase investment in SCA | \$ - | Guaranteed entity is in compliance with the terms of guaranteed contract. |
| The Company guarantees obligations of Liberty Re (Bermuda) Limited under certain reinsurance policies issued. The effective date of the guarantee is December 23, 1999. | Wholly-owned subsidiary | Increase in investment in SCA | \$ 210,479,223 | Guaranteed entity is in compliance with the terms of guaranteed contract. |
| The Company guarantees obligations of San Diego Insurance Company under a reinsurance agreement with Golden Eagle Insurance Company (in liquidation) and the California Insurance Commissioner, providing reinsurance of \$190,000,000 in excess of San Diego Insurance Company's existing obligations under a 1997 agreement. | Wholly-owned subsidiary | Increase in investment in SCA | \$ 63,607,309 | Guaranteed affiliate is in compliance with the terms of guaranteed contract. |
| The Company guarantees the performance of Safeco Insurance Company of America under a Master Lease Agreement with RBS Asset Finance, Inc. The amount of this obligation as of December 31, 2011 was \$11,627,653. The effective date of this guarantee is December 30, 2008. | Wholly-owned subsidiary | Increase in investment in SCA | \$ 11,627,653 | Guaranteed affiliate is in compliance with the terms of guaranteed contract. |
| The Company unconditionally guarantees that in order for Liberty Surplus Insurance Company (LSI) to operate as an insurance company in the state of Maine, LSI will maintain capital and surplus levels each in the amount of \$500,000. The effective date of this guarantee is October 14, 1998. | Wholly-owned subsidiary | Increase in investment in SCA | \$ 1,000,000 | Guaranteed affiliate is in compliance with the terms of guaranteed contract. |
| The Company guarantees obligations of Liberty Insurance Company Limited for tax liabilities and other indebtedness prior to and arising from the conversion to a limited liability subsidiary. The amount of these obligations as of December 31, 2011 was \$143,935. | Wholly-owned subsidiary | Increase in investment in SCA | \$ 143,935 | Guaranteed affiliate is in compliance with the terms of guaranteed contract. |
| Total: | | | \$ 726,099,112 | |

3. Aggregate compilation of guarantee obligations:

| | |
|--|----------------|
| a. Maximum potential of future payments of all guarantees (undiscounted) the guarantor could be required to make under guarantees. | \$ 726,099,112 |
| b. Current Liability Recognized in F/S: | |
| 1. Noncontingent Liabilities | \$ - |
| 2. Contingent Liabilities | \$ - |
| c. Ultimate Financial Statement Impact if action under the guarantee is required. | |
| 1. Investments in SCA | \$ 689,535,089 |
| 2. Joint Venture | - |
| 3. Dividends to Stockholders (capital contribution) | 36,564,023 |
| 4. Expense | - |
| 5. Other | - |
| Aggregate maximum potential of future payments | \$ 726,099,112 |

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 \$140,365,518 that is offset by future premium tax credits of \$13,795,303. 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 | \$ 18,641,807 |
| b. Decreases current year: | |
| Premium tax offset applied | 4,846,504 |
| c. Increases current year: | |
| Premium tax offset increase | - |
| d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end | \$ 13,795,303 |

NOTES TO FINANCIAL STATEMENTS

C. Gain Contingencies

Not applicable

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

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

| | |
|--|-------------|
| | Direct |
| Claims related ECO and bad faith losses paid during the reporting period | \$3,709,508 |

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

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

Indicate whether claim count information is disclosed per claim or per claimant.

(f) Per Claim [X]

(g) Per Claimant []

E. Product Warranties

The Company does not write product warranty business.

F. All Other Contingencies

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

The Company is currently in coverage litigation with Kentile Floors, Inc. a former manufacturer of floor tile products, some of which contained asbestos. In November 1992, Kentile filed a voluntary petition for bankruptcy relief under Chapter 11 (Reorganization) of the Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York, and Metex Manufacturing Corporation ("Metex") emerged from the Chapter 11 Bankruptcy proceeding as the "Reorganized Debtor." Metex claims it has rights to the policies issued to Kentile, but this issue has not yet been resolved by the bankruptcy court.

In 2008, certain excess insurers of Kentile initiated a declaratory judgment action against Kentile, Metex and the other insurers of Kentile, including the Company, in state court in New York seeking, among other relief, products coverage without aggregate limits from the Company.

The Company intends to vigorously defend its position in this coverage litigation, including opposing any argument that the Kentile policies do not contain aggregate limits for products claims. Management believes that the ultimate liability, if any, to Metex will not be resolved for at least one year and very likely may not be known for several years. In the opinion of management, the outcome of these pending matters is difficult to predict and an adverse outcome could have a material adverse effect on the Company's business, financial condition and results of operation.

As disclosed in Note 9 F, 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.

The Company refunded all premium and interest held in an escrow fund to certain of its policyholders in accordance with North Carolina General Statutes § 58-36-25(b). These distributions represented the full disposition of the Company's escrow fund.

Note 15 - Leases

A. Lessee Leasing Arrangements

The Company 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.

NOTES TO FINANCIAL STATEMENTS

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

| <u>Year(s)</u> | <u>Sale Lease-back</u> | <u>All Other Operating Lease Arrangements</u> |
|-------------------|----------------------------|---|
| 2012 | \$ 29,678,298 | \$ 91,208,212 |
| 2013 | 29,789,258 | 86,841,710 |
| 2014 | 20,804,139 | 58,713,368 |
| 2015 | 20,536,522 | 36,548,267 |
| 2016 | 19,540,905 | 40,638,422 |
| 2017 & thereafter | 65,309,193 | 247,116,490 |
| Total | <u>\$ 185,658,316</u> | <u>\$ 561,066,469</u> |

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.

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 \$228,545,175, with corresponding collateral value of \$233,928,740 of which \$233,928,740 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Net reimbursement for administrative expenses in excess of actual expenses on ASO plans and the net gain was \$118,279. Claim payment volume was \$3,413,315.

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

NOTES TO FINANCIAL STATEMENTS

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

| Full Name and Address of MGA or TPA | FEIN # | Exclusive Contract | Type of Business Written | Type of Authority Granted | Total Direct Written Premiums |
|--|------------|--------------------|--------------------------|---------------------------|-------------------------------|
| Asurion Insurance Services Inc* 648 Grassmere Park, Suite 300, Nashville, TN 37211 | 62-1463468 | N | Inland Marine | U, P, CA | \$2,231,524,753 |

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

U – Underwriting
P – Premium Collection
CA – Claims Adjustment

Note 20 - Fair Value Measurements

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

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

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

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

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

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

| 1 | 2 | 3 | 4 | 5 |
|---|---------------|----------------|---------------|------------------|
| Description | Level 1 | Level 2 | Level 3 | Total |
| Assets at fair value | | | | |
| Bonds | | | | |
| Issuer Obligations | - | \$ 714,839,446 | \$ 3,317,695 | \$ 718,157,141 |
| Residential Mortgage-Backed Securities | - | 77,836,797 | - | 77,836,797 |
| Total Bonds | - | \$ 792,676,243 | \$ 3,317,695 | \$ 795,993,938 |
| Preferred Stocks | | | | |
| Industrial and Miscellaneous (Unaffiliated) | - | \$ 200,788,949 | \$ 13,975,251 | \$ 214,764,200 |
| Total Preferred Stocks | - | \$ 200,788,949 | \$ 13,975,251 | \$ 214,764,200 |
| Common Stocks | | | | |
| Industrial and Miscellaneous | \$193,392,325 | - | \$ 10,584,900 | \$ 203,977,225 |
| Total Common Stocks | \$193,392,325 | - | \$ 10,584,900 | \$ 203,977,255 |
| Total assets at fair value | \$193,392,325 | \$ 993,465,192 | \$ 27,877,846 | \$ 1,214,735,363 |
| Liabilities at fair value | - | - | - | - |
| Total liabilities at fair value | \$ - | \$ - | \$ - | \$ - |

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

NOTES TO FINANCIAL STATEMENTS

2. Rollforward of Level 3 Items

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

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|-----------------|--------------------------|---------------------------|-----------------------------|--|--|----------------------|-------------|-----------------------|-----------------|--------------------------|
| | Balance at 12/31/2010 | 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 | \$434,111 | \$64,600,887 | \$ (1,572,133) | \$ (5,740,149) | \$ (4,998) | \$ 14,796,503 | \$ - | \$(69,197,638) | \$ 1,112 | \$3,317,695 |
| Preferred Stock | 3,052,011 | 466,250 | - | - | - | 10,457,000 | - | - | (10) | 13,975,251 |
| Common Stock | 8,750,600 | - | - | - | - | 1,834,300 | - | - | - | 10,584,900 |
| Total | \$12,236,722 | \$65,067,137 | \$ (1,572,133) | \$ (5,740,149) | \$ (4,998) | \$ 27,087,803 | \$ - | \$(69,197,638) | \$ 1,102 | \$ 27,877,846 |

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.

Mortgage-Backed Securities

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

Asset-Backed Securities

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

Municipals

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

NOTES TO FINANCIAL STATEMENTS

Corporate debt and other

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

Foreign government securities

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

Equity Securities

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

Other Investments

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

5. Derivative Fair Values

Not applicable

B. Other Fair Value Disclosures

Not applicable

C. Reasons Not Practical to Estimate Fair Value

Not applicable

Note 21 - Other Items

A. Extraordinary Items

The Company has no extraordinary items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

1) 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 received payments from the Special Disability Trust Fund of \$2,621,656 in 2011 and \$1,530,175 in 2010.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$ 103,924 in 2011 and \$172,811 in 2010.

- 2) Assets in the amount of \$2,101,378,082 and \$2,246,359,488 as of December 31, 2011 and 2010, respectively, were on deposit with government authorities or trustees as required by law. Assets valued at \$474,128,393 and \$395,143,661 at December 31, 2011 and 2010, respectively, were maintained as compensating balances of pledged as collateral for bank loans and other financing arrangements.

NOTES TO FINANCIAL STATEMENTS

3) Interrogatory 6.1

In 2011, as the lead company in the inter-company pool, the Company purchased 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 covers the Company'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 Classic/2 v12. For workers compensation, Liberty Mutual utilizes RiskLink v11.0 from RMS.

Interrogatory 6.3

In 2011, as the lead company in the inter-company pool, the Company purchased 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 its direct and assumed from affiliates property business. Additionally, the Company has purchased \$585,000,000 part of \$650,000,000 xs \$650,000,000 in second event coverage should there be multiple large events in a single year. The Company 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 non-admitted amounts are material.

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable and Non-transferable Tax Credits

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

| Description of State Transferable and Non-transferable Tax Credits | State | Carrying Value | Unused Amount |
|--|-------|-------------------|-------------------|
| Insurance Reinvestment Act Tax Credit | CT | \$ 282,600 | \$ 282,600 |
| Total | | \$ 282,600 | \$ 282,600 |

(2) Method of estimating utilization of remaining transferable and non-transferable state tax credits or other projected recovery of the current carrying value; and

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

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

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

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

| Description of State Transferable and Non-transferable Tax Credits | State | | Transferable | Non-Transferable |
|--|-------|--------------|--------------|------------------|
| Insurance Reinvestment Act Tax Credit | CT | Admitted | \$ - | \$282,600 |
| Insurance Reinvestment Act Tax Credit | | Non Admitted | - | - |
| Total | | | \$ - | \$282,600 |

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.

NOTES TO FINANCIAL STATEMENTS

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

| Actual Cost | <u>Book Adjusted</u> <u>Carrying Value</u> | <u>Fair Value</u> | <u>Other-Than-Temporary</u> <u>Impairments Recognized</u> |
|-------------|---|-------------------|--|
| \$8,636,254 | \$10,563,405 | \$13,918,667 | \$1,518,373 |

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 annual statement was 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, the following are the unsecured reinsurance recoverables or ceded unearned premium of an individual reinsurer which exceed 3% of policyholder's surplus.

| Reinsurer | NAIC No. | Federal ID No. | Recoverable Amount |
|--|----------|----------------|--------------------|
| National Workers Compensation Reins Pool | | AA-9992118 | \$ 1,178,422,000 |
| Swiss Re Group: | | | |
| Facility Insurance Corporation | 10818 | 74-1194354 | |
| North American Elite Insurance Company | 29700 | 13-3440360 | |
| North American Specialty Insurance Company | 29874 | 02-0311919 | |
| Swiss Reinsurance America Corporation | 25364 | 13-1675535 | |
| Swiss Reinsurance Australia Ltd. | | AA-1934100 | |
| Swiss Reinsurance Company | | AA-1460146 | |
| Swiss Reinsurance Europe SA | | AA-1371002 | |
| Swiss Reinsurance Life and Health America Inc. | 82627 | 06-0839705 | |
| Westport Insurance Corporation | 39845 | 48-0921045 | |
| Total Swiss Re Group | | | 935,347,000 |
| Total | | | \$ 2,113,769,000 |

- B. Reinsurance Recoverable in Dispute

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

- C. Reinsurance Assumed & Ceded

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

| | Assumed Reinsurance | | Ceded Reinsurance | | Net Reinsurance | |
|------------|---------------------|----------------------|-------------------|----------------------|-----------------|----------------------|
| | UEP | Commission Equity | UEP | Commission Equity | UEP | Commission Equity |
| Affiliates | \$4,962,227,110 | \$241,755,203 | \$1,335,733,482 | \$69,603,797 | \$3,626,493,628 | \$172,151,406 |
| All Other | 131,050,843 | 28,433,422 | 1,299,788,362 | 258,046,159 | (1,168,737,519) | (229,612,737) |
| Total | \$5,093,277,953 | \$270,188,625 | \$2,635,521,844 | \$327,649,956 | \$2,457,756,109 | \$(57,461,331) |

Direct Unearned Premium Reserve: \$1,304,729,804

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 | \$1,654,720 | \$22,395,872 | \$571,864 | \$23,478,726 |
| Sliding scale adjustments | - | - | - | - |
| Other profit commissions | - | - | \$83,025,000 | \$(83,025,000) |
| Totals | \$1,654,720 | \$22,395,872 | \$83,596,864 | \$(59,546,274) |

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

NOTES TO FINANCIAL STATEMENTS

D. Uncollectible Reinsurance

During the current year, the Company wrote off reinsurance balances of \$1,604,394. This amount is shown below by Income Statement classification and by reinsurer.

| Income Statement Classification | Amount |
|---------------------------------|--------------------|
| Losses Incurred | \$1,039,823 |
| Loss Expenses Incurred | 564,571 |
| Premiums Earned | - |
| Other Expenses | - |
| Total | \$1,604,394 |
| | |
| Reinsurer | Amount |
| Excess & Casualty Reins Assoc | \$1,819,633 |
| United Standard Insurance Co. | 320,102 |
| Lloyd's Underwriters | 131,641 |
| Minister Insurance Co. Ltd | 12,705 |
| Reliance Insurance Co | (679,687) |
| Total | \$1,604,394 |

E. Commutation of Ceded Reinsurance

The Company commuted several ceded reinsurance treaties in the current year with the reinsurers listed below. The net effect of all commutations was a decrease in Net Income of \$141,397,702. This amount is shown below by Income Statement classification and by reinsurer.

| Income Statement Classification | Amount |
|----------------------------------|-----------------------|
| Losses Incurred | \$ (5,290,446) |
| Loss Expenses Incurred | 419,239 |
| Premiums Earned | - |
| Other Expenses* | 146,268,909 |
| Total | \$ 141,397,702 |
| | |
| Reinsurer | Amount |
| National Indemnity Co | \$ 139,665,161 |
| Ace Ina Overseas Insurance Co | 6,628,849 |
| Continental Casualty Co | 1,579,934 |
| American National Ins. Co. | 476,513 |
| Fl Hurricane Cat Pool Fund | 173,257 |
| Allianz Cornhill Ins Plc | (2,907,000) |
| Smart Insurance Co Group | (2,800,789) |
| Wolseley Ins Ltd | (1,084,501) |
| Ethanol Risk Management Spc, Ltd | (299,199) |
| All Other | (34,523) |
| Total | \$ 141,397,702 |

*Related to the commutation of two retroactive reinsurance arrangements.

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 | \$8,144,699 | \$1,700,272,006 |
| | 2. Adjustments – Prior Year(s) | (5,229,366) | (305,381,713) |
| | 3. Adjustments – Current Year | (2,997,168) | (505,432,857) |
| | 4. Total | \$(81,835) | \$889,457,436 |
| | | | |
| b. | Consideration Paid or Received: | | |
| | 1. Initial | \$2,482,101 | \$792,766,769 |
| | 2. Adjustments – Prior Year(s) | 1,086,552 | 42,284,145 |
| | 3. Adjustments – Current Year | - | 69,414,203 |
| | 4. Total | \$3,568,653 | \$904,465,117 |
| | | | |
| c. | Amounts Recovered / Paid – Cumulative: | | |
| | 1. Initial | \$(17,144,434) | \$9,590,043 |
| | 2. Adjustments – Prior Year(s) | 6,910,244 | 393,842,788 |
| | 3. Adjustments – Current Year | 1,716,455 | 471,756,168 |
| | 4. Total | \$(8,517,735) | \$875,188,999 |

NOTES TO FINANCIAL STATEMENTS

| | | | |
|----|--|--------------|-----------------|
| d. | Special Surplus from Retroactive Reinsurance: | | |
| | 1. Initial Surplus Gain or Loss | \$11,481,836 | \$(917,095,280) |
| | 2. Adjustments – Prior Year(s) | (594,326) | (46,176,930) |
| | 3. Adjustments – Current Year | 1,280,713 | 103,090,892 |
| | 4. Current Year Special Surplus | 250,002 | (601,773,834) |
| | 5. Cumulative Total Transferred to Unassigned Funds | \$11,918,221 | \$(258,407,484) |
| e. | All cedents and reinsurers included in the above transactions: | | |
| | Wetereau Insurance Co. Ltd., AA-3191047 | \$ 419,782 | |
| | Employers Insurance Company of Wausau, 21458 | (501,617) | |
| | North American Specialty Insurance Company, 29874 | | \$639,884,680 |
| | National Indemnity Insurance Company, 20087 | | 206,529,787 |
| | Partner Re Co LTD, AA-3190686 | | 206,529,787 |
| | Federal Insurance Company, 20281 | | 108,043,842 |
| | Munich Reinsurance America Inc, 10227 | | 35,748,085 |
| | Swiss Reinsurance America Corporation, 25364 | | 4,799,530 |
| | Everest Reinsurance Company, 26921 | | 1,377,716 |
| | American National Insurance Company, 60739 | | 1,342,214 |
| | North European Financial Re, AA-0000000 | | 604,686 |
| | Other | | 395,604 |
| | Liberty Mutual Fire Insurance Company, 23035 | | (155,488,572) |
| | Employers Insurance Company of Wausau, 21458 | | (96,427,021) |
| | Liberty Insurance Corporation, 42404 | | (48,213,511) |
| | Wausau Business Insurance Company, 26069 | | (4,821,351) |
| | Wausau Underwriters Insurance Company, 26042 | | (4,821,351) |
| | LM Insurance Corporation, 33600 | | (2,410,676) |
| | LM General Insurance Company, 36447 | | (1,205,338) |
| | Liberty International Underwriters, 19917 | | (1,205,338) |
| | The First Liberty Insurance Corporation, 33588 | | (1,205,338) |
| | | | |
| | | | |
| | Total | \$(81,835) | \$889,457,436 |

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

At December 31, 2011, the deposit receivable balance for reinsurance contracts accounted for under the deposit method was \$10,851,118.

At December 31, 2011, the deposit liability balance for the reinsurance contract accounted for under the deposit method was \$59,089,112.

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. The Company does not recognize a liability for medical loss ratio rebates pursuant to the Public Health Service Act, as the Company does not write direct comprehensive major medical health business.
- E. Ten Percent of the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss adjustment expense reserves), or collateral as permitted by SSAP No. 66, *Retrospectively Rated Contracts*, has been nonadmitted.

| | | |
|----|--|---------------|
| a. | Total accrued retro premium | \$336,120,559 |
| b. | Unsecured amount | |
| c. | Less: Nonadmitted amount (10%) | 33,780,067 |
| d. | Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted | |
| e. | Admitted amount (a) - (c) - (d) | \$302,340,492 |

NOTES TO FINANCIAL STATEMENTS

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.
- (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.

NOTES TO FINANCIAL STATEMENTS

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

| Affiliate: | Amount: |
|---|--------------|
| Liberty Mutual Fire Insurance Company | \$ 8,293,901 |
| Liberty Insurance Corporation | 2,571,752 |
| LM Insurance Corporation | 128,588 |
| The First Liberty Insurance Corporation | 64,294 |
| Employers Insurance Company of Wausau | 6,897,788 |
| Wausau Underwriters Insurance Company | 257,175 |
| Wausau Business Insurance Company | 257,175 |
| LM General Insurance Company | 64,294 |
| Liberty Insurance Underwriters, Inc. | \$ 64,294 |

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 \$389,195,607 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 \$389,195,607 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 Boston, Massachusetts | Yes | \$ 225,451,917 |

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 \$3,640,590,199 and the amount billed and recoverable on paid claims was \$150,145,998.

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 \$895,723,078 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 | \$1,365,123,210 | \$1,241,542,584 | \$1,153,620,848 | \$1,366,367,178 | \$1,005,297,030 |
| Incurred losses and LAE | 170,627,422 | 105,271,386 | 405,374,369 | 56,726,755 | 318,840,973 |
| Calendar year payments | 294,208,048 | 193,193,123 | 192,628,040 | 417,796,903 | 230,177,067 |
| Ending Reserves | <u>\$1,241,542,584</u> | <u>\$1,153,620,848</u> | <u>\$1,366,367,178</u> | <u>\$1,005,297,030</u> | <u>\$1,093,960,936</u> |
| Assumed Reinsurance Basis | | | | | |
| Beginning Reserves | \$401,075,469 | \$522,689,694 | \$494,856,994 | \$354,192,587 | \$352,489,195 |
| Incurred losses and LAE | 141,435,127 | (5,587,874) | (112,734,606) | 35,974,940 | 14,646,982 |
| Calendar year payments | 19,820,902 | 22,244,826 | 27,929,800 | 37,678,332 | 20,531,281 |
| Ending Reserves | <u>\$522,689,694</u> | <u>\$494,856,994</u> | <u>\$354,192,587</u> | <u>\$352,489,195</u> | <u>\$346,604,896</u> |

NOTES TO FINANCIAL STATEMENTS

Net of Ceded Reinsurance Basis

| | | | | | |
|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Beginning Reserves | \$662,002,412 | \$588,433,144 | \$486,605,296 | \$654,510,112 | \$425,784,448 |
| Incurred losses and LAE | 62,823,166 | 10,512,116 | 291,917,137 | (79,093,052) | 234,919,084 |
| Calendar year payments | 136,392,434 | 112,339,964 | 124,012,320 | 149,632,613 | 99,588,041 |
| Ending Reserves | <u>\$588,433,144</u> | <u>\$486,605,296</u> | <u>\$654,510,112</u> | <u>\$425,784,448</u> | <u>\$561,115,491</u> |

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

| | |
|--------------------------------|---------------|
| Direct Basis | \$646,551,109 |
| Assumed Reinsurance Basis | 266,974,418 |
| Net of Ceded Reinsurance Basis | \$385,866,389 |

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

| | |
|--------------------------------|---------------|
| Direct Basis | \$476,342,874 |
| Assumed Reinsurance Basis | 19,709,295 |
| Net of Ceded Reinsurance Basis | \$256,894,924 |

Environmental:

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Direct Basis | | | | | |
| Beginning Reserves | \$373,069,226 | \$332,744,645 | \$275,452,573 | \$226,225,659 | \$216,641,589 |
| Incurred losses and LAE | 4,340,315 | 5,045,839 | 20,777,364 | 29,107,651 | 45,746,733 |
| Calendar year payments | 44,664,896 | 62,337,911 | 70,004,279 | 38,691,722 | 43,434,068 |
| Ending Reserves | <u>\$332,744,645</u> | <u>\$275,452,573</u> | <u>\$226,225,659</u> | <u>\$216,641,589</u> | <u>\$218,954,254</u> |

Assumed Reinsurance Basis

| | | | | | |
|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Beginning Reserves | \$35,384,978 | \$30,151,139 | \$30,066,767 | \$38,930,631 | \$30,056,019 |
| Incurred losses and LAE | 1,088,858 | 2,649,635 | 12,683,719 | (407,656) | 6,956,474 |
| Calendar year payments | 6,322,698 | 2,734,007 | 3,819,855 | 8,466,957 | 6,062,310 |
| Ending Reserves | <u>\$30,151,139</u> | <u>\$30,066,767</u> | <u>\$38,930,631</u> | <u>\$30,056,019</u> | <u>\$30,950,183</u> |

Net of Ceded Reinsurance Basis

| | | | | | |
|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Beginning Reserves | \$291,780,087 | \$268,363,305 | \$229,951,291 | \$194,607,565 | \$170,579,378 |
| Incurred losses and LAE | 7,246,435 | (9,743) | (2,092) | (2,091,673) | 32,397,571 |
| Calendar year payments | 30,663,217 | 38,402,271 | 35,341,633 | 21,936,515 | 45,727,039 |
| Ending Reserves | <u>\$268,363,305</u> | <u>\$229,951,291</u> | <u>\$194,607,565</u> | <u>\$170,579,378</u> | <u>\$157,249,910</u> |

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

| | |
|--------------------------------|---------------|
| Direct Basis | \$140,491,312 |
| Assumed Reinsurance Basis | 20,218,561 |
| Net of Ceded Reinsurance Basis | \$96,174,982 |

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

| | |
|--------------------------------|---------------|
| Direct Basis | \$101,143,490 |
| Assumed Reinsurance Basis | 6,751,460 |
| Net of Ceded Reinsurance Basis | \$57,989,417 |

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 No
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes No N/A
- 1.3 State Regulating? _____ Massachusetts _____
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes No
- 2.2 If yes, date of change: _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. _____ 12/31/2009 _____
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. _____ 12/31/2009 _____
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). _____ 06/17/2011 _____
- 3.4 By what department or departments?
 Massachusetts Division of Insurance

- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes No N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes No
- 4.12 renewals? Yes No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes No
- 4.22 renewals? Yes No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1
Name of Entity | 2
NAIC Company Code | 3
State of Domicile |
|---------------------|------------------------|------------------------|
| ..... | 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

GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....

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

7.2 If yes,

7.21 State the percentage of foreign control. _____ 0.00 %
 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

| 1 Nationality | 2 Type of Entity |
|------------------|---------------------|
| | |

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

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

.....

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

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Ernst & Young, LLP
 200 Clarendon Street
 Boston, MA 02116

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

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

.....

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

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

.....

GENERAL INTERROGATORIES

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

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

.....

.....

.....

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

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

.....

.....

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

| | |
|---|----------------|
| 12.11 Name of real estate holding company | Various |
| 12.12 Number of parcels involved | 6 |
| 12.13 Total book/adjusted carrying value | \$ 584,346,950 |

12.2 If yes, provide explanation:

Liberty Mutual Insurance Company directly owns 100% of Liberty Real Estate Holdings, LLC, 92% of St. James/ Arlington Real Estate LP, and 100% of Berkeley/ Columbus III, LLC.

.....

.....

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

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

.....

.....

.....

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

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

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

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

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules, and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

Yes No

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

.....

.....

.....

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

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

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

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

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

| 1 American Bankers Association (ABA) Routing Number | 2 Issuing or Confirming Bank Name | 3 Circumstances That Can Trigger the Letter of Credit | 4 Amount |
|---|--------------------------------------|--|-------------|
| 41200555 | FirstMerit Bank, N.A. | Failure to pay and expiring | 385,000 |
| 53200983 | South Carolina Bank and Tr | Failure to pay and expiring | 500,000 |
| 55003298 | EagleBank | Failure to pay and expiring | 325,000 |

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 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 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 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

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

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

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 No
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 90,366

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 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 No N/A
- 24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. \$ 233,928,740
- 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 No N/A
- 24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes 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 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 No

- 25.2 If yes, state the amount thereof at December 31 of the current year:
- | | | | |
|--|-------|--|-------------------------|
| | 25.21 | Subject to repurchase agreements | \$ <u>0</u> |
| | 25.22 | Subject to reverse repurchase agreements | \$ <u>0</u> |
| | 25.23 | Subject to dollar repurchase agreements | \$ <u>0</u> |
| | 25.24 | Subject to reverse dollar repurchase agreements | \$ <u>0</u> |
| | 25.25 | Pledged as collateral | \$ <u>474,128,393</u> |
| | 25.26 | Placed under option agreements | \$ <u>0</u> |
| | 25.27 | Letter stock or securities restricted as to sale | \$ <u>0</u> |
| | 25.28 | On deposit with state or other regulatory body | \$ <u>2,101,378,079</u> |
| | 25.29 | Other | \$ <u>0</u> |

25.3 For category (25.27) provide the following:

| 1 Nature of Restriction | 2 Description | 3 Amount |
|----------------------------|------------------|-------------|
| | | 0 |
| | | 0 |
| | | 0 |

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes No
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes No N/A
 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 Name of Custodian(s) | 2 Custodian's Address |
|---------------------------|--|
| JP Morgan Chase | 1 Chase Manhattan Plaza, New York, NY 10005 |
| Royal Trust | 77 King Street West, Toronto, Ontario M5W 1 P9 |
| JP Morgan Chase | 259 George Street, Sydney, Australia |
| Bank of New York | 601 Travis Street, Houston, TX 77002 |
| Bank of Itau | Av. Engenheiro Armondo de Arruda Pereira, 707 Torre Eudoro Villela |

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

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

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

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

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

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

| 1 Central Registration Depository Number(s) | 2 Name | 3 Address |
|--|---|---|
| N/A | Liberty Mutual Investment Advisors, LLC | 175 Berkeley Street, Boston, MA 02116 |
| N/A | Liberty Mutual Group Asset Management | 175 Berkeley Street, Boston, MA 02116 |
| N/A | Stancorp Mortgage Investors | 1100 SW Sixth Avenue, Portland, OR 97204 |
| 2528 | Lazard Asset Management | 30 Rockefeller Plaza, New York, NY 10112 |
| 106054 | Matthews International Capital | Four Embarcadero Center, Suite 550, San Francisco |

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 [X] No []

29.2 If yes, complete the following schedule:

| 1 CUSIP # | 2 Name of Mutual Fund | 3 Book/Adjusted Carrying Value |
|---------------|------------------------------|-----------------------------------|
| 530158-10-4 | LIBERTY ALL-STAR EQUITY FUND | 14,809,178 |
| | | 0 |
| | | 0 |
| 29.2999 TOTAL | | 14,809,178 |

GENERAL INTERROGATORIES

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

| 1 | 2 | 3 | 4 |
|---|---|--|-------------------|
| Name of Mutual Fund (from above table) | Name of Significant Holding of the Mutual Fund | Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding | Date of Valuation |
| LIBERTY ALL-STAR EQUITY F | APPLE INC | 500,550 | 09/30/2011 |
| LIBERTY ALL-STAR EQUITY F | JPMORGAN CHASE & CO | 305,810 | 09/30/2011 |
| LIBERTY ALL-STAR EQUITY F | QUALCOMM INC | 296,628 | 09/30/2011 |
| LIBERTY ALL-STAR EQUITY F | CISCO SYSTEMS INC | 278,561 | 09/30/2011 |
| LIBERTY ALL-STAR EQUITY F | WELLS FARGO | 271,748 | 09/30/2011 |

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 | 2 | 3 |
|-------------------------------|----------------|--|
| Statement (Admitted) Value | Fair Value | Excess of Statement over Fair Value (-), or Fair Value over Statement (+) |
| 30.1 Bonds | 13,065,331,942 | 13,967,506,474 |
| 30.2 Preferred stocks | 225,943,300 | 226,335,209 |
| 30.3 Totals | 13,291,275,242 | 14,193,841,683 |

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

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 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? \$ 41,502,801

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 | 2 |
|------|-------------|
| Name | Amount Paid |
| | \$ 0 |
| | \$ 0 |
| | \$ 0 |

34.1 Amount of payments for legal expenses, if any? \$ 54,471,573

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 Name | 2 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?

\$ 1,421,320

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

| 1 Name | 2 Amount Paid |
|-----------|------------------|
| ..... | \$ ..... 0 |
| ..... | \$ ..... 0 |
| ..... | \$ ..... 0 |

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 \$ 9,913

1.65 Total incurred claims \$ 16,243

1.66 Number of covered lives 2

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ 0

1.72 Total incurred claims \$ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned \$ 0

1.75 Total incurred claims \$ 0

1.76 Number of covered lives 0

2. Health Test:

| | 1 | 2 |
|-----------------------------|-------------------|-------------------|
| | Current Year | Prior Year |
| 2.1 Premium Numerator | \$ 879,901 | \$ 1,589,018 |
| 2.2 Premium Denominator | \$ 8,052,929,355 | \$ 7,642,537,474 |
| 2.3 Premium Ratio (2.1/2.2) | 0.00 | 0.00 |
| 2.4 Reserve Numerator | \$ 3,482,457 | \$ 3,801,124 |
| 2.5 Reserve Denominator | \$ 19,705,014,934 | \$ 19,067,200,701 |
| 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 \$ 4,276,908,695

3.22 Non-participating policies \$ 399,585,385

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 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
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. _____ 6
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes No
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes No
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes No
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes No
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes No
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
(a) The entity does not utilize reinsurance; or, Yes No
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes No
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes No

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes No N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes No
- 11.2 If yes, give full information
 The Company guarantees policies issued by Liberty Life Assurance Company of Boston and Liberty Mutual Insurance Europe Ltd.

- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | | | |
|---|--|----|-------------|
| 12.11 Unpaid losses | | \$ | 247,240,631 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | | \$ | 80,044,920 |
- 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? \$ 69,274,714
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes No N/A
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- | | | | |
|------------|--|--|--------|
| 12.41 From | | | 4.00 % |
| 12.42 To | | | 7.00 % |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes No
- 12.6 If yes, state the amount thereof at December 31 of current year:
- | | | | |
|----------------------------------|--|----|---------------|
| 12.61 Letters of Credit | | \$ | 5,237,737,169 |
| 12.62 Collateral and other funds | | \$ | 1,006,303,496 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 52,564,627
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes No
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 3
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes No
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
 Premiums and recoverables were allocated pursuant to allocation agreements, including 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
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes No
- 14.5 If the answer to 14.4 is no, please explain:

- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes No
- 15.2 If yes, give full information

- 16.1 Does the reporting entity write any warranty business? Yes No
 If yes, disclose the following information for each of the following types of warranty coverage:
- | | | 1 | 2 | 3 | 4 | 5 |
|------------------|----|---------------------------|-------------------------|---------------------------|----------------------------|--------------------------|
| | | Direct Losses Incurred | Direct Losses Unpaid | Direct Written Premium | Direct Premium Unearned | Direct Premium Earned |
| 16.11 Home | \$ | 0 | 0 | 0 | 0 | 0 |
| 16.12 Products | \$ | 0 | 0 | 0 | 0 | 0 |
| 16.13 Automobile | \$ | 0 | 0 | 0 | 0 | 0 |
| 16.14 Other* | \$ | 0 | 0 | 0 | 0 | 0 |

* Disclose type of coverage: _____

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5.

Yes [] No [X]

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

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

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

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

18.1 Do you act as a custodian for health savings accounts?

Yes [] No [X]

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

\$ 0

18.3 Do you act as an administrator for health savings accounts?

Yes [] No [X]

18.4 If yes, please provide the balance of the funds administered as of the reporting date.

\$ 0

FIVE – YEAR HISTORICAL DATA

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

| | 1 | 2 | 3 | 4 | 5 |
|---|-----------------|----------------|----------------|----------------|----------------|
| | 2011 | 2010 | 2009 | 2008 | 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) | 8,440,586,916 | 7,811,166,537 | 7,350,611,697 | 8,291,530,017 | 9,245,077,794 |
| 2. Property lines (Lines 1, 2, 9, 12, 21 & 26) | 4,720,304,564 | 4,283,779,613 | 4,023,060,901 | 3,910,844,891 | 3,321,961,946 |
| 3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | 3,054,051,471 | 2,787,083,291 | 2,586,681,366 | 2,478,118,345 | 2,270,979,670 |
| 4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | 481,480,667 | 387,766,682 | 301,210,178 | 322,142,882 | 308,999,249 |
| 5. Nonproportional reinsurance lines (Lines 31, 32 & 33) | 267,257,237 | 267,951,359 | 252,071,002 | 231,309,561 | 190,444,569 |
| 6. Total (Line 35) | 16,963,680,855 | 15,537,747,482 | 14,513,635,144 | 15,233,945,696 | 15,337,463,228 |
| 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) | 5,278,159,626 | 5,038,587,646 | 4,775,384,668 | 5,371,214,386 | 6,114,506,014 |
| 8. Property lines (Lines 1, 2, 9, 12, 21 & 26) | 1,482,946,563 | 1,201,652,397 | 1,413,992,505 | 1,391,535,427 | 1,493,593,006 |
| 9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | 1,483,287,709 | 1,296,251,507 | 1,075,222,311 | 1,308,087,389 | 1,597,564,173 |
| 10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | 9,831,546 | 9,081,555 | 10,287,080 | (120,136,762) | 240,292,462 |
| 11. Nonproportional reinsurance lines (Lines 31, 32 & 33) | 195,030,554 | 195,221,987 | 188,746,161 | 175,564,030 | 143,235,686 |
| 12. Total (Line 35) | 8,449,255,998 | 7,740,795,092 | 7,463,632,725 | 8,126,264,470 | 9,589,191,341 |
| Statement of Income (Page 4) | | | | | |
| 13. Net underwriting gain (loss) (Line 8) | (1,419,659,287) | (617,703,484) | (826,358,042) | (488,217,515) | (496,310,714) |
| 14. Net investment gain (loss) (Line 11) | 984,456,960 | 3,509,407,938 | 672,252,047 | 2,149,358,826 | 1,250,734,655 |
| 15. Total other income (Line 15) | (184,872,637) | (78,355,317) | (89,138,385) | (119,025,659) | (112,176,670) |
| 16. Dividends to policyholders (Line 17) | 30,021,529 | 46,455,510 | 17,353,693 | 20,334,167 | 52,957,399 |
| 17. Federal and foreign income taxes incurred (Line 19) | (113,863,689) | (154,849,787) | (195,500,454) | 21,106,616 | 148,786,079 |
| 18. Net income (Line 20) | (536,232,804) | 2,921,743,414 | (65,097,619) | 1,500,674,869 | 440,503,793 |
| Balance Sheet Lines (Pages 2 and 3) | | | | | |
| 19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3) | 37,394,843,149 | 36,701,548,343 | 34,830,436,535 | 32,549,788,186 | 34,829,204,572 |
| 20. Premiums and considerations (Page 2, Col. 3) | | | | | |
| 20.1 In course of collection (Line 15.1) | 984,568,304 | 857,311,095 | 978,532,523 | 1,071,899,224 | 928,137,391 |
| 20.2 Deferred and not yet due (Line 15.2) | 1,904,360,845 | 1,691,459,111 | 1,519,460,073 | 1,594,927,150 | 1,638,534,970 |
| 20.3 Accrued retrospective premiums (Line 15.3) | 302,340,492 | 422,707,343 | 329,800,811 | 363,694,097 | 387,689,632 |
| 21. Total liabilities excluding protected cell business (Page 3, Line 26) | 23,798,408,089 | 22,938,257,314 | 22,338,883,620 | 22,215,055,768 | 23,005,904,618 |
| 22. Losses (Page 3, Line 1) | 13,102,230,732 | 12,871,308,239 | 12,580,697,955 | 12,604,675,356 | 12,594,762,751 |
| 23. Loss adjustment expenses (Page 3, Line 3) | 2,715,673,770 | 2,579,498,004 | 2,545,218,983 | 2,466,475,556 | 2,572,655,246 |
| 24. Unearned premiums (Page 3, Line 9) | 3,762,485,913 | 3,502,531,059 | 3,293,042,806 | 3,320,119,872 | 3,678,689,493 |
| 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) | 13,596,435,060 | 13,763,291,029 | 12,491,552,915 | 10,334,732,418 | 11,823,299,954 |
| Cash Flow (Page 5) | | | | | |
| 27. Net cash from operations (Line 11) | (230,212,254) | 2,825,321,578 | (312,002,367) | 1,113,329,475 | 3,685,920,555 |
| Risk-Based Capital Analysis | | | | | |
| 28. Total adjusted capital | 13,672,341,061 | 13,830,183,486 | 12,552,124,874 | 10,391,501,558 | 11,886,831,983 |
| 29. Authorized control level risk-based capital | 2,918,044,739 | 2,747,324,003 | 2,618,115,850 | 2,587,950,002 | 2,289,668,717 |
| 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) | 41.0 | 43.7 | 39.7 | 41.2 | 52.2 |
| 31. Stocks (Lines 2.1 & 2.2) | 26.5 | 27.8 | 34.4 | 31.0 | 26.2 |
| 32. Mortgage loans on real estate (Lines 3.1 and 3.2) | 1.5 | 1.6 | 1.8 | 2.0 | 1.5 |
| 33. Real estate (Lines 4.1, 4.2 & 4.3) | 0.9 | 0.9 | 1.2 | 1.6 | 1.4 |
| 34. Cash, cash equivalents and short-term investments (Line 5) | 2.2 | 2.6 | 2.9 | 5.0 | 2.8 |
| 35. Contract loans (Line 6) | | | | | |
| 36. Derivatives (Line 7) | | | X X X | X X X | X X X |
| 37. Other invested assets (Line 8) | 27.1 | 22.4 | 20.0 | 19.1 | 15.8 |
| 38. Receivables for securities (Line 9) | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| 39. Securities lending reinvested collateral assets (Line 10) | 0.8 | 1.0 | X X X | X X X | X X X |
| 40. Aggregate write-ins for invested assets (Line 11) | | | | | |
| 41. Cash, cash equivalents and invested assets (Line 12) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Investments in Parent, Subsidiaries and Affiliates | | | | | |
| 42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1) | | | | | |
| 43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1) | | | 575,664,787 | 575,796,109 | 131,322 |
| 44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1) | 7,786,217,349 | 7,869,339,677 | 8,951,056,491 | 7,587,331,257 | 5,971,660,656 |
| 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 | 6,477,740,507 | 5,067,800,289 | 4,529,501,289 | 3,714,886,153 | 3,397,656,837 |
| 48. Total of above Lines 42 to 47 | 14,263,957,856 | 12,937,139,966 | 14,056,222,567 | 11,878,013,519 | 9,369,448,815 |
| 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) | 104.9 | 94.0 | 112.5 | 114.9 | 79.2 |

FIVE – YEAR HISTORICAL DATA

(Continued)

| | 1 | 2 | 3 | 4 | 5 |
|--|----------------|-----------------|---------------|-----------------|---------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| Capital and Surplus Accounts (Page 4) | | | | | |
| 50. Net unrealized capital gains (losses) (Line 24) | 568,633,094 | (1,964,736,596) | 1,687,848,478 | (4,579,004,881) | 514,906,079 |
| 51. Dividends to stockholders (Line 35) | (64,766,000) | (139,766,000) | (224,766,000) | (10,720,080) | (4,373,207) |
| 52. Change in surplus as regards policyholders for the year (Line 38) | (166,855,969) | 1,271,738,114 | 2,156,820,497 | (1,488,567,536) | 1,871,170,925 |
| 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) | 5,717,494,744 | 4,890,767,560 | 4,967,019,851 | 5,804,105,124 | 5,127,438,809 |
| 54. Property lines (Lines 1, 2, 9, 12, 21 & 26) | 2,598,174,850 | 2,367,809,103 | 2,386,273,364 | 2,191,390,193 | 1,767,945,082 |
| 55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | 1,756,255,006 | 1,508,411,697 | 1,540,349,458 | 1,546,971,075 | 1,059,486,667 |
| 56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | 44,871,695 | 59,216,290 | 28,695,233 | 39,835,273 | 31,438,191 |
| 57. Nonproportional reinsurance lines (Lines 31, 32 & 33) | 110,369,162 | 196,614,015 | 77,015,730 | 89,075,678 | 108,889,994 |
| 58. Total (Line 35) | 10,227,165,457 | 9,022,818,665 | 8,999,353,636 | 9,671,377,343 | 8,095,198,743 |
| 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) | 3,570,542,239 | 3,067,915,421 | 3,197,314,229 | 3,679,681,000 | 1,755,682,915 |
| 60. Property lines (Lines 1, 2, 9, 12, 21 & 26) | 866,238,394 | 733,431,603 | 928,330,931 | 823,680,710 | 740,377,079 |
| 61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | 904,161,885 | 759,646,261 | 799,153,724 | 1,002,908,551 | 606,276,723 |
| 62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | 4,450,188 | 10,109,803 | 2,783,668 | 82,941,407 | 13,846,327 |
| 63. Nonproportional reinsurance lines (Lines 31, 32 & 33) | 81,029,609 | 146,865,481 | 60,918,495 | 67,000,499 | 34,860,903 |
| 64. Total (Line 35) | 5,426,422,315 | 4,717,968,569 | 4,988,501,047 | 5,656,212,167 | 3,151,043,947 |
| Operating Percentages (Page 4) (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) | 27.6 | 25.1 | 25.8 | 22.2 | 27.8 |
| 69. Net underwriting gain (loss) (Line 8) | (17.6) | (8.1) | (11.1) | (5.8) | (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) | 28.5 | 25.8 | 27.0 | 24.5 | 27.1 |
| 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) | 62.1 | 56.2 | 59.7 | 78.6 | 81.1 |
| 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) | 386,372 | (87,869) | 180,986 | (252,832) | 237,131 |
| 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) | 2.8 | (0.7) | 1.8 | (2.1) | 2.4 |
| 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) | 192,022 | (81,491) | (37,539) | 180,446 | 856,463 |
| 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) | 1.5 | (0.8) | (0.3) | 1.8 | 10.8 |

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

Yes [] No [X]

If no, please explain:

Not applicable

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY

(\$000 omitted)

| Years in Which Premiums Were Earned and Losses Were Incurred | Premiums Earned | | | Loss and Loss Expense Payments | | | | | | | | 12 Number of Claims Reported Direct and Assumed |
|--|-------------------------|------------|----------------------|--------------------------------|------------|---------------------------------------|---------|------------------------------|---------|--|--|--|
| | 1 Direct and Assumed | 2 Ceded | 3 Net (Cols. 1–2) | Loss Payments | | Defense and Cost Containment Payments | | Adjusting and Other Payments | | 10 Salvage and Subrogation Received | 11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) | |
| | | | | 4 | 5 | 6 | 7 | 8 | 9 | | | |
| | | | | Direct and Assumed | Ceded | Direct and Assumed | Ceded | Direct and Assumed | Ceded | | | |
| 1. Prior | X X X | X X X | X X X | 572,831 | 195,445 | 171,378 | 85,875 | 52,476 | 5,581 | 10,573 | 509,784 | X X X |
| 2. 2002 | 8,210,683 | 1,660,633 | 6,550,050 | 5,331,504 | 1,199,435 | 441,186 | 77,594 | 625,041 | 7,267 | 269,922 | 5,113,435 | X X X |
| 3. 2003 | 9,178,769 | 2,227,241 | 6,951,528 | 4,875,604 | 1,087,219 | 418,315 | 56,987 | 662,154 | 9,840 | 282,684 | 4,802,027 | X X X |
| 4. 2004 | 9,582,594 | 2,516,314 | 7,066,280 | 4,765,921 | 1,233,734 | 381,693 | 74,348 | 675,809 | 34,470 | 278,323 | 4,480,871 | X X X |
| 5. 2005 | 9,866,478 | 2,328,958 | 7,537,520 | 5,669,380 | 1,722,804 | 389,169 | 79,852 | 676,981 | 47,623 | 272,430 | 4,885,251 | X X X |
| 6. 2006 | 10,709,176 | 2,442,626 | 8,266,550 | 4,811,015 | 922,194 | 392,210 | 56,057 | 723,295 | 50,371 | 276,583 | 4,897,898 | X X X |
| 7. 2007 | 11,236,933 | 2,657,641 | 8,579,292 | 5,286,523 | 1,192,172 | 404,850 | 60,947 | 735,618 | 61,829 | 331,192 | 5,112,043 | X X X |
| 8. 2008 | 11,815,900 | 3,187,450 | 8,628,450 | 6,095,098 | 1,455,154 | 398,146 | 48,273 | 814,722 | 52,008 | 293,131 | 5,752,531 | X X X |
| 9. 2009 | 11,212,872 | 3,499,623 | 7,713,249 | 5,029,584 | 1,403,769 | 278,862 | 39,617 | 766,585 | 9,888 | 268,324 | 4,621,757 | X X X |
| 10. 2010 | 11,332,521 | 3,689,982 | 7,642,539 | 4,727,351 | 1,568,361 | 197,713 | 29,272 | 758,725 | 3,581 | 269,250 | 4,082,575 | X X X |
| 11. 2011 | 12,241,582 | 4,188,652 | 8,052,930 | 3,732,162 | 1,455,135 | 85,079 | 18,802 | 622,685 | 4,500 | 188,005 | 2,961,489 | X X X |
| 12. Totals | X X X | X X X | X X X | 50,896,973 | 13,435,422 | 3,558,601 | 627,624 | 7,114,091 | 286,958 | 2,740,417 | 47,219,661 | X X X |

| | Losses Unpaid | | | | Defense and Cost Containment Unpaid | | | | Adjusting and Other Unpaid | | 23 Salvage and Subrogation Anticipated | 24 Total Net Losses and Expenses Unpaid | 25 Number of Claims Outstanding Direct and Assumed |
|------------|--------------------|-----------|--------------------|-----------|-------------------------------------|---------|--------------------|---------|----------------------------|--------|---|--|---|
| | Case Basis | | Bulk + IBNR | | Case Basis | | Bulk + IBNR | | Other Unpaid | | | | |
| | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | | | |
| | Direct and Assumed | Ceded | Direct and Assumed | Ceded | Direct and Assumed | Ceded | Direct and Assumed | Ceded | Direct and Assumed | Ceded | | | |
| 1. Prior | 3,504,003 | 1,143,238 | 1,485,912 | 1,040,635 | 233,173 | 191,887 | 708,264 | 239,256 | 90,422 | 225 | 38,042 | 3,406,533 | X X X |
| 2. 2002 | 223,465 | 145,754 | 164,964 | 142,525 | 4,632 | 1,796 | 28,426 | 7,966 | 2,246 | 411 | 3,960 | 125,281 | X X X |
| 3. 2003 | 194,032 | 88,428 | 329,143 | 134,224 | 4,604 | 1,312 | 33,220 | 8,202 | 2,602 | 3 | 5,677 | 331,432 | X X X |
| 4. 2004 | 213,157 | 78,072 | 380,632 | 106,798 | 7,705 | 1,829 | 69,118 | 7,704 | 2,416 | 398 | 7,449 | 478,227 | X X X |
| 5. 2005 | 254,287 | 96,071 | 393,937 | 156,536 | 8,848 | 3,018 | 59,089 | 11,286 | 5,311 | 2,528 | 9,128 | 452,033 | X X X |
| 6. 2006 | 328,158 | 99,886 | 501,313 | 149,783 | 13,633 | 4,948 | 77,775 | 18,507 | 4,367 | 66 | 15,127 | 652,056 | X X X |
| 7. 2007 | 454,978 | 98,332 | 577,071 | 154,834 | 24,798 | 7,986 | 134,433 | 23,170 | 14,860 | 80 | 21,361 | 921,738 | X X X |
| 8. 2008 | 683,554 | 138,963 | 797,500 | 227,562 | 35,904 | 10,083 | 240,801 | 46,378 | 51,097 | 7,446 | 27,074 | 1,378,424 | X X X |
| 9. 2009 | 776,972 | 103,208 | 1,107,929 | 297,297 | 38,842 | 7,745 | 327,184 | 60,811 | 68,916 | 2,656 | 36,900 | 1,848,126 | X X X |
| 10. 2010 | 1,031,766 | 182,151 | 1,434,355 | 293,478 | 46,239 | 8,035 | 316,123 | 47,704 | 111,310 | 4,301 | 50,270 | 2,404,124 | X X X |
| 11. 2011 | 1,377,994 | 222,739 | 2,734,756 | 747,138 | 44,023 | 7,308 | 418,892 | 65,731 | 290,845 | 3,664 | 159,214 | 3,819,930 | X X X |
| 12. Totals | 9,042,366 | 2,396,842 | 9,907,512 | 3,450,810 | 462,401 | 245,947 | 2,413,325 | 536,715 | 644,392 | 21,778 | 374,202 | 15,817,904 | X X X |

| | Total Losses and Loss Expenses Incurred | | | Loss and Loss Expense Percentage (Incurred/Premiums Earned) | | | Nontabular Discount | | 34 Inter-Company Pooling Participation Percentage | Net Balance Sheet Reserves After Discount | |
|------------|---|-----------|-----------|---|--------|--------|---------------------|--------------|--|---|----------------------|
| | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | | 35 | 36 |
| | Direct and Assumed | Ceded | Net | Direct and Assumed | Ceded | Net | Loss | Loss Expense | | Losses Unpaid | Loss Expenses Unpaid |
| 1. Prior | X X X | X X X | X X X | X X X | X X X | X X X | | | X X X | 2,806,042 | 600,491 |
| 2. 2002 | 6,821,464 | 1,582,748 | 5,238,716 | 83.080 | 95.310 | 79.980 | | | 73.800 | 100,150 | 25,131 |
| 3. 2003 | 6,519,674 | 1,386,215 | 5,133,459 | 71.030 | 62.239 | 73.846 | | | 73.800 | 300,523 | 30,909 |
| 4. 2004 | 6,496,451 | 1,537,353 | 4,959,098 | 67.794 | 61.095 | 70.180 | | | 73.800 | 408,919 | 69,308 |
| 5. 2005 | 7,457,002 | 2,119,718 | 5,337,284 | 75.579 | 91.016 | 70.810 | | | 73.800 | 395,617 | 56,416 |
| 6. 2006 | 6,851,766 | 1,301,812 | 5,549,954 | 63.980 | 53.296 | 67.137 | | | 73.800 | 579,802 | 72,254 |
| 7. 2007 | 7,633,131 | 1,599,350 | 6,033,781 | 67.929 | 60.179 | 70.330 | | | 73.800 | 778,883 | 142,855 |
| 8. 2008 | 9,116,822 | 1,985,867 | 7,130,955 | 77.157 | 62.303 | 82.645 | | | 73.800 | 1,114,529 | 263,895 |
| 9. 2009 | 8,394,874 | 1,924,991 | 6,469,883 | 74.868 | 55.006 | 83.880 | | | 73.800 | 1,484,396 | 363,730 |
| 10. 2010 | 8,623,582 | 2,136,883 | 6,486,699 | 76.096 | 57.910 | 84.876 | | | 73.800 | 1,990,492 | 413,632 |
| 11. 2011 | 9,306,436 | 2,525,017 | 6,781,419 | 76.023 | 60.282 | 84.211 | | | 73.800 | 3,142,873 | 677,057 |
| 12. Totals | X X X | X X X | X X X | X X X | X X X | X X X | | | X X X | 13,102,226 | 2,715,678 |

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

SCHEDULE P – PART 2 – SUMMARY

| Years in Which Losses Were Incurred | INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | | DEVELOPMENT | |
|-------------------------------------|--|-----------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|----------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | One Year | Two Year |
| 1. Prior | 9,193,684 | 9,922,457 | 10,660,351 | 11,379,929 | 11,802,854 | 12,314,782 | 12,290,372 | 12,604,195 | 12,572,454 | 12,875,561 | 303,107 | 271,366 |
| 2. 2002 | 4,574,915 | 4,326,967 | 4,329,753 | 4,477,938 | 4,564,425 | 4,597,243 | 4,621,201 | 4,618,113 | 4,630,338 | 4,642,714 | 12,376 | 24,601 |
| 3. 2003 | X X X | 4,788,143 | 4,302,762 | 4,180,630 | 4,422,968 | 4,489,387 | 4,486,795 | 4,513,651 | 4,515,277 | 4,509,693 | (5,584) | (3,958) |
| 4. 2004 | X X X | X X X | 4,806,753 | 4,461,643 | 4,339,454 | 4,363,650 | 4,353,937 | 4,346,427 | 4,370,753 | 4,359,063 | (11,690) | 12,636 |
| 5. 2005 | X X X | X X X | X X X | 5,231,472 | 4,977,968 | 4,847,569 | 4,775,850 | 4,775,313 | 4,759,982 | 4,754,578 | (5,404) | (20,735) |
| 6. 2006 | X X X | X X X | X X X | X X X | 5,346,569 | 5,107,756 | 5,007,593 | 4,986,713 | 4,943,661 | 4,928,067 | (15,594) | (58,646) |
| 7. 2007 | X X X | X X X | X X X | X X X | X X X | 5,713,755 | 5,577,969 | 5,435,912 | 5,422,445 | 5,393,690 | (28,755) | (42,222) |
| 8. 2008 | X X X | X X X | X X X | X X X | X X X | X X X | 6,525,093 | 6,470,660 | 6,342,424 | 6,398,337 | 55,913 | (72,323) |
| 9. 2009 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 5,621,447 | 5,727,248 | 5,702,750 | (24,498) | 81,303 |
| 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 | 5,587,180 | 5,693,681 | 106,501 | 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 | 5,940,870 | X X X | X X X |
| 12. Totals | | | | | | | | | | | 386,372 | 192,022 |

SCHEDULE P – PART 3 – SUMMARY

| Years in Which Losses Were Incurred | CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | | 11 | 12 |
|-------------------------------------|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---|--|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Number of Claims Closed With Loss Payment | Number of Claims Closed Without Loss Payment |
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | | |
| 1. Prior | 000 | 2,121,768 | 3,865,282 | 5,043,262 | 5,930,144 | 6,723,797 | 7,419,899 | 7,992,619 | 8,595,661 | 9,058,551 | X X X | X X X |
| 2. 2002 | 1,944,261 | 3,001,984 | 3,617,835 | 3,925,775 | 4,179,868 | 4,297,020 | 4,376,769 | 4,426,463 | 4,462,803 | 4,495,661 | X X X | X X X |
| 3. 2003 | X X X | 1,807,923 | 2,759,496 | 3,232,732 | 3,572,382 | 3,804,356 | 3,946,212 | 4,046,001 | 4,106,672 | 4,149,714 | X X X | X X X |
| 4. 2004 | X X X | X X X | 1,651,137 | 2,550,197 | 2,980,946 | 3,325,891 | 3,554,631 | 3,697,349 | 3,784,864 | 3,839,532 | X X X | X X X |
| 5. 2005 | X X X | X X X | X X X | 1,904,311 | 2,928,193 | 3,444,366 | 3,788,888 | 4,022,656 | 4,170,776 | 4,255,893 | X X X | X X X |
| 6. 2006 | X X X | X X X | X X X | X X X | 1,859,102 | 2,864,593 | 3,431,699 | 3,816,442 | 4,067,544 | 4,224,975 | X X X | X X X |
| 7. 2007 | X X X | X X X | X X X | X X X | X X X | 1,910,999 | 3,074,472 | 3,703,227 | 4,137,855 | 4,438,254 | 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 | 2,336,479 | 3,737,638 | 4,468,476 | 4,989,816 | 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 | 1,997,342 | 3,194,917 | 3,865,060 | 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 | 2,047,480 | 3,327,430 | 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 | 2,343,304 | 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 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| 1. Prior | 2,222,152 | 1,642,340 | 1,300,845 | 1,444,633 | 1,449,833 | 1,535,976 | 1,242,299 | 1,387,940 | 902,179 | 1,032,921 |
| 2. 2002 | 1,392,854 | 550,059 | 248,203 | 187,181 | 144,395 | 125,128 | 94,785 | 76,128 | 61,286 | 51,234 |
| 3. 2003 | X X X | 1,998,027 | 821,329 | 375,598 | 432,489 | 400,514 | 331,235 | 298,338 | 260,261 | 236,471 |
| 4. 2004 | X X X | X X X | 2,205,213 | 1,230,407 | 820,302 | 635,081 | 515,104 | 430,466 | 394,984 | 362,111 |
| 5. 2005 | X X X | X X X | X X X | 2,361,585 | 1,282,325 | 851,310 | 597,307 | 466,166 | 363,662 | 320,944 |
| 6. 2006 | X X X | X X X | X X X | X X X | 2,461,398 | 1,445,313 | 970,561 | 715,956 | 542,346 | 446,646 |
| 7. 2007 | X X X | X X X | X X X | X X X | X X X | 2,628,147 | 1,602,937 | 1,047,823 | 760,189 | 566,707 |
| 8. 2008 | X X X | X X X | X X X | X X X | X X X | X X X | 2,749,350 | 1,672,670 | 1,111,070 | 824,541 |
| 9. 2009 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 2,495,897 | 1,621,317 | 1,119,597 |
| 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 | 2,426,831 | 1,469,528 |
| 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 | 2,402,629 |

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

| States, Etc. | Active Status | Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken | | 4 Dividends Paid or Credited to Policyholders on Direct Business | 5 Direct Losses Paid (Deducting Salvage) | 6 Direct Losses Incurred | 7 Direct Losses Unpaid | 8 Finance and Service Charges Not Included in Premiums | 9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2) |
|------------------------------|---------------|--|-----------------------------|---|---|-----------------------------|---------------------------|---|--|
| | | 2 Direct Premiums Written | 3 Direct Premiums Earned | | | | | | |
| 1. Alabama | AL | L | 46,571,695 | 44,828,171 | 482 | 23,453,608 | 37,102,497 | 56,452,252 | 2,207 |
| 2. Alaska | AK | L | 8,744,948 | 8,242,403 | 72 | 4,734,363 | 940,309 | 7,418,207 | 83 |
| 3. Arizona | AZ | L | 69,412,423 | 70,210,547 | 310 | 35,619,732 | 31,423,748 | 29,565,581 | 14,009 |
| 4. Arkansas | AR | L | 23,901,132 | 23,115,362 | 360 | 10,710,986 | 14,350,731 | 20,772,726 | 384 |
| 5. California | CA | L | 360,945,982 | 350,618,701 | 2,596 | 224,774,474 | 161,588,598 | 165,871,394 | 81,755 |
| 6. Colorado | CO | L | 58,019,425 | 55,391,186 | 428 | 24,424,681 | 18,737,458 | 27,527,904 | 9,007 |
| 7. Connecticut | CT | L | 35,576,568 | 35,487,009 | 30 | 33,715,806 | 41,809,210 | 88,062,649 | 70,091 |
| 8. Delaware | DE | L | 17,138,807 | 15,838,896 | | 6,833,174 | 9,219,900 | 20,413,471 | 4,630 |
| 9. District of Columbia | DC | L | 38,368,259 | 39,466,534 | 526 | 25,807,994 | 17,883,196 | 28,284,309 | 1,078 |
| 10. Florida | FL | L | 329,558,931 | 316,680,920 | 83,605 | 221,996,196 | 220,198,725 | 234,082,005 | 197,183 |
| 11. Georgia | GA | L | 100,539,936 | 99,417,065 | 1,192 | 58,368,729 | 49,444,498 | 55,642,956 | 22,063 |
| 12. Hawaii | HI | L | 19,660,037 | 18,757,225 | 337 | 6,140,140 | 6,804,020 | 8,743,388 | 7,054 |
| 13. Idaho | ID | L | 14,062,329 | 14,047,998 | 56 | 7,193,520 | 10,412,607 | 9,110,451 | 1,185 |
| 14. Illinois | IL | L | 114,517,481 | 110,805,109 | 1,288 | 84,487,173 | 131,830,999 | 186,437,627 | 21,267 |
| 15. Indiana | IN | L | 42,604,720 | 40,506,354 | 578 | 21,362,066 | 23,460,359 | 39,200,402 | 6,020 |
| 16. Iowa | IA | L | 20,897,820 | 20,194,314 | 25 | 12,218,295 | 17,537,230 | 20,917,560 | 1,406 |
| 17. Kansas | KS | L | 27,925,655 | 27,111,681 | 94 | 11,197,425 | 4,773,928 | 21,421,564 | 1,303 |
| 18. Kentucky | KY | L | 19,848,194 | 19,306,548 | 37 | 18,039,246 | 11,444,974 | 17,728,292 | 6,234 |
| 19. Louisiana | LA | L | 63,361,358 | 63,180,606 | 547 | 45,303,504 | 20,902,855 | 89,956,885 | 11,058 |
| 20. Maine | ME | L | 12,033,608 | 9,575,255 | | 8,759,278 | 5,243,791 | 20,403,916 | 9,566 |
| 21. Maryland | MD | L | 49,700,841 | 50,278,848 | 161 | 40,195,934 | (674,543) | 54,836,389 | 14,991 |
| 22. Massachusetts | MA | L | 574,774,982 | 536,779,558 | 93,299 | 346,502,796 | 343,360,307 | 386,951,793 | 5,910,299 |
| 23. Michigan | MI | L | 67,675,128 | 67,375,348 | 222 | 45,046,663 | 57,244,935 | 106,021,549 | 5,613 |
| 24. Minnesota | MN | L | 48,856,208 | 47,363,392 | 525 | 22,752,153 | 22,050,382 | 64,308,932 | 11,428 |
| 25. Mississippi | MS | L | 17,317,735 | 15,760,343 | 48 | 5,315,557 | 7,729,400 | 38,888,524 | 379 |
| 26. Missouri | MO | L | 36,560,599 | 35,802,673 | 1,653 | 16,610,116 | 21,353,279 | 38,915,337 | 6,680 |
| 27. Montana | MT | L | 16,820,226 | 16,817,379 | 2,361 | 7,628,031 | 7,997,807 | 7,215,894 | 223 |
| 28. Nebraska | NE | L | 23,806,754 | 23,213,402 | 6,217 | 11,187,145 | 11,717,223 | 13,959,579 | 1,281 |
| 29. Nevada | NV | L | 30,323,375 | 28,601,482 | 1 | 13,525,269 | 12,565,714 | 9,117,312 | 7,171 |
| 30. New Hampshire | NH | L | 13,963,221 | 13,549,999 | 28,547 | 9,978,965 | 14,574,491 | 50,975,967 | 19,250 |
| 31. New Jersey | NJ | L | 119,042,937 | 117,785,155 | 894 | 81,531,883 | 24,501,769 | 227,549,407 | 179,979 |
| 32. New Mexico | NM | L | 23,881,565 | 23,951,136 | 158 | 11,415,678 | 12,523,006 | 12,985,103 | 2,154 |
| 33. New York | NY | L | 389,014,195 | 368,120,784 | 26,590 | 276,169,677 | 210,283,000 | 511,794,582 | 309,875 |
| 34. North Carolina | NC | L | 197,122,958 | 191,300,313 | 311 | 109,969,162 | 117,701,515 | 119,786,249 | 581,312 |
| 35. North Dakota | ND | L | 9,670,027 | 9,594,397 | 148 | 4,408,668 | 15,889,288 | 15,086,604 | 51 |
| 36. Ohio | OH | L | 103,876,108 | 101,214,158 | 31 | 52,912,346 | 61,668,751 | 82,894,639 | 18,153 |
| 37. Oklahoma | OK | L | 32,121,455 | 31,949,014 | 43 | 16,932,947 | 15,767,373 | 39,794,612 | 3,356 |
| 38. Oregon | OR | L | 30,532,219 | 28,884,294 | 363 | 12,921,390 | 15,604,424 | 19,723,075 | 6,291 |
| 39. Pennsylvania | PA | L | 134,360,820 | 131,284,939 | 9,239 | 65,673,789 | 50,322,847 | 217,115,492 | 51,724 |
| 40. Rhode Island | RI | L | 14,356,735 | 13,988,107 | | 12,336,453 | 7,366,657 | 26,704,878 | 6,780 |
| 41. South Carolina | SC | L | 51,647,045 | 49,352,729 | 631 | 28,167,918 | 29,695,693 | 43,771,424 | 4,232 |
| 42. South Dakota | SD | L | 7,591,243 | 7,475,081 | | 3,337,195 | 2,735,243 | 1,897,692 | 108 |
| 43. Tennessee | TN | L | 253,594,470 | 251,525,818 | 97 | 179,227,041 | 218,674,726 | 130,793,055 | 8,472 |
| 44. Texas | TX | L | 293,210,887 | 275,573,179 | 2,042,790 | 125,919,183 | 174,212,741 | 381,766,238 | 35,345 |
| 45. Utah | UT | L | 22,482,386 | 22,342,719 | 147 | 15,368,711 | 14,422,690 | 11,046,460 | 2,661 |
| 46. Vermont | VT | L | 2,804,306 | 2,481,897 | 840 | 3,335,004 | 9,518,397 | 19,805,069 | 2,195 |
| 47. Virginia | VA | L | 79,267,143 | 78,248,396 | 250 | 41,243,925 | 24,901,714 | 62,410,542 | 17,819 |
| 48. Washington | WA | L | 60,501,951 | 56,648,235 | 1 | 23,940,635 | 19,838,990 | 12,667,460 | 9,248 |
| 49. West Virginia | WV | L | 11,628,360 | 11,625,434 | | 4,136,770 | 9,779,853 | 16,349,024 | 1,443 |
| 50. Wisconsin | WI | L | 37,134,703 | 33,879,735 | 29,725 | 31,180,180 | 51,857,064 | 121,676,777 | 14,522 |
| 51. Wyoming | WY | L | 14,091,564 | 13,180,801 | | 4,064,005 | 4,891,181 | 3,244,390 | 101 |
| 52. American Samoa | AS | N | | | | | | | |
| 53. Guam | GU | N | (20,619) | (20,619) | | | (17,102) | | |
| 54. Puerto Rico | PR | L | 14,648,580 | 14,961,902 | | 1,566,787 | 3,882,812 | 21,097,506 | |
| 55. U.S. Virgin Islands | VI | L | 617,596 | 604,648 | 35 | 489,900 | 1,420,667 | 891,086 | 2 |
| 56. Northern Mariana Islands | MP | N | | | | | | | |
| 57. Canada | CN | L | 214,786,337 | 199,050,732 | | 72,534,633 | 152,639,753 | 339,734,486 | |
| 58. Aggregate Other Alien | OT | X X X | 255,040,740 | 218,135,556 | 157 | 67,300,186 | 107,338,368 | 472,067,129 | |
| 59. Totals | (a) 53 | | 4,676,494,088 | 4,471,462,848 | 2,338,047 | 2,649,967,085 | 2,690,450,048 | 4,885,857,794 | 7,700,721 |

| DETAILS OF WRITE-INS | | | | | | | | | |
|---|-------|--|-------------|-------------|-----|------------|-------------|-------------|--|
| 5801. Australia | X X X | | 239,789,974 | 205,428,536 | | 66,502,857 | 108,721,785 | 431,193,791 | |
| 5802. Other Alien | X X X | | 11,011,145 | 8,654,791 | 157 | 804,985 | (1,207,301) | 20,639,239 | |
| 5803. Brazil | X X X | | 1,569,225 | 737,831 | | | 352,298 | 358,017 | |
| 5898. Summary of remaining write-ins for Line 58 from overflow page | X X X | | 2,670,396 | 3,314,398 | | (7,656) | (528,414) | 19,876,082 | |
| 5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above) | X X X | | 255,040,740 | 218,135,556 | 157 | 67,300,186 | 107,338,368 | 472,067,129 | |

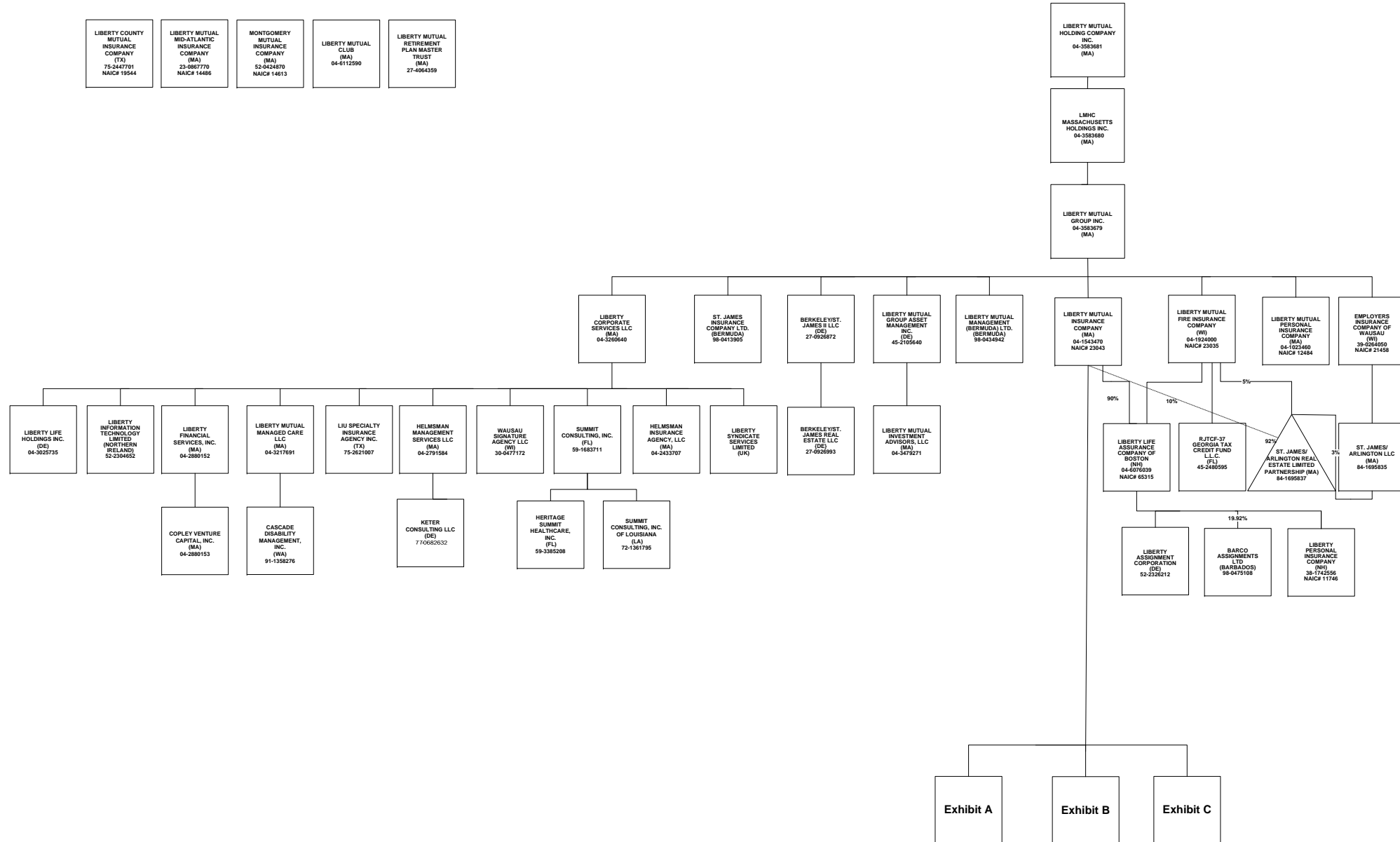
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

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

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

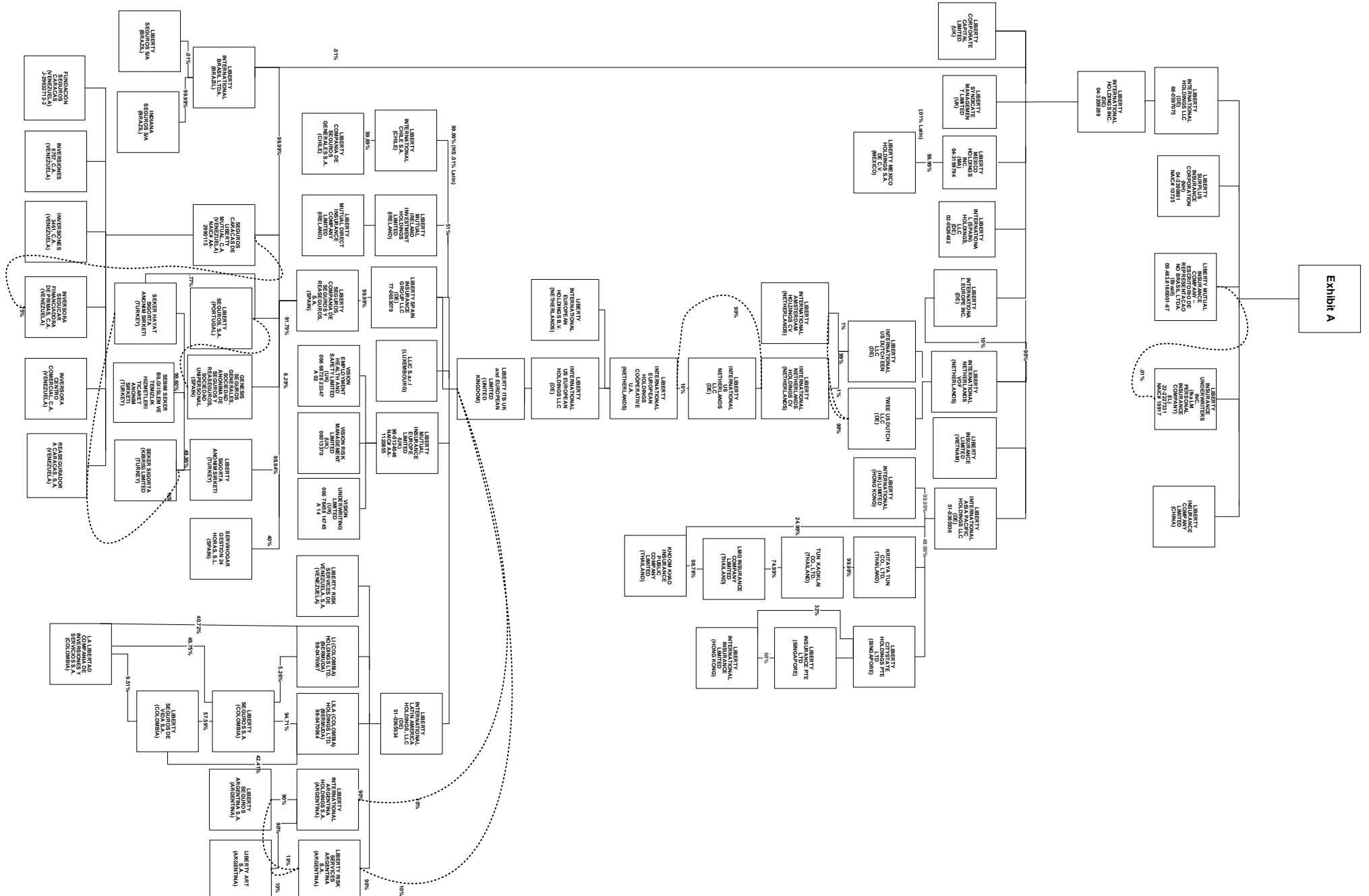
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



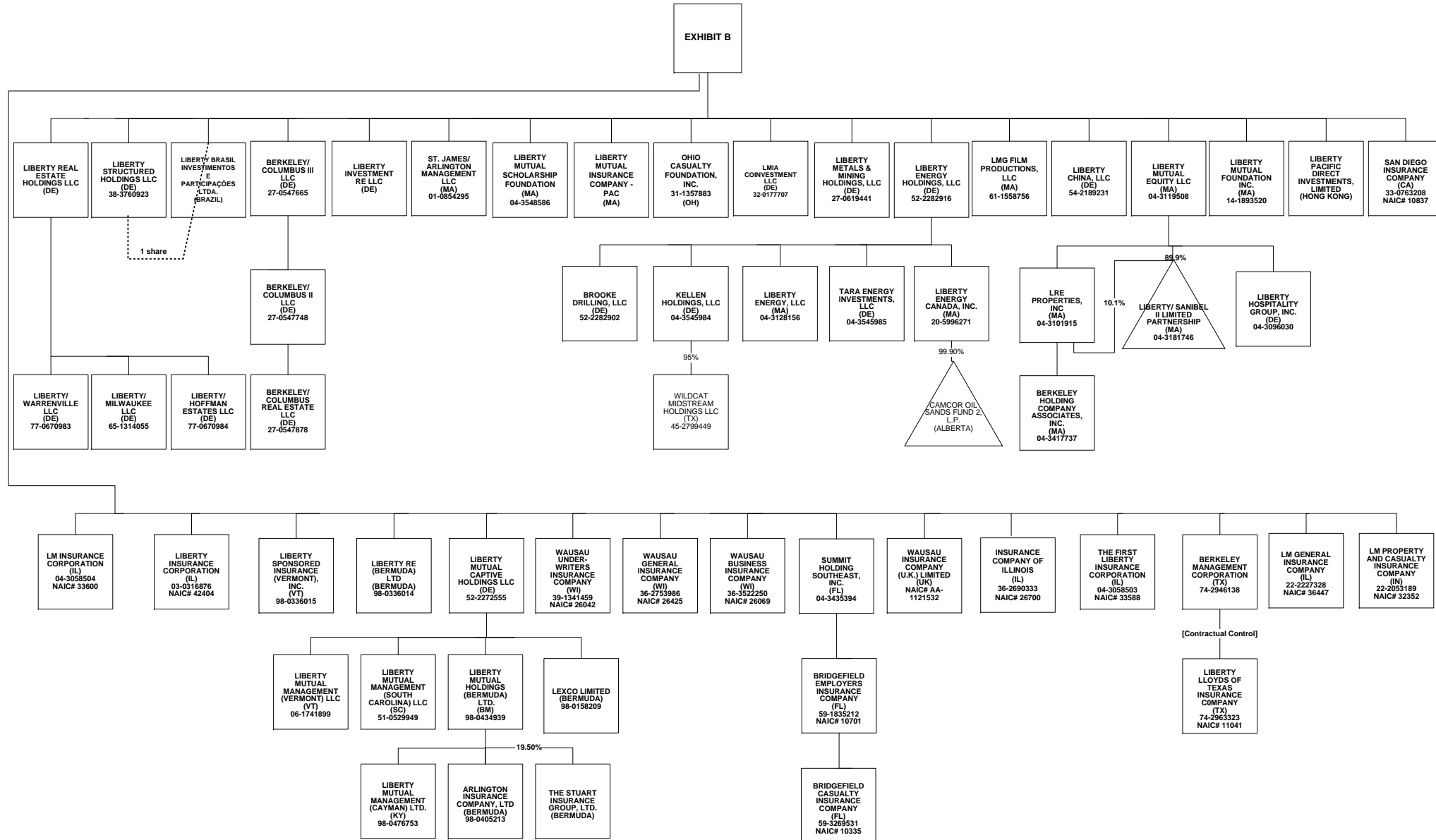
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



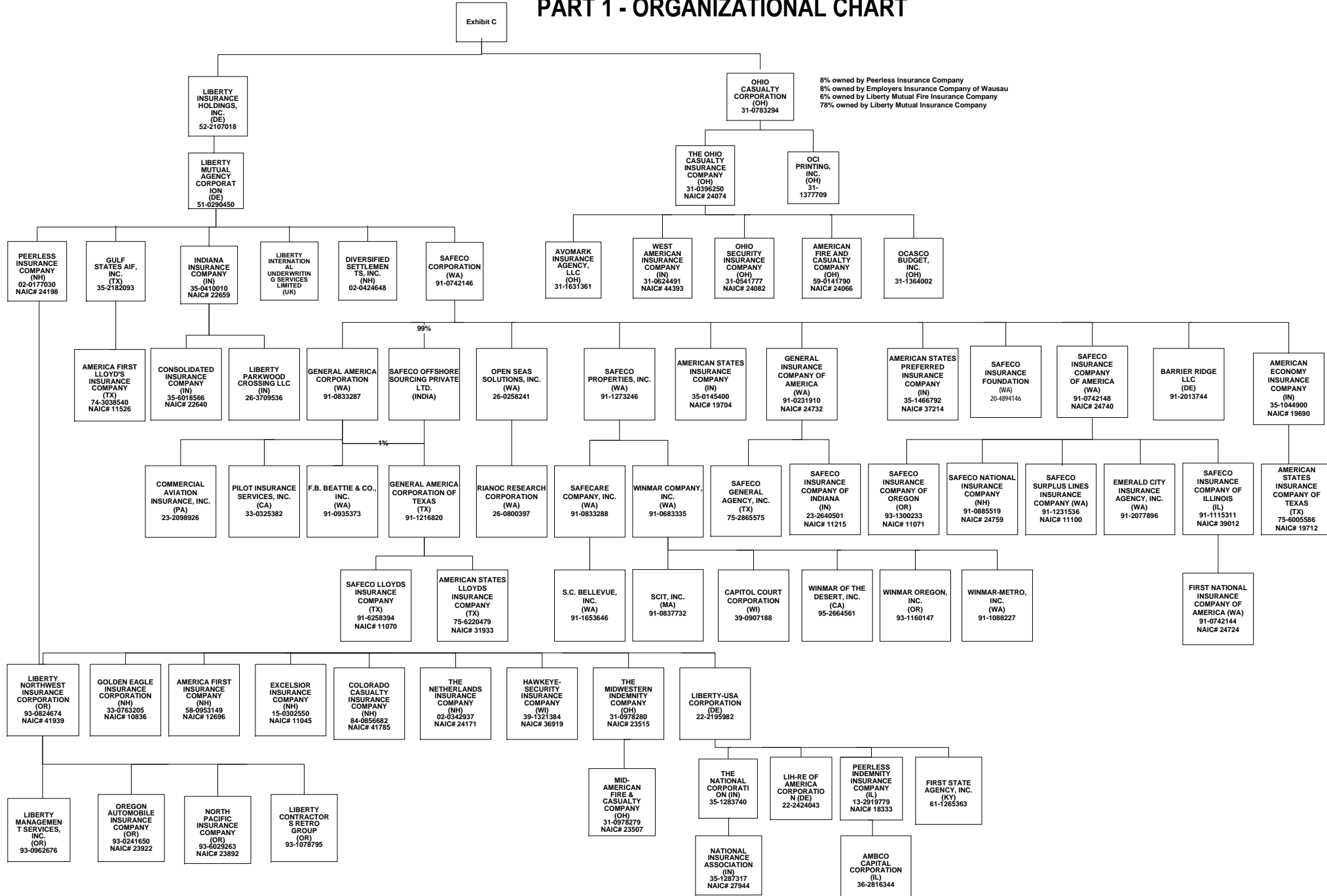
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation

| | Current Year | | | Prior Year |
|---|--------------|-----------------------|---|------------------------|
| | 1 | 2 | 3 | 4 |
| REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS | Assets | Nonadmitted Assets | Net Admitted Assets (Cols. 1 - 2) | Net Admitted Assets |
| 2504. Equities and deposits in pools and associations | 54,936,285 | | 54,936,285 | 45,045,174 |
| 2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598) | 54,936,285 | | 54,936,285 | 45,045,174 |

OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

| | 1 | 2 |
|--|---------------|-----------------|
| REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES | Current Year | Prior Year |
| 2504. Private passenger auto escrow | | 404,327 |
| 2505. Retroactive reinsurance reserves | (972,564,271) | (1,535,884,963) |
| 2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598) | (972,564,271) | (1,535,480,636) |

OVERFLOW PAGE FOR WRITE-INS

Page 92 - Continuation

| REMAINING WRITE-INS AGGREGATED AT LINE 58 FOR OTHER ALIEN | 1 Active Status | Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken | | 4 Dividends Paid or Credited to Policyholders on Direct Business | 5 Direct Losses Paid (Deducting Salvage) | 6 Direct Losses Incurred | 7 Direct Losses Unpaid | 8 Finance and Service Charges Not Included in Premiums | 9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2) |
|---|-----------------------|---|--------------------------------|--|---|-----------------------------------|---------------------------------|--|---|
| | | 2 Direct Premiums Written | 3 Direct Premiums Earned | | | | | | |
| 5804. Canada | X X X | 550,801 | 427,566 | | | 235,161 | 235,161 | | |
| 5805. Argentina | X X X | 480,680 | 607,438 | | | 244,802 | 276,662 | | |
| 5806. Dominican Republic | X X X | 316,723 | 99,077 | | | 43,394 | 46,880 | | |
| 5807. Chile | X X X | 242,707 | 132,381 | | | 47,474 | 68,088 | | |
| 5808. Jamaica | X X X | 161,618 | 168,488 | | 25,000 | 109,517 | 129,517 | | |
| 5809. Foreign | X X X | 156,374 | 191,151 | | (54,833) | (2,194,574) | 21,115,470 | | |
| 5810. Mongolia | X X X | 111,737 | 87,636 | | | 59,164 | 70,789 | | |
| 5811. Mexico | X X X | 91,052 | 146,249 | | | (16,731) | 20,677 | | |
| 5812. Israel | X X X | 72,259 | 107,650 | | | 69,973 | 69,973 | | |
| 5813. Colombia | X X X | 64,168 | 35,766 | | | 19,671 | 23,598 | | |
| 5814. Peru | X X X | 63,512 | 110,930 | | | 46,611 | 53,635 | | |
| 5815. Ecuador | X X X | 56,902 | 45,646 | | | 29,670 | 29,670 | | |
| 5816. Turkey | X X X | 50,850 | 56,008 | | | 30,805 | 30,805 | | |
| 5817. Hong Kong | X X X | 50,231 | 50,506 | | | 5,348 | 54,521 | | |
| 5818. United Kingdom | X X X | 47,499 | 651,319 | | 20,697 | 790,063 | (5,483,823) | | |
| 5819. Indonesia | X X X | 35,627 | 51,823 | | | 17,897 | 40,897 | | |
| 5820. Austria | X X X | 29,226 | 23,609 | | | (4,310) | 1,990 | | |
| 5821. Trinidad & Tobago | X X X | 25,616 | 17,846 | | | 506 | 3,428 | | |
| 5822. Bermuda | X X X | 24,750 | 24,699 | | | (2,318) | 67,829 | | |
| 5823. France | X X X | 13,800 | 12,003 | | | (6,521) | 7,466 | | |
| 5824. Bahamas | X X X | 11,676 | 11,758 | | | (41,380) | (34,525) | | |
| 5825. England | X X X | 10,319 | 8,951 | | | (1,853) | 603 | | |
| 5826. British Virgin Islands | X X X | 7,048 | 7,091 | | 1,480 | (15,987) | (15,889) | | |
| 5827. Malaysia | X X X | 4,941 | 8,162 | | | (29,432) | 8,348 | | |
| 5828. Barbados | X X X | 2,850 | 2,780 | | | (17,101) | (11,963) | | |
| 5829. Bolivia | X X X | 2,420 | 2,159 | | | 1,188 | 1,188 | | |
| 5830. Ireland | X X X | 1,753 | 679 | | | 281 | 336 | | |
| 5831. China | X X X | 741 | 709 | | | (1,732) | (958) | | |
| 5832. India | X X X | 2 | 2 | | | 49,635 | 168,882 | | |
| 5833. Italy | X X X | | | | | | | | |
| 5834. Aruba | X X X | | | | | (23) | 25 | | |
| 5835. Australia, Northern Territory | X X X | | | | | (4) | (6) | | |
| 5836. Australia, Victoria | X X X | | | | | (65) | 255 | | |
| 5837. Costa Rica | X X X | | 4,372 | | | 829 | 6,125 | | |
| 5838. Cyprus | X X X | | | | | (1,805) | 4,566 | | |
| 5839. Europe | X X X | | 10,213 | | | 4,175 | 20,215 | | |
| 5840. Georgia | X X X | | | | | (230) | (67) | | |
| 5841. Germany | X X X | | 26,553 | | | (15,400) | 4,147 | | |
| 5842. Guatemala | X X X | | 1,920 | | | (589) | 1 | | |
| 5843. Japan | X X X | | | | | 416 | 697 | | |
| 5844. Netherlands | X X X | | 26,045 | | | (7,315) | 2,744,856 | | |
| 5845. Poland | X X X | | 33,170 | | | (1,240) | 5,045 | | |
| 5846. Singapore | X X X | | 967 | | | (230) | 4 | | |
| 5847. Switzerland | X X X | | | | | | | | |
| 5848. Venezuela | X X X | | | | | | (184) | | |
| 5849. Belgium | X X X | (17,486) | 121,076 | | | 23,846 | 111,148 | | |
| 5897. Total (Lines 5804 through 5896) (Page 92, Line 5898) | X X X | 2,670,396 | 3,314,398 | | (7,656) | (528,414) | 19,876,082 | | |

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

| | | | |
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