

ANNUAL STATEMENT

OF THE

LM PROPERTY AND CASUALTY INSURANCE COMPANY

of **INDIANAPOLIS**

in the state of **INDIANA**

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

LM Property and Casualty Insurance Company

NAIC Group Code 0111 0111 **NAIC Company Code** 32352 **Employer's ID Number** 22-2053189
(Current Period) (Prior Period)

Organized under the Laws of Indiana, **State of Domicile or Port of Entry** Indiana
Country of Domicile United States of America

Incorporated/Organized January 2, 1975 **Commenced Business** March 28, 1975

Statutory Home Office 251 East Ohio Street Suite 500, Indianapolis, IN 46204
(Street and Number) (City or Town, State and Zip Code)

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

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

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

Internet Web Site Address www.LibertyMutualGroup.com

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

OFFICERS

Chairman of the Board
Timothy Michael Sweeney

Name	Title
1. Timothy Michael Sweeney	President and Chief Executive Officer
2. Dexter Robert Legg	Vice President & Secretary
3. Laurance Henry Soyer Yahia	Vice President & Treasurer

VICE-PRESIDENTS

Name	Title	Name	Title
Margaret Dillon	VP & Chief Financial Officer	John Derek Doyle	Vice President & Comptroller
Anthony Alexander Fontanes	Vice President & Assistant Treasurer	Stephen Joseph McAnena	Vice President
Elizabeth Julia Morahan	Vice President & General Counsel	Edward Joseph Gramer, III	Vice President

DIRECTORS OR TRUSTEES

Margaret Dillon	Edward Joseph Gramer, III	Stephen Joseph McAnena	Elizabeth Julia Morahan
Timothy Michael Sweeney	Stephen Michael Vanderhagen		

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) Timothy Michael Sweeney	(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? 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)	30,435,920		30,435,920	27,795,304
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 1,502,145, Schedule E - Part 1), cash equivalents (\$ 0, Schedule E - Part 2), and short-term investments (\$ 143,667, Schedule DA)	1,645,812		1,645,812	10,755,717
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				
10. Securities lending reinvested collateral assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	32,081,732		32,081,732	38,551,021
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	250,042		250,042	254,228
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection				
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	48,980,687		48,980,687	50,304,598
16.2 Funds held by or deposited with reinsured companies	514,006		514,006	556,876
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	51,547		51,547	1,016,710
18.2 Net deferred tax asset	1,123,000	1,027,950	95,050	901,011
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates				
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets				
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	83,001,014	1,027,950	81,973,064	91,584,444
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	83,001,014	1,027,950	81,973,064	91,584,444

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.				
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)				

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	35,387,338	39,205,498
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	3,137,017	2,360,223
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	(78,817)	
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)		
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 0 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)		
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)		
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	384,293	770,734
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)	979,782	895,014
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	165,904	5,923,980
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending		
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	6,460,895	6,581,823
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	46,436,412	55,737,272
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	46,436,412	55,737,272
29. Aggregate write-ins for special surplus funds		152,697
30. Common capital stock	4,400,000	4,400,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	33,539,064	33,539,064
35. Unassigned funds (surplus)	(2,402,412)	(2,244,589)
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)	35,536,652	35,847,172
38. Totals (Page 2, Line 28, Col. 3)	81,973,064	91,584,444

DETAILS OF WRITE-IN LINES		
2501. Other liabilities	6,460,895	6,581,823
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	6,460,895	6,581,823
2901. SSAP 10R incremental change		152,697
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		152,697
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	224	(131)
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	432,877	273,898
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	15,890	(32,419)
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	(25,405)	(352,617)
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	423,362	(111,138)
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(423,138)	111,007
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	859,203	924,997
10. Net realized capital gains (losses) less capital gains tax of \$ 1,963 (Exhibit of Capital Gains (Losses))	3,645	8,371
11. Net investment gain (loss) (Lines 9 + 10)	862,848	933,368
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0)		
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income	80,536	186,325
15. Total other income (Lines 12 through 14)	80,536	186,325
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	520,246	1,230,700
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	520,246	1,230,700
19. Federal and foreign income taxes incurred	(59,963)	422,393
20. Net income (Line 18 minus Line 19) (to Line 22)	580,209	808,307
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	35,847,172	33,480,539
22. Net income (from Line 20)	580,209	808,307
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0		96,819
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(250,140)	89,593
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(403,124)	166,784
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	(84,768)	1,221,713
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	(152,697)	(16,583)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(310,520)	2,366,633
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	35,536,652	35,847,172

DETAILS OF WRITE-IN LINES		
0501.		
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)		
1401. Other income/(expense)	80,536	186,325
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	80,536	186,325
3701. SSAP 10R incremental change	(152,697)	(16,583)
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(152,697)	(16,583)

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	224	1,130
2. Net investment income	911,705	1,049,415
3. Miscellaneous income	(343,573)	(71,388)
4. Total (Lines 1 through 3)	568,356	979,157
5. Benefit and loss related payments	2,150,332	4,671,673
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	69,302	(385,037)
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(1,023,163)	5,333,542
10. Total (Lines 5 through 9)	1,196,471	9,620,178
11. Net cash from operations (Line 4 minus Line 10)	(628,115)	(8,641,021)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	820,650	17,153,841
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments	5,608	
12.7 Miscellaneous proceeds		20
12.8 Total investment proceeds (Lines 12.1 to 12.7)	826,258	17,153,861
13. Cost of investments acquired (long-term only):		
13.1 Bonds	3,509,582	5,022,634
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	3,509,582	5,022,634
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)	(2,683,324)	12,131,227
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(5,798,466)	5,131,204
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(5,798,466)	5,131,204
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)	(9,109,905)	8,621,410
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	10,755,717	2,134,307
19.2 End of year (Line 18 plus Line 19.1)	1,645,812	10,755,717

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

20.0001		
20.0002		
20.0003		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire				
2. Allied lines				
3. Farmowners multiple peril				
4. Homeowners multiple peril				
5. Commercial multiple peril				
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine				
10. Financial guaranty				
11.1 Medical professional liability—occurrence				
11.2 Medical professional liability—claims-made				
12. Earthquake				
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation				
17.1 Other liability—occurrence				
17.2 Other liability—claims-made				
17.3 Excess workers' compensation				
18.1 Products liability—occurrence				
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability				
19.3,19.4 Commercial auto liability				
21. Auto physical damage				
22. Aircraft (all perils)				
23. Fidelity				
24. Surety				
26. Burglary and theft				
27. Boiler and machinery				
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-nonproportional assumed property				
32. Reinsurance-nonproportional assumed liability	224			224
33. Reinsurance-nonproportional assumed financial lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	224			224

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)				

NONE Underwriting and Investment Exhibit - Part 1A

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire						
2. Allied lines			(133)	(133)		
3. Farmowners multiple peril						
4. Homeowners multiple peril						
5. Commercial multiple peril						
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine						
10. Financial guaranty						
11.1 Medical professional liability--occurrence						
11.2 Medical professional liability--claims-made						
12. Earthquake						
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation						
17.1 Other liability—occurrence						
17.2 Other liability—claims-made						
17.3 Excess workers' compensation						
18.1 Products liability—occurrence						
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability			708	708		
19.3,19.4 Commercial auto liability						
21. Auto physical damage						
22. Aircraft (all perils)						
23. Fidelity						
24. Surety						
26. Burglary and theft						
27. Boiler and machinery						
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-nonproportional assumed property	X X X					
32. Reinsurance-nonproportional assumed liability	X X X		297		73	224
33. Reinsurance-nonproportional assumed financial lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS			872	575	73	224

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 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		1	1						
2. Allied lines		(325)	(325)			306	306		
3. Farmowners multiple peril									
4. Homeowners multiple peril	1,166,860	14,190	1,181,050		307,989		307,989		
5. Commercial multiple peril									
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine	849		849						
10. Financial guaranty									
11.1 Medical professional liability—occurrence									
11.2 Medical professional liability—claims-made									
12. Earthquake	169,761		184,694	(14,933)				(14,933)	
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health									
16. Workers' compensation									
17.1 Other liability—occurrence	75,000	236	75,236						
17.2 Other liability—claims-made									
17.3 Excess workers' compensation									
18.1 Products liability—occurrence									
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	247,041,436		227,466,875	19,574,561	246,115		246,115	19,574,561	
19.3,19.4 Commercial auto liability									
21. Auto physical damage									
22. Aircraft (all perils)									
23. Fidelity									
24. Surety									
26. Burglary and theft									
27. Boiler and machinery									
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-nonproportional assumed property	X X X				X X X				
32. Reinsurance-nonproportional assumed liability	X X X	8,140,609	531,458	7,609,151	X X X	9,797,333	1,578,773	15,827,711	(78,817)
33. Reinsurance-nonproportional assumed financial lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	248,453,906	8,154,711	229,439,838	27,168,779	554,104	9,797,639	2,133,183	35,387,339	(78,817)
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	16,011			16,011
1.2 Reinsurance assumed	4,366			4,366
1.3 Reinsurance ceded	21,969			21,969
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	(1,592)			(1,592)
2. Commission and brokerage:				
2.1 Direct, excluding contingent				
2.2 Reinsurance assumed, excluding contingent		(222)		(222)
2.3 Reinsurance ceded, excluding contingent		25,182		25,182
2.4 Contingent—direct				
2.5 Contingent—reinsurance assumed				
2.6 Contingent—reinsurance ceded				
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)		(25,404)		(25,404)
3. Allowances to manager and agents				
4. Advertising			573	573
5. Boards, bureaus and associations			16	16
6. Surveys and underwriting reports			407	407
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries			36,810	36,810
8.2 Payroll taxes			1,236	1,236
9. Employee relations and welfare			4,711	4,711
10. Insurance			678	678
11. Directors' fees				
12. Travel and travel items			1,250	1,250
13. Rent and rent items			1,511	1,511
14. Equipment			820	820
15. Cost or depreciation of EDP equipment and software			1,751	1,751
16. Printing and stationery			157	157
17. Postage, telephone and telegraph, exchange and express			1,706	1,706
18. Legal and auditing			2,504	2,504
19. Totals (Lines 3 to 18)			54,130	54,130
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0				
20.2 Insurance department licenses and fees				
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)				
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)				
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	17,483		10,513	27,996
25. Total expenses incurred	15,891	(25,404)	64,643	(a) 55,130
26. Less unpaid expenses—current year	(78,817)			(78,817)
27. Add unpaid expenses—prior year				
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	94,708	(25,404)	64,643	133,947

DETAILS OF WRITE-IN LINES				
2401. Other expenses	17,483		10,513	27,996
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)	17,483		10,513	27,996

(a) Includes management fees of \$ 64,645 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 416,829	419,734
1.1 Bonds exempt from U.S. tax	(a) 327,311	327,311
1.2 Other bonds (unaffiliated)	(a) 143,041	142,355
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 30,206	23,802
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	10,646	10,646
10. Total gross investment income	928,033	923,848
11. Investment expenses		(g) 64,645
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		64,645
17. Net investment income (Line 10 minus Line 16)		859,203

DETAILS OF WRITE-IN LINES		
0901. Aggregate write-ins for investment income	10,646	10,646
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)	10,646	10,646
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 \$ 9,312 accrual of discount less \$ 57,628 amortization of premium and less \$ 3,462 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 28,006 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)					
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	5,608		5,608		
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	5,608		5,608		

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

EXHIBIT OF NONADMITTED ASSETS

	1	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			
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums			
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			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	1,027,950	472,129	(555,821)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets			
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,027,950	472,129	(555,821)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	1,027,950	472,129	(555,821)

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.			
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)			

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 Indiana, the accompanying financial statements of LM Property and Casualty 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, *Investment in Subsidiaries, Controlled Entities and Affiliates*, 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

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 has no impact on the Company.

NOTES TO FINANCIAL STATEMENTS

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

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

B. Statutory Mergers

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

C. Impairment Loss

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

Note 4 - Discontinued Operations

The Company has no discontinued operations.

Note 5 - Investments

A. Mortgage Loans, Including Mezzanine Real Estate Loans

The Company does not invest in mortgage loans.

B. Debt Restructuring

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
2. All Loan-Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 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: None
4. All impaired Loan-Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2011: None
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' equity. 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

The Company did not participate in repurchase agreements or securities lending during the year.

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6 - Joint Ventures, Partnerships 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.

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7 - Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2011.

Note 8 - Derivative Instruments

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

Note 9 - Income Taxes

A. The components of the net deferred tax assets (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	834,050	1,027,950	1,862,000	625,116	924,024	1,549,140	208,934	103,926	312,860
Statutory Valuation Allowance Adjustment	0	0	0	0	0	0	0	0	0
Adjusted Gross Deferred Tax Assets	834,050	1,027,950	1,862,000	625,116	924,024	1,549,140	208,934	103,926	312,860
Deferred Tax Liabilities	(739,000)	0	(739,000)	(176,000)	0	(176,000)	(563,000)	0	(563,000)
Net DTA (DTL)	95,050	1,027,950	1,123,000	449,116	924,024	1,373,140	(354,066)	103,926	(250,140)
Deferred Tax Assets Nonadmitted	0	(1,027,950)	(1,027,950)	(149,596)	(322,533)	(472,129)	149,596	(705,417)	(555,821)
Net Admitted DTA (DTL)	95,050	0	95,050	299,520	601,491	901,011	(204,470)	(601,491)	(805,961)

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.)	0	0	0	146,823	244,607	391,430	(146,823)	(244,607)	(391,430)
Lesser of:									
Expected to be recognized within one year (10bi.)	131,139	0	131,139	0	356,884	356,884	131,139	(356,884)	(225,745)
10% of adjusted capital and surplus (10bii.)			3,534,385			3,346,727			
Adj. gross DTAs offset against existing DTLs (10c.)	702,911	0	702,911	176,000	0	176,000	526,911	0	526,911
Total	834,050	0	834,050	322,823	601,491	924,314	511,227	(601,491)	(90,264)

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.)	0	0	0	237,881	244,607	482,488	(237,881)	(244,607)	(482,488)
Lesser of:									
Expected to be recognized within three years (10eii.)	265,525	0	265,525	61,639	356,884	418,523	203,886	(356,884)	(152,998)
15% of adjusted capital and surplus (10eib.)			5,301,578			5,020,090			
Adj. gross DTAs offset against existing DTLs (10eiii.)	568,525	0	568,525	176,000	0	176,000	392,525	0	392,525
Total	834,050	0	834,050	475,520	601,491	1,077,011	358,530	(601,491)	(242,961)

	December 31, 2011	December 31, 2010	Change
Used in SSAP No. 10R, Paragraph 10.d.			
Total Adjusted Capital	35,536,652	35,694,475	(157,823)
Authorized Control Level	5,766,016	6,689,368	(923,352)

NOTES TO FINANCIAL STATEMENTS

	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)
Impact of Tax Planning Strategies	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)	0%	0%	0%	0%	0%	0%	0%	0%	0%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Gross DTAs)	0%	0%	0%	0%	40%	40%	0%	(40%)	(40%)

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	95,050	-	95,050	146,823	601,491	748,314	(51,773)	(601,491)	(653,264)
Admitted Assets			81,973,064			91,431,747			
Adjusted Statutory Surplus*			35,343,851			33,467,266			
Total Adjusted Capital from DTAs	95,050	-	95,050	146,823	601,491	748,314	(51,773)	(601,491)	(653,264)

*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	-	-	-	152,697	-	152,697	(152,697)	-	(152,697)
Admitted Assets	-	-	-	152,697	-	152,697	(152,697)	-	(152,697)
Adjusted Statutory Surplus	-	-	-	152,697	-	152,697	(152,697)	-	(152,697)

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	(59,963)	422,393
Foreign	0	0
Realized capital gains	1,963	4,507
Federal and foreign income taxes incurred	(58,000)	426,900

The Company's deferred tax assets and liabilities result primarily from deferred intercompany transactions, discounting of unpaid loss and LAE reserves, net operating loss carry-forward, and accrual of market discount.

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

	2011
Change in net deferred income tax (without unrealized gain or loss)	(250,140)
Change in tax effect of unrealized (gains) losses	0
Total change in net deferred income tax	(250,140)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of net operating losses generated in 2011, tax exempt interest, and deferred intercompany transactions.

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

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

Year Generated	Amount	Expiration
2011	763,000	2031

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

NOTES TO FINANCIAL STATEMENTS

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

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

NOTES TO FINANCIAL STATEMENTS

** 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 Insurance Company ("LMIC"), a Massachusetts insurance company. The ultimate parent of LMIC is Liberty Mutual Holding Company Inc. ("LMHC"), a Massachusetts company.
- B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.
- C. There have been no material transactions with the Company's affiliates during 2011.
- D. At December 31, 2011, the Company reported a net \$165,904 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.
- E. The Company has not made any guarantees or initiated any undertakings, written or otherwise, for the benefit of affiliates or other related parties.
- F. Refer to Note 26 for information regarding the inter-company reinsurance.

There is a management services agreement between the Company and LMIC, under which LMIC provides the Company with services of personnel employed by LMIC, office space, supplies, equipment, telephone and wire services, the use of computers and similar machines to the extent necessary or appropriate.

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

There is an "Agent-Company Agreement" between the Company and Helmsman Insurance Agency, Inc. ("Helmsman") whereby Helmsman provides agent commission payments, accounting, office services and other services under the terms of the Agreement.

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

- G. The Company is a member of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- I. The Company does not own investments in subsidiary, controlled or affiliated companies that exceed 10% of its admitted assets.
- J. The Company does not own any investments in subsidiary, controlled or affiliated entities.
- K. The Company does not hold any investments in foreign insurance subsidiaries.
- L. The Company does not hold any investments in downstream non-insurance holding companies.

Note 11 - Debt

- A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

- B. Federal Home Loan Bank Agreements

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

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

The Company does not have any direct employees, and therefore does not have any direct obligations for a defined benefit pension, defined contribution pension, postretirement welfare, deferred compensation, compensated absences or postemployment benefit plans. Services for the operation of the Company are provided under provisions of the management services agreements as described in Note 10 F.

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

- 1. The Company has 800 shares authorized, issued, and outstanding as of December 31, 2011. All shares have a stated par value of \$5,500.

NOTES TO FINANCIAL STATEMENTS

2. Preferred Stock
Not applicable
3. There are no dividend restrictions.
4. The Company did not pay any dividends to its parent during 2011.
5. The Company cannot pay a dividend in 2012 without the prior approval of the Insurance Commissioner, as its unassigned surplus is negative.
6. The Company does not have restricted unassigned surplus.
7. The Company had no advances to surplus.
8. The Company does not hold stock for special purposes.
9. The Company does not hold special surplus funds.
10. The portion of unassigned funds (surplus) represented by cumulative net unrealized gains and (losses) is \$0.
11. Surplus Notes
Not applicable
12. Quasi-reorganization (dollar impact)
Not applicable
13. Quasi-reorganization (effective date)
Not applicable

Note 14 - Contingencies

A. Contingent Commitments

Refer to Note 10E.

B. Assessments

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

The Company has no net guaranty fund or other assessment liabilities to report. Refer to Note 26.

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	\$984,540

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

NOTES TO FINANCIAL STATEMENTS

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

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

Note 15 - Leases

A. Lessee Leasing Arrangements

The Company has no net lease obligations. Refer to Note 26.

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 during the year.

B. Transfers and Servicing of Financial Assets

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

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20 - Fair Value Measurements

Pursuant to the guidance in SSAP No. 100, *Fair Value Measurements*, the Company has no assets or liabilities measured at fair value.

Note 21 - Other Items

A. Extraordinary Items

The Company has no extraordinary items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

- 1) Assets in the amount of \$4,648,291 and \$4,782,973 as of December 31, 2011 and 2010 respectively, were on deposit with government authorities or trustees as required by law.

NOTES TO FINANCIAL STATEMENTS

2) Interrogatory 6.1

In 2011, the Company ceded 100% of its business to Liberty Mutual Insurance Company and had the benefit, together with its affiliates that cede business to Liberty Mutual Insurance Company or that are members of the inter-company reinsurance pool of which Liberty Mutual Insurance Company is the lead company, of Workers' Compensation Catastrophe reinsurance with the following limits: (1) \$400m part of \$500m xs \$700m per occurrence; or (2) \$261m part of \$500m xs \$200m (excluding CA EQ) per occurrence, each insured, each location. This Workers' Compensation Excess of Loss reinsurance purchased by Liberty Mutual Insurance Company covers Liberty'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, we employ RiskLink v10.0 and v11.0 from RMS and AIR Clasic/2 v12. For workers' compensation, Liberty Mutual utilizes RiskLink v11.0 from RMS.

Interrogatory 6.3

In 2011, the Company ceded 100% of its business to Liberty Mutual Insurance Company and had the benefit, together with its affiliates that cede business to Liberty Mutual Insurance Company or that are members of the inter-company reinsurance pool of which Liberty Mutual Insurance Company is the lead company, of traditional Prop Cat excess of loss reinsurance, with limits of \$750m part of \$1,000m xs \$1,300m, and \$525m part of \$700m xs \$2,300m (excluding CA) covering Liberty's direct and assumed from affiliates property business. Additionally, Liberty has purchased \$585M part of \$650M xs \$650M xs \$650M in second event coverage should there be multiple large events in a single year. Liberty also has a 30% QS treaty in place for its US HO portfolio that covers catastrophe losses up to \$1.75B for Wind and \$400M for EQ.

D. The Company has no net exposure to uncollectible premium receivable balances. Refer to Note 26.

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable and Non-transferable Tax Credits

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

G. Subprime-Mortgage-Related Risk Exposure

1. The Company has not purchased securities characterized by the market as subprime. The Company reviews such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities.
2. The Company does not have any direct exposure through investments in sub-prime mortgage loans.
3. The Company does not have any direct exposure through other investments.
4. The Company does not have any underwriting exposure to sub-prime mortgage risk.

Note 22 - Events Subsequent

- A. The Company evaluated subsequent events through February 24, 2012, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2011 that would require disclosure.

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverable

Excluding amounts arising pursuant to the Intercompany Reinsurance Agreement, as described in Note 26, 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
New Jersey UCJF	00000	AA-9991160	\$ 136,172,896
Michigan Catastrophic Claims Association	00000	AA-9991159	87,602,186
Vantage Casualty Insurance Company	11821	06-1709211	35,677,302
Excess & Casualty Reinsurance	00000	AA-9995022	3,681,043
Cal Re Management	00000	AA-9995111	3,409,037
Insurance Corp of NY (The)	18341	13-5339725	2,263,305
Dominion Insurance Company Ltd.	00000	AA-1120495	1,076,832
Total			\$ 269,882,601

NOTES TO FINANCIAL STATEMENTS

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 Company has no maximum return premium and commission equity due to the reinsurer or to the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2011. The Company has no unearned premium reserves for direct, assumed, and ceded business.
2. The Company has no contingent commissions, sliding scale, or other profit sharing commissions for direct, assumed or ceded business.
3. The Company does not use protected cells as an alternative to traditional reinsurance.

D. Uncollectible Reinsurance

Reinsurer	NAIC No.	Federal ID No.	Write-off Amount
Highlands Insurance Co.	00000	AA-1120760	\$36,079
American Home Assurance Co.	00000	13-5124990	12,518
Total			\$48,597

E. Commutation of Ceded Reinsurance

The Company commuted one reinsurer listed below. The Seaton Insurance Company commutation resulted was \$1,121,292 unfavorable. This amount is shown below by Income Statement classification and by reinsurer.

Income Statement Classification	Amount
Losses Incurred	\$1,121,292
Loss Expenses Incurred	0
Premiums Earned	0
Other Expenses	0
Total	\$1,121,292
Reinsurer	Amount
Seaton Insurance Company	\$1,121,292
Total	\$1,121,292

F. Retroactive Reinsurance

The Company does not have any retroactive reinsurance agreements.

G. Reinsurance Accounted for as a Deposit

The Company has not entered into any reinsurance agreements that have been accounted for as deposits as of December 31, 2011.

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

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

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

The Company does not have net accrued retrospective premiums. Refer to Note 26.

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

The Company has no net exposure to changes in incurred losses and loss adjustment expenses. Refer to Note 26.

Note 26 - Inter-Company Pooling Arrangements

The Company is a member of the Liberty Mutual Inter-Company 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

NOTES TO FINANCIAL STATEMENTS

	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 ("LMMIAIC")	14486	0.00%	Personal Lines Only
			<u>100%</u>	
100% Quota Share	Bridgefield Employers Insurance Company ("BEIC")	10701	0.00%	All Lines
Affiliated Companies:	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.
- (g) The Company has no amounts due to/from affiliated entities participating in the Liberty Mutual intercompany pool as of December 31, 2011.

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

Note 27 - Structured Settlements

- A. The Company is contingently liable for structured settlement annuity contracts assigned by its previous parent, The Prudential Insurance Company of America, prior to the acquisition of the Company by the Liberty Mutual Group. Effective June 24, 2011 The Prudential Insurance Company of America established a Trust account as security for any amount the Company may be required to pay as a result of a payment default by The Prudential Insurance Company of America under any assigned annuities. As of December 31, 2011 the amount of outstanding contingent liabilities associated with the assigned annuities was \$511,921,007 of which \$482,774,660 was fully collateralized.
- 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 as follows:

Life Insurance Company and Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
Prudential Insurance Company of America Newark, New Jersey	Yes	\$29,146,349

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

NOTES TO FINANCIAL STATEMENTS

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

Not applicable

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

The Company has no net loss and loss adjustment expense reserves. Refer to Note 26.

Note 33 - Asbestos/Environmental Reserves

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

Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

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. 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.

NOTES TO FINANCIAL STATEMENTS

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:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Direct Basis					
Beginning Reserves	-	-	-	-	-
Incurring losses and LAE	-	-	-	-	-
Calendar year payments	-	-	-	-	-
Ending Reserves	-	-	-	-	-

Assumed Reinsurance Basis

Beginning Reserves	114,851,469	58,850,242	12,181,900	7,796,215	14,033,257
Incurring losses and LAE	-	-	(3,955,635)	7,471,005	(1,498,020)
Calendar year payments	56,001,227	46,668,342	430,051	1,233,963	2,728,120
Ending Reserves	58,850,242	12,181,900	7,796,214	14,033,257	9,807,117

Net of Ceded Reinsurance Basis

Beginning Reserves	55,884,007	11,557	9,032,573	6,490,221	9,228,843
Incurring losses and LAE	-	-	(2,366,870)	3,452,107	14,965
Calendar year payments	55,872,450	(9,021,016)	175,482	713,485	2,744,233
Ending Reserves	11,557	9,032,573	6,490,221	9,228,843	6,499,575

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

Direct Basis	-
Assumed Reinsurance Basis	5,304,637
Net of Ceded Reinsurance Basis	2,252,029

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

Direct Basis	-
Assumed Reinsurance Basis	2,501,833
Net of Ceded Reinsurance Basis	(46,084)

Environmental:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Direct Basis					
Beginning Reserves	-	-	-	-	-
Incurring losses and LAE	-	-	-	-	-
Calendar year payments	-	-	-	-	-
Ending Reserves	-	-	-	-	-

Assumed Reinsurance Basis

Beginning Reserves	13,397,469	12,813,242	12,181,900	7,796,215	3,629,343
Incurring losses and LAE	-	-	(3,955,635)	(3,847,739)	(414,739)
Calendar year payments	584,227	631,342	430,051	319,133	699,614
Ending Reserves	12,813,242	12,181,900	7,796,214	3,629,343	2,514,990

Net of Ceded Reinsurance Basis

Beginning Reserves	9,430,007	8,889,111	8,388,127	5,890,221	2,231,629
Incurring losses and LAE	-	-	(2,366,870)	(3,474,067)	(14,965)
Calendar year payments	540,896	500,984	131,035	184,525	549,879
Ending Reserves	8,889,111	8,388,127	5,890,222	2,231,629	1,666,786

NOTES TO FINANCIAL STATEMENTS

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

Direct Basis	-
Assumed Reinsurance Basis	1,360,350
Net of Ceded Reinsurance Basis	577,522

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

Direct Basis	-
Assumed Reinsurance Basis	641,584
Net of Ceded Reinsurance Basis	(11,818)

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? _____ Indiana _____
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes No
- 2.2 If yes, date of change: _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. _____ 12/31/2009 _____
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. _____ 12/31/2009 _____
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). _____ 06/29/2011 _____
- 3.4 By what department or departments?
 Indiana Department of Insurance

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

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

	0
\$	0

12.2 If yes, provide explanation:

.....

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

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

.....

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

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

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

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

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

Yes No

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

.....

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

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

In 2011, Code provisions were added for Registered Investment Adviser compliance, as a Liberty Mutual subsidiary obtained SEC approval as a Registered Investment Adviser. Several non-material Code changes were also made to clarify existing provisions.

.....

GENERAL INTERROGATORIES

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

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

.....

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below? Yes [] No [X]

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

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

BOARD OF DIRECTORS

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

17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No []

18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No []

FINANCIAL

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

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

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

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

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

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]

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

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

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]

22.2 If answer is yes:

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

GENERAL INTERROGATORIES

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

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

INVESTMENT

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

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

24.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided):
 This company has a Securities Lending Agreement to generate additional income, whereby certain fixed income and mortgage back securities can be loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. There are no outstanding loans as of 12/31/2011.

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

24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. \$ _____ 0

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

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

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

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

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.3). Yes [X] No []

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

	25.21	Subject to repurchase agreements	\$ _____ 0
	25.22	Subject to reverse repurchase agreements	\$ _____ 0
	25.23	Subject to dollar repurchase agreements	\$ _____ 0
	25.24	Subject to reverse dollar repurchase agreements	\$ _____ 0
	25.25	Pledged as collateral	\$ _____ 0
	25.26	Placed under option agreements	\$ _____ 0
	25.27	Letter stock or securities restricted as to sale	\$ _____ 0
	25.28	On deposit with state or other regulatory body	\$ _____ 4,648,292
	25.29	Other	\$ _____ 0

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	0
.....	0
.....	0

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

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A [X]
 If no, attach a description with this statement.

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

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 Managemen	175 Berkeley Street, Boston, MA 02116

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

29.2 If yes, complete the following schedule:

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

GENERAL INTERROGATORIES

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

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

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	30,579,587	31,735,653	1,156,066
30.2 Preferred stocks	0	0	0
30.3 Totals	30,579,587	31,735,653	1,156,066

30.4 Describe the sources or methods utilized in determining the fair values:

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

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

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

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

.....

.....

.....

.....

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

32.2 If no, list exceptions:

.....

.....

.....

OTHER

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

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

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

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

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?

\$ _____ 0

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

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

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

1.2 If yes, indicate premium earned on U.S. business only. \$ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0

1.31 Reason for excluding

.....

.....

.....

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ 0

1.62 Total incurred claims \$ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned \$ 0

1.65 Total incurred claims \$ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ 0

1.72 Total incurred claims \$ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned \$ 0

1.75 Total incurred claims \$ 0

1.76 Number of covered lives 0

2. Health Test:

	1	2	
	Current Year	Prior Year	
2.1 Premium Numerator	\$ <u> 0</u>	\$ <u> 0</u>	
2.2 Premium Denominator	\$ <u> 224</u>	\$ <u> (131)</u>	
2.3 Premium Ratio (2.1/2.2)	<u> 0.00</u>	<u> 0.00</u>	
2.4 Reserve Numerator	\$ <u> 0</u>	\$ <u> 0</u>	
2.5 Reserve Denominator	\$ <u> 38,445,538</u>	\$ <u> 41,565,720</u>	
2.6 Reserve Ratio (2.4/2.5)	<u> 0.00</u>	<u> 0.00</u>	

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

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

3.21 Participating policies \$ 0

3.22 Non-participating policies \$ 0

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? 0 %

4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ 0

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents? Yes [] No [X]

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation Yes [] No [] N/A [X]

5.22 As a direct expense of the exchange Yes [] No [] N/A [X]

5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?

.....

.....

.....

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. _____ 0
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes No
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes No
- 8.2 If yes, give full information
.....
.....
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes No
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes No
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
(c) A brief discussion of management’s principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles (“SAP”) and as a deposit under generally accepted accounting principles (“GAAP”); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes No
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
(a) The entity does not utilize reinsurance; or, Yes No
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes No
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes No

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | | | | |
|---|--|----|---|--|
| 12.11 Unpaid losses | | \$ | 0 | |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | | \$ | 0 | |
- 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? \$ _____ 0
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes 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 | | | 0.00 % | |
| 12.42 To | | | 0.00 % | |
- 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 | | \$ | 0 | |
| 12.62 Collateral and other funds | | \$ | 0 | |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ _____ 0
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes No
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. _____ 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes No
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:

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

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

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

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

Yes [] No [X]

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

\$ 0

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

Yes [] No [X]

18.4 If yes, please provide the balance of the funds 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)	708	7,887	3,189	(265)	(168,968)
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	(133)	(10)	(615,843)	140	234,420
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)			(808,659)	(15)	273,881
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	297	(496)	(43,614)	46,386	(2,760)
6. Total (Line 35)	872	7,381	(1,464,927)	46,246	336,573
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)					
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	224	(131)	(43,765)	43,028	(2,924)
12. Total (Line 35)	224	(131)	(43,765)	43,028	(2,924)
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(423,138)	111,007	2,448,080	92,840	111,056
14. Net investment gain (loss) (Line 11)	862,848	933,368	3,278,437	5,207,008	12,557,718
15. Total other income (Line 15)	80,536	186,325	(488)	(49)	(32,068)
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	(59,963)	422,393	1,245,942	648,550	3,073,434
18. Net income (Line 20)	580,209	808,307	4,480,087	4,651,249	9,563,272
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	81,973,064	91,584,444	93,944,741	128,825,751	242,741,756
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)			1,260	105,840	102,971
20.2 Deferred and not yet due (Line 15.2)				3,926	122
20.3 Accrued retrospective premiums (Line 15.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 26)	46,436,412	55,737,272	60,464,202	62,391,603	74,778,910
22. Losses (Page 3, Line 1)	35,387,338	39,205,498	42,773,161	41,916,828	37,138,924
23. Loss adjustment expenses (Page 3, Line 3)	(78,817)			2,133,515	2,133,515
24. Unearned premiums (Page 3, Line 9)					
25. Capital paid up (Page 3, Lines 30 & 31)	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000
26. Surplus as regards policyholders (Page 3, Line 37)	35,536,652	35,847,172	33,480,539	66,434,148	167,962,846
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	(628,115)	(8,641,021)	16,702,309	(9,915,542)	(81,183,007)
Risk-Based Capital Analysis					
28. Total adjusted capital	35,536,652	35,847,172	33,480,539	66,434,148	167,962,846
29. Authorized control level risk-based capital	5,766,016	6,690,277	6,924,514	7,624,729	7,725,236
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)	94.9	72.1	94.9	90.1	94.4
31. Stocks (Lines 2.1 & 2.2)					0.0
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	5.1	27.9	5.1	9.9	5.6
35. Contract loans (Line 6)					
36. Derivatives (Line 7)			X X X	X X X	X X X
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)					0.0
39. Securities lending reinvested collateral assets (Line 10)			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)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Lines 42 to 47					
49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)					

FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2011	2010	2009	2008	2007
Capital and Surplus Accounts (Page 4)					
50. Net unrealized capital gains (losses) (Line 24)		96,819	165,682	(60,294)	(202,772)
51. Dividends to stockholders (Line 35)					
52. Change in surplus as regards policyholders for the year (Line 38)	(310,520)	2,366,633	(32,953,609)	(101,528,698)	10,488,204
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)	15,091,703	20,675,921	20,550,397	28,841,694	49,087,308
54. Property lines (Lines 1, 2, 9, 12, 21 & 26)	(34,474)	(61,239)	(658,830)	13,679	(46,927)
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	337,574	819,681	716,254	2,591,344	7,596,470
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
57. Nonproportional reinsurance lines (Lines 31, 32 & 33)	4,315,930	1,851,850	1,370,684	47,166,709	56,727,473
58. Total (Line 35)	19,710,733	23,286,213	21,978,505	78,613,426	113,364,324
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)	1,415,534	2,543,932	118,985	1,560,482	1,135,484
60. Property lines (Lines 1, 2, 9, 12, 21 & 26)			(2,435)	(20,185)	70,519
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)		56,536	(28,433)	141,660	7,073,003
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
63. Nonproportional reinsurance lines (Lines 31, 32 & 33)	2,835,502	1,241,093	209,350	(8,053,006)	56,650,495
64. Total (Line 35)	4,251,036	3,841,561	297,467	(6,371,049)	64,929,501
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)	193248.7	(209082.4)	(2636.4)	(3702.6)	40773.7
67. Loss expenses incurred (Line 3)	7093.8	24747.3	7891.8	1882.3	(36884.3)
68. Other underwriting expenses incurred (Line 4)	(11341.5)	269173.3	438.2	1704.5	10.0
69. Net underwriting gain (loss) (Line 8)	(188900.9)	(84738.2)	(5593.7)	215.8	(3799.4)
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)	(47295.1)	411406.1	437.1	1704.6	(1086.7)
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	200342.4	(184335.1)	5255.5	(1820.2)	3889.4
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)	0.0		(0.1)	0.1	(0.0)
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)	432	274	1,296	(1,414)	(548)
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)	1.2	0.8	2.0	(0.0)	(0.3)
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)	706	1,570	(118)	(1,962)	422
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)	2.1	2.4	(0.1)	(0.0)	0.1

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	17,788	13,602	136	138	(967)	(1,102)		4,319	X X X
2. 2002	1,122,089	1,118,048	4,041	792,535	775,530	24,250	22,869	81,697	80,308		19,775	X X X
3. 2003	1,063,624	1,059,380	4,244	648,434	610,975	18,442	18,052	25,544	23,910		39,483	X X X
4. 2004	598,490	598,490		299,563	299,505	12,818	12,805	4,358	6,788		(2,359)	X X X
5. 2005	17,863	17,863		14,038	14,038	665	665	(2,790)	746		(3,536)	X X X
6. 2006	1,126	1,113	13	35	35	(10)	(10)	(3,196)	(3,196)			X X X
7. 2007	716	719	(3)	15	15	3	3	323	323			X X X
8. 2008	121	78	43	(39)	(39)			246	246			X X X
9. 2009	(1,464)	(1,420)	(44)	(73)	(73)			375	375			X X X
10. 2010	8	8		1	1							X X X
11. 2011	1	1		2	2			100	100			X X X
12. Totals	X X X	X X X	X X X	1,772,299	1,713,591	56,304	54,522	105,690	108,498		57,682	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	237,980	210,979	9,883	1,665			66	66	4,309	4,388		35,140	X X X
2. 2002	1,437	1,269	76	76			30	30				168	X X X
3. 2003	16,373	16,373	181	181			66	66					X X X
4. 2004	764	764	202	202			89	89					X X X
5. 2005	52	52	6	6			3	3	2	2			X X X
6. 2006	5	5	3	3									X X X
7. 2007													X X X
8. 2008													X X X
9. 2009													X X X
10. 2010	(2)	(2)					(1)	(1)					X X X
11. 2011													X X X
12. Totals	256,609	229,440	10,351	2,133			253	253	4,311	4,390		35,308	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	35,219	(79)
2. 2002	900,025	880,082	19,943	80,210	78,716	493,516				168	
3. 2003	709,040	669,557	39,483	66,663	63,203	930,325					
4. 2004	317,794	320,153	(2,359)	53,099	53,493						
5. 2005	11,976	15,512	(3,536)	67,044	86,839						
6. 2006	(3,163)	(3,163)		(280,906)	(284,187)						
7. 2007	341	341		47,626	47,427						
8. 2008	207	207		171,074	265,385						
9. 2009	302	302		(20,628)	(21,268)						
10. 2010	(2)	(2)		(25,000)	(25,000)						
11. 2011	102	102		10200,000	10200,000						
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	35,387	(79)

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	141,137	142,491	138,397	142,416	142,549	142,680	141,381	142,695	143,000	143,445	445	750
2. 2002	20,459	18,984	21,021	20,637	18,485	18,334	18,212	18,584	18,554	18,554		(30)
3. 2003	XXX	38,836	35,077	35,766	38,785	38,246	38,253	37,863	37,862	37,849	(13)	(14)
4. 2004	XXX	XXX	(62)	90	60	71	71	71	71	71		
5. 2005	XXX	XXX	XXX									
6. 2006	XXX	XXX	XXX	XXX								
7. 2007	XXX	XXX	XXX	XXX	XXX							
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX						
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX					
10. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX
11. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
	12. Totals										432	706

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	(21,553)	(18,325)	(13,822)	47,149	105,701	99,520	100,302	104,042	108,226	XXX	XXX
2. 2002	7,546	15,548	17,627	17,776	18,121	18,147	18,157	18,213	18,338	18,386	XXX	XXX
3. 2003	XXX	9,114	28,749	30,721	31,283	38,275	38,253	37,853	37,832	37,849	XXX	XXX
4. 2004	XXX	XXX	(62)	(60)	65	71	71	71	71	71	XXX	XXX
5. 2005	XXX	XXX	XXX								XXX	XXX
6. 2006	XXX	XXX	XXX	XXX							XXX	XXX
7. 2007	XXX	XXX	XXX	XXX	XXX						XXX	XXX
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX	XXX
10. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			XXX	XXX
11. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX

SCHEDULE P – PART 4 – SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Prior	102,162	139,001	127,886	117,691	2,554	12,554	11,915	12,393	10,162	8,218
2. 2002	12,545	2,100	3,029	2,558						
3. 2003	XXX	15,200	5,451	4,751	7,393					
4. 2004	XXX	XXX		(5)	(5)					
5. 2005	XXX	XXX	XXX							
6. 2006	XXX	XXX	XXX	XXX						
7. 2007	XXX	XXX	XXX	XXX	XXX					
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX				
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
10. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
11. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

States, Etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
		2	3						
1. Alabama	AL	L							
2. Alaska	AK	L							
3. Arizona	AZ	L			169	(69,441)	2,567		
4. Arkansas	AR	L			(173)	(2,043)	173		
5. California	CA	L			71,375	66,391	49,589		
6. Colorado	CO	L			6,798	(3,778)	27,905		
7. Connecticut	CT	L			76,780	(20,658)	4,932		
8. Delaware	DE	L			(68)	(68)			
9. District of Columbia	DC	L			7,826		151,883		
10. Florida	FL	L			110,671	(71,078)	75,099		
11. Georgia	GA	L			(333)	(333)			
12. Hawaii	HI	L							
13. Idaho	ID	L			(356)	1,459	1,953		
14. Illinois	IL	L			194,881	(8,468)	335,051		
15. Indiana	IN	L			(2,692)	(3,903)	58,679		
16. Iowa	IA	L			(715)	(1,726)	6,719		
17. Kansas	KS	L			(1,000)	(3,988)			
18. Kentucky	KY	L			63,185	5,988	32,027		
19. Louisiana	LA	L				(2,501)			
20. Maine	ME	L							
21. Maryland	MD	L			(1,067)	(7,226)	75,500		
22. Massachusetts	MA	L			15,000	14,000			
23. Michigan	MI	L			4,135,261	13,112,462	88,812,267		
24. Minnesota	MN	L			415	(2,394)	18,416		
25. Mississippi	MS	L			35,000	(10,256)			
26. Missouri	MO	L			(29)	(29)			
27. Montana	MT	L							
28. Nebraska	NE	L							
29. Nevada	NV	L				(1)			
30. New Hampshire	NH	L			7,870	(10,175)			
31. New Jersey	NJ	N			6,642,306	(21,616,531)	137,311,608		
32. New Mexico	NM	L				10,146	27,196		
33. New York	NY	L			1,163,669	359,699	1,306,067		
34. North Carolina	NC	L				(2)			
35. North Dakota	ND	L				65	25,987		
36. Ohio	OH	L			26,201	1,866	72,098		
37. Oklahoma	OK	L				(11,766)			
38. Oregon	OR	L			(475)	35	723		
39. Pennsylvania	PA	L			2,692,482	1,503,673	20,551,467		
40. Rhode Island	RI	L			60,393	(9,504)	19,839		
41. South Carolina	SC	L				(4,069)	22,447		
42. South Dakota	SD	L							
43. Tennessee	TN	L				(2,532)	9,659		
44. Texas	TX	L			(621)	(2,140)	5,380		
45. Utah	UT	L			(638)	(18,253)			
46. Vermont	VT	L							
47. Virginia	VA	L	3		12,475	12,307			
48. Washington	WA	L			4,699	(25,046)			
49. West Virginia	WV	L			72,743	16,794			
50. Wisconsin	WI	L			(2,721)	(8,861)	2,779		
51. Wyoming	WY	L							
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	N							
55. U.S. Virgin Islands	VI	N							
56. Northern Mariana Islands	MP	N							
57. Canada	CN	N							
58. Aggregate Other Alien	OT	X X X							
59. Totals	(a) 50		3		15,389,311	(6,811,885)	249,008,010		

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

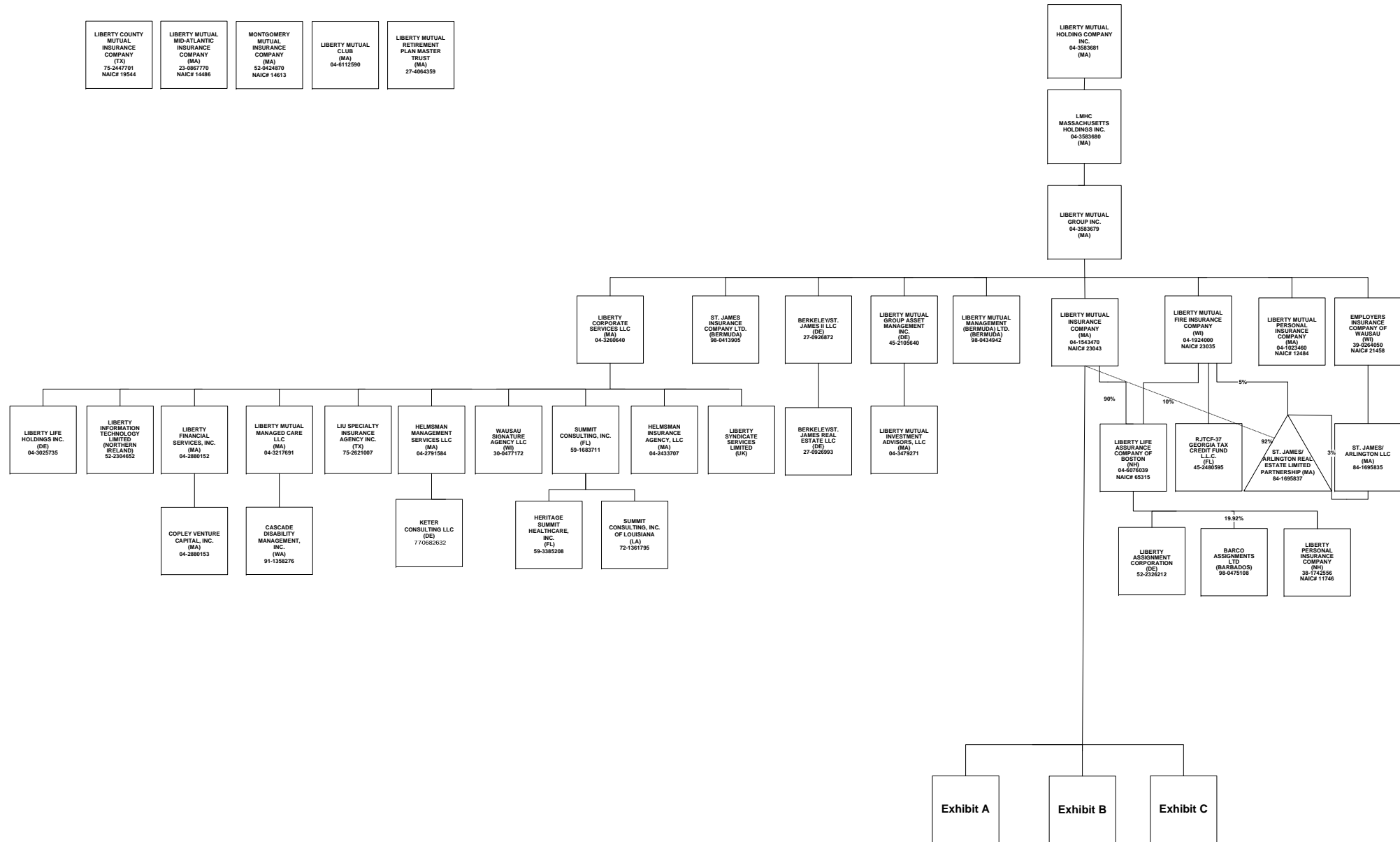
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

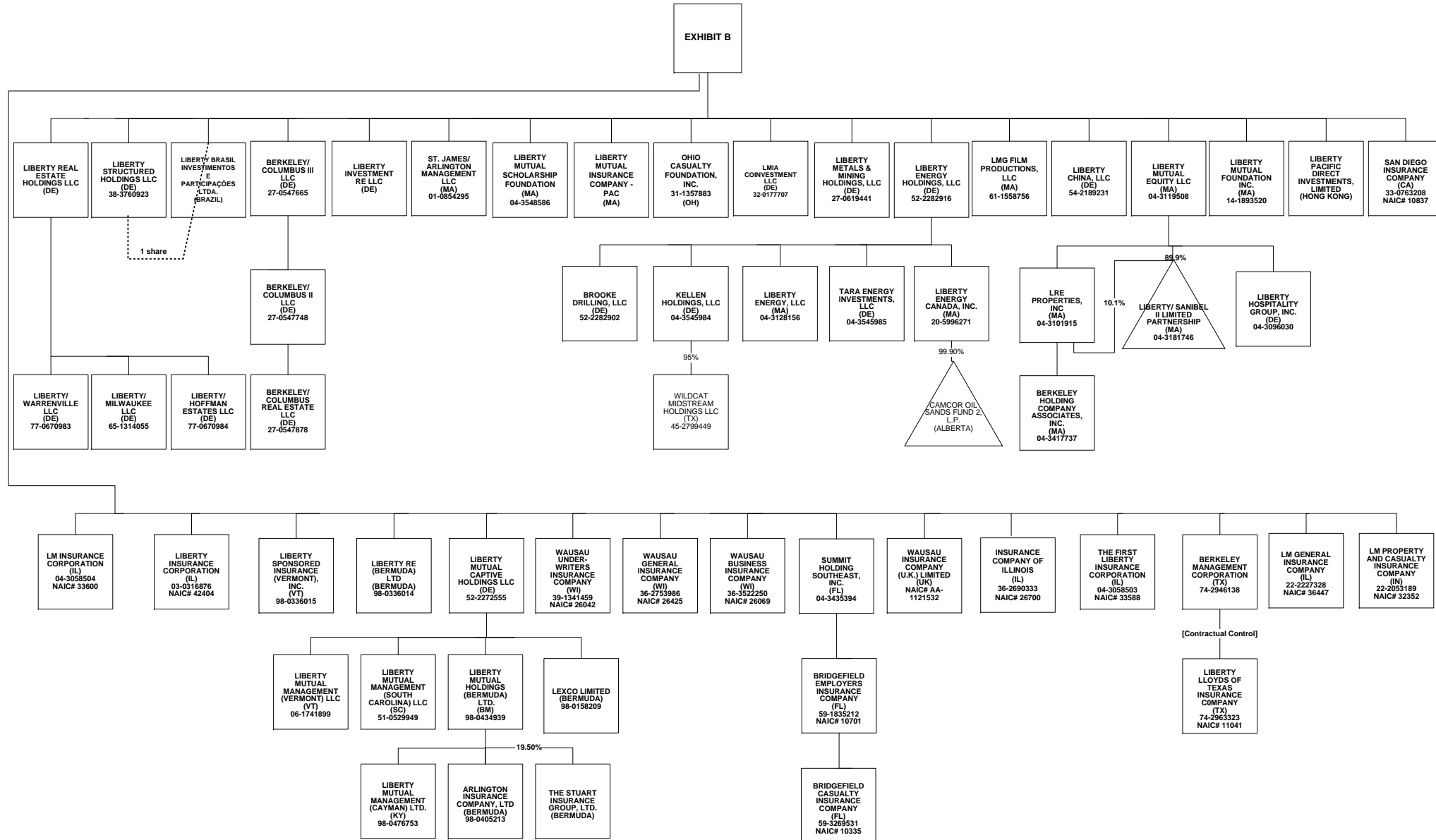
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



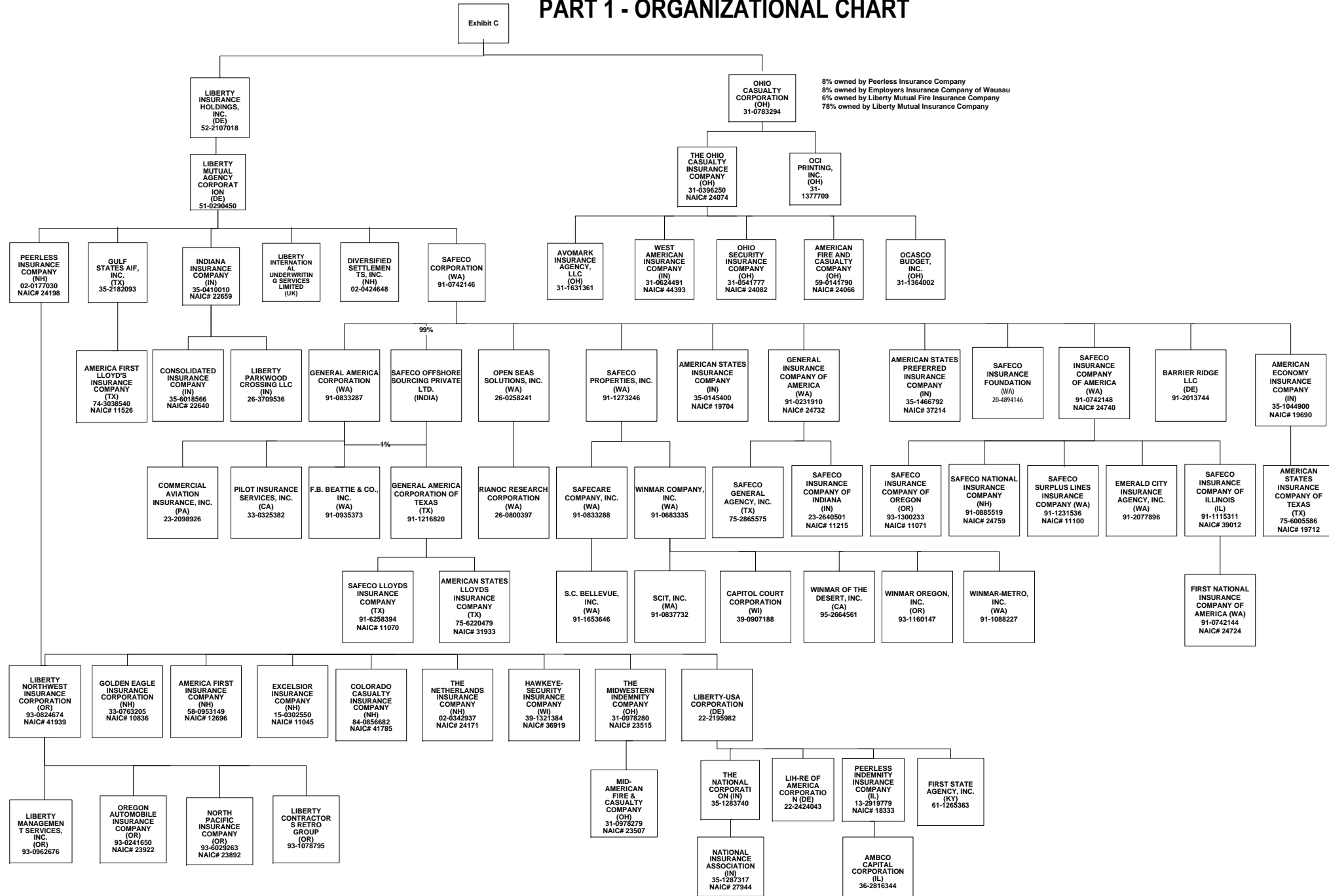
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OVERFLOW PAGE FOR WRITE-INS

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

Assets	2	Schedule E – Part 2 – Cash Equivalents	E26
Cash Flow	5	Schedule E – Part 3 – Special Deposits	E27
Exhibit of Capital Gains (Losses)	12	Schedule E – Verification Between Years	SI15
Exhibit of Net Investment Income	12	Schedule F – Part 1	20
Exhibit of Nonadmitted Assets	13	Schedule F – Part 2	21
Exhibit of Premiums and Losses (State Page)	19	Schedule F – Part 3	22
Five-Year Historical Data	17	Schedule F – Part 4	23
General Interrogatories	15	Schedule F – Part 5	24
Jurat Page	1	Schedule F – Part 6	25
Liabilities, Surplus and Other Funds	3	Schedule F – Part 7	26
Notes To Financial Statements	14	Schedule F – Part 8	27
Overflow Page For Write-ins	98	Schedule H – Accident and Health Exhibit – Part 1	28
Schedule A – Part 1	E01	Schedule H – Part 2, Part 3 and Part 4	29
Schedule A – Part 2	E02	Schedule H – Part 5 – Health Claims	30
Schedule A – Part 3	E03	Schedule P – Part 1 – Summary	31
Schedule A – Verification Between Years	SI02	Schedule P – Part 1A – Homeowners/Farmowners	33
Schedule B – Part 1	E04	Schedule P – Part 1B – Private Passenger Auto Liability/Medical	34
Schedule B – Part 2	E05	Schedule P – Part 1C – Commercial Auto/Truck Liability/Medical	35
Schedule B – Part 3	E06	Schedule P – Part 1D – Workers' Comp (Excluding Excess Workers' Comp)	36
Schedule B – Verification Between Years	SI02	Schedule P – Part 1E – Commercial Multiple Peril	37
Schedule BA – Part 1	E07	Schedule P – Part 1F – Section 1 – Medical Professional Liability	
Schedule BA – Part 2	E08	– Occurrence	38
Schedule BA – Part 3	E09	Schedule P – Part 1F – Section 2 – Medical Professional Liability	
Schedule BA – Verification Between Years	SI03	– Claims-Made	39
Schedule D – Part 1	E10	Schedule P – Part 1G – Special Liability (Ocean, Marine, Aircraft (All	
Schedule D – Part 1A – Section 1	SI05	Perils), Boiler and Machinery)	40
Schedule D – Part 1A – Section 2	SI08	Schedule P – Part 1H – Section 1 – Other Liability – Occurrence	41
Schedule D – Part 2 – Section 1	E11	Schedule P – Part 1H – Section 2 – Other Liability – Claims-Made	42
Schedule D – Part 2 – Section 2	E12	Schedule P – Part 1I – Special Property (Fire, Allied Lines, Inland Marine,	
Schedule D – Part 3	E13	Earthquake, Burglary & Theft)	43
Schedule D – Part 4	E14	Schedule P – Part 1J – Auto Physical Damage	44
Schedule D – Part 5	E15	Schedule P – Part 1K – Fidelity/Surety	45
Schedule D – Part 6 – Section 1	E16	Schedule P – Part 1L – Other (Including Credit, Accident and Health)	46
Schedule D – Part 6 – Section 2	E16	Schedule P – Part 1M – International	47
Schedule D – Summary By Country	SI04	Schedule P – Part 1N – Reinsurance - Nonproportional Assumed Property	48
Schedule D – Verification Between Years	SI03	Schedule P – Part 1O – Reinsurance - Nonproportional Assumed Liability	49
Schedule DA – Part 1	E17	Schedule P – Part 1P – Reinsurance - Nonproportional Assumed Financial Lines	50
Schedule DA – Verification Between Years	SI10	Schedule P – Part 1R – Section 1 – Products Liability – Occurrence	51
Schedule DB – Part A – Section 1	E18	Schedule P – Part 1R – Section 2 – Products Liability – Claims – Made	52
Schedule DB – Part A – Section 2	E19	Schedule P – Part 1S – Financial Guaranty/Mortgage Guaranty	53
Schedule DB – Part A – Verification Between Years	SI11	Schedule P – Part 1T – Warranty	54
Schedule DB – Part B – Section 1	E20	Schedule P – Part 2, Part 3 and Part 4 - Summary	32
Schedule DB – Part B – Section 2	E21	Schedule P – Part 2A – Homeowners/Farmowners	55
Schedule DB – Part B – Verification Between Years	SI11	Schedule P – Part 2B – Private Passenger Auto Liability/Medical	55
Schedule DB – Part C – Section 1	SI12	Schedule P – Part 2C – Commercial Auto/Truck Liability/Medical	55
Schedule DB – Part C – Section 2	SI13	Schedule P – Part 2D – Workers' Comp (Excluding Excess Workers' Comp)	55
Schedule DB - Part D	E22	Schedule P – Part 2E – Commercial Multiple Peril	55
Schedule DB - Verification	SI14	Schedule P – Part 2F – Section 1 – Medical Professional Liability	
Schedule DL - Part 1	E23	– Occurrence	56
Schedule DL - Part 2	E24	Schedule P - Part 2F - Medical Professional Liability - Claims - Made	56
Schedule E – Part 1 – Cash	E25	Schedule P – Part 2G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	56

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

Schedule P – Part 2H – Section 1 – Other Liability – Occurrence	56	Schedule P – Part 4H – Section 2 – Other Liability – Claims-Made	66
Schedule P – Part 2H – Section 2 – Other Liability – Claims – Made	56	Schedule P – Part 4I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary and Theft)	67
Schedule P – Part 2I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	57	Schedule P – Part 4J – Auto Physical Damage	67
Schedule P – Part 2J – Auto Physical Damage	57	Schedule P – Part 4K – Fidelity/Surety	67
Schedule P – Part 2K – Fidelity, Surety	57	Schedule P – Part 4L – Other (Including Credit, Accident and Health)	67
Schedule P – Part 2L – Other (Including Credit, Accident and Health)	57	Schedule P – Part 4M – International	67
Schedule P – Part 2M – International	57	Schedule P – Part 4N – Reinsurance - Nonproportional Assumed Property	68
Schedule P – Part 2N – Reinsurance - Nonproportional Assumed Property	58	Schedule P – Part 4O – Reinsurance - Nonproportional Assumed Liability	68
Schedule P – Part 2O – Reinsurance - Nonproportional Assumed Liability	58	Schedule P – Part 4P – Reinsurance - Nonproportional Assumed Financial Lines	68
Schedule P – Part 2P – Reinsurance - Nonproportional Assumed Financial Lines	58	Schedule P – Part 4R – Section 1 – Products Liability – Occurrence	69
Schedule P – Part 2R – Section 1 – Products Liability – Occurrence	59	Schedule P – Part 4R – Section 2 – Products Liability – Claims-Made	69
Schedule P – Part 2R – Section 2 – Products Liability – Claims-Made	59	Schedule P – Part 4S – Financial Guaranty/Mortgage Guaranty	69
Schedule P – Part 2S – Financial Guaranty/Mortgage Guaranty	59	Schedule P – Part 4T – Warranty	69
Schedule P – Part 2T – Warranty	59	Schedule P – Part 5A – Homeowners/Farmowners	70
Schedule P – Part 3A – Homeowners/Farmowners	60	Schedule P – Part 5B – Private Passenger Auto Liability/Medical	71
Schedule P – Part 3B – Private Passenger Auto Liability/Medical	60	Schedule P – Part 5C – Commercial Auto/Truck Liability/Medical	72
Schedule P – Part 3C – Commercial Auto/Truck Liability/Medical	60	Schedule P – Part 5D – Workers' Comp (Excluding Excess Workers' Comp)	73
Schedule P – Part 3D – Workers' Comp (Excluding Excess Workers' Comp)	60	Schedule P – Part 5E – Commercial Multiple Peril	74
Schedule P – Part 3E – Commercial Multiple Peril	60	Schedule P – Part 5F – Medical Professional Liability – Claims-Made	76
Schedule P – Part 3F – Section 1 – Medical Professional Liability – Occurrence	61	Schedule P – Part 5F – Medical Professional Liability – Occurrence	75
Schedule P – Part 3F – Section 2 – Medical Professional Liability – Claims-Made	61	Schedule P – Part 5H – Other Liability – Claims-Made	78
Schedule P – Part 3G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	61	Schedule P – Part 5H – Other Liability – Occurrence	77
Schedule P – Part 3H – Section 1 – Other Liability – Occurrence	61	Schedule P – Part 5R – Products Liability – Claims-Made	80
Schedule P – Part 3H – Section 2 – Other Liability – Claims-Made	61	Schedule P – Part 5R – Products Liability – Occurrence	79
Schedule P – Part 3I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	62	Schedule P – Part 5T – Warranty	81
Schedule P – Part 3J – Auto Physical Damage	62	Schedule P – Part 6C – Commercial Auto/Truck Liability/Medical	82
Schedule P – Part 3K – Fidelity/Surety	62	Schedule P – Part 6D – Workers' Comp (Excluding Excess Workers' Comp)	82
Schedule P – Part 3L – Other (Including Credit, Accident and Health)	62	Schedule P – Part 6E – Commercial Multiple Peril	83
Schedule P – Part 3M – International	62	Schedule P – Part 6H – Other Liability – Claims-Made	84
Schedule P – Part 3N – Reinsurance - Nonproportional Assumed Property	63	Schedule P – Part 6H – Other Liability – Occurrence	83
Schedule P – Part 3O – Reinsurance - Nonproportional Assumed Liability	63	Schedule P – Part 6M – International	84
Schedule P – Part 3P – Reinsurance - Nonproportional Assumed Financial Lines	63	Schedule P – Part 6N – Reinsurance - Nonproportional Assumed Property	85
Schedule P – Part 3R – Section 1 – Products Liability – Occurrence	64	Schedule P – Part 6O – Reinsurance - Nonproportional Assumed Liability	85
Schedule P – Part 3R – Section 2 – Products Liability – Claims-Made	64	Schedule P – Part 6R – Products Liability – Claims-Made	86
Schedule P – Part 3S – Financial Guaranty/Mortgage Guaranty	64	Schedule P – Part 6R – Products Liability – Occurrence	86
Schedule P – Part 3T – Warranty	64	Schedule P – Part 7A – Primary Loss Sensitive Contracts	87
Schedule P – Part 4A – Homeowners/Farmowners	65	Schedule P – Part 7B – Reinsurance Loss Sensitive Contracts	89
Schedule P – Part 4B – Private Passenger Auto Liability/Medical	65	Schedule P Interrogatories	91
Schedule P – Part 4C – Commercial Auto/Truck Liability/Medical	65	Schedule T – Exhibit of Premiums Written	92
Schedule P – Part 4D – Workers' Comp (Excluding Excess Workers' Comp)	65	Schedule T – Part 2 – Interstate Compact	93
Schedule P – Part 4E – Commercial Multiple Peril	65	Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group	94
Schedule P – Part 4F – Section 1 – Medical Professional Liability – Occurrence	66	Schedule Y - Part 1A - Detail of Insurance Holding Company System	95
Schedule P – Part 4F – Section 2 – Medical Professional Liability – Claims-Made	66	Schedule Y – Part 2 – Summary of Insurer's Transactions With Any Affiliates	96
Schedule P – Part 4G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	66	Statement of Income	4
Schedule P – Part 4H – Section 1 – Other Liability – Occurrence	66	Summary Investment Schedule	SI01
		Supplemental Exhibits and Schedules Interrogatories	97
		Underwriting and Investment Exhibit Part 1	6
		Underwriting and Investment Exhibit Part 1A	7
		Underwriting and Investment Exhibit Part 1B	8
		Underwriting and Investment Exhibit Part 2	9
		Underwriting and Investment Exhibit Part 2A	10
		Underwriting and Investment Exhibit Part 3	11