

**ANNUAL STATEMENT**

**OF THE**

**LM PROPERTY AND CASUALTY INSURANCE COMPANY**

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**of** **INDIANAPOLIS**

**in the state of** **INDIANA**

**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2012**

**PROPERTY AND CASUALTY**

**2012**



32352201220100100

# ANNUAL STATEMENT

For the Year Ended December 31, 2012  
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, US 46204  
(Street and Number) (City or Town, State, Country and Zip Code)

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

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

**Primary Location of Books and Records** 175 Berkeley Street Boston, MA, US 02116 617-357-9500  
(Street and Number) (City or Town, State, Country 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 and Secretary
3. Laurance Henry Soyer Yahia	Vice President and Treasurer

### VICE-PRESIDENTS

Name	Title	Name	Title
Margaret Dillon	Vice President and Chief Financial Officer	John Derek Doyle	Vice President and Comptroller
Anthony Alexander Fontanes	Vice President and Chief Investment Officer	Edward Joseph Gramer, III	Vice President
Stephen Joseph McAnena	Vice President	Elizabeth Julia Morahan	Vice President and General Counsel
Alan Schlosberg #	Vice President		

### DIRECTORS OR TRUSTEES

Margaret Dillon	John Derek Doyle #	Paul Ivanovskis #	Dexter Robert Legg #
Kevin John Kirschner #	Stephen Joseph McAnena	Elizabeth Julia Morahan	Timothy Michael Sweeney

State of Massachusetts

County of Suffolk ss

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

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

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

- a. Is this an original filing?  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)	28,362,908		28,362,908	30,435,920
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 (\$ 1,048,768, Schedule E - Part 1), cash equivalents (\$ 0, Schedule E - Part 2), and short-term investments (\$ 101,532, Schedule DA)	1,150,300		1,150,300	1,645,812
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)	29,513,208		29,513,208	32,081,732
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	265,725		265,725	250,042
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	48,717,818		48,717,818	48,980,687
16.2 Funds held by or deposited with reinsured companies	484,924		484,924	514,006
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	90,409		90,409	51,547
18.2 Net deferred tax asset	820,000	820,000		95,050
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)	79,892,084	820,000	79,072,084	81,973,064
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	79,892,084	820,000	79,072,084	81,973,064

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)	30,887,262	35,387,338
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	2,313,233	3,137,017
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	(38,476)	(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)	552,064	384,293
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 8)	1,862,101	979,782
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	1,528,113	165,904
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	6,453,647	6,460,895
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	43,557,944	46,436,412
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	43,557,944	46,436,412
29. Aggregate write-ins for special surplus funds		
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)	(2,424,924)	(2,402,412)
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)	35,514,140	35,536,652
38. Totals (Page 2, Line 28, Col. 3)	79,072,084	81,973,064

DETAILS OF WRITE-IN LINES		
2501. Other liabilities	6,453,647	6,460,895
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)	6,453,647	6,460,895
2901.		
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)		
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
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	6	224
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	(105,421)	432,877
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	37,321	15,890
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	(8,734)	(25,405)
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	(76,834)	423,362
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	76,840	(423,138)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	741,018	859,203
10. Net realized capital gains (losses) less capital gains tax of \$ 0 (Exhibit of Capital Gains (Losses))		3,645
11. Net investment gain (loss) (Lines 9 + 10)	741,018	862,848
<b>OTHER INCOME</b>		
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
15. Total other income (Lines 12 through 14)		80,536
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	817,858	520,246
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)	817,858	520,246
19. Federal and foreign income taxes incurred	(137,000)	(59,963)
20. Net income (Line 18 minus Line 19) (to Line 22)	954,858	580,209
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	35,536,652	35,847,172
22. Net income (from Line 20)	954,858	580,209
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0		
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(303,000)	(250,140)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	207,950	(403,124)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	(882,320)	(84,768)
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)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(22,512)	(310,520)
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	35,514,140	35,536,652

<b>DETAILS OF WRITE-IN LINES</b>		
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
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
3701. SSAP 10R incremental change		(152,697)
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)

## CASH FLOW

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	6	224
2. Net investment income	828,256	911,705
3. Miscellaneous income	196,854	(343,573)
4. Total (Lines 1 through 3)	1,025,116	568,356
5. Benefit and loss related payments	4,955,569	2,150,332
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	(11,754)	69,302
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(98,138)	(1,023,163)
10. Total (Lines 5 through 9)	4,845,677	1,196,471
11. Net cash from operations (Line 4 minus Line 10)	(3,820,561)	(628,115)
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	9,571,813	820,650
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		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	9,571,813	826,258
13. Cost of investments acquired (long-term only):		
13.1 Bonds	7,601,723	3,509,582
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)	7,601,723	3,509,582
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)	1,970,090	(2,683,324)
<b>Cash from Financing and Miscellaneous Sources</b>		
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)	1,354,959	(5,798,466)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	1,354,959	(5,798,466)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(495,512)	(9,109,905)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	1,645,812	10,755,717
19.2 End of year (Line 18 plus Line 19.1)	1,150,300	1,645,812

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

20.0001		
20.0002		
20.0003		

**NONE Underwriting and Investment Exhibit - Part 1**

**NONE Underwriting and Investment Exhibit - Part 1A**

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1B – PREMIUMS WRITTEN

Line of Business	1	Reinsurance Assumed		Reinsurance Ceded		6
	Direct Business (a)	2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
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	(8,990)			(8,990)		
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					
33. Reinsurance-nonproportional assumed financial lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	(8,990)			(8,990)		

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 2 – LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	4,621		4,621					
2. Allied lines	1,417		1,417					
3. Farmowners multiple peril								
4. Homeowners multiple peril	405,700	(5,019)	400,681					
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					(14,933)	(14,933)		
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	13,136,285	27	11,148,716	1,987,596	16,388,808	19,574,560	(1,198,156)	
19.3,19.4 Commercial auto liability								
21. Auto physical damage	(6,983)		(6,983)					
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	2,540,673	133,615	2,407,058	14,513,387	15,827,711	1,092,734	
33. Reinsurance-nonproportional assumed financial lines	X X X							
34. Aggregate write-ins for other lines of business								
35. TOTALS	13,541,040	2,535,681	11,682,067	4,394,654	30,887,262	35,387,338	(105,422)	

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

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	(902)		(901)						
2. Allied lines	(71)	1,292	1,221			306	306		
3. Farmowners multiple peril									
4. Homeowners multiple peril	998,364	21,390	1,019,754		183,877		183,877		
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			14,933	(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	150,000	236	150,236						
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	241,205,384		224,816,576	16,388,808	713		713	16,388,808	
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	6,946,353	(551,086)	7,497,439	X X X	7,731,463	715,515	14,513,387	(38,476)
33. Reinsurance-nonproportional assumed financial lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	242,353,624	6,969,272	225,451,582	23,871,314	184,590	7,731,769	900,411	30,887,262	(38,476)
<b>DETAILS OF WRITE-IN LINES</b>									
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	135,522			135,522
1.2 Reinsurance assumed	620			620
1.3 Reinsurance ceded	150,044			150,044
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	(13,902)			(13,902)
2. Commission and brokerage:				
2.1 Direct, excluding contingent		(1,475)		(1,475)
2.2 Reinsurance assumed, excluding contingent				
2.3 Reinsurance ceded, excluding contingent		7,260		7,260
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)		(8,735)		(8,735)
3. Allowances to manager and agents				
4. Advertising			55	55
5. Boards, bureaus and associations			3	3
6. Surveys and underwriting reports			956	956
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries			34,698	34,698
8.2 Payroll taxes			225	225
9. Employee relations and welfare			1,689	1,689
10. Insurance			800	800
11. Directors' fees				
12. Travel and travel items			1,306	1,306
13. Rent and rent items			415	415
14. Equipment			595	595
15. Cost or depreciation of EDP equipment and software			1,181	1,181
16. Printing and stationery			99	99
17. Postage, telephone and telegraph, exchange and express			1,128	1,128
18. Legal and auditing			3,046	3,046
19. Totals (Lines 3 to 18)			46,196	46,196
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	51,223		10,053	61,276
25. Total expenses incurred	37,321	(8,735)	56,249	(a) 84,835
26. Less unpaid expenses—current year	(38,476)			(38,476)
27. Add unpaid expenses—prior year	(78,817)			(78,817)
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)	(3,020)	(8,735)	56,249	44,494

DETAILS OF WRITE-IN LINES				
2401. Other expenses	51,223		10,053	61,276
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)	51,223		10,053	61,276

(a) Includes management fees of \$ 56,247 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) 355,227	378,818
1.1 Bonds exempt from U.S. tax	(a) 327,027	327,027
1.2 Other bonds (unaffiliated)	(a) 94,633	86,942
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) 4,375	4,159
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	319	319
10. Total gross investment income	781,581	797,265
11. Investment expenses		(g) 56,247
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)		56,247
17. Net investment income (Line 10 minus Line 16)		741,018

DETAILS OF WRITE-IN LINES			
0901. Aggregate write-ins for investment income		319	319
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)		319	319
1501.	<b>NONE</b>		
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 \$ 9,844 accrual of discount less \$ 112,766 amortization of premium and less \$ 64,006 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

### EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
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					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)					

DETAILS OF WRITE-IN LINES					
0901.	<b>NONE</b>				
0902.					
0903.					
0998. Summary of remaining write-ins for Line 09 from overflow page					
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)					

## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection			
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	820,000	1,027,950	207,950
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)	820,000	1,027,950	207,950
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	820,000	1,027,950	207,950

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 2012.
13. The Company has no pharmaceutical rebate receivables.

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

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

### **Note 3 - Business Combinations and Goodwill**

#### A. Statutory Purchase Method

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

## NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

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

C. Impairment Loss

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

**Note 4 - Discontinued Operations**

The Company has no discontinued operations.

**Note 5 - Investments**

A. Mortgage Loans, 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 2012 as of December 31, 2012: None
3. Each Loan Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2012: None
4. All impaired Loan Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2012: 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' surplus. If the decline is believed to be "other-than-temporary," and the Company believes it will not be able to collect all cash flows due on its fixed income securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment.

E. Repurchase Agreements and Securities Lending

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, 2012.

### Note 8 - Derivative Instruments

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

### Note 9 - Income Taxes

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

1.

	12/31/2012		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
(a) Gross Deferred Tax Assets	\$ 1,015,500	\$ 647,500	\$ 1,663,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	1,015,500	647,500	1,663,000
(d) Deferred Tax Assets Nonadmitted	172,500	647,500	820,000
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	843,000	-	843,000
(f) Deferred Tax Liabilities	843,000	-	843,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ -	\$ -	\$ -

	12/31/2011		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 834,050	\$ 1,027,950	\$ 1,862,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	834,050	1,027,950	1,862,000
(d) Deferred Tax Assets Nonadmitted	-	1,027,950	1,027,950
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	834,050	-	834,050
(f) Deferred Tax Liabilities	739,000	-	739,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 95,050	\$ -	\$ 95,050

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ 181,450	\$ (380,450)	\$ (199,000)
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	181,450	(380,450)	(199,000)
(d) Deferred Tax Assets Nonadmitted	172,500	(380,450)	(207,950)
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	8,950	-	8,950
(f) Deferred Tax Liabilities	104,000	-	104,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ (95,050)	\$ -	\$ (95,050)



## NOTES TO FINANCIAL STATEMENTS

2.

	12/31/2012		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ -	\$ -	\$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	-	-	-
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	-	-	-
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			5,309,329
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	843,000	-	843,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 843,000	\$ -	\$ 843,000

	12/31/2011		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ -	\$ -	\$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	265,525	-	265,525
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	265,525	-	265,525
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			5,301,578
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	568,525	-	568,525
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 834,050	\$ -	\$ 834,050

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ -	\$ -	\$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	(265,525)	-	(265,525)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	(265,525)	-	(265,525)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			7,751
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	274,475	-	274,475
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 8,950	\$ -	\$ 8,950

## NOTES TO FINANCIAL STATEMENTS

3.

	2012	2011
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	663.86%	614.66%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	35,514,140	35,441,602

4.

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

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

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

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

	(1) 12/31/2012	(2) 12/31/2011	(3) (Col 1-2) Change
<b>1. Current Income Tax</b>			
(a) Federal	\$ (137,000)	\$ (59,963)	\$ (77,037)
(b) Foreign	-	-	-
(c) Subtotal	(137,000)	(59,963)	(77,037)
(d) Federal income tax on net capital gains	-	1,963	(1,963)
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	\$ (137,000)	\$ (58,000)	\$ (79,000)
<b>2. Deferred Tax Assets:</b>			
(a) Ordinary			
(1) Discounting of unpaid losses	\$ 379,000	\$ 392,050	\$ (13,050)
(2) Unearned premium reserve	-	-	-
(3) Policyholder reserves	-	-	-
(4) Investments	209,000	175,000	34,000
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	-	-	-
(8) Compensation and benefits accrual	-	-	-
(9) Pension accrual	-	-	-
(10) Receivables – nonadmitted	-	-	-
(11) Net operating loss carry-forward	427,000	267,000	160,000
(12) Tax credit carry-forward	-	-	-
(13) Other (including items <5% of total ordinary tax assets)	500	-	500
(99) Subtotal	1,015,500	834,050	181,450
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	172,500	-	172,500
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	843,000	834,050	8,950
(e) Capital			
(1) Investments	647,500	1,027,950	(380,450)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	647,500	1,027,950	(380,450)
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	647,500	1,027,950	(380,450)

## NOTES TO FINANCIAL STATEMENTS

(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	-	-	-
(i) Admitted deferred tax assets (2d + 2h)	843,000	834,050	8,950
<b>3. Deferred Tax Liabilities:</b>			
<b>(a) Ordinary</b>			
(1) Investments	815,000	731,000	84,000
(2) Fixed assets	-	-	-
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total capital tax liabilities)	28,000	8,000	20,000
(99) Subtotal	843,000	739,000	104,000
<b>(b) Capital:</b>			
(1) Investments	-	-	-
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	-	-	-
(c) Deferred tax liabilities (3a99 + 3b99)	843,000	739,000	104,000
<b>4. Net deferred tax assets/liabilities (2i – 3c)</b>	<b>\$ -</b>	<b>\$ 95,050</b>	<b>\$ (95,050)</b>

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effect of net operating loss carry-forwards, tax exempt interest and deferred intercompany transactions.
- E. The Company has net operating loss carry-forwards which expire as follows:

Year Generated	Amount	Expiration
2011	\$865,000	2031
2012	\$ 354,000	2032

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

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

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

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

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

General America Corporation of Texas  
 General Insurance Company of America  
 Golden Eagle Insurance Corporation  
 Gulf States AIF, Inc.  
 Hawkeye-Security Insurance Company  
 Heritage-Summit HealthCare, LLC  
 Indiana Insurance Company  
 Insurance Company of Illinois  
 LEXCO Limited  
 Liberty-USA Corporation  
 Liberty Assignment Corporation  
 Liberty Energy Canada, Inc.  
 Liberty Financial Services, Inc.  
 Liberty Hospitality Group, Inc.  
 Liberty Insurance Corporation  
 Liberty Insurance Holdings, Inc.  
 Liberty Insurance Underwriters Inc.  
 Liberty International Europe Inc.  
 Liberty International Holdings Inc.  
 Liberty Life Assurance Company of Boston  
 Liberty Life Holdings Inc.  
 Liberty Lloyds of Texas Insurance Company  
 Liberty Management Services, Inc.  
 Liberty Mexico Holdings Inc.  
 Liberty Mutual Agency Corporation  
 Liberty Mutual Fire Insurance Company  
 Liberty Mutual Group Asset Management Inc.  
 Liberty Mutual Group Inc.  
 Liberty Mutual Holding Company Inc.

Safeco Corporation  
 Safeco General Agency, Inc.  
 Safeco Insurance Company of America  
 Safeco Insurance Company of Illinois  
 Safeco Insurance Company of Indiana  
 Safeco Insurance Company of Oregon  
 Safeco Lloyds Insurance Company  
 Safeco National Insurance Company  
 Safeco Properties, Inc.  
 Safeco Surplus Lines Insurance Company  
 San Diego Insurance Company  
 SCIT, Inc.  
 St. James Insurance Company Ltd.  
 Summit Consulting, LLC  
 Summit Consulting, Inc. of Louisiana  
 Summit Holding Southeast, Inc.  
 The First Liberty Insurance Corporation  
 The Midwestern Indemnity Company  
 The National Corporation  
 The Netherlands Insurance Company  
 The Ohio Casualty Insurance Company  
 Wausau Business Insurance Company  
 Wausau General Insurance Company  
 Wausau Underwriters Insurance Company  
 West American Insurance Company  
 Winmar Company, Inc.  
 Winmar of the Desert, Inc.  
 Winmar Oregon, Inc.  
 Winmar-Metro, Inc.

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

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

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

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Insurance Company ("LMIC"), a Massachusetts insurance company. The ultimate parent of LMIC is Liberty Mutual Holding Company Inc. ("LMHC"), a Massachusetts company.
- B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.
- C. There have been no material transactions with the Company's affiliates during 2012.
- D. At December 31, 2012, the Company reported a net \$1,528,113 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 and through a management services agreement entered into by LMIC and LMGI including, but not limited to, office space, supplies, equipment, telephone and wire services, the use of computers and similar machines to the extent necessary or appropriate.

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

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

The Company is a party to a 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.

## NOTES TO FINANCIAL STATEMENTS

- I. The Company does not own investments in subsidiary, controlled or affiliated entities.
- 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, 2012. All shares have a stated par value of \$5,500.
- 2. Preferred Stock  
Not applicable
- 3. There are no dividend restrictions.
- 4. The Company did not pay any dividends to its parent during 2012.
- 5. The Company cannot pay a dividend in 2013 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.

## NOTES TO FINANCIAL STATEMENTS

### B. Assessments

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

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

### E. Product Warranties

The Company does not write product warranty business.

### F. All Other Contingencies

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

As disclosed in Note 9 F, the Company is a member of a controlled group for federal income tax purposes, and that group includes 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

Refer to Note 5E.

#### C. Wash Sales

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

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

#### A. Administrative Services Only (ASO) Plans

Not applicable

#### B. Administrative Services Contract (ASC) Plans

Not applicable

#### C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

## NOTES TO FINANCIAL STATEMENTS

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

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

### **Note 20 - Fair Value Measurements**

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

Pursuant to the guidance in SSAP No. 100, *Fair Value Measurements*, the Company carries no assets or liabilities on its balance sheet measured at fair value.

#### B. Other Fair Value Disclosures

Not applicable

#### C. Aggregate Fair Value of All Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Cash, Cash Equivalents, and Short Term	\$ 1,150,300	\$ 1,150,300	\$ 1,150,300	\$ -	\$ -	\$ -
Bonds	29,368,227	28,362,908	19,077,212	10,291,015	-	-
Preferred Stock	-	-	-	-	-	-
Common Stock	-	-	-	-	-	-
Securities Lending	-	-	-	-	-	-
Mortgage Loans	-	-	-	-	-	-
Surplus Notes	-	-	-	-	-	-
<b>Total</b>	<b>\$ 30,518,527</b>	<b>\$ 29,513,208</b>	<b>\$ 20,227,512</b>	<b>\$ 10,291,015</b>	<b>\$ -</b>	<b>\$ -</b>

#### D. Not Practical to Estimate Fair Value

Not applicable

### **Note 21 - Other Items**

#### A. Extraordinary Items

The Company has no extraordinary items to report.

#### B. Troubled Debt Restructuring: Debtors

Not applicable

#### C. Other Disclosures

1) Assets in the amount of \$4,623,961 and \$4,648,291 as of December 31, 2012 and 2011 respectively, were on deposit with government authorities or trustees as required by law.

2) Interrogatory 6.1

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

Interrogatory 6.2

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

Interrogatory 6.3

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

D. The Company 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.

## NOTES TO FINANCIAL STATEMENTS

### G. Subprime-Mortgage-Related Risk Exposure

The Company does not have exposure to subprime related risk.

### **Note 22 - Events Subsequent**

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

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

### **Note 23 - Reinsurance**

#### A. Unsecured Reinsurance Recoverable

Excluding amounts arising pursuant to the Intercompany Reinsurance Agreement, as described in Note 26, 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	\$133,134,382
Michigan Catastrophic Claims Association	00000	AA-9991159	84,444,865
Vantage Casualty Insurance Company	11821	06-1709211	39,011,195
Excess & Casualty Reinsurance	00000	AA-9995022	3,414,421
Cal Re Management	00000	AA-9995111	2,396,495
Insurance Corp of NY (The)	18341	13-5339725	2,259,309
Total			\$264,660,667

#### 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

- 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, 2012. The Company has no unearned premium reserves for direct, assumed, and ceded business.
- The Company has no contingent commissions, sliding scale, or other profit sharing commissions for direct, assumed or ceded business.
- The Company does not use protected cells as an alternative to traditional reinsurance.

#### D. Uncollectible Reinsurance

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

#### E. Commutation of Ceded Reinsurance

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

#### 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, 2012.

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

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

#### I. Certified Reinsurers Downgraded or Status Subject to Revocation

- Reporting Entity Ceding to Certified Reinsurer Downgraded or Status Subject to Revocation

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



## NOTES TO FINANCIAL STATEMENTS

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

The Company is not a Certified Reinsurer.

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

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 participates in an intercompany 100% Quota Share Reinsurance Agreement with LMIC, the Lead Company in the Liberty Mutual Intercompany Reinsurance Agreement. Pursuant to the Agreement, the Company cedes its net underwriting activity to LMIC.

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

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

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

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

		NAIC Company <u>Number</u>	Pooling <u>Percentage</u>	Line of <u>Business</u>
<b>Lead</b>				
<b>Company:</b>	Liberty Mutual Insurance Company ("LMIC")	23043	50.0%	All Lines
<b>Affiliated</b>	Peerless Insurance Company ("PIC")	24198	20.0%	All Lines
<b>Pool</b>	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
<b>Companies:</b>	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	8.00%	All Lines
	The Ohio Casualty Insurance Company ("OCIC")	24074	8.00%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	6.0%	All Lines
	American Economy Insurance Company ("AEIC")	19690	0.0%	All Lines
	America First Insurance Company ("AFIC")	12696	0.0%	All Lines
	America Fire and Casualty Company ("AFCIC")	24066	0.0%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.0%	All Lines
	American States Insurance Company ("ASIC")	19704	0.0%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.0%	All Lines
	American States Lloyd's Insurance Company ("ASLCO")	31933	0.0%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.0%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.0%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.0%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.0%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.0%	All Lines
	The First Liberty Insurance Corporation ("FST")	33588	0.0%	All Lines
	General Insurance Company of America ("GICA")	24732	0.0%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	0.0%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.0%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.0%	All Lines
	Indiana Insurance Company ("IIC")	22659	0.0%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	0.0%	All Lines

## NOTES TO FINANCIAL STATEMENTS

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

100.00%

<b>100% Quota</b>	Bridgefield Employers Insurance Company ("BEIC")	10701	0.0%	All Lines
<b>Share</b>	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.0%	All Lines
<b>Affiliated Companies:</b>	LM Property and Casualty Insurance Company ("LMPAC")	32352	0.0%	All Lines

### **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, 2012 the amount of outstanding contingent liabilities associated with the assigned annuities was \$513,170,653 of which \$484,958,225 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	\$28,212,428

### **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	12/31/2012
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.

#### Uncertainty Regarding Reserving Methodologies

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

#### Effect of Uncertainty in Reserving For Asbestos and Environmental Claims on Company's Financial Condition

The methods of determining estimates for reported and unreported losses and establishing resulting reserves and related reinsurance recoverables are periodically reviewed and updated, and adjustments resulting from this review are reflected in income currently.

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

#### Asbestos:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Direct Basis</b>					
Beginning Reserves	-	-	-	-	-
Incurred losses and LAE	-	-	-	-	-
Calendar year payments	-	-	-	-	-
Ending Reserves	-	-	-	-	-

## NOTES TO FINANCIAL STATEMENTS

**Assumed Reinsurance Basis**

Beginning Reserves	58,850,242	12,181,900	7,796,215	14,033,257	9,807,117
Incurring losses and LAE	-	(3,955,635)	7,471,005	(1,498,020)	-
Calendar year payments	46,668,342	430,051	1,233,963	2,728,120	1,461,463
Ending Reserves	<u>12,181,900</u>	<u>7,796,214</u>	<u>14,033,257</u>	<u>9,807,117</u>	<u>8,345,654</u>

**Net of Ceded Reinsurance Basis**

Beginning Reserves	11,557	9,032,573	6,490,221	9,228,843	6,499,575
Incurring losses and LAE	-	(2,366,870)	3,452,107	14,965	-
Calendar year payments	(9,021,016)	175,482	713,485	2,744,233	1,285,895
Ending Reserves	<u>9,032,573</u>	<u>6,490,221</u>	<u>9,228,843</u>	<u>6,499,575</u>	<u>5,213,680</u>

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

Direct Basis	-
Assumed Reinsurance Basis	8,345,654
Net of Ceded Reinsurance Basis	5,213,680

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

Direct Basis	-
Assumed Reinsurance Basis	-
Net of Ceded Reinsurance Basis	-

**Environmental:**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Direct Basis</b>					
Beginning Reserves	-	-	-	-	-
Incurring losses and LAE	-	-	-	-	-
Calendar year payments	-	-	-	-	-
Ending Reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Assumed Reinsurance Basis**

Beginning Reserves	12,813,242	12,181,900	7,796,215	3,629,343	2,514,990
Incurring losses and LAE	-	(3,955,635)	(3,847,739)	(414,739)	-
Calendar year payments	631,342	430,051	319,133	699,614	374,785
Ending Reserves	<u>12,181,900</u>	<u>7,796,214</u>	<u>3,629,343</u>	<u>2,514,990</u>	<u>2,140,205</u>

**Net of Ceded Reinsurance Basis**

Beginning Reserves	8,889,111	8,388,127	5,890,221	2,231,629	1,666,786
Incurring losses and LAE	-	(2,366,870)	(3,474,067)	(14,965)	-
Calendar year payments	500,984	131,035	184,525	549,879	329,762
Ending Reserves	<u>8,388,127</u>	<u>5,890,222</u>	<u>2,231,629</u>	<u>1,666,786</u>	<u>1,337,024</u>

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

Direct Basis	-
Assumed Reinsurance Basis	2,140,205
Net of Ceded Reinsurance Basis	1,337,024

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

Direct Basis	-
Assumed Reinsurance Basis	-
Net of Ceded Reinsurance Basis	-

**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
_____	_____	_____
_____	_____	_____

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

## GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....  
 .....  
 .....

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

7.2 If yes,

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

1 Nationality	2 Type of Entity
.....	.....

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

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

.....  
 .....  
 .....

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

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

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC
.....	.....	.....	.....	.....	.....

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

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

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

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

.....  
 .....  
 .....

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

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

.....  
 .....  
 .....

## GENERAL INTERROGATORIES

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

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

.....  
 .....  
 .....

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

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

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

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

	0
\$	0

12.2 If yes, provide explanation:

.....  
 .....  
 .....

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

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

.....  
 .....  
 .....

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

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

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

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

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

Yes  No

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

.....  
 .....  
 .....

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

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

During Q1 and Q3, 2012, Liberty Mutual Insurance Group published certain non-material changes to its Code of Business Ethics and Conduct designed to clarify existing Code provisions.

.....  
 .....

## GENERAL INTERROGATORIES

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

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

.....  
 .....  
 .....

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

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

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

## BOARD OF DIRECTORS

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

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

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

## FINANCIAL

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

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

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

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	\$ <u>0</u>
20.22 To stockholders not officers	\$ <u>0</u>
20.23 Trustees, supreme or grand (Fraternal only)	\$ <u>0</u>

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	\$ <u>0</u>
21.22 Borrowed from others	\$ <u>0</u>
21.23 Leased from others	\$ <u>0</u>
21.24 Other	\$ <u>0</u>

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



## GENERAL INTERROGATORIES

22.2 If answer is yes:

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

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes  No

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

\$ 0

## INVESTMENT

24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03)

Yes  No

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

.....  
 .....  
 .....

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

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 12/31/2012.

24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes  No  N/A

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

\$ 0

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

\$ 0

24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?

Yes  No  N/A

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

Yes  No  N/A

24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending?

Yes  No  N/A

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

24.101	Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$	0
24.102	Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$	0
24.103	Total payable for securities lending reported on the liability page	\$	0

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03).

Yes  No

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

25.21	Subject to repurchase agreements	\$	0
25.22	Subject to reverse repurchase agreements	\$	0
25.23	Subject to dollar repurchase agreements	\$	0
25.24	Subject to reverse dollar repurchase agreements	\$	0
25.25	Pledged as collateral	\$	0
25.26	Placed under option agreements	\$	0
25.27	Letter stock or securities restricted as to sale	\$	0
25.28	On deposit with state or other regulatory body	\$	4,623,961
25.29	Other	\$	0

## GENERAL INTERROGATORIES

25.3 For category (25.27) provide the following:

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

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

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

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]

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

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

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase .....	1 Chase Manhattan Plaza, New York, NY 10005 .....
.....	.....

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

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....	.....	.....
.....	.....	.....

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

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address
N/A .....	Liberty Mutual Group Asset Managemen .....	175 Berkeley Street, Boston, MA, 021136 .....
.....	.....	.....

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

## GENERAL INTERROGATORIES

29.2 If yes, complete the following schedule:

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

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

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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	28,464,440	29,469,759	1,005,319
30.2 Preferred stocks	0	0	0
30.3 Totals	28,464,440	29,469,759	1,005,319

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

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

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?

Yes [ ] No [X]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?

Yes [ ] No [ ]

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

.....  
 .....  
 .....

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes [X] No [ ]

32.2 If no, list exceptions:

.....  
 .....  
 .....

### OTHER

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

\$ \_\_\_\_\_ 0

## GENERAL INTERROGATORIES

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

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

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

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

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

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

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

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

# GENERAL INTERROGATORIES

## PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

.....

.....

.....

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

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$           0

1.62 Total incurred claims \$           0

1.63 Number of covered lives           0

All years prior to most current three years:

1.64 Total premium earned \$           0

1.65 Total incurred claims \$           0

1.66 Number of covered lives           0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$           0

1.72 Total incurred claims \$           0

1.73 Number of covered lives           0

All years prior to most current three years:

1.74 Total premium earned \$           0

1.75 Total incurred claims \$           0

1.76 Number of covered lives           0

2. Health Test:

	1		2	
	Current Year		Prior Year	
2.1 Premium Numerator	\$ <u>          0</u>		\$ <u>          0</u>	
2.2 Premium Denominator	\$ <u>          6</u>		\$ <u>         224</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>  33,162,019</u>		\$ <u>  38,445,538</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?  
 N/A  
 .....  
 .....

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

5.5 If yes, give full information

.....

.....

.....

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:  
 See Note 21C2  
 .....  
 .....

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:  
See Note 21C2  
.....  
.....
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?  
See Note 21C2  
.....  
.....
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes  No
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss  
.....  
.....
- 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:  
 Reinsurance recoverables are allocated under the terms of the reinsurance contract  
 .....  
 .....
- 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:  
 0  
 .....  
 .....
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes  No
- 15.2 If yes, give full information  
 .....  
 .....
- 16.1 Does the reporting entity write any warranty business? Yes  No   
 If yes, disclose the following information for each of the following types of warranty coverage:
- |                  |    | 1                      | 2                    | 3                      | 4                       | 5                     |
|------------------|----|------------------------|----------------------|------------------------|-------------------------|-----------------------|
|                  |    | Direct Losses Incurred | Direct Losses Unpaid | Direct Written Premium | Direct Premium Unearned | Direct Premium Earned |
| 16.11 Home       | \$ | 0                      | 0                    | 0                      | 0                       | 0                     |
| 16.12 Products   | \$ | 0                      | 0                    | 0                      | 0                       | 0                     |
| 16.13 Automobile | \$ | 0                      | 0                    | 0                      | 0                       | 0                     |
| 16.14 Other*     | \$ | 0                      | 0                    | 0                      | 0                       | 0                     |

\* Disclose type of coverage: \_\_\_\_\_

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

Yes [ ] No [X]

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

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

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

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

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

Yes [ ] No [X]

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

\$           0

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

Yes [ ] No [X]

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

\$           0



**FIVE – YEAR HISTORICAL DATA**

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

	1	2	3	4	5
	2012	2011	2010	2009	2008
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	(8,990)	708	7,887	3,189	(265)
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)		(133)	(10)	(615,843)	140
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)				(808,659)	(15)
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
6. Total (Line 35)	(8,990)	872	7,381	(1,464,927)	46,246
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
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
12. Total (Line 35)		224	(131)	(43,765)	43,028
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	76,840	(423,138)	111,007	2,448,080	92,840
14. Net investment gain (loss) (Line 11)	741,018	862,848	933,368	3,278,437	5,207,008
15. Total other income (Line 15)		80,536	186,325	(488)	(49)
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	(137,000)	(59,963)	422,393	1,245,942	648,550
18. Net income (Line 20)	954,858	580,209	808,307	4,480,087	4,651,249
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	79,072,084	81,973,064	91,584,444	93,944,741	128,825,751
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)				1,260	105,840
20.2 Deferred and not yet due (Line 15.2)					3,926
20.3 Accrued retrospective premiums (Line 15.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 26)	43,557,944	46,436,412	55,737,272	60,464,202	62,391,603
22. Losses (Page 3, Line 1)	30,887,262	35,387,338	39,205,498	42,773,161	41,916,828
23. Loss adjustment expenses (Page 3, Line 3)	(38,476)	(78,817)			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)	35,514,140	35,536,652	35,847,172	33,480,539	66,434,148
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	(3,820,561)	(628,115)	(8,641,021)	16,702,309	(9,915,542)
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	35,514,140	35,536,652	35,847,172	33,480,539	66,434,148
29. Authorized control level risk-based capital	5,349,682	5,766,016	6,690,277	6,924,514	7,624,729
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	96.1	94.9	72.1	94.9	90.1
31. Stocks (Lines 2.1 & 2.2)					
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	3.9	5.1	27.9	5.1	9.9
35. Contract loans (Line 6)					
36. Derivatives (Line 7)				X X X	X X X
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)					
39. Securities lending reinvested collateral assets (Line 10)				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
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Lines 42 to 47					
49. Total investment in parent included in Lines 42 to 47 above					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)					

## FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2012	2011	2010	2009	2008
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24)			96,819	165,682	(60,294)
52. Dividends to stockholders (Line 35)					
53. Change in surplus as regards policyholders for the year (Line 38)	(22,512)	(310,520)	2,366,633	(32,953,609)	(101,528,698)
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	13,136,312	15,091,703	20,675,921	20,550,397	28,841,694
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	(945)	(34,474)	(61,239)	(658,830)	13,679
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	400,681	337,574	819,681	716,254	2,591,344
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	2,540,673	4,315,930	1,851,850	1,370,684	47,166,709
59. Total (Line 35)	16,076,721	19,710,733	23,286,213	21,978,505	78,613,426
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,987,596	1,415,534	2,543,932	118,985	1,560,482
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)				(2,435)	(20,185)
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)			56,536	(28,433)	141,660
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	2,407,058	2,835,502	1,241,093	209,350	(8,053,006)
65. Total (Line 35)	4,394,654	4,251,036	3,841,561	297,467	(6,371,049)
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	(1757016.7)	193248.7	(209082.4)	(2636.4)	(3702.6)
68. Loss expenses incurred (Line 3)	622016.7	7093.8	24747.3	7891.8	1882.3
69. Other underwriting expenses incurred (Line 4)	(145566.7)	(11341.5)	269173.3	438.2	1704.5
70. Net underwriting gain (loss) (Line 8)	1280666.7	(188900.9)	(84738.2)	(5593.7)	215.8
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)		(47295.1)	411406.1	437.1	1704.6
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	(1135000.0)	200342.4	(184335.1)	5255.5	(1820.2)
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)		0.0		(0.1)	0.1
<b>One Year Loss Development (000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(120)	432	274	1,296	(1,414)
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100.0)	(0.3)	1.2	0.8	2.0	(0.0)
<b>Two Year Loss Development (000 omitted)</b>					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	312	706	1,570	(118)	(1,962)
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0)	0.9	2.1	2.4	(0.1)	(0.0)

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 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	15,225	10,830	90	104	337	374		4,344	X X X
2. 2003	1,063,624	1,059,380	4,244	649,080	611,621	18,488	18,098	25,544	23,910		39,483	X X X
3. 2004	598,490	598,490		299,724	299,666	12,963	12,950	4,358	6,788		(2,359)	X X X
4. 2005	17,863	17,863		14,080	14,080	671	671	(2,793)	743		(3,536)	X X X
5. 2006	1,126	1,113	13	35	35	(8)	(8)	(3,148)	(3,196)		48	X X X
6. 2007	716	719	(3)	15	15	3	3	323	323			X X X
7. 2008	121	78	43	(39)	(39)			246	246			X X X
8. 2009	(1,464)	(1,420)	(44)	(73)	(73)			375	375			X X X
9. 2010	8	8		1	1							X X X
10. 2011	1	1		4	4			100	100			X X X
11. 2012	(9)	(9)						23	23			X X X
12. Totals	X X X	X X X	X X X	978,052	936,140	32,207	31,818	25,365	29,686		37,980	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 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded				
1. Prior	232,538	208,667	7,778	763				23	23	3,948	3,986		30,848	X X X
2. 2003	15,626	15,626	42	42				34	34					X X X
3. 2004	1,157	1,157	96	96				20	20					X X X
4. 2005	2	2								5	5			X X X
5. 2006										20	20			X X X
6. 2007														X X X
7. 2008														X X X
8. 2009														X X X
9. 2010														X X X
10. 2011														X X X
11. 2012														X X X
12. Totals	249,323	225,452	7,916	901				77	77	3,973	4,011		30,848	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 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	30,886	(38)
2. 2003	708,814	669,331	39,483	66.641	63.181	930.325					
3. 2004	318,318	320,677	(2,359)	53.187	53.581						
4. 2005	11,965	15,501	(3,536)	66.982	86.777						
5. 2006	(3,101)	(3,149)	48	(275.400)	(282.929)	369.231					
6. 2007	341	341		47.626	47.427						
7. 2008	207	207		171.074	265.385						
8. 2009	302	302		(20.628)	(21.268)						
9. 2010	1	1		12.500	12.500						
10. 2011	104	104		10400.000	10400.000						
11. 2012	23	23		(255.556)	(255.556)						
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	30,886	(38)

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

### SCHEDULE P – PART 2 – SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior	167,480	165,423	169,058	167,039	167,019	165,598	167,284	167,559	168,004	167,884	(120)	325
2. 2003	38,836	35,077	35,766	38,785	38,246	38,253	37,863	37,862	37,849	37,849		(13)
3. 2004	XXX	(62)	90	60	71	71	71	71	71	71		
4. 2005	XXX	XXX										
5. 2006	XXX	XXX	XXX									
6. 2007	XXX	XXX	XXX	XXX								
7. 2008	XXX	XXX	XXX	XXX	XXX							
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX						
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX					
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
											12. Totals	(120) 312

### SCHEDULE P – PART 3 – SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
1. Prior	000	5,307	9,959	71,275	129,853	123,682	124,520	128,385	132,617	136,998	XXX	XXX
2. 2003	9,114	28,749	30,721	31,283	38,275	38,253	37,853	37,832	37,849	37,849	XXX	XXX
3. 2004	XXX	(62)	(60)	65	71	71	71	71	71	71	XXX	XXX
4. 2005	XXX	XXX									XXX	XXX
5. 2006	XXX	XXX	XXX								XXX	XXX
6. 2007	XXX	XXX	XXX	XXX							XXX	XXX
7. 2008	XXX	XXX	XXX	XXX	XXX						XXX	XXX
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX	XXX
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			XXX	XXX
11. 2012	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
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Prior	141,101	130,915	120,249	2,554	12,554	11,915	12,393	10,162	8,218	7,015
2. 2003	15,200	5,451	4,751	7,393						
3. 2004	XXX		(5)	(5)						
4. 2005	XXX	XXX								
5. 2006	XXX	XXX	XXX							
6. 2007	XXX	XXX	XXX	XXX						
7. 2008	XXX	XXX	XXX	XXX	XXX					
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX				
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

### Allocated By States and Territories

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	L							
2. Alaska	AK	L							
3. Arizona	AZ	L			10,000	10,000	2,567		
4. Arkansas	AR	L					173		
5. California	CA	L			40,835	(6,910)	1,844		
6. Colorado	CO	L			17,171	1,794	12,528		
7. Connecticut	CT	L			2,394	1,886	4,424		
8. Delaware	DE	L			(5,266)	(5,266)			
9. District of Columbia	DC	L			9,151		142,732		
10. Florida	FL	L	(8,990)	(8,990)	(534)	5,855	81,489		
11. Georgia	GA	L			(667)	(667)			
12. Hawaii	HI	L							
13. Idaho	ID	L			(268)	(250)	1,970		
14. Illinois	IL	L			43,558	(180,538)	110,955		
15. Indiana	IN	L			6,942	7,014	58,751		
16. Iowa	IA	L			(640)	(569)	6,790		
17. Kansas	KS	L			(733)	(733)			
18. Kentucky	KY	L			11,552	(14,503)	5,972		
19. Louisiana	LA	L							
20. Maine	ME	L							
21. Maryland	MD	L			(267)	(767)	75,000		
22. Massachusetts	MA	L							
23. Michigan	MI	L			3,936,822	431,733	85,307,177		
24. Minnesota	MN	L			22,929	4,513			
25. Mississippi	MS	L							
26. Missouri	MO	L							
27. Montana	MT	L							
28. Nebraska	NE	L							
29. Nevada	NV	L							
30. New Hampshire	NH	L			(274)	(274)			
31. New Jersey	NJ	N			6,893,706	4,633,027	135,050,928		
32. New Mexico	NM	L				(12,196)	15,000		
33. New York	NY	L			128,241	(185,578)	992,249		
34. North Carolina	NC	L							
35. North Dakota	ND	L			397	414	26,004		
36. Ohio	OH	L			2,093	(28,186)	41,819		
37. Oklahoma	OK	L			6,660	6,660			
38. Oregon	OR	L			(667)	(102)	1,288		
39. Pennsylvania	PA	L			2,372,102	2,409,946	20,589,310		
40. Rhode Island	RI	L			7,000	(12,839)			
41. South Carolina	SC	L			35,000	12,553			
42. South Dakota	SD	L							
43. Tennessee	TN	L			6,750	(2,909)			
44. Texas	TX	L			(1,052)		6,432		
45. Utah	UT	L			(424)	(424)			
46. Vermont	VT	L							
47. Virginia	VA	L				(71)	(71)		
48. Washington	WA	L			(234)	(234)			
49. West Virginia	WV	L							
50. Wisconsin	WI	L			(1,241)	(1,136)	2,884		
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	CAN	N							
58. Aggregate Other Alien	OT	X X X							
59. Totals	(a) 50		(8,990)	(8,990)	13,541,036	7,071,243	242,538,215		

DETAILS OF WRITE-INS									
58001.		X X X							
58002.		X X X							
58003.		X X X							
58998.	Summary of remaining write-ins for Line 58 from overflow page	X X X							
58999.	Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	X X X							

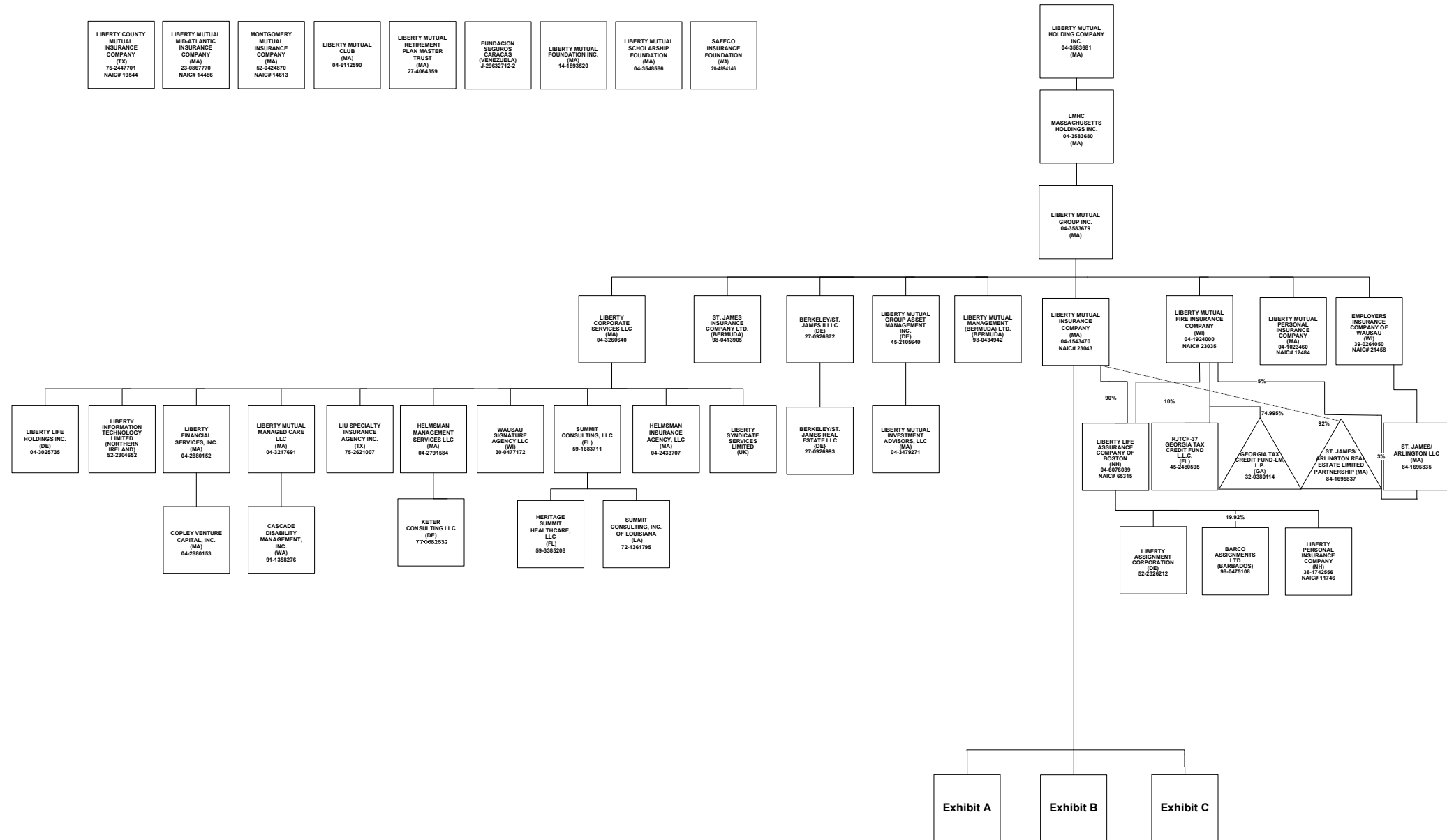
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

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

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

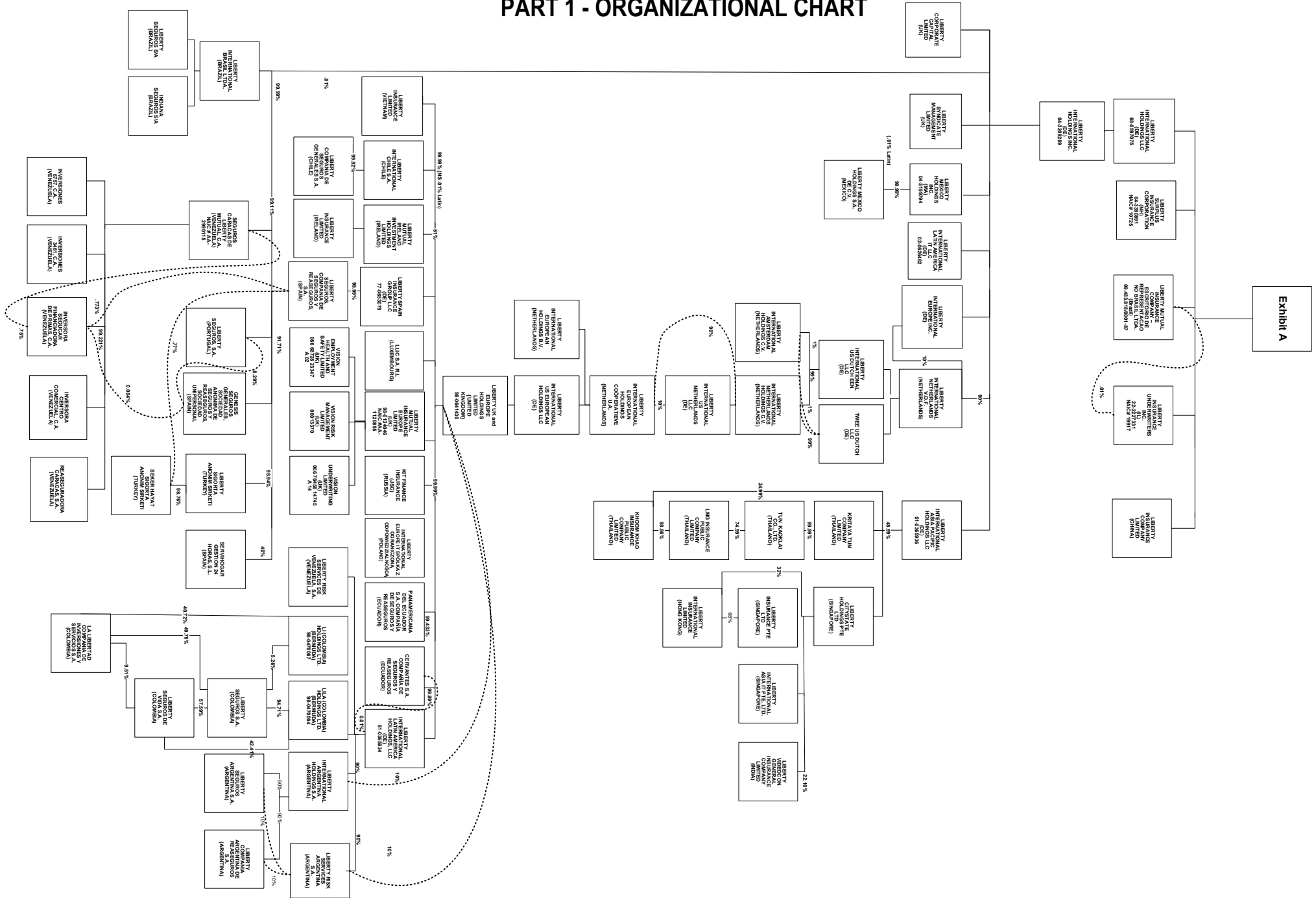
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



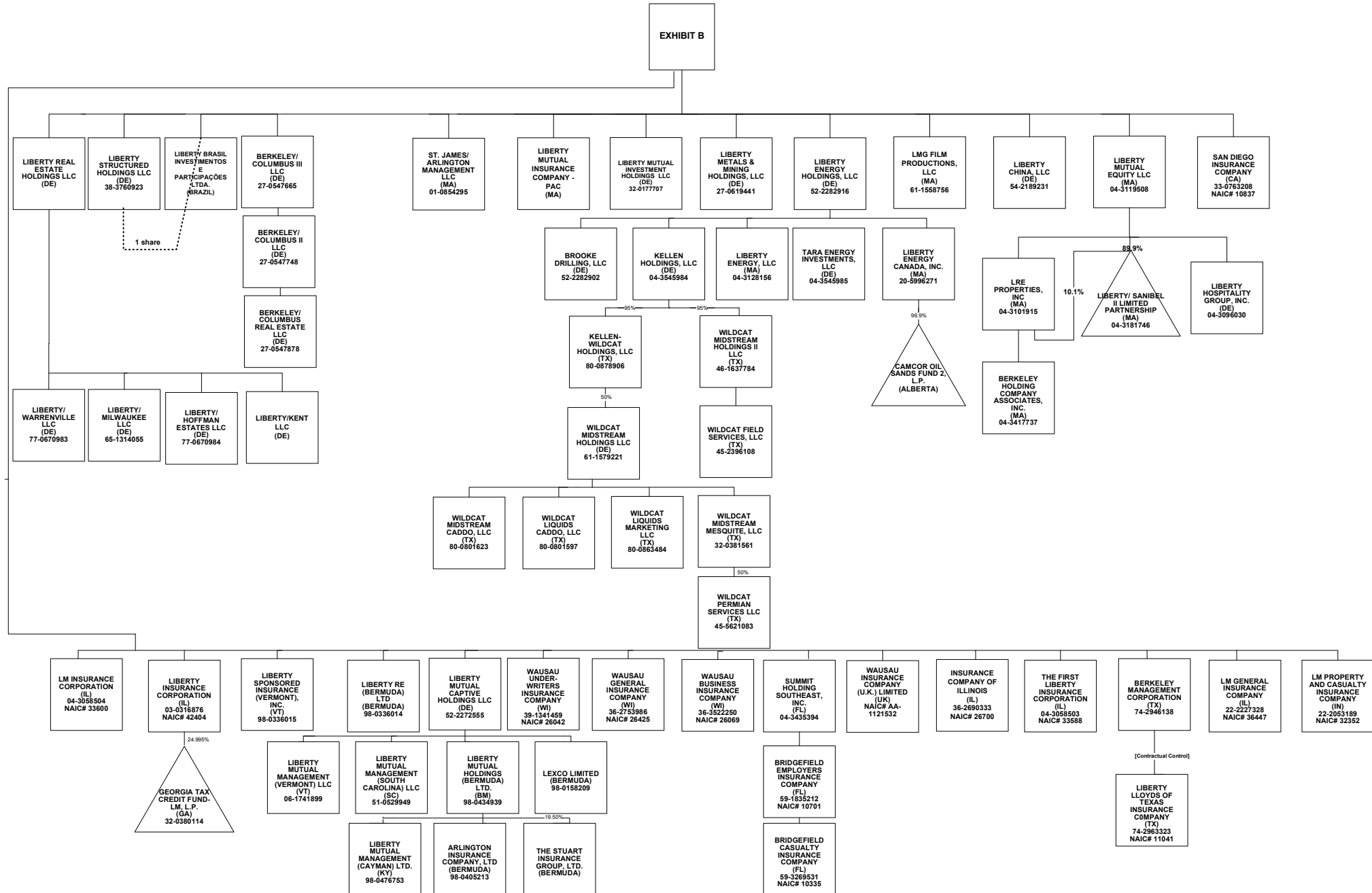
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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

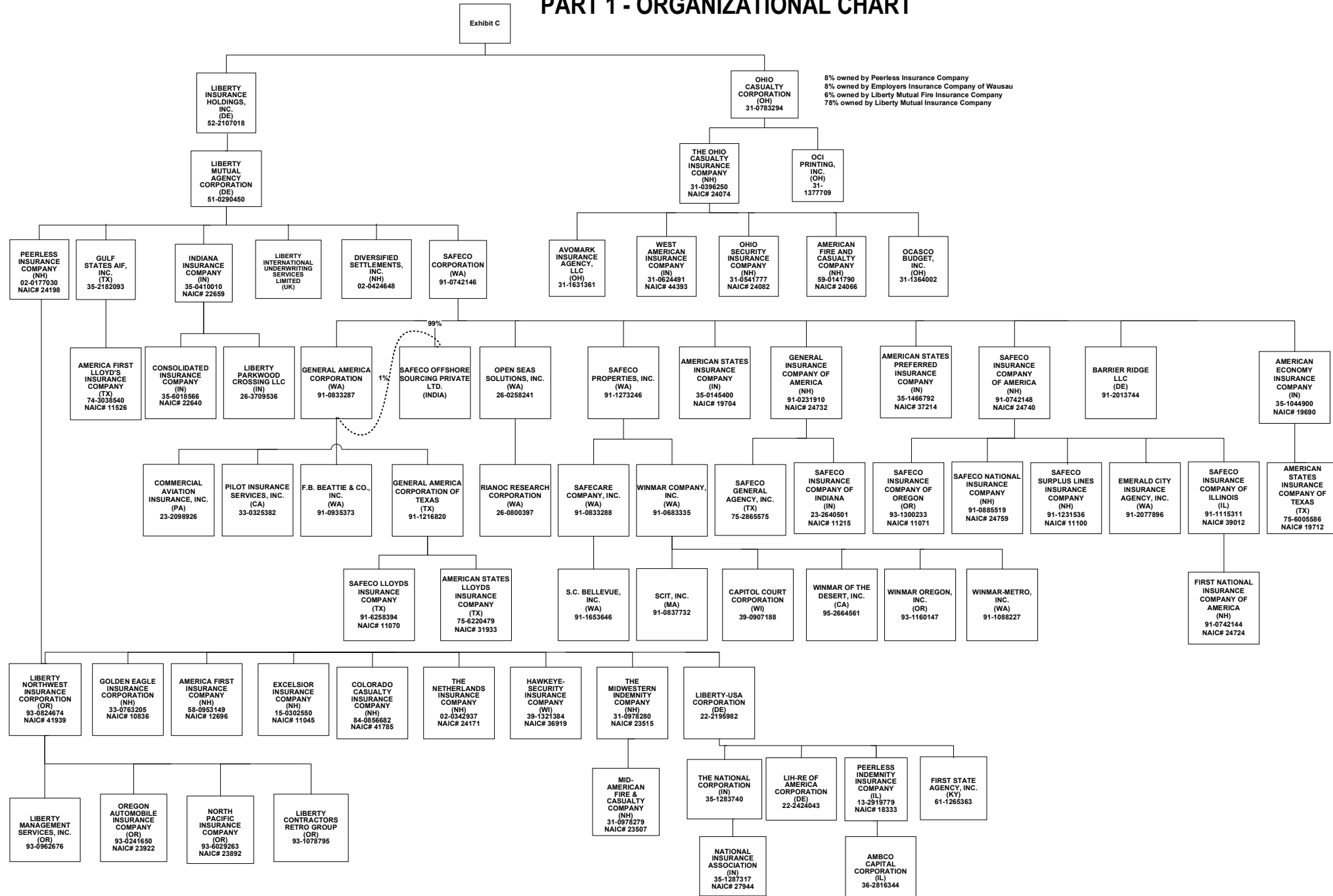
## PART 1 - ORGANIZATIONAL CHART





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

## PART 1 - ORGANIZATIONAL CHART



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**OVERFLOW PAGE FOR WRITE-INS**

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