

**ANNUAL STATEMENT**

**OF THE**

**THE OHIO CASUALTY INSURANCE COMPANY**

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**of** **FAIRFIELD**

**in the state of** **OHIO**

**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2008**

**PROPERTY AND CASUALTY**

**2008**



24074200820100010

# ANNUAL STATEMENT

For the Year Ended December 31, 2008  
OF THE CONDITION AND AFFAIRS OF THE

## The Ohio Casualty Insurance Company

NAIC Group Code 0111 0111 NAIC Company Code 24074 Employer's ID Number 31-0396250  
(Current Period) (Prior Period)

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

Country of Domicile United States of America

Incorporated/Organized: November 6, 1919 Commenced Business: March 1, 1920

Statutory Home Office: 9450 Seward Road, Fairfield, OH 45014  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office: 9450 Seward Road  
(Street and Number)

Fairfield, OH 45014 513-603-2400  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

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

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

Internet Website Address: www.LibertyMutualAgencyMarkets.com

Statutory Statement Contact: Joanne Connolly 617-357-9500 x44393  
(Name) (Area Code) (Telephone Number) (Extension)  
Joanne.Connolly@LibertyMutual.com 617-574-5955  
(E-Mail Address) (Fax Number)

### OFFICERS

#### Chairman of the Board

Gary Richard Gregg

	Name	Title
1.	<u>Gary Richard Gregg</u>	<u>President and Chief Executive Officer</u>
2.	<u>Dexter Robert Legg #</u>	<u>Secretary</u>
3.	<u>Michael Joseph Fallon #</u>	<u>Treasurer and Chief Financial Officer</u>

#### VICE-PRESIDENTS

Name	Title	Name	Title
<u>Anthony Alexander Fontanes</u>	<u>EVP and Chief Investment Officer</u>	<u>Joseph Anthony Gilles</u>	<u>Executive Vice President</u>
<u>Scott Rhodes Goodby</u>	<u>EVP and Chief Operating Officer</u>		

#### DIRECTORS OR TRUSTEES

<u>Gary Richard Gregg</u>	<u>Michael Joseph Fallon #</u>	<u>John Derek Doyle</u>	<u>Joseph Anthony Gilles</u>
<u>Scott Rhodes Goodby</u>	<u>Christopher Charles Mansfield</u>		

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.

<u>(Signature)</u> <u>Gary Richard Gregg</u> <u>(Printed Name)</u> 1. <u>President and Chief Executive Officer</u> <u>(Title)</u>	<u>(Signature)</u> <u>Dexter Robert Legg #</u> <u>(Printed Name)</u> 2. <u>Secretary</u> <u>(Title)</u>	<u>(Signature)</u> <u>Michael Joseph Fallon #</u> <u>(Printed Name)</u> 3. <u>Treasurer and Chief Financial Officer</u> <u>(Title)</u>
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Subscribed and sworn to before me this  
2nd day of February, 2009

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)	3,149,649,309		3,149,649,309	3,187,884,819
2. Stocks (Schedule D):				
2.1 Preferred stocks	45,737,975		45,737,975	84,226,726
2.2 Common stocks	367,936,211		367,936,211	582,672,959
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	88,153,011		88,153,011	
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	17,021,200		17,021,200	17,714,920
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				2,000,000
5. Cash (\$ 10,412,237, Schedule E - Part 1), cash equivalents (\$ 11,102,257, Schedule E - Part 2), and short-term investments (\$ 335,009,109, Schedule DA)	356,523,603		356,523,603	151,727,918
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	1,396,864		1,396,864	198,042
8. Receivables for securities	232,181		232,181	
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	4,026,650,354		4,026,650,354	4,026,425,384
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	41,059,427		41,059,427	42,937,405
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	78,922,322	8,764,125	70,158,197	50,684,131
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 12,740,844 earned but unbilled premiums)	543,727,721	2,212,708	541,515,013	281,834,256
13.3 Accrued retrospective premiums	11,451,456	1,029,614	10,421,842	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	28,284,820		28,284,820	21,209,348
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon				5,608,034
16.2 Net deferred tax asset	279,902,000	168,517,503	111,384,497	79,603,917
17. Guaranty funds receivable or on deposit	2,691,806		2,691,806	8,052,085
18. Electronic data processing equipment and software	5,474,232	5,006,831	467,401	2,357,395
19. Furniture and equipment, including health care delivery assets (\$ 0)	1,717,769	1,717,769		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	574,039		574,039	1,956,314
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	36,252,794	201,695	36,051,099	60,386,394
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	5,056,708,740	187,450,245	4,869,258,495	4,581,054,663
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	5,056,708,740	187,450,245	4,869,258,495	4,581,054,663

DETAILS OF WRITE-IN LINES				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)				
2301. Cash surrender value life insurance	18,795,045		18,795,045	54,485,780
2302. Equities in pools and associations	14,363,433		14,363,433	
2303. Other assets	3,094,316	201,695	2,892,621	5,900,614
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	36,252,794	201,695	36,051,099	60,386,394

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	2,009,472,054	1,677,965,466
2. Reinsurance payable on paid losses and loss adjustment expenses	105,085,154	2,553,000
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	460,148,275	431,360,327
4. Commissions payable, contingent commissions and other similar charges	54,691,354	47,756,002
5. Other expenses (excluding taxes, licenses and fees)	67,654,392	83,694,654
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	41,565,836	24,863,071
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	83,185,957	
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 \$ 239,139,133 and including warranty reserves of \$ 0)	860,020,840	608,749,439
10. Advance premium	5,612,436	8,052,803
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	1,220,753	903,200
12. Ceded reinsurance premiums payable (net of ceding commissions)	28,699,698	14,380,819
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		99,487,307
14. Amounts withheld or retained by company for account of others	3,815,632	27,180,998
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		1,864,715
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	12,330,372	33,947,090
19. Payable to parent, subsidiaries and affiliates	21,087,632	
20. Payable for securities		9,957,361
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	79,263,074	151,906,428
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	3,833,853,459	3,224,622,680
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	3,833,853,459	3,224,622,680
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	4,500,000	4,500,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	433,637,679	433,637,678
33. Unassigned funds (surplus)	597,267,357	918,294,309
34. Less treasury stock, at cost:		
34.1 0 shares common (value included in Line 28 \$ 0)		
34.2 0 shares preferred (value included in Line 29 \$ 0)		
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	1,035,405,036	1,356,431,987
36. Totals (Page 2, Line 26, Col. 3)	4,869,258,495	4,581,054,667

DETAILS OF WRITE-IN LINES		
2301. Other liabilities	18,830,891	9,523,399
2302. Pooled retroactive reinsurance	42,647,463	142,383,029
2303. Collateral held for securities loaned	17,784,720	
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	79,263,074	151,906,428
2701. ....		
2702. ....		
2703. ....		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		
3001. ....		
3002. ....		
3003. ....		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

## STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	2,033,633,437	1,360,349,735
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	1,064,983,455	634,042,861
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	220,433,328	155,154,543
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	687,496,974	537,718,802
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	1,972,913,757	1,326,916,206
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	60,719,680	33,433,529
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	220,669,151	185,085,684
10. Net realized capital gains (losses) less capital gains tax of \$ (30,795,624) (Exhibit of Capital Gains (Losses))	(57,191,874)	(2,630,514)
11. Net investment gain (loss) (Lines 9 + 10)	163,477,277	182,455,170
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 209,208 amount charged off \$ 8,221,464)	(8,012,256)	(3,075,798)
13. Finance and service charges not included in premiums	8,981,992	152,845
14. Aggregate write-ins for miscellaneous income	(22,386,008)	(5,313,274)
15. Total other income (Lines 12 through 14)	(21,416,272)	(8,236,227)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	202,780,685	207,652,472
17. Dividends to policyholders	13,276,122	982,552
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)	189,504,563	206,669,920
19. Federal and foreign income taxes incurred	136,334,524	64,837,057
20. Net income (Line 18 minus Line 19) (to Line 22)	53,170,039	141,832,863
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	1,356,431,995	1,082,717,805
22. Net income (from Line 20)	53,170,039	141,832,863
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (30,944,811)	(38,874,289)	(27,360,394)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	115,959,509	33,359,014
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(85,049,800)	15,695,668
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	1,864,715	(944,999)
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		203,130,239
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(346,832,863)	(95,000,000)
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	(21,264,270)	3,001,799
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(321,026,959)	273,714,190
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	1,035,405,036	1,356,431,995

<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/(expenses)	(22,760,418)	165,347
1402. Retroactive reinsurance gain/(loss)	374,410	(5,478,621)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(22,386,008)	(5,313,274)
3701. Other changes in surplus	(21,264,270)	3,001,799
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)	(21,264,270)	3,001,799

## CASH FLOW

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	2,001,197,152	1,350,988,541
2. Net investment income	233,170,536	194,833,332
3. Miscellaneous income	(157,347,343)	(8,236,226)
4. Total (Lines 1 through 3)	2,077,020,345	1,537,585,647
5. Benefit and loss related payments	662,315,201	666,329,469
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	849,306,257	682,593,347
8. Dividends paid to policyholders	12,958,569	1,115,352
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	16,744,911	96,718,107
10. Total (Lines 5 through 9)	1,541,324,938	1,446,756,275
11. Net cash from operations (Line 4 minus Line 10)	535,695,407	90,829,372
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	736,542,900	537,331,214
12.2 Stocks	157,501,859	174,158,724
12.3 Mortgage loans	747,581	
12.4 Real estate	3,197,997	
12.5 Other invested assets		105,899
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		20,837,182
12.8 Total investment proceeds (Lines 12.1 to 12.7)	897,990,337	732,433,019
13. Cost of investments acquired (long-term only):		
13.1 Bonds	759,318,372	794,117,594
13.2 Stocks	14,471,445	60,587,304
13.3 Mortgage loans	88,900,593	
13.4 Real estate	(42,739)	2,046,887
13.5 Other invested assets	1,160,998	
13.6 Miscellaneous applications	10,189,543	
13.7 Total investments acquired (Lines 13.1 to 13.6)	873,998,212	856,751,785
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)	23,992,125	(124,318,766)
<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		203,130,239
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	346,832,863	95,284,567
16.6 Other cash provided (applied)	(8,058,995)	56,595,208
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(354,891,858)	164,440,880
<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)	204,795,674	130,951,486
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	151,727,929	20,776,443
19.2 End of year (Line 18 plus Line 19.1)	356,523,603	151,727,929

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

20.0001		
20.0002		
20.0003		

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	14,551,684	8,873,413	9,134,238	14,290,859
2. Allied lines	16,059,889	8,016,735	8,565,636	15,510,988
3. Farmowners multiple peril	20,116,914		7,123,181	12,993,733
4. Homeowners multiple peril	147,200,389	70,674,565	62,956,678	154,918,276
5. Commercial multiple peril	565,486,589	152,889,888	234,696,010	483,680,467
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	52,117,786	13,324,756	19,389,455	46,053,087
10. Financial guaranty				
11.1 Medical malpractice—occurrence	(1,401)			(1,401)
11.2 Medical malpractice—claims-made				
12. Earthquake	6,210,020	1,557,295	1,855,466	5,911,849
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	5,485			5,485
16. Workers' compensation	542,438,871	55,073,684	97,938,028	499,574,527
17.1 Other liability—occurrence	114,775,257	71,033,920	59,831,640	125,977,537
17.2 Other liability—claims-made	137,563	424,415	174,536	387,442
18.1 Products liability—occurrence	2,778,037	5,199,820	2,406,863	5,570,994
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	195,776,557	39,833,074	77,338,493	158,271,138
19.3,19.4 Commercial auto liability	228,654,109	86,141,801	103,145,826	211,650,084
21. Auto physical damage	209,763,469	51,757,140	85,467,767	176,052,842
22. Aircraft (all perils)				
23. Fidelity	(1,218,485)	4,976,064	1,719,911	2,037,668
24. Surety	156,820,614	38,965,691	75,427,431	120,358,874
26. Burglary and theft	164,414	7,178	40,421	131,171
27. Boiler and machinery	291,157		33,329	257,828
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property				
32. Reinsurance-Nonproportional Assumed Liability				
33. Reinsurance-Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	2,272,128,918	608,749,439	847,244,909	2,033,633,448

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	9,134,213	25			9,134,238
2. Allied lines	8,565,568	68			8,565,636
3. Farmowners multiple peril	7,123,033	149			7,123,182
4. Homeowners multiple peril	62,956,678				62,956,678
5. Commercial multiple peril	238,021,421	6,500	(3,351,061)	19,151	234,696,011
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	19,114,288	275,167			19,389,455
10. Financial guaranty					
11.1 Medical malpractice—occurrence					
11.2 Medical malpractice—claims-made					
12. Earthquake	1,855,459	6			1,855,465
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	105,169,341	248	(7,196,473)	(35,088)	97,938,028
17.1 Other liability—occurrence	61,366,227	632,453	(2,147,889)	(19,151)	59,831,640
17.2 Other liability—claims-made	174,645		(110)		174,535
18.1 Products liability—occurrence	2,452,094	81	(45,311)		2,406,864
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	77,338,493				77,338,493
19.3,19.4 Commercial auto liability	101,146,430	1,999,396			103,145,826
21. Auto physical damage	85,113,305	354,463			85,467,768
22. Aircraft (all perils)					
23. Fidelity	542,832	1,177,079			1,719,911
24. Surety	56,753,867	18,673,564			75,427,431
26. Burglary and theft	40,421				40,421
27. Boiler and machinery	33,329				33,329
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-Nonproportional Assumed Property					
32. Reinsurance-Nonproportional Assumed Liability					
33. Reinsurance-Nonproportional Assumed Financial Lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	836,901,644	23,119,199	(12,740,844)	(35,088)	847,244,911
36. Accrued retrospective premiums based on experience					35,088
37. Earned but unbilled premiums					12,740,844
38. Balance (Sum of Lines 35 through 37)					860,020,843

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

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



## 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	7,711,480	19,074,696		12,234,492		14,551,684
2. Allied lines	6,687,868	19,822,683		10,450,662		16,059,889
3. Farmowners multiple peril		20,116,914				20,116,914
4. Homeowners multiple peril	10,097,104	153,336,548		16,233,263		147,200,389
5. Commercial multiple peril	89,960,805	614,954,779		139,428,995		565,486,589
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	17,970,325	63,056,215		28,908,754		52,117,786
10. Financial guaranty						
11.1 Medical malpractice—occurrence		(1,401)				(1,401)
11.2 Medical malpractice—claims-made						
12. Earthquake	114,107	6,280,168		184,255		6,210,020
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health	74,027	5,485		74,027		5,485
16. Workers' compensation	37,442,637	564,574,303		59,578,070		542,438,870
17.1 Other liability—occurrence	154,615,777	177,705,858		217,546,378		114,775,257
17.2 Other liability—claims-made	1,228,346	561,950		1,652,733		137,563
18.1 Products liability—occurrence	5,161,982	5,450,058		7,834,003		2,778,037
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	12,408,474	230,384,026		47,015,943		195,776,557
19.3,19.4 Commercial auto liability	51,946,480	257,531,169		80,823,540		228,654,109
21. Auto physical damage	23,047,271	221,552,735		34,836,537		209,763,469
22. Aircraft (all perils)						
23. Fidelity	5,995,452	3,755,971		10,969,908		(1,218,485)
24. Surety	54,390,592	192,885,551		90,455,528		156,820,615
26. Burglary and theft	14,596	171,592		21,774		164,414
27. Boiler and machinery	4,455	291,157		4,455		291,157
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	478,871,778	2,551,510,457		758,253,317		2,272,128,918

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 \$

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



## 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	875,940	2,531,632	875,940	2,531,632	224,483	1,142,379	224,483	3,674,011	777,221
2. Allied lines	1,418,976	1,742,342	1,418,976	1,742,342	206,873	530,332	206,873	2,272,674	520,333
3. Farmowners multiple peril	10	4,198,474	10	4,198,474		873,124		5,071,598	1,199,459
4. Homeowners multiple peril	2,637,937	30,435,067	2,637,937	30,435,067	2,562,063	15,835,866	2,562,063	46,270,933	9,605,590
5. Commercial multiple peril	37,672,557	233,603,337	37,672,557	233,603,337	44,839,219	171,528,435	44,839,220	405,131,771	173,332,382
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine	1,436,770	5,082,205	1,436,770	5,082,205	517,498	1,343,374	517,498	6,425,579	1,142,724
10. Financial guaranty									
11.1 Medical malpractice—occurrence									(19)
11.2 Medical malpractice—claims-made									(1)
12. Earthquake		103,116		103,116				103,116	4,106
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)									
15. Other accident and health	426,010		426,010		132,394		132,394	(a)	(24)
16. Workers' compensation	95,885,695	431,636,685	95,885,695	431,636,685	103,475,953	497,138,487	103,475,953	928,775,172	137,698,005
17.1 Other liability—occurrence	98,380,285	56,982,933	98,380,285	56,982,933	364,113,019	150,829,790	364,113,019	207,812,723	62,157,457
17.2 Other liability—claims-made	112,600	38,284	112,600	38,284	167,085	54,812	167,085	93,096	12,791
18.1 Products liability—occurrence	955,273	2,177,236	955,273	2,177,236	4,589,114	4,899,666	4,589,114	7,076,902	2,765,003
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	30,730,930	90,952,778	30,730,930	90,952,778	8,039,572	33,148,136	8,039,572	124,100,914	20,564,038
19.3,19.4 Commercial auto liability	34,877,212	120,687,499	34,877,212	120,687,499	32,332,149	87,986,962	32,332,149	208,674,461	36,557,841
21. Auto physical damage	1,223,391	9,847,285	1,223,391	9,847,285		21,690		9,868,975	860,935
22. Aircraft (all perils)									
23. Fidelity	971,356	336,874	971,356	336,874	1,862,607	350,777	1,862,607	687,651	867,560
24. Surety	4,892,546	5,361,938	4,892,546	5,361,938	5,819,349	47,734,577	5,819,349	53,096,515	12,536,811
26. Burglary and theft		20,574		20,574		3,964		24,538	8,780
27. Boiler and machinery					33,629	68,877	33,629	68,877	(462,718)
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	242,547		242,547	X X X			242,547	
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	312,497,488	995,980,806	312,497,488	995,980,806	568,915,007	1,013,491,248	568,915,008	2,009,472,053	460,148,274

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

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	(2,963,914)			(2,963,914)
1.2 Reinsurance assumed	107,544,756			107,544,756
1.3 Reinsurance ceded	550,015			550,015
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	104,030,827			104,030,827
2. Commission and brokerage:				
2.1 Direct, excluding contingent		75,120,618		75,120,618
2.2 Reinsurance assumed, excluding contingent		286,273,215		286,273,215
2.3 Reinsurance ceded, excluding contingent		75,120,618		75,120,618
2.4 Contingent—direct		(2,525,618)		(2,525,618)
2.5 Contingent—reinsurance assumed		41,956,488		41,956,488
2.6 Contingent—reinsurance ceded		(2,525,618)		(2,525,618)
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)		328,229,703		328,229,703
3. Allowances to manager and agents		9,038		9,038
4. Advertising	2,654,239	10,158,387	9,762	12,822,388
5. Boards, bureaus and associations	214,875	5,579,905	262	5,795,042
6. Surveys and underwriting reports	819	6,470,647	4,796	6,476,262
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	63,459,706	151,740,978	903,200	216,103,884
8.2 Payroll taxes	4,128,220	12,621,576	50,427	16,800,223
9. Employee relations and welfare	10,701,031	31,717,138	41,245	42,459,414
10. Insurance	173,883	967,217	1,777	1,142,877
11. Directors' fees	190	4,969	1	5,160
12. Travel and travel items	3,655,231	12,401,054	17,210	16,073,495
13. Rent and rent items	5,432,884	15,422,793	20,208	20,875,885
14. Equipment	4,408,431	12,407,899	18,491	16,834,821
15. Cost or depreciation of EDP equipment and software	4,361,132	7,235,544	5,978	11,602,654
16. Printing and stationery	872,828	3,235,274	2,548	4,110,650
17. Postage, telephone and telegraph, exchange and express	2,139,670	8,453,990	19,941	10,613,601
18. Legal and auditing	479,456	2,587,249	76,641	3,143,346
19. Totals (Lines 3 to 18)	102,682,595	281,013,658	1,172,487	384,868,740
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 623,638		50,620,226		50,620,226
20.2 Insurance department licenses and fees		2,521,913		2,521,913
20.3 Gross guaranty association assessments		(10,444,072)		(10,444,072)
20.4 All other (excluding federal and foreign income and real estate)		1,721,692		1,721,692
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		44,419,759		44,419,759
21. Real estate expenses			3,233,366	3,233,366
22. Real estate taxes			388,863	388,863
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	13,719,906	33,833,854	(742,062)	46,811,698
25. Total expenses incurred	220,433,328	687,496,974	4,052,654	(a) 911,982,956
26. Less unpaid expenses—current year	460,148,275	163,362,507	549,076	624,059,858
27. Add unpaid expenses—prior year	431,360,327	153,549,982	2,763,745	587,674,054
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)	191,645,380	677,684,449	6,267,323	875,597,152

DETAILS OF WRITE-IN LINES				
2401. Change in unallocated expense reserves	9,336,690			9,336,690
2402. Other expenses	4,383,216	33,833,854	(742,062)	37,475,008
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	13,719,906	33,833,854	(742,062)	46,811,698

(a) Includes management fees of \$ 1,281,576 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) 2,695,637	4,254,297
1.1 Bonds exempt from U.S. tax	(a) 56,456,788	53,020,581
1.2 Other bonds (unaffiliated)	(a) 107,718,006	107,035,938
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 5,067,625	5,277,036
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	6,034,120	5,512,377
2.21 Common stocks of affiliates	30,943,958	30,943,958
3. Mortgage loans	(c) 2,349,885	2,790,849
4. Real estate	(d) 4,804,396	4,804,396
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 6,834,456	7,387,461
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	4,369,340	4,369,340
10. Total gross investment income	227,274,211	225,396,233
11. Investment expenses		(g) 4,052,654
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) 674,428
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		4,727,082
17. Net investment income (Line 10 minus Line 16)		220,669,151

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	4,369,340	4,369,340
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)	4,369,340	4,369,340
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503 plus 1598) (Line 15 above)		

- (a) Includes \$ (490,527) accrual of discount less \$ 11,673,121 amortization of premium and less \$ 4,067,813 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 \$ 178,360 paid for accrued interest on purchases.
- (d) Includes \$ 4,763,026 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 186,177 accrual of discount less \$ 8,980 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 \$ 674,428 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	380,249		380,249		
1.1 Bonds exempt from U.S. tax	2,193,502		2,193,502	(144,474)	
1.2 Other bonds (unaffiliated)	(1,612,386)	(39,630,592)	(41,242,978)	(10,033,633)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	(215,820)	(34,680,250)	(34,896,070)	(1,527,181)	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	20,624,496	(36,244,694)	(15,620,198)	(50,102,048)	
2.21 Common stocks of affiliates				(8,049,588)	
3. Mortgage loans					
4. Real estate	1,197,997		1,197,997		
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets				37,824	
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	22,568,038	(110,555,536)	(87,987,498)	(69,819,100)	

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

## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	8,764,125	5,802,128	(2,961,997)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	2,212,708		(2,212,708)
13.3 Accrued retrospective premiums	1,029,614		(1,029,614)
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	168,517,503	53,393,630	(115,123,873)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software	5,006,831		(5,006,831)
19. Furniture and equipment, including health care delivery assets	1,717,769	3,060,662	1,342,893
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	201,695	40,139,519	39,937,824
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	187,450,245	102,395,939	(85,054,306)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	187,450,245	102,395,939	(85,054,306)

DETAILS OF WRITE-IN LINES			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Equities in pools and associations		1,398	1,398
2302. Other assets	201,695	40,138,121	39,936,426
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	201,695	40,139,519	39,937,824

## 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 Ohio, the accompanying financial statements of The Ohio 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 uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or market 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 market as specified by the SVO Manual.
3. Common stocks are carried at market value, except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1 C(7).
4. Preferred stocks are carried at cost or market as specified by the SVO Manual.
5. Mortgage loans are carried at unpaid principal balances less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are stated at amortized cost or market 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. The Company carries its investments in SCA companies in accordance with SSAP No. 97, *Investment in Subsidiaries, Controlled and Affiliated Entities a Replacement of SSAP No. 88*, and the SVO Manual. Schedule D Part 6-Section 1 illustrates the valuation method used for each SCA company.
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. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*.
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 2008.
13. The Company has no pharmaceutical rebate receivables.

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

- A. There were no material changes in accounting principles or corrections of errors during the year.

### **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

Not applicable

### **Note 4- Discontinued Operations**

The Company has no discontinued operations to report.

### **Note 5- Investments**

#### A. Mortgage Loans, including Mezzanine Real Estate Loans

During 2008, the company participated in direct investment in commercial mortgage loans using an experienced external manager, StanCorp Mortgage Investors.

- (1) The maximum and minimum lending rates for mortgage loans during 2008 were 7.375% and 5.25% respectively.
- (2) As of December 31, 2008 the company held commercial loans in good standing with an outstanding principal balance of \$88,153,011.
- (3) The maximum loan to value of any loan written during 2008 was 75%.
- (4) No loans had interest more than 180 days past due.
- (5) There were \$4,061 taxes, assessments or any amounts advanced and not included in the mortgage loan.
- (6) There were no impaired loans in 2008.
- (7) There was no related allowance for credit losses related to impaired loans.
- (8) There were no impaired loans in 2008.
- (9) There was no interest income recognized during the time within the period that the loan was impaired.
- (10) There were no impaired loans in 2008.
- (11)
  - a) There were no impaired loans in 2008.
  - b) There were no additions charged to operations.
  - c) There were no direct write-downs charged against the allowance.
  - d) There were no recoveries of amounts previously charged off.
  - e) The balance in the allowance for credit losses at the end of each quarter was \$0 during 2008.
- (12) The policy for recording income on impaired loans is interest-only payments received.

#### B. Troubled Debt Restructuring for Creditors

Not applicable

#### C. Reverse Mortgages

The Company has no reverse mortgages.

#### D. Loan-Backed Securities

1. The Company has elected to use historical cost for applying the retrospective adjustment method to securities.
2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
3. The Company had no negative yield situations requiring a change from the retrospective to prospective method.

#### E. Repurchase Agreements

1. The Company did not enter into any repurchase agreements during the year.
2. The Company maintained collateral for loaned securities.
  - a) For loaned securities, Company policies require a minimum of 102% of the fair value of securities loaned to be maintained as collateral.
  - b) The Company has not pledged any of its assets as collateral.
3. Aggregate amount of contractually obligated open collateral positions for which the borrower may request the return of on demand:

	Under 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Total
Fair value of open reinvested collateral positions	10,449,964	260,917	652,293	6,421,546	17,784,720



## NOTES TO FINANCIAL STATEMENTS

4. Sources of collateral are cash and securities. Cash collateral is reinvested by the lending agent in short-term securities. The Company does not reinvest securities received as collateral.

F. Real Estate

1. The Company did not incur any impairments on real estate during the year.
2. The Company does not engage in retail land sale operations.

G. Investments in Low-Income Housing Tax Credits

1. There is one year remaining of unexpired tax credits. The required holding period for the LIHTC investment is five years.
2. The Company's LIHTC property is not currently subject to any regulatory reviews.
3. The carrying value of the Company's investment in LIHTC did not exceed 10% of its admitted assets.
4. The Company did not recognize any impairment loss on its LIHTC investment during the year.
5. The Company did not write-down its LIHTC investment or reclassify the LIHTC during the year due to the forfeiture or ineligibility of tax credits.

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

- A. The Company has no investments in joint ventures, partnerships, or limited liability companies.
- B. Impairments on joint ventures, partnerships and limited liability companies

Not applicable

**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 (180 days for mortgage loans).

- B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2008.

**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 would be ancillary to the overall investment and are immaterial to the underlying investment portfolio.

**Note 9 - Income Taxes**

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

	December 31, 2008	December 31, 2007	Change
Total of gross deferred tax assets	321,444,000	175,225,123	146,218,877
Total of deferred tax liabilities	(41,542,000)	(42,227,576)	685,576
Net deferred tax asset (liability)	279,902,000	132,997,547	146,904,453
Net deferred tax asset non-admitted	(168,518,000)	(53,393,632)	(115,124,368)
Net admitted deferred tax asset (liability)	111,384,000	79,603,915	31,780,085

- B. The Company does not have any deferred tax liabilities described in SSAP No. 10, Income Taxes, paragraph 6d.

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

	2008	2007
Federal tax on operations	136,334,524	64,837,057
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	136,334,524	64,837,057
Tax on capital (losses) gains	(30,795,624)	16,904,385
Total income tax incurred	105,538,900	81,741,443

## NOTES TO FINANCIAL STATEMENTS

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, statutory non-admitted assets and unrealized gains and losses.

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

	2008
Change in net deferred income tax (without unrealized gain or loss)	115,959,509
Tax effect of unrealized (gains) losses	30,944,811
Total change in net deferred income tax	146,904,320

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax exempt interest, excludible dividend income, discounting of unpaid loss and LAE reserves, and limits on unearned premium reserve deductions.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$9,855,000 from the current year and \$20,453,000 from the preceding year.

The Company had no net loss carryforward available to offset future net income subject to Federal income taxes.

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

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

Access Insurance Services, Co.	Liberty Mutual Group Inc.
AMBCO Capital Corporation	Liberty Mutual Holding Company Inc.
America First Insurance Company	Liberty Mutual Insurance Company
America First Lloyds Insurance Company	Liberty Mutual Personal Insurance Company
American Ambassador Casualty Company	Liberty Northwest Insurance Corporation
American Economy Insurance Company*	Liberty Personal Insurance Company
American Fire & Casualty Company	Liberty RE (Bermuda) Limited
American States Insurance Company*	Liberty Sponsored Insurance (Vermont) Inc.
American States Insurance Company of Texas*	Liberty Surplus Insurance Corporation
American States Lloyds Insurance Company*	LIH U.S. P&C Corporation
American States Preferred Insurance*	LIH-RE of America Corporation
Avomark Insurance Company	LIU Specialty Insurance Agency Inc.
Berkeley Holding Company Associates, Inc.	LM General Insurance Company
Berkeley Management Corporation	LM Insurance Corporation
Bridgefield Casualty Insurance Company	LM Personal Insurance Company
Bridgefield Employers Insurance Company	LM Property & Casualty Insurance Company
Capitol Court Corporation*	LMHC Massachusetts Holdings Inc.
Capitol Agency, Inc., The (Arizona corporation)	LRE Properties, Inc.
Capitol Agency, Inc., The (Ohio corporation)	Mid-American Agency, Inc.
Capitol Agency, Inc., The (Tennessee corporation)	Mid-American Fire & Casualty Company
Cascade Disability Management, Inc.	Missouri Agency, Inc.
Colorado Casualty Insurance Company	North Pacific Insurance Company
Commercial Aviation Insurance, Inc.*	OCASCO Budget, Inc.
Companies Agency Insurance Services of California (dissolved 8/15/2008)	OCI Printing, Inc.
Companies Agency of Alabama, Inc. (dissolved 8/18/2008)	Ohio Casualty Corporation
Companies Agency of Georgia, Inc. (dissolved 8/15/2008)	Ohio Casualty of New Jersey, Inc.
Companies Agency of Kentucky, Inc. (dissolved 8/14/2008)	Ohio Life Brokerage Services, Inc.
Companies Agency of Massachusetts, Inc. (dissolved 8/29/08)	Ohio Security Insurance Company
Companies Agency of Michigan, Inc. (dissolved 8/15/2008)	Open Seas Solutions, Inc.*
Companies Agency of New York, Inc.	Oregon Automobile Insurance Company
Companies Agency of Pennsylvania, Inc.	Peerless Indemnity Insurance Company
Companies Agency of Phoenix, Inc.	Peerless Insurance Company
Consolidated Insurance Company	Pilot Insurance Services, Inc.*
Copley Venture Capital, Inc.	Rianoc Research Corporation*
Countrywide Services Corporation (dissolved 10/17/2008)	S.C. Bellevue, Inc.*
Diversified Settlements, Inc.	Safecare Company, Inc.*
Emerald City Insurance Agency, Inc.*	Safeco Corporation*
Employers Insurance Company of Wausau	Safeco General Agency, Inc.*
Excelsior Insurance Company	Safeco Insurance Company of America*
F.B. Beattie & Company, Inc.*	Safeco Insurance Company of Illinois*
First National Insurance Company of America*	Safeco Insurance Company of Indiana*
Florida State Agency, Inc.	Safeco Insurance Company of Oregon*
General America Corporation*	Safeco Lloyds Insurance Company*

## NOTES TO FINANCIAL STATEMENTS

General America Corporation of Texas *	Safeco National Insurance Company*
General Insurance Company of America*	Safeco Properties, Inc.*
Globe American Casualty Company	Safeco Surplus Lines Insurance Company*
Golden Eagle Insurance Corporation	San Diego Insurance Company
Gulf States AIF, Inc.	SCIT, Inc. *
Hawkeye-Security Insurance Company	St. James Insurance Company Ltd.
Heritage-Summit HealthCare, Inc.	State Agency, Inc. (Indiana corporation)
Indiana Insurance Company	State Agency, Inc. (Wisconsin corporation)
Insurance Company of Illinois*	Summit Consulting, Inc.
LEXCO Limited	Summit Consulting, Inc. of Louisiana
Liberty - USA Corporation	Summit Holding Southeast, Inc.
Liberty Assignment Corporation	The First Liberty Insurance Corporation
Liberty Energy Canada, Inc.	The Midwestern Indemnity Company
Liberty Financial Services, Inc.	The National Corporation
Liberty Hospitality Group, Inc.	The Netherlands Insurance Company
Liberty Insurance Company of America	The Ohio Casualty Insurance Company
Liberty Insurance Corporation	Wausau Business Insurance Company
Liberty Insurance Holdings, Inc.	Wausau General Insurance Company
Liberty Insurance Underwriters, Inc.	Wausau Service Corporation
Liberty Life Assurance Company of Boston	Wausau Underwriters Insurance Company
Liberty Life Holdings, Inc.	West American Insurance Company
Liberty Lloyds of Texas Insurance Company	Winmar Company, Inc.*
Liberty Management Services, Inc.	Winmar of the Desert, Inc.*
Liberty Mexico Holdings, Inc.	Winmar Oregon, Inc.*
Liberty Mutual Fire Insurance Company	Winmar-Metro, Inc.*

\* This company joined the consolidated group in 2008 and its activity from the date it joined the group is included in the consolidated return.

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

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

- A. Ohio Casualty is a wholly owned subsidiary of Ohio Casualty Corporation, an Ohio insurance holding company, who is owned by Liberty Mutual Insurance Company (78%), a Massachusetts insurance company, Liberty Mutual Fire Insurance Company (6%), a Wisconsin insurance company, Employers insurance Company of Wausau (8%), a Wisconsin insurance company and Peerless Insurance Company (8%), a New Hampshire insurance company. Ohio Casualty owns 100% of its insurance subsidiaries West American Insurance Company, American Fire and Casualty Company, Ohio Security Insurance Company, Avomark Insurance Company and Ohio Casualty of New Jersey, Inc.
- B. Transactions between the Company and its affiliates are described in Schedule Y Part 2.
- During 2008, the Company received a ordinary dividend from insurance subsidiaries in the amount of \$30,943,958.
- C. Refer to Notes 10F, 22 and 25.
- D. At December 31, 2008, the Company reported \$20,513,593 due to affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated an undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.
- F. Refer to Note 25 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

Effective August 24, 2007 the Company was added as a party to an existing service agreement (the "Agreement") with Peerless Insurance Company and other affiliates. The Agreement allows parties to the Agreement to provide services related to common management functions including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resources services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

Effective August 24, 2007 the Company was added as a party to existing investment management agreements with LMIC and Liberty Mutual Investment Advisors LLC ("LMIA"). Under these agreements, LMIC and LMIA provide investment management services to the Company.

The Company was added as a party to an existing cash management agreement with LMIA effective August 24, 2007.

The Company entered into a management services agreement, effective August 24, 2007 with LMIC. Under the agreement, LMIC may provide services related to common management functions including, but not limited to, accounting, financial,

## NOTES TO FINANCIAL STATEMENTS

tax and auditing, information technology and support, purchasing, payroll and employee benefits, policy administration, real estate management, legal, general administration, as well as consulting and other services as the parties may request.

The Company is party to a Federal Tax Sharing Agreement between LMIC and affiliates (see Note 9F).

The Company entered into an agreement for a loan or extension of credit effective January 10, 2008; namely a revolving credit agreement under which the Company may borrow up to \$130,000,000 from LMIC. The purpose of the extension of credit is for operating liquidity to accommodate fluctuations in daily cash flow and to promote efficient management of investments. As of December 31, 2008, there have been no drawings under this agreement.

- G. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of an upstream company, either directly or indirectly.
- I. The Company has no investments in SCA companies greater than 10% of its admitted assets.
- J. The Company did not recognize any impairment write down for its SCA companies during the statement period.
- K. The Company does not hold investments in foreign subsidiaries.
- L. Investments in downstream non-insurance holding companies

The Company did not utilize the look-through approach for the valuation of its downstream non-insurance holding companies.

### **Note 11- Debt**

- A. Capital Notes  
Not applicable
- B. All Other Debt  
Not applicable

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

The Company does not have any direct employees and therefore, does not have any direct obligations for a defined benefit plan, deferred compensation arrangements, compensated absences or other post retirement benefit plans. Services for the operation of the Company are provided under provisions of the management service agreements as described in Note 10 F.

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

- 1. Common Stock  
The Company has 1,000,000 shares authorized, and 900,000 shares issued and outstanding as of December 31, 2008. All shares have a stated par value of \$5.
- 2. Preferred Stock  
Not applicable
- 3. Dividend Restrictions  
The Company has no dividend restrictions.
- 4. The Company paid an ordinary dividend of \$141,832,863 in June. The Company paid extraordinary dividends of \$130,000,000 and \$75,000,000 in June and December respectively.
- 5. The maximum amount of dividends that can be paid by Ohio-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, or (b) net income. The maximum dividend payout that may be made without prior approval in 2009 is \$103,540,504.
- 6. The Company does not have restricted unassigned surplus.
- 7. The Company had no advances to surplus.
- 8. The Company did not hold stock for special purposes.
- 9. The Company had no changes in special surplus funds.
- 10. The portion of unassigned funds (surplus) represented by cumulative unrealized gains is \$113,187,375 after applicable deferred taxes of (\$269,621).

## NOTES TO FINANCIAL STATEMENTS

## 11. Surplus Notes

Not applicable

## 12. Quasi re-organization (dollar impact)

Not applicable

## 13. Quasi re-organization (effective date)

Not applicable

**Note 14- Contingencies**

## A. Contingent Commitments

The Company has made no commitments or contingent commitments to affiliates except as indicated in Note 10 E. The Company has made no guarantees on behalf of affiliates.

## B. Assessments

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

The Company has accrued a liability for guaranty funds and other assessments of \$22,283,359 that is offset by future premium tax credits of \$2,691,806. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2008

During 2008 there were no material insolvencies to report. The company continues to remit payments relating to prior year insolvencies.

## C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$2,847,020

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

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

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

( f ) Per Claim [ x ]

( g ) Per Claimant [ ]

## E. 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.

## NOTES TO FINANCIAL STATEMENTS

### **Note 15- Leases**

- A. The following is a schedule of the Company's minimum lease obligations under these agreements for the next five years:

Year(s)	Operating Lease Arrangements
2009	\$5,090,128
2010	5,129,514
2011	4,357,876
2012	2,708,757
2013	1,617,327
2014 & thereafter	7,187,892
Total	<u>\$26,091,494</u>

- B. Leasing as a significant part of lessor's business activities

Not applicable

### **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 with concentrations of credit risk.

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

- A. The Company did not sell premium receivables.

- B. Transfers and servicing of financial assets:

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income and mortgage backed securities are loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. The Company does not participate in term loans; therefore, the Company does not have contractual collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of 102% of the fair value of the loaned securities. Acceptable collateral may be in the form of cash, Agency and U.S. Government securities. The fair value of the loaned securities is monitored and additional collateral is obtained if the fair value of the collateral falls below 102% of the fair value of the loaned securities. Additionally, the lending agent indemnifies the Company against borrower defaults. Cash collateral is carried as an asset with an offsetting liability on the balance sheet, as the Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company.

At December 31, 2008 the total fair value of securities on loan was \$17,213,751 with corresponding collateral value of \$18,031,481 of which \$17,784,720 represents cash collateral.

- C. Wash Sales

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

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

- A. Administrative Services Only (ASO) Plans

Not applicable

- B. Administrative Services Contract (ASC) Plans

Not applicable

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

Not applicable

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

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

### **Note 20- Other Items**

- A. The Company has no extraordinary items to report.

- B. Troubled Debt Restructuring for Debtors

Not applicable

## NOTES TO FINANCIAL STATEMENTS

### C. Other Disclosures

1) Assets in the amount of \$9,520,687 and \$9,090,977 as of December 31, 2008 and 2007, respectively, were on deposit with government authorities or trustees as required by law.

D. The Company routinely assesses the collectibility of its premium receivable. Based upon Company experience, amounts in excess of non-admitted amounts are not believed to be material.

### E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

### F. State Transferable Tax Credits

The Company does not hold transferable state tax credits.

G. The Company does not have exposure to sub-prime mortgage related risk.

H. The Company has not entered into Federal Home Loan Bank Agreements.

### **Note 21- Events Subsequent**

There were no events subsequent to December 31, 2008 which would require disclosure.

### **Note 22- Reinsurance**

A. Excluding amounts arising pursuant to the inter-company Reinsurance Agreement, as described in Note 25, there are no unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus.

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

### C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2008.

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net Reinsurance</u>	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$860,020,840	\$59,031,047		\$36,232,599	\$620,881,707	\$22,798,448
			\$239,139,133			
All Other	0	0	0	0	0	0
Total	\$860,020,840	\$59,031,047	\$239,139,133	\$36,232,599	\$620,881,707	\$22,798,448

Direct unearned premium reserve \$239,139,133

2. Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2008 are as follows:

Direct	\$11,030,923
Assumed	48,583,624
Ceded	(11,030,923)
Net	<u>\$48,583,624</u>

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

D. The Company did not write off any uncollectible balances in 2008.

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

## NOTES TO FINANCIAL STATEMENTS

- F. The Company has one assumed retroactive contract that transferred liabilities for losses that had already occurred. The impact of the Inter-Company Reinsurance Agreement is also shown.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	\$172,852,847	\$0
	2. Adjustment – Prior Year(s)	(124,443,792)	0
	3. Adjustment – Current Year	(5,764,057)	0
	4. Total	42,644,998	
b.	Consideration Paid or Received:		
	1. Initial Reserves	172,852,847	0
	2. Adjustment – Prior Year(s)	5,063,474	0
	3. Adjustment – Current Year		0
	4. Total	177,916,321	0
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	0	0
	2. Adjustment – Prior Year(s)	152,300,639	0
	3. Adjustment – Current Year	5,080,185	0
	4. Total	157,380,824	0
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	0	0
	2. Adjustment – Prior Year(s)	(22,793,373)	0
	3. Adjustment – Current Year	683,872	0
	4. Total		0
	5. Cumulative Total Transferred to Unassigned Funds	(22,109,501)	0
e.	Other insurers included in the above transactions:		
	Peerless Insurance Company, 24198	\$42,644,998	\$0

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

- F. There are no contracts recorded as deposit accounting.

### **Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination**

- A. The Company estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing case-base loss development with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium.
- B. Accrued retrospective premiums are recorded as a component of written premiums.
- C. For detail of net premium written subject to retrospective rating features see Schedule P - Part 7A.
- A. Ten percent of the amount not offset by retrospective return premiums or collateral has been designated non-admitted and charged to surplus.

a. Total accrued retro premium	\$11,451,456
b. Less: Non-admitted amount	<u>1,029,614</u>
c. Admitted amount	<u>10,421,842</u>

### **Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses**

Incurred loss and loss adjustment expense attributed to insured events of prior years has decreased during 2008, primarily as a result of improving loss trends in the Commercial Multiple Peril, Commercial Auto Liability, Workers' Compensation, Other Liability, and Private Passenger Auto Liability lines of business. Prior estimates are revised as additional information becomes known regarding individual claims.



## NOTES TO FINANCIAL STATEMENTS

### Note 25- Intercompany Pooling Arrangements

The Company is a member of the PIC Amended and Restated Reinsurance Pooling Agreement consisting of the following affiliated companies:

		NAIC Co. #	Pooling %	Lines of Business
Lead Company	Peerless Insurance Company (PIC)	24198	42.00%	All Lines
Affiliated Pool Companies:	Peerless Indemnity Insurance Company (PIIC)	18333	5.00%	All Lines
	Golden Eagle Insurance Corporation (GEIC)	10836	7.00%	All Lines (Except WC)
	Indiana Insurance Company (IIC)	22659	8.00%	All Lines
	The Netherlands Insurance Company (NIC)	24171	3.00%	All Lines
	American Fire and Casualty Company (AFCC)	24066	1.00%	All Lines
	The Ohio Casualty Insurance Company (OCIC)	24074	34.00%	All Lines
	Avomark Insurance Company (AIC)	10798	0.00%	All Lines
	American Ambassador Casualty Company (AACC)	10073	0.00%	All Lines
	America First Insurance Company (AFIC)	12696	0.00%	All Lines
	America First Lloyd's Insurance Company (AFLIC)	11526	0.00%	All Lines
	Colorado Casualty Insurance Company (CCIC)	41785	0.00%	All Lines
	Consolidated Insurance Company (CIC)	22640	0.00%	All Lines
	Excelsior Insurance Company (EIC)	11045	0.00%	All Lines
	Globe American Casualty Company (GACC)	11312	0.00%	All Lines
	Hawkeye-Security Insurance Company (HSIC)	36919	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company (LMMAIC)	14486	0.00%	All Lines
	Mid-American Fire & Casualty Company (MAFCC)	23507	0.00%	All Lines
	Montgomery Mutual Insurance Company (MMC)	14613	0.00%	All Lines
	The Midwestern Indemnity Insurance Company (MWIC)	23515	0.00%	All Lines
	National Insurance Association (NIA)	27944	0.00%	All Lines
	Ohio Casualty of New Jersey, Inc. (OCNJ)	10937	0.00%	All Lines
	Ohio Security Insurance Company (OSIC)	24082	0.00%	All Lines
	West American Insurance Company (WAIC)	44393	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Liberty Northwest Insurance Corporation (LNW)	41939	0.00%	All Lines
	Bridgefield Casualty Insurance Company (BCIC)	10335	0.00%	All Lines
	Bridgefield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
	North Pacific Insurance Company (NPIC)	23892	0.00%	All Lines
	Oregon Automobile Insurance Company (OAIC)	23922	0.00%	All Lines

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

- (a) Each Affiliated Pool Company cedes its net underwriting activity to the Lead Company.
- (b) Each 100% Quota Share Affiliated Company cedes its net underwriting activity to the Lead Company.
- (c) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (d) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- (e) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement that have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- (f) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- (g) The write-off of uncollectible reinsurance is pooled and the Provision for Reinsurance is recognized by the entity placing the outbound external reinsurance.
- (h) At December 31, 2008, the Company had \$2,280,000 due from the lead company in the Peerless Pool.

Effective January 1, 2008, the PIC Amended and Restated Reinsurance Pooling Agreement was amended to adjust pooling percentages and add the affiliates noted below. Concurrently, each company noted below terminated their existing inter-company reinsurance agreements.

American Fire and Casualty Company  
Avomark Insurance Company

## NOTES TO FINANCIAL STATEMENTS

National Insurance Association  
Ohio Casualty of New Jersey, Inc.  
Ohio Security Insurance Company  
The Ohio Casualty Insurance Company  
West American Insurance Company

Effective January 1, 2008 Bridgefield Employers Insurance Company and Bridgefield Casualty Insurance Company novated their 100% quota share agreements with Liberty Mutual Insurance Company to substitute PIC as the reinsurer.

Effective January 1, 2009, the PIC Amended and Restated Reinsurance Pooling Agreement was amended to adjust pooling percentages and add the affiliates noted below. Concurrently, each company noted below terminated their existing inter-company reinsurance agreements.

American Economy Insurance Company  
American States Insurance Company  
American States Insurance Company of Texas  
American States Lloyds Insurance Company  
American States Preferred Insurance Company  
First National Insurance Company of America  
General Insurance Company of America  
Insurance Company of Illinois  
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 Surplus Lines Insurance Company

Therefore, effective January 1, 2009, the PIC Amended and Restated Reinsurance Pooling Agreement consisted of the following affiliated companies:

		<u>NAIC Co. #</u>	<u>Pooling %</u>	<u>Lines of Business</u>
Lead Company	Peerless Insurance Company	24198	25.20%	All Lines
Affiliated Pool Companies:	America First Insurance Company	12696	0.00%	All Lines
	America First Lloyd's Insurance Company	11526	0.00%	All Lines
	American Ambassador Casualty Company	10073	0.00%	All Lines
	Colorado Casualty Insurance Company	41785	0.00%	All Lines
	Consolidated Insurance Company	22640	0.00%	All Lines
	Excelsior Insurance Company	11045	0.00%	All Lines
	Globe American Casualty Company	11312	0.00%	All Lines
	Golden Eagle Insurance Corporation	10836	3.00%	All Lines (Except WC)
	Hawkeye-Security Insurance Company	36919	0.00%	All Lines
	Indiana Insurance Company	22659	4.80%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company	14486	0.00%	All Lines
	Mid-American Fire & Casualty Company	23507	0.00%	All Lines
	The Midwestern Indemnity Company	23515	0.00%	All Lines
	Montgomery Mutual Insurance Company	14613	0.00%	All Lines
	The Netherlands Insurance Company	24171	1.80%	All Lines
	Peerless Indemnity Insurance Company	18333	3.00%	All Lines
	National Insurance Association	27944	0.00%	All Lines
	The Ohio Casualty Insurance Company	24074	20.40%	All Lines
	Avomark Insurance Company	10798	0.00%	All Lines
	West American Insurance Company	44393	0.00%	All Lines
	American Fire and Casualty Company	24066	0.60%	All Lines
	Ohio Security Insurance Company	24082	0.00%	All Lines
	Ohio Casualty of New Jersey, Inc.	10937	0.00%	All Lines
	Insurance Company of Illinois (ICI)	26700	0.00%	All Lines
	Safeco Insurance Company of Illinois (SICIL)	39012	2.00%	All Lines
	American Economy Insurance Company (AEIC)	19690	5.60%	All Lines
	American States Insurance Company (ASIC)	19704	7.60%	All Lines
	American States Preferred Insurance Company (ASPIC)	37214	0.80%	All Lines
	Safeco Insurance Company of Indiana (SICIN)	11215	0.00%	All Lines
	Safeco National Insurance Company (SNIC)	24759	0.00%	All Lines
	Safeco Insurance Company of Oregon (SICO)	11071	0.00%	All Lines
	American States Lloyds Insurance Company (ASLIC)	31933	0.00%	All Lines

## NOTES TO FINANCIAL STATEMENTS

	Safeco Lloyds Insurance Company (SLIC)	11070	0.00%	All Lines
	First National Insurance Company of America (FNICA)	24724	0.80%	All Lines
	General Insurance Company of America (GICA)	24732	9.20%	All Lines
	Safeco Insurance Company of America (SICA)	24740	15.20%	All Lines
	Safeco Surplus Lines Insurance Company (SSLIC)	11100	0.00%	All Lines
	American States Insurance Company of Texas (ASICT)	19712	0.00%	All Lines
			100.00%	
100% Quota				
Share Affiliated				
Companies:				
	Liberty Northwest Insurance Corporation (LNW)	41939	0.00%	All Lines
	Bridgefield Casualty Insurance Company (BCIC)	10335	0.00%	All Lines
	Bridgefield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
	North Pacific Insurance Company (NPIC)	23892	0.00%	All Lines
	Oregon Automobile Insurance Company (OAIC)	23922	0.00%	All Lines

### **Note 26- Structured Settlements**

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$19,144,715 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$19,144,715 as of December 31, 2008.
- B. Not applicable

### **Note 27 - Health Care Receivables**

Not applicable

### **Note 28 - Participating Policies**

Not applicable

### **Note 29 – Premium Deficiency Reserves**

As of December 31, 2008, the Company had no liabilities related to premium deficiency reserves. The Company considers anticipated investment income when calculating its premium deficiency reserves.

### **Note 30- High Dollar Deductible Policies**

The Company does not have any high deductible policies.

### **Note 31- Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses**

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 3.5%. The December 31, 2008 liabilities subject to discount were carried at a value representing a discount of \$39,258,433 net of all reinsurance.

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

### **Note 32 - Asbestos/Environmental Reserves**

The Company has exposure to asbestos and environmental claims which 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 basis reserves for anticipated losses and bulk reserves for loss adjustment expenses and incurred but not reported losses. The Company maintained casualty excess of loss reinsurance during the relevant periods. The reserves are reported net of expected recoveries from 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 insured's with potential exposure, (vi) the cost to resolve claims, and (vii) the collectibility of reinsurance.

The uncertainties associated with establishing reserves for asbestos and environmental losses and loss 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

## NOTES TO FINANCIAL STATEMENTS

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.

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

### 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 upon historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment.

### 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.

As a direct result of the significant uncertainties associated with estimating its asbestos and environmental exposures and establishing appropriate levels of reserves, the ultimate liability of the Company for asbestos and environmental exposures may vary materially from the reserves currently recorded. The Company and other industry members have and will continue to litigate the broadening judicial interpretation of policy coverage and the liability issues. If the courts continue to expand the scope of the coverage provided, additional liabilities could emerge for amounts in excess of reserves held. This emergence, as well as the other uncertainties noted above, cannot now be reasonably estimated, but could have a material impact on the Company's future operating results, and financial condition.

The table below summarizes reserve and loss activity for the Company's asbestos and environmental loss and loss adjustment expenses for each of the five most recent calendar years. Gross reserves for both asbestos and environmental are representative of the companies included in note 25. Net reserves for asbestos and environmental are allocated based on the Company's Inter-company Reinsurance Agreement, as discussed in Note 25.

### **Asbestos:**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Direct Basis</b>					
Beginning Reserves	18,634,674	19,073,369	21,207,837	22,089,539	18,426,388
Incurred losses and LAE	2,067,567	3,972,434	2,187,529	(1,413,030)	974,854
Calendar year payments	1,628,872	1,837,966	1,305,827	1,570,112	1,517,329
Ending Reserves	<u>19,073,369</u>	<u>21,207,837</u>	<u>22,089,539</u>	<u>19,106,397</u>	<u>17,883,913</u>
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	830,559	525,082	3,048,814	2,696,613	4,361,374
Incurred losses and LAE	145,494	2,711,514	(318,419)	91,973	398,771
Calendar year payments	450,971	187,782	33,782	122,071	623,237
Ending Reserves	<u>525,082</u>	<u>3,048,814</u>	<u>2,696,613</u>	<u>2,666,515</u>	<u>4,136,908</u>
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	15,257,786	14,912,457	18,053,849	18,608,141	17,135,473
Incurred losses and LAE	1,373,019	5,148,821	1,532,720	(939,875)	2,080,602
Calendar year payments	1,718,348	2,007,429	978,428	1,570,501	1,862,082
Ending Reserves	<u>14,912,457</u>	<u>18,053,849</u>	<u>18,608,141</u>	<u>16,097,765</u>	<u>17,353,993</u>
<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>					
Direct Basis					14,382,892
Assumed Reinsurance Basis					2,315,172
Net of Ceded Reinsurance Basis					15,226,202
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>					
Direct Basis					6,507,745
Assumed Reinsurance Basis					-
Net of Ceded Reinsurance Basis					6,340,992

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b><u>Environmental:</u></b>					
<b>Direct Basis</b>					
Beginning Reserves	18,162,820	22,687,524	24,470,308	24,627,097	29,079,486
Incurred losses and LAE	6,670,942	4,741,700	4,089,392	17,396,987	1,008,591
Calendar year payments	2,146,238	2,958,916	3,932,603	4,820,175	5,992,731
Ending Reserves	<u>22,687,524</u>	<u>24,470,308</u>	<u>24,627,097</u>	<u>37,203,909</u>	<u>24,095,346</u>

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**NOTES TO FINANCIAL STATEMENTS**


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**Assumed Reinsurance Basis**

Beginning Reserves	2,032,834	1,873,346	2,523,460	2,298,223	2,143,033
Incurring losses and LAE	36,374	703,408	60,678	94,766	(253,778)
Calendar year payments	195,862	53,294	285,915	35,687	20,310
Ending Reserves	1,873,346	2,523,460	2,298,223	2,357,302	1,868,945

**Net of Ceded Reinsurance Basis**

Beginning Reserves	19,810,463	23,021,730	24,070,981	23,857,950	29,910,783
Incurring losses and LAE	5,756,766	3,975,278	3,495,326	18,928,240	(1,656,012)
Calendar year payments	2,545,499	2,926,027	3,708,357	4,297,642	5,860,558
Ending Reserves	23,021,730	24,070,981	23,857,950	38,488,548	22,394,213

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

Direct Basis	19,680,393
Assumed Reinsurance Basis	1,428,904
Net of Ceded Reinsurance Basis	18,151,893

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

Direct Basis	3,349,841
Assumed Reinsurance Basis	-
Net of Ceded Reinsurance Basis	3,650,932

Upon entering the PIC Pool, effective January 1, 2008 (refer to Note 25), the Ohio Casualty Companies' asbestos and environmental claims coding was revised to reflect the definition employed by the Peerless "Pool", which is consistent with industry practice. As a result, the 2007 ending balances for asbestos and environmental reserves, which is the sum of the former PIC Pool's amounts and the Ohio Casualty Companies' Pool amounts, differ from the 2008 beginning balances, which reflect a single common definition.

**Note 33- Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 34 - Multiple Peril Crop 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? \_\_\_\_\_ Ohio \_\_\_\_\_
- 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: \_\_\_\_\_ 01/01/2008 \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. \_\_\_\_\_ 12/31/2005 \_\_\_\_\_
- 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. \_\_\_\_\_ 12/31/2005 \_\_\_\_\_
- 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). \_\_\_\_\_ 10/05/2006 \_\_\_\_\_
- 3.4 By what department or departments?  
Ohio 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. \_\_\_\_\_

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

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

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

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

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

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

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

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

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

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

10. 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 M. Finn, FCAS, MAAA  
 62 Maple Avenue, Keene, NH 03431  
 Vice President & Chief Actuary of Liberty Mutual Agency Markets  
 .....

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

11.11 Name of real estate holding company \_\_\_\_\_  
 11.12 Number of parcels involved \_\_\_\_\_  
 11.13 Total book/adjusted carrying value \$ \_\_\_\_\_

11.2 If yes, provide explanation:

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

## GENERAL INTERROGATORIES

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

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

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

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes  No

12.3 Have there been any changes made to any of the trust indentures during the year?

Yes  No

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes  No  N/A

13.1 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

13.11 If the response to 13.1 is no, please explain:

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

13.2 Has the code of ethics for senior managers been amended?

Yes  No

13.21 If the response to 13.2 is yes, provide information related to amendment(s).

Liberty Mutual Group's Code of Business Ethics and Conduct was revised effective March 2008. It continues to contain all substantive areas of company policy and requirements included in the prior Code, but has been rewritten to enhance clarity and readability and provide additional practical guidance. This applies to all Liberty Mutual Group companies.

.....

13.3 Have any provisions of the code of ethics been waived for any of the specified officers?

Yes  No

13.31 If the response to 13.3 is yes, provide the nature of any waiver(s).

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

## BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes  No

15. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes  No

16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes  No

## FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes  No

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

18.11 To directors or other officers	\$	0
18.12 To stockholders not officers	\$	0
18.13 Trustees, supreme or grand (Fraternal only)	\$	0



## GENERAL INTERROGATORIES

- 18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- |   |          |   |
|---|----------|---|
| 18.21 To directors or other officers              | \$ _____ | 0 |
| 18.22 To stockholders not officers                | \$ _____ | 0 |
| 18.23 Trustees, supreme or grand (Fraternal only) | \$ _____ | 0 |
- 19.1 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]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- |                            |          |  |
|----------------------------|----------|--|
| 19.21 Rented from others   | \$ _____ |  |
| 19.22 Borrowed from others | \$ _____ |  |
| 19.23 Leased from others   | \$ _____ |  |
| 19.24 Other                | \$ _____ |  |
- 20.1 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]
- 20.2 If answer is yes:
- |  |          |  |
|--|----------|--|
| 20.21 Amount paid as losses or risk adjustment | \$ _____ |  |
| 20.22 Amount paid as expenses                  | \$ _____ |  |
| 20.23 Other amounts paid                       | \$ _____ |  |
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ \_\_\_\_\_

## INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 22.3)? Yes [X] No [ ]
- 22.2 If no, give full and complete information relating thereto:  
 .....  
 .....  
 .....
- 22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)  
 Please reference Note 17B .....  
 .....  
 .....
- 22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [X] No [ ]
- 22.5 If answer to 22.4 is yes, report amount of collateral. \$ \_\_\_\_\_ 18,031,481
- 22.6 If answer to 22.4 is no, report amount of collateral. \$ \_\_\_\_\_
- 23.1 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 19.1 and 22.3.) Yes [X] No [ ]
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- |  |          |            |
|--|----------|------------|
| 23.21 Subject to repurchase agreements                 | \$ _____ |            |
| 23.22 Subject to reverse repurchase agreements         | \$ _____ |            |
| 23.23 Subject to dollar repurchase agreements          | \$ _____ |            |
| 23.24 Subject to reverse dollar repurchase agreements  | \$ _____ |            |
| 23.25 Pledged as collateral                            | \$ _____ | 77,568,022 |
| 23.26 Placed under option agreements                   | \$ _____ |            |
| 23.27 Letter stock or securities restricted as to sale | \$ _____ |            |
| 23.28 On deposit with state or other regulatory body   | \$ _____ | 9,520,687  |
| 23.29 Other  | \$ _____ | 0          |

## GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes  No

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

25.1 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

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

26. 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 3, III Conducting Examinations, F – Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes  No

26.01 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	3 Chase Metro Tech Center, 6th Floor, Brooklyn, NY 11245
US Bank Corporate Trust Services	21 South Street, 3rd Floor, Morristown, NJ 07960

26.02 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)

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes  No

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

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

26.05 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(s)	3 Address
N/A	Liberty Mutual Insurance Company	175 Berkeley St., Boston, MA 02116
N/A	Liberty Mutual Investment Advisors, LL	175 Berkeley St., Boston, MA 02116
N/A	Stancorp Mortgage Investors	1100 SW Sixth Avenue, Portland, OR 97204

27.1 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

## GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....	.....	0
.....	.....	0
.....	.....	0
<b>27.2999 TOTAL</b>		<b>0</b>

27.3 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	.....

28. 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 (+)
28.1 Bonds	3,495,760,674	3,381,441,092	(114,319,582)
28.2 Preferred stocks	45,737,975	45,737,975	0
<b>28.3 Totals</b>	<b>3,541,498,649</b>	<b>3,427,179,067</b>	<b>(114,319,582)</b>

28.4 Describe the sources or methods utilized in determining the fair values:  
IDC, Bloomberg, NAIC-SVO, Broker Quotes, Analytically Determined.

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

Yes  No

29.2 If no, list exceptions:

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

### OTHER

30.1 Amount of payments to Trade associations, service organizations and statistical or Rating Bureaus, if any?

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

30.2 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

31.1 Amount of payments for legal expenses, if any?

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

31.2 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

## GENERAL INTERROGATORIES

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

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

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

1 Name	2 Amount Paid
	0
	0
	0

# GENERAL INTERROGATORIES

## PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

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. \$ \_\_\_\_\_

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ \_\_\_\_\_

1.62 Total incurred claims \$ \_\_\_\_\_

1.63 Number of covered lives \_\_\_\_\_

All years prior to most current three years:

1.64 Total premium earned \$ \_\_\_\_\_

1.65 Total incurred claims \$ \_\_\_\_\_

1.66 Number of covered lives \_\_\_\_\_

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ \_\_\_\_\_

1.72 Total incurred claims \$ \_\_\_\_\_

1.73 Number of covered lives \_\_\_\_\_

All years prior to most current three years:

1.74 Total premium earned \$ \_\_\_\_\_

1.75 Total incurred claims \$ \_\_\_\_\_

1.76 Number of covered lives \_\_\_\_\_

2. Health Test:

	1		2	
	Current Year		Prior Year	
2.1 Premium Numerator	\$ 5,485		\$ 0	
2.2 Premium Denominator	\$ 2,033,633,437		\$ 0	
2.3 Premium Ratio (2.1/2.2)	0.00		0.00	
2.4 Reserve Numerator	\$ 0		\$ 0	
2.5 Reserve Denominator	\$ 3,434,726,323		\$ 0	
2.6 Reserve Ratio (2.4/2.5)	0.00		0.00	

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

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

3.21 Participating policies \$ 32,541

3.22 Non-participating policies \$ 478,839,237

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? \_\_\_\_\_

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

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

5.5 If yes, give full information  
 .....  
 .....  
 .....

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

In 2008 the Company purchased Workers' Compensation Catastrophe reinsurance separately and/or with the Liberty Mutual Group with limits of \$1,038m part of \$1,175m xs \$25m.

.....  
 .....

## 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:  
 The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, we employ RiskLink V7.0 from RMS and AIR Classic/2 v8.0 For WC, Liberty Mutual utilizes RiskLink v7.0 from RMS.
- 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?  
 The Company has in force \$700m part of \$800m xs \$50m of traditional XOL reins. Additionally, traditional XOL reins. with limits of \$20m xs \$30m was purchased for risks in the Midwest. Also, in Dec 2008 the Company purchased a 31.725% QS treaty for its US HO portfolio.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [ X ] No [ ]
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophe 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 [ X ] No [ ]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 1
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [ X ]
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [ ] No [ X ]
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
 (c) Aggregate stop loss reinsurance coverage;  
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No [ X ]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [ ] No [ X ]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [ X ]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
 (a) The entity does not utilize reinsurance; or, Yes [ ] No [ X ]  
 (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [ X ]  
 (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [ X ] No [ ]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [ X ] No [ ] N/A [ ]

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11 Unpaid losses		\$	33,102,090
12.12 Unpaid underwriting expenses (including loss adjustment expenses)		\$	2,443,644

12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 9,245,038

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

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

12.41 From		0.00
12.42 To		9.00

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 or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [X] No [ ]

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

12.61 Letters of Credit		\$	252,035,460
12.62 Collateral and other funds		\$	51,328,063

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 133,753,754

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

13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1

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

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

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

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

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

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

15.2 If yes, give full information  
 .....

16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]  
 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	\$	\$	\$	\$	\$	\$
16.12 Products	\$	\$	\$	\$	\$	\$
16.13 Automobile	\$	\$	\$	\$	\$	\$
16.14 Other*	\$	\$	\$	\$	\$	\$

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

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	\$ _____
17.19 Unfunded portion of Interrogatory 17.18	\$ _____
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$ _____
17.21 Case reserves portion of Interrogatory 17.18	\$ _____
17.22 Incurred but not reported portion of Interrogatory 17.18	\$ _____
17.23 Unearned premium portion of Interrogatory 17.18	\$ _____
17.24 Contingent commission portion of Interrogatory 17.18	\$ _____



**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
	2008	2007	2006	2005	2004
<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, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,499,009,659	654,693,919	705,595,446	881,409,918	778,946,240
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	385,503,736	220,451,992	221,276,590	279,544,517	242,832,740
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	888,761,762	456,301,607	485,421,934	631,145,450	513,480,024
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	257,107,078	62,318,215	60,672,803	71,889,136	49,096,569
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6. Total (Line 35)	3,030,382,235	1,393,765,733	1,472,966,773	1,863,989,021	1,584,355,573
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,084,558,992	603,986,106	652,947,059	819,105,475	307,389,656
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	298,867,262	219,476,939	220,381,612	279,014,715	113,090,549
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	733,095,049	451,396,385	480,617,899	627,789,910	237,517,203
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	155,607,615	60,485,129	58,459,260	69,589,720	21,976,844
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12. Total (Line 35)	2,272,128,918	1,335,344,559	1,412,405,830	1,795,499,820	679,974,252
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	60,719,680	33,433,529	94,543,462	98,940,910	26,572,649
14. Net investment gain (loss) (Line 11)	163,477,277	182,455,170	182,755,795	482,574,233	133,231,869
15. Total other income (Line 15)	(21,416,272)	(8,236,227)	(19,373,622)	(24,105,249)	(7,614,689)
16. Dividends to policyholders (Line 17)	13,276,122	982,552	1,074,907	1,238,242	574,814
17. Federal and foreign income taxes incurred (Line 19)	136,334,524	64,837,057	50,824,266	141,169,682	13,298,485
18. Net income (Line 20)	53,170,039	141,832,863	206,026,462	415,001,970	138,316,530
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	4,869,258,495	4,581,054,663	4,349,755,979	4,271,271,351	2,595,541,693
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	70,158,197	50,684,131	46,564,122	35,473,929	18,971,327
20.2 Deferred and not yet due (Line 13.2)	541,515,013	281,834,256	301,038,867	299,800,577	145,150,111
20.3 Accrued retrospective premiums (Line 13.3)	10,421,842				
21. Total liabilities excluding protected cell business (Page 3, Line 24)	3,833,853,459	3,224,622,680	3,267,058,181	3,266,726,024	1,623,501,674
22. Losses (Page 3, Line 1)	2,009,472,054	1,677,965,466	1,691,731,260	1,636,791,897	730,644,541
23. Loss adjustment expenses (Page 3, Line 3)	460,148,275	431,360,327	425,810,931	410,074,555	182,170,032
24. Unearned premiums (Page 3, Line 9)	860,020,840	608,749,439	633,754,616	645,578,755	303,753,684
25. Capital paid up (Page 3, Lines 28 & 29)	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
26. Surplus as regards policyholders (Page 3, Line 35)	1,035,405,036	1,356,431,987	1,082,717,796	1,004,545,315	972,040,019
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	535,695,407	90,829,372	282,882,523	1,766,159,164	184,845,709
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	1,035,405,036	1,356,431,987	1,082,717,796	1,004,545,315	972,040,019
29. Authorized control level risk-based capital	197,975,511	208,590,041	190,041,651	180,248,168	141,812,866
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	78.2	79.2	77.5	81.7	62.7
31. Stocks (Lines 2.1 & 2.2)	10.3	16.6	21.1	18.0	37.0
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	2.2				
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.4	0.5	0.7	0.7	1.1
34. Cash, cash equivalents and short-term investments (Line 5)	8.9	3.8	0.5	(0.4)	(0.8)
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)	0.0				
37. Receivables for securities (Line 8)	0.0		0.3	0.1	
38. Aggregate write-ins for invested assets (Line 9)					
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)	340,068,880	348,118,468	354,290,617	322,750,686	695,339,192
43. Affiliated short-term investments (Schedule DA Verification, Col. 5, Line 10)					
44. Affiliated mortgage loans on real estate					
45. All other affiliated					
46. Total of above Lines 40 to 45	340,068,880	348,118,468	354,290,617	322,750,686	695,339,192
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)	32.8	25.7	32.7	32.1	71.5

**FIVE – YEAR HISTORICAL DATA****(Continued)**

	1	2	3	4	5
	2008	2007	2006	2005	2004
<b>Capital and Surplus Accounts (Page 4)</b>					
48. Net unrealized capital gains (losses) (Line 24)	(38,874,289)	(27,360,394)	42,333,892	(379,125,972)	63,282,224
49. Dividends to stockholders (Line 35)	(346,832,863)	(95,000,000)	(195,000,000)	(138,300,000)	(86,700,000)
50. Change in surplus as regards policyholders for the year (Line 38)	(321,026,959)	273,714,190	78,172,500	32,505,297	104,413,193
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	(159,624,587)	390,970,421	402,980,363	(239,664,290)	416,063,475
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	75,300,981	106,598,704	103,496,831	102,937,735	109,513,657
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	250,610,555	206,814,784	216,516,744	20,807,189	222,224,673
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(23,805,678)	5,544,512	8,688,831	6,181,667	11,435,743
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	(251,170)				
56. Total (Line 35)	142,230,101	709,928,421	731,682,769	(109,737,699)	759,237,548
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	322,738,527	330,592,437	340,961,213	(292,634,458)	165,211,086
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	131,411,692	106,891,886	103,118,442	102,144,929	50,497,048
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	300,317,753	205,698,729	213,937,452	19,668,672	99,556,918
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(20,739,928)	4,625,604	5,926,310	2,784,129	2,649,519
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	(251,170)				
62. Total (Line 35)	733,476,874	647,808,656	663,943,417	(168,036,728)	317,914,571
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	52.4	46.6	51.0	50.7	52.9
65. Loss expenses incurred (Line 3)	10.8	11.4	10.8	10.8	10.7
66. Other underwriting expenses incurred (Line 4)	33.8	39.5	31.6	31.7	32.8
67. Net underwriting gain (loss) (Line 8)	3.0	2.5	6.6	6.8	3.9
<b>Other Percentages</b>					
68. 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)	31.2	40.9	33.2	27.0	33.4
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	63.2	58.0	61.8	61.5	63.6
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)	219.4	98.4	130.5	178.7	70.0
<b>One Year Loss Development (000 omitted)</b>					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(181,011)	(135,058)	(68,659)	(31,708)	(10,527)
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)	(13.3)	(12.5)	(6.8)	(3.3)	(1.2)
<b>Two Year Loss Development (000 omitted)</b>					
73. 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)	(312,691)	(156,266)	(82,286)	(29,019)	24,766
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	(28.9)	(15.6)	(8.5)	(3.3)	3.4

**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	20,841	2,936	4,904	461	2,686	471	457	24,563	X X X
2. 1999	1,323,453	125,896	1,197,557	915,793	120,809	64,183	7,490	104,982	10,877	41,990	945,782	X X X
3. 2000	1,312,848	122,729	1,190,119	904,593	107,308	68,169	7,244	96,748	6,391	45,206	948,567	X X X
4. 2001	1,358,957	125,486	1,233,471	848,112	104,505	62,437	3,730	94,505	6,940	46,698	889,879	X X X
5. 2002	1,633,975	262,432	1,371,543	894,030	152,589	61,167	9,227	86,274	10,616	40,611	869,039	X X X
6. 2003	1,806,702	233,630	1,573,072	861,245	130,621	59,494	6,987	107,344	11,322	41,293	879,153	X X X
7. 2004	1,902,861	155,177	1,747,684	786,266	56,258	47,197	2,898	102,124	5,041	42,624	871,390	X X X
8. 2005	2,012,923	109,008	1,903,915	782,339	52,326	49,840	2,649	108,841	3,659	37,100	882,386	X X X
9. 2006	2,076,729	91,208	1,985,521	735,926	23,256	37,085	1,036	109,621	5,401	28,772	852,939	X X X
10. 2007	2,080,325	62,097	2,018,228	655,994	10,812	25,907	783	105,947	3,185	13,719	773,068	X X X
11. 2008	2,095,569	61,937	2,033,632	525,448	20,158	11,798	25	94,484	1,912	808	609,635	X X X
12. Totals	X X X	X X X	X X X	7,930,587	781,578	492,181	42,530	1,013,556	65,815	339,278	8,546,401	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	109,314	32,888	104,331	39,391	1,914	114	18,428	5,900	11,733	963	2,941	166,464	X X X
2. 1999	26,414	8,707	10,860	3,923	181		3,114	777	2,467	599	378	29,030	X X X
3. 2000	24,801	7,757	10,591	3,705	674	1	3,021	653	2,547	470	441	29,048	X X X
4. 2001	18,810	8,054	19,419	4,942	427	8	5,289	827	2,836	396	788	32,554	X X X
5. 2002	35,328	11,761	21,691	6,830	781	104	8,718	1,033	3,245	148	888	49,887	X X X
6. 2003	34,124	5,160	42,011	7,851	704	13	12,942	1,200	4,926	30	1,247	80,453	X X X
7. 2004	53,696	9,029	67,366	10,185	745	1	17,631	1,450	6,782	2	1,676	125,553	X X X
8. 2005	94,904	8,503	84,739	12,278	1,158		28,248	1,902	10,476		2,960	196,842	X X X
9. 2006	141,492	11,419	148,514	20,141	2,072		48,908	2,924	17,095	2	4,095	323,595	X X X
10. 2007	244,610	7,657	226,048	31,953	3,315	6	77,755	4,383	30,290	19	7,845	538,000	X X X
11. 2008	335,377	11,950	427,714	8,588	5,414		87,850	747	64,178	1,050	22,198	898,198	X X X
12. Totals	1,118,870	122,885	1,163,284	149,787	17,385	247	311,904	21,796	156,575	3,679	45,457	2,469,624	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 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	141,366	25,098
2. 1999	1,127,994	153,182	974,812	85.231	121.673	81.400			34.000	24,644	4,386
3. 2000	1,111,144	133,529	977,615	84.636	108.800	82.144			34.000	23,930	5,118
4. 2001	1,051,835	129,402	922,433	77.400	103.121	74.784			34.000	25,233	7,321
5. 2002	1,111,234	192,308	918,926	68.008	73.279	66.999			34.000	38,428	11,459
6. 2003	1,122,790	163,184	959,606	62.146	69.847	61.002			34.000	63,124	17,329
7. 2004	1,081,807	84,864	996,943	56.852	54.689	57.044			34.000	101,848	23,705
8. 2005	1,160,545	81,317	1,079,228	57.655	74.597	56.685			34.000	158,862	37,980
9. 2006	1,240,713	64,179	1,176,534	59.744	70.366	59.256			34.000	258,446	65,149
10. 2007	1,369,866	58,798	1,311,068	65.849	94.687	64.961			34.000	431,048	106,952
11. 2008	1,552,263	44,430	1,507,833	74.074	71.734	74.145			34.000	742,553	155,645
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,009,482	460,142

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
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	One Year	Two Year
1. Prior	670,282	660,822	647,587	674,613	685,227	696,074	721,833	723,064	739,633	734,388	(5,245)	11,324
2. 1999	803,261	828,548	834,585	847,524	857,248	863,650	871,381	875,642	881,361	880,454	(907)	4,812
3. 2000	X X X	823,052	853,166	862,275	882,139	882,953	887,331	889,079	894,531	886,976	(7,555)	(2,103)
4. 2001	X X X	X X X	827,690	818,269	833,418	836,985	838,242	831,983	845,680	834,645	(11,035)	2,662
5. 2002	X X X	X X X	X X X	888,537	880,938	876,461	859,913	861,343	850,471	842,848	(7,623)	(18,495)
6. 2003	X X X	X X X	X X X	X X X	906,705	881,380	861,078	859,938	871,172	861,391	(9,781)	1,453
7. 2004	X X X	X X X	X X X	X X X	X X X	1,056,009	1,004,374	987,912	910,308	896,108	(14,200)	(91,804)
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	1,108,898	1,065,710	986,344	966,697	(19,647)	(99,013)
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,179,845	1,107,819	1,058,318	(49,501)	(121,527)
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,237,217	1,181,700	(55,517)	X X X
11. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,353,904	X X X	X X X
12. Totals											(181,011)	(312,691)

### 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
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		
1. Prior	000	194,543	315,209	394,566	441,219	471,458	499,953	525,132	542,783	565,131	X X X	X X X
2. 1999	389,841	582,868	675,159	743,019	784,612	813,378	827,556	838,362	845,307	851,677	X X X	X X X
3. 2000	X X X	384,748	591,339	689,333	759,756	801,817	827,279	843,002	852,130	858,210	X X X	X X X
4. 2001	X X X	X X X	378,072	566,504	653,088	717,111	750,056	773,389	788,332	802,314	X X X	X X X
5. 2002	X X X	X X X	X X X	343,468	534,389	636,239	712,977	754,596	778,027	793,381	X X X	X X X
6. 2003	X X X	X X X	X X X	X X X	361,589	549,802	644,607	711,762	759,862	783,131	X X X	X X X
7. 2004	X X X	X X X	X X X	X X X	X X X	355,423	560,949	663,593	729,731	774,307	X X X	X X X
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	378,082	593,369	702,321	777,204	X X X	X X X
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	400,523	630,892	748,719	X X X	X X X
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	416,516	670,306	X X X	X X X
11. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	517,063	X X X	X X X

### SCHEDULE P – PART 4 – SUMMARY

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Prior	232,880	170,179	119,018	112,190	108,679	88,158	78,447	64,508	65,352	91,031
2. 1999	189,067	101,671	64,425	44,756	29,308	25,619	18,695	16,817	13,347	10,889
3. 2000	X X X	202,560	120,532	83,386	56,596	40,073	26,946	26,581	18,845	11,049
4. 2001	X X X	X X X	231,727	140,719	84,653	64,814	39,122	35,522	22,910	21,156
5. 2002	X X X	X X X	X X X	345,951	190,500	111,778	72,631	54,867	34,492	25,223
6. 2003	X X X	X X X	X X X	X X X	307,588	173,052	116,625	84,929	63,980	48,605
7. 2004	X X X	X X X	X X X	X X X	X X X	427,070	253,097	180,925	104,969	76,390
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	478,301	270,972	166,297	101,934
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	462,056	283,748	177,454
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	499,919	271,132
11. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	508,000

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

### Allocated By States and Territories

States, Etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9	
		Active Status	2							3
1. Alabama	AL	L	5,336,688	5,266,534		8,914,866	5,006,611	11,245,376	32,269	11,597
2. Alaska	AK	L	13,575,925	12,699,848		1,510,015	4,104,843	10,863,560	82,089	997
3. Arizona	AZ	L	6,050,918	6,536,014		3,028,116	(3,120,196)	21,873,650	36,588	21,489
4. Arkansas	AR	L	3,532,398	4,568,401		1,405,633	96,211	4,131,467	21,359	4,821
5. California	CA	L								
6. Colorado	CO	L	4,004,364	4,289,698		1,096,757	(1,097,587)	7,782,963	24,213	10,421
7. Connecticut	CT	L	10,343,729	11,128,650		6,859,458	(4,178,107)	18,689,331	62,545	16,752
8. Delaware	DE	L	840,095	822,548		247,917	104,736	1,715,550	5,080	3,437
9. District of Columbia	DC	L	1,091,507	1,270,169		117,114	252,351	2,342,851	6,600	695
10. Florida	FL	L	26,022,172	28,700,528		10,300,172	2,260,672	48,538,151	157,348	183,410
11. Georgia	GA	L	6,184,604	6,710,406		5,016,773	676,122	19,015,627	37,396	25,424
12. Hawaii	HI	L	90,281	95,215			(63,884)	227,193	546	
13. Idaho	ID	L	2,781,575	2,857,380		460,456	572,862	2,342,784	16,819	3,618
14. Illinois	IL	L	13,910,040	15,223,685		10,303,528	4,841,262	39,077,331	84,110	22,301
15. Indiana	IN	L	6,871,419	7,095,980		2,543,687	998,188	11,450,708	41,549	10,541
16. Iowa	IA	L	454,357	483,527		716,570	(1,621,001)	2,971,582	2,747	2,978
17. Kansas	KS	L	3,034,424	3,318,194		9,516,933	7,403,667	6,791,889	18,348	3,376
18. Kentucky	KY	L	22,413,458	25,157,861		12,112,254	6,841,479	27,034,166	135,527	7,850
19. Louisiana	LA	L	6,486,245	6,843,519		5,602,861	1,853,307	4,886,346	39,220	16,647
20. Maine	ME	L	765,462	816,575		2,548	(200,622)	1,209,696	4,629	10
21. Maryland	MD	L	22,241,839	24,411,228		11,736,761	3,572,267	28,225,195	134,490	30,497
22. Massachusetts	MA	L	10,949,547	11,350,838		3,435,279	2,803,172	38,689,916	66,209	18,428
23. Michigan	MI	L	6,478,623	7,187,610		8,259,971	2,514,246	17,376,903	39,174	24,426
24. Minnesota	MN	L	1,699,164	1,737,340		1,530,863	(116,676)	4,549,195	10,274	8,684
25. Mississippi	MS	L	3,928,620	3,867,869		562,004	(1,108,744)	4,739,229	23,755	9,058
26. Missouri	MO	L	7,872,321	8,772,448		2,931,524	(3,478,417)	12,811,387	47,602	14,494
27. Montana	MT	L	770,478	458,693		259,772	405,342	393,973	4,659	1,285
28. Nebraska	NE	L	818,214	910,849		947,010	568,555	2,313,154	4,947	2,637
29. Nevada	NV	L	409,787	389,325			(67,694)	485,998	2,478	33,888
30. New Hampshire	NH	L	586,544	566,489		498,684	14,288	1,121,334	3,547	4,275
31. New Jersey	NJ	L	53,393,874	58,497,931		29,371,474	(6,713,960)	161,103,965	322,857	56,122
32. New Mexico	NM	L	8,100,809	8,884,637		3,252,512	1,439,337	7,121,547	48,983	6,346
33. New York	NY	L	19,454,072	19,968,656		16,801,438	7,658,856	67,670,683	117,633	41,403
34. North Carolina	NC	L	25,030,716	27,541,955		11,957,636	3,999,451	33,035,807	151,353	30,429
35. North Dakota	ND	L	208,450	221,460		57,270	(134,738)	506,315	1,260	305
36. Ohio	OH	L	17,790,865	20,235,552		8,057,461	7,911,751	29,288,106	107,576	17,859
37. Oklahoma	OK	L	20,799,379	22,705,500		8,565,692	4,842,530	17,532,621	125,768	5,520
38. Oregon	OR	L	12,877,618	12,853,761		3,097,581	1,675,587	12,538,933	77,867	5,568
39. Pennsylvania	PA	L	29,042,964	31,178,704		11,299,363	(482,792)	52,247,504	175,614	38,967
40. Rhode Island	RI	L	1,155,223	1,170,324		4,027,250	2,742,291	3,205,608	6,985	1,598
41. South Carolina	SC	L	8,648,905	9,626,767		3,723,732	481,469	19,140,776	52,297	21,759
42. South Dakota	SD	L	113,494	92,476		2,321	(85,208)	157,962	686	320
43. Tennessee	TN	L	7,877,865	8,427,006		6,729,597	636,489	13,402,774	47,635	21,630
44. Texas	TX	L	32,257,773	36,966,461		30,250,181	8,330,006	51,897,334	195,053	49,716
45. Utah	UT	L	7,356,812	7,896,733		2,552,516	(1,266,906)	4,896,440	44,484	6,425
46. Vermont	VT	L	89,969	94,441		35,000	(47,176)	37,836	544	250
47. Virginia	VA	L	8,277,998	8,744,136		2,665,387	(2,492,068)	14,715,942	50,055	22,744
48. Washington	WA	L	28,673,620	28,155,864		8,167,503	1,504,996	30,858,366	173,381	14,019
49. West Virginia	WV	L	1,436,775	1,353,273		251,340	(148,282)	1,293,030	8,688	3,368
50. Wisconsin	WI	L	4,053,750	3,902,878		1,168,262	(826,119)	5,995,964	24,512	3,627
51. Wyoming	WY	L	2,685,378	2,830,004		445,815	493,583	1,868,481	16,238	740
52. American Samoa	AS	N								
53. Guam	GU	N								
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N								
56. Northern Mariana Islands	MP	N								
57. Canada	CN	N								
58. Aggregate Other Alien	OT	X X X	675	675						
59. Totals	(a) 51		478,871,782	514,886,615		262,396,857	59,356,350	881,412,499	2,895,586	842,751

DETAILS OF WRITE-INS										
5801. Other alien	X X X		675	675						
5802. .	X X X									
5803. .	X X X									
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X									
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X		675	675						

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

\*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery

\*States of Jurisdiction under which payrolls and resulting premiums are developed - Workers' Compensation

\*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage

\*Principal Location of business or location of coverage - Liability other than Auto, Fidelity

\*Point of origin of shipment or principal location of assured - Inland Marine

\*State in which employees regularly work - Group Accident and Health

\*Location of Court - Surety

\*Address of Assured - Other Accident and Health

\*Location of Properties covered - Burglary and Theft

\*Principal Location of Assured - Ocean Marine, Credit

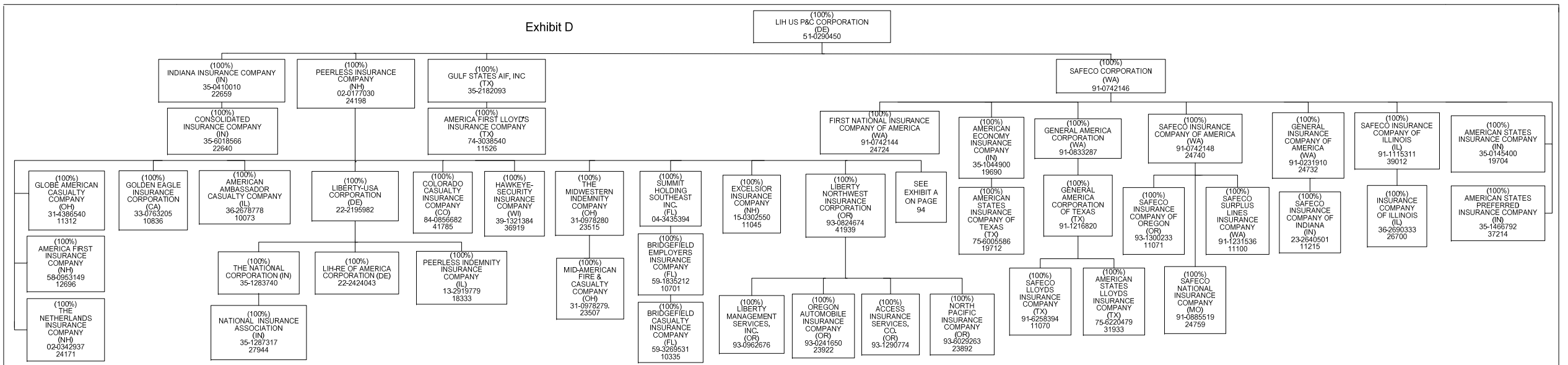
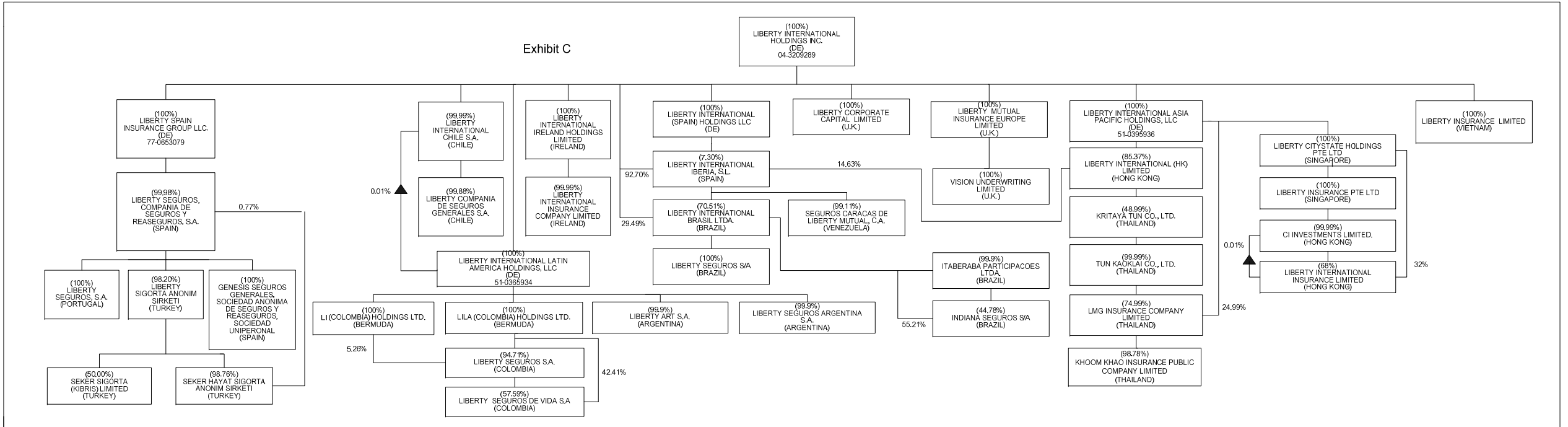
\*Primary Residence of Assured - Aircraft (all perils)

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



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

## PART 1 - ORGANIZATIONAL CHART



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**OVERFLOW PAGE FOR WRITE-INS**

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