

**ANNUAL STATEMENT**

**OF THE**

**OHIO SECURITY 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**



24082200820100010

ANNUAL STATEMENT

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

Ohio Security Insurance Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) NAIC Company Code 24082 Employer's ID Number 31-0541777
Organized under the Laws of Ohio State of Domicile or Port of Entry Ohio
Country of Domicile United States of America
Incorporated/Organized: November 1, 1950 Commenced Business: February 11, 1951
Statutory Home Office: 9450 Seward Road, Fairfield, OH 45014
Main Administrative Office: 9450 Seward Road, Fairfield, OH 45014
Mail Address: 175 Berkeley Street, Boston, MA 02116
Primary Location of Books and Records: 175 Berkeley Street, Boston, MA 02116
Internet Website Address: www.LibertyMutualAgencyMarkets.com
Statutory Statement Contact: Joanne Connolly, 617-357-9500 x44393

OFFICERS

Chairman of the Board

Gary Richard Gregg

Table with 2 columns: Name, Title. Rows include Gary Richard Gregg (President and Chief Executive Officer), Dexter Robert Legg # (Secretary), Michael Joseph Fallon # (Treasurer and Chief Financial Officer).

VICE-PRESIDENTS

Table with 4 columns: Name, Title, Name, Title. Rows include Anthony Alexander Fontanes (EVP and Chief Investment Officer), Scott Rhodes Goodby (EVP and Chief Operating Officer), Joseph Anthony Gilles (Executive Vice President).

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Rows include Gary Richard Gregg, Michael Joseph Fallon #, John Derek Doyle, Joseph Anthony Gilles, Scott Rhodes Goodby, Christopher Charles Mansfield.

State of Massachusetts

County of Suffolk ss

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

Signature and Title lines for Gary Richard Gregg (President and Chief Executive Officer), Dexter Robert Legg # (Secretary), and Michael Joseph Fallon # (Treasurer and Chief Financial Officer).

Subscribed and sworn to before me this 2nd day of February, 2009

- a. Is this an original filing? [X] Yes [ ] No
b. If no: 1. State the amendment number
2. Date filed
3. Number of pages attached

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	8,975,500		8,975,500	11,053,877
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 0, Schedule E - Part 1), cash equivalents (\$ 0, Schedule E - Part 2), and short-term investments (\$ 2,553,585, Schedule DA)	2,553,585		2,553,585	68,739
6. Contract loans (including \$ 0 premium notes)				
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)	11,529,085		11,529,085	11,122,616
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	147,224		147,224	169,424
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection				
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	1,358,680		1,358,680	
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	1,915,043		1,915,043	1,947,748
16.2 Net deferred tax asset				18,017
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0)				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	169,799		169,799	
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets				
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	15,119,831		15,119,831	13,257,805
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	15,119,831		15,119,831	13,257,805

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. ....				
2302. ....				
2303. ....				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)				

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)		
2. Reinsurance payable on paid losses and loss adjustment expenses		
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)		
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)		
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability	10,000	
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 \$ 19,441,860 and including warranty reserves of \$ 0)		
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	750,552	
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	707,698	1,177
20. Payable for securities		
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities		
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	1,468,250	1,177
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	1,468,250	1,177
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	3,500,430	3,500,430
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	1,499,570	1,499,570
33. Unassigned funds (surplus)	8,651,581	8,256,629
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)	13,651,581	13,256,629
36. Totals (Page 2, Line 26, Col. 3)	15,119,831	13,257,806

DETAILS OF WRITE-IN LINES		
2301.		
2302.		
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)		
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)		
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)		
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)		
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		225
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)		225
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		(225)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	552,391	516,883
10. Net realized capital gains (losses) less capital gains tax of \$ 449 (Exhibit of Capital Gains (Losses))	834	(28,534)
11. Net investment gain (loss) (Lines 9 + 10)	553,225	488,349
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0)		
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income	(42)	
15. Total other income (Lines 12 through 14)	(42)	
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	553,183	488,124
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	553,183	488,124
19. Federal and foreign income taxes incurred	130,211	146,194
20. Net income (Line 18 minus Line 19) (to Line 22)	422,972	341,930
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	13,256,626	13,908,965
22. Net income (from Line 20)	422,972	341,930
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0		
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(133,306)	28,472
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	105,289	(22,741)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		(1,000,000)
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		
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	394,955	(652,339)
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	13,651,581	13,256,626

DETAILS OF WRITE-IN LINES		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401. Other Income/(expense)	(42)	
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(42)	
3701.		
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)		

## CASH FLOW

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	750,311	
2. Net investment income	609,731	552,102
3. Miscellaneous income	1,057	
4. Total (Lines 1 through 3)	1,361,099	552,102
5. Benefit and loss related payments	1,311,404	
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	70,557	225
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	97,956	114,201
10. Total (Lines 5 through 9)	1,479,917	114,426
11. Net cash from operations (Line 4 minus Line 10)	(118,818)	437,676
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	2,044,520	340,000
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	2,044,520	340,000
13. Cost of investments acquired (long-term only):		
13.1 Bonds		515,682
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)		515,682
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	2,044,520	(175,682)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		1,000,000
16.6 Other cash provided (applied)	559,144	263,159
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	559,144	(736,841)
<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)	2,484,846	(474,847)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	68,739	543,586
19.2 End of year (Line 18 plus Line 19.1)	2,553,585	68,739

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

20.0001		
20.0002		
20.0003		

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

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



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1B – PREMIUMS WRITTEN

Line of Business	1	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
	Direct Business (a)	2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire						
2. Allied lines						
3. Farmowners multiple peril						
4. Homeowners multiple peril						
5. Commercial multiple peril						
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine						
10. Financial guaranty						
11.1 Medical malpractice—occurrence						
11.2 Medical malpractice—claims-made						
12. Earthquake						
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	9,248,875			9,248,875		
17.1 Other liability—occurrence	803,735			803,735		
17.2 Other liability—claims-made						
18.1 Products liability—occurrence	562,687			562,687		
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	471,657			471,657		
19.3,19.4 Commercial auto liability	16,504,544			16,504,544		
21. Auto physical damage	8,609,017			8,609,017		
22. Aircraft (all perils)						
23. Fidelity						
24. Surety						
26. Burglary and theft						
27. Boiler and machinery						
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X					
32. Reinsurance-Nonproportional Assumed Liability	X X X					
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	36,200,515			36,200,515		

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 2 – LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire								
2. Allied lines								
3. Farmowners multiple peril								
4. Homeowners multiple peril								
5. Commercial multiple peril								
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine								
10. Financial guaranty								
11.1 Medical malpractice—occurrence								
11.2 Medical malpractice—claims-made								
12. Earthquake								
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	6,652,073			6,652,073				
17.1 Other liability—occurrence	52,686			52,686				
17.2 Other liability—claims-made								
18.1 Products liability—occurrence	5,626			5,626				
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability	384,436			384,436				
19.3,19.4 Commercial auto liability	2,225,796			2,225,796				
21. Auto physical damage	4,761,382			4,761,382				
22. Aircraft (all perils)								
23. Fidelity								
24. Surety								
26. Burglary and theft								
27. Boiler and machinery								
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-Nonproportional Assumed Property	X X X							
32. Reinsurance-Nonproportional Assumed Liability	X X X							
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
34. Aggregate write-ins for other lines of business								
35. TOTALS	14,081,999			14,081,999				

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

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

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire									
2. Allied lines									
3. Farmowners multiple peril									
4. Homeowners multiple peril									
5. Commercial multiple peril									
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine									
10. Financial guaranty									
11.1 Medical malpractice—occurrence									
11.2 Medical malpractice—claims-made									
12. Earthquake									
13. Group accident and health									(a)
14. Credit accident and health (group and individual)									(a)
15. Other accident and health									
16. Workers' compensation	17,198,953		17,198,953		22,050,700		22,050,700		
17.1 Other liability—occurrence	150,075		150,075		955,832		955,832		
17.2 Other liability—claims-made									
18.1 Products liability—occurrence					641,274		641,274		
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	137,654		137,654		112,772		112,772		
19.3,19.4 Commercial auto liability	7,499,734		7,499,734		7,913,779		7,913,779		
21. Auto physical damage	969,916		969,916						
22. Aircraft (all perils)									
23. Fidelity									
24. Surety									
26. Burglary and theft									
27. Boiler and machinery									
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Liability	X X X				X X X				
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	25,956,332		25,956,332		31,674,357		31,674,357		

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	3,491,154			3,491,154
1.2 Reinsurance assumed				
1.3 Reinsurance ceded	3,491,154			3,491,154
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)				
2. Commission and brokerage:				
2.1 Direct, excluding contingent		5,306,153		5,306,153
2.2 Reinsurance assumed, excluding contingent				
2.3 Reinsurance ceded, excluding contingent		5,306,153		5,306,153
2.4 Contingent—direct		(326,000)		(326,000)
2.5 Contingent—reinsurance assumed				
2.6 Contingent—reinsurance ceded		(326,000)		(326,000)
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)				
3. Allowances to manager and agents				
4. Advertising			29	29
5. Boards, bureaus and associations			1	1
6. Surveys and underwriting reports			14	14
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries			2,689	2,689
8.2 Payroll taxes			150	150
9. Employee relations and welfare			153	153
10. Insurance			5	5
11. Directors' fees				
12. Travel and travel items			51	51
13. Rent and rent items			60	60
14. Equipment			55	55
15. Cost or depreciation of EDP equipment and software			18	18
16. Printing and stationery			7	7
17. Postage, telephone and telegraph, exchange and express			20	20
18. Legal and auditing			227	227
19. Totals (Lines 3 to 18)			3,479	3,479
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0				
20.2 Insurance department licenses and fees				
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)				
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)				
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses			337	337
25. Total expenses incurred			3,816	(a) 3,816
26. Less unpaid expenses—current year				
27. Add unpaid expenses—prior year				
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)			3,816	3,816

DETAILS OF WRITE-IN LINES				
2401. Other expenses			337	337
2402.				
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)			337	337

(a) Includes management fees of \$ 3,816 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) 217,738	197,960
1.1 Bonds exempt from U.S. tax	(a) 115,546	113,463
1.2 Other bonds (unaffiliated)	(a) 164,942	160,150
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 22,656	27,109
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	57,525	57,525
10. Total gross investment income	578,407	556,207
11. Investment expenses		(g) 3,816
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		3,816
17. Net investment income (Line 10 minus Line 16)		552,391

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/ (Expense)	57,525	57,525
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)	57,525	57,525
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 \$ 5,459 accrual of discount less \$ 40,599 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

### EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax	1,283		1,283		
1.2 Other bonds (unaffiliated)					
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	1,283		1,283		

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			
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums			
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		105,289	105,289
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
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			
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)		105,289	105,289
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)		105,289	105,289

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.			
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)			

## NOTES TO FINANCIAL STATEMENTS

### **Note 1- Summary of Significant Accounting Policies**

#### A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of Ohio, the accompanying financial statements of Ohio Security 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. The Company does not own common stocks.
4. The Company does not own preferred stocks.
5. The Company does not own mortgage loans.
6. The Company does not own mortgage backed/asset backed securities.
7. The Company does not own any subsidiaries, controlled, or affiliated entities.
8. The Company does not own any joint ventures, partnerships or limited liability companies.
9. Derivative Securities, refer to Note 8.
10. Refer to Note 29.
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.

#### B. Statutory Mergers

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

#### C. Impairment Loss

Not applicable

## NOTES TO FINANCIAL STATEMENTS

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

The Company has no discontinued operations to report.

### **Note 5- Investments**

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

The Company has no mortgage loans.

#### B. Troubled Debt Restructuring for Creditors

Not applicable

#### C. Reverse Mortgages

The Company has no reverse mortgages.

#### D. Loan-Backed Securities

The Company does not own any Loan-Backed securities.

#### E. Repurchase Agreements

The Company did not enter into any repurchase agreements during the year.

The Company does not have any open securities lending positions at the end of 2008.

#### F. Real Estate

The Company does not own real estate.

#### G. Investments in Low-Income Housing Tax Credits

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

### **Note 6- Joint Ventures, Partnerships & 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.

#### 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 are ancillary to the overall investment and are immaterial to the underlying investment portfolio.

### **Note 9 - Income Taxes**

#### A. The components of the net deferred tax assets 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	121,000	150,000	(29,000)
Total of deferred tax liabilities	(131,000)	(27,000)	(104,000)
Net deferred tax asset	(10,000)	123,000	(133,000)
Net deferred tax asset non-admitted	0	(105,000)	105,000
Net admitted deferred tax asset/(liability)	(10,000)	18,000	(28,000)

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



## NOTES TO FINANCIAL STATEMENTS

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

	2008	2007
Federal tax on operations	130,211	146,194
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	130,211	146,194
Tax on capital gains	449	28,534
Total income tax incurred	130,660	174,728

The Company's deferred tax assets and liabilities result primarily from basis differences on invested assets.

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

	2008
Change in net deferred income tax (without unrealized gain or loss)	(133,000)
Tax effect of unrealized (gains) losses	0
Total change in net deferred income tax	(133,000)

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax exempt interest and revisions to prior year estimates.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$110,000 from the current year and \$53,000 from the preceding year.

The Company has 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.*

## NOTES TO FINANCIAL STATEMENTS

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*
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 Security is wholly owned by The Ohio Casualty Insurance Company, which is wholly owned by Ohio Casualty Corporation, an Ohio insurance holding company. Ohio Casualty Corporation 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.
- B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.
- C. Refer to Notes 10F and 25.
- D. At December 31, 2008, the Company reported \$537,899 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated 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.

## NOTES TO FINANCIAL STATEMENTS

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, 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).

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 subsidiary, controlled or affiliated companies.

J. Impairment of subsidiaries

Refer to 10 I

K. Investment in foreign insurance subsidiaries.

Refer to 10 I

L. Investment in downstream noninsurance holding companies.

Refer to 10 I

### **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 Services Agreements as described in note 10 F.

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

1. Common Stock

The Company has 49,999 shares authorized, and 49,999 shares issued and outstanding as of December 31, 2008. All shares have a stated par value of \$70.01.

2. Preferred Stock

Not applicable

3. Dividend Restrictions

There are no dividend restrictions.

4. The Company did not pay a dividend to its parent during 2008.

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 \$1,365,158.

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 does not hold special surplus funds.

10. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$0.

## 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 no commitments or contingent commitments to affiliates or other entities 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.

As a result of an inter-company reinsurance arrangement (see Note 25), all guaranty fund and other assessments liabilities are ceded to Peerless Insurance Company.

C. Gain Contingencies

Not applicable

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

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

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.

**Note 15- Leases**

A. The Company is not involved in material lease obligations.

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. Transfers of Receivables reported as sales

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

B. Transfers and servicing of financial assets

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

C. Wash Sales

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

## NOTES TO FINANCIAL STATEMENTS

### **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
- C. Other Disclosures
- 1) Assets in the amount of \$5,065,266 and \$5,022,453 as of December 31, 2008 and 2007, respectively, were on deposit with government authorities or trustees as required by law.
- D. As a result of the PIC Amended and Restated Reinsurance Pooling Agreement (see Note 25), the Company has no net exposure to uncollectible premium receivable balances.
- E. Business Interruption Insurance Recoveries  
The Company does not purchase business interruption coverage.
- F. State Transferable Tax Credits  
The Company does not hold state transferable 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 that 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 that 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	\$0	\$0	\$19,441,860	\$2,849,724	\$(19,441,860)	\$(2,849,724)
All Other	0	0	0	0	0	0
Total	\$0	\$0	\$19,441,860	\$2,849,724	\$(19,441,860)	\$(2,849,724)

Direct unearned premium reserve of \$19,441,860

2. There are no sliding scale adjustments, or other profit sharing commissions for direct, assumed or ceded business.
- D. The Company did not write off any uncollectible balances in 2008.

## NOTES TO FINANCIAL STATEMENTS

- E. The Company does not have ceded commutations.
- F. The Company does not have any retroactive reinsurance agreements.
- G. The Company has not entered into any deposit type reinsurance agreements as of December 31, 2008.

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

The Company does not have net accrued retrospective premiums (See Note 25).

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

The Company has no net exposure to changes in incurred losses and loss adjustment expenses (see Note 25).

### **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:

		<u>NAIC</u> <u>Co. #</u>	<u>Pooling</u> <u>%</u>	<u>Lines of</u> <u>Business</u>
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.

## NOTES TO FINANCIAL STATEMENTS

- (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 \$608,000 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  
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</u> <u>Co. #</u>	<u>Pooling</u> <u>%</u>	<u>Lines of</u> <u>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

## NOTES TO FINANCIAL STATEMENTS

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
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. The Company has no net exposure to contingent liabilities from the purchase of annuities (see Note 25).  
B. Not applicable

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

Not applicable

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

Not applicable

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

The Company has no net exposure to liabilities related to premium deficiency reserves (see Note 25).

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

The Company does not have any net high dollar deductible policy liabilities (see Note 25).

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

Not applicable

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

The Company has no net exposure to asbestos and environmental claims (see Note 25).

### **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
- 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
- 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  No
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

## 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  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)  
 The Company has a Securities Lending Agreement to generate additional income, whereby certain fixed income and mortgage backed securities can be loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. There are no outstanding loans as of 12/31/2008.  
 .....
- 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  No
- 22.5 If answer to 22.4 is yes, report amount of collateral. \$ \_\_\_\_\_
- 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  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                            | \$ |           |
|  | 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   | \$ | 5,065,266 |
|  | 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 [X]

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

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 [X]

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 [X] 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 Brooklyn, NY 11245

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 [X]

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

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 [X]

## 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	11,529,085	11,736,293	207,208
28.2 Preferred stocks	0	0	0
<b>28.3 Totals</b>	<b>11,529,085</b>	<b>11,736,293</b>	<b>207,208</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	\$ 0	\$ 0
2.2 Premium Denominator	\$ 0	\$ 0
2.3 Premium Ratio (2.1/2.2)	0.00	0.00
2.4 Reserve Numerator	\$ 0	\$ 0
2.5 Reserve Denominator	\$ 0	\$ 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 \$ 3,701

3.22 Non-participating policies \$ 36,196,814

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  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
- 6.6
- 6.7 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes  No
- 6.8 If yes, indicate the number of reinsurance contracts containing such provisions. 1
- 6.9 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes  No
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes  No
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
 (c) Aggregate stop loss reinsurance coverage;  
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes  No
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes  No
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 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
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
 (a) The entity does not utilize reinsurance; or, Yes  No   
 (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes  No   
 (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes  No
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes  No  N/A

## 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   | \$ |   |
|  | 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ | 0 |
- 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? \$ \_\_\_\_\_
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [ ] No [X] 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 |  |
|  | 12.42 To   |  |
- 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 [ ] No [X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- |  |                                  |    |  |
|--|----------------------------------|----|--|
|  | 12.61 Letters of Credit          | \$ |  |
|  | 12.62 Collateral and other funds | \$ |  |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ \_\_\_\_\_ 0
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [ ] No [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<br>Incurred | Direct Losses<br>Unpaid | Direct Written<br>Premium | Direct Premium<br>Unearned | Direct Premium<br>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)	27,591,498	38,848,934	17,781,796	16,021,542	22,965,685
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	8,609,017	7,433,128	273,443	277,386	2,731,389
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					5,080,581
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					470,092
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6. Total (Line 35)	36,200,515	46,282,062	18,055,239	16,298,928	31,247,747
<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)				(2,726,608)	6,575,179
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)				(883,443)	2,419,049
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)				(2,554,388)	5,080,581
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)				(332,967)	470,092
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12. Total (Line 35)				(6,497,406)	14,544,901
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)		(225)	(25)		521,610
14. Net investment gain (loss) (Line 11)	553,225	488,349	615,471	583,367	2,113,441
15. Total other income (Line 15)	(42)		184		(160,790)
16. Dividends to policyholders (Line 17)					12,296
17. Federal and foreign income taxes incurred (Line 19)	130,211	146,194	175,156	(1,512,096)	737,560
18. Net income (Line 20)	422,972	341,930	440,474	2,095,463	1,724,405
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	15,119,831	13,257,805	13,908,967	13,468,121	65,736,796
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)					493,700
20.2 Deferred and not yet due (Line 13.2)					3,104,807
20.3 Accrued retrospective premiums (Line 13.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 24)	1,468,250	1,177		362,200	31,823,369
22. Losses (Page 3, Line 1)					15,503,013
23. Loss adjustment expenses (Page 3, Line 3)					3,896,685
24. Unearned premiums (Page 3, Line 9)					6,497,405
25. Capital paid up (Page 3, Lines 28 & 29)	3,500,430	3,500,430	3,500,430	3,500,430	3,500,430
26. Surplus as regards policyholders (Page 3, Line 35)	13,651,581	13,256,629	13,908,967	13,105,920	33,913,427
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	(118,818)	437,676	(3,887)	(20,657,919)	2,631,308
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	13,651,581	13,256,629	13,908,967	13,105,920	33,913,427
29. Authorized control level risk-based capital	97,697	682,125	692,255	420,847	1,686,102
<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)	77.9	99.4	95.3	65.1	88.6
31. Stocks (Lines 2.1 & 2.2)					0.5
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	22.1	0.6	4.7	20.0	10.9
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)					
37. Receivables for securities (Line 8)				14.8	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)					
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					
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)					

**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)				(143,250)	(147,862)
49. Dividends to stockholders (Line 35)		(1,000,000)		(21,800,000)	(1,000,000)
50. Change in surplus as regards policyholders for the year (Line 38)	394,955	(652,339)	803,047	(20,807,505)	533,913
<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)	9,320,617	9,280,541	8,730,357	9,242,093	12,023,639
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	4,761,382	1,690,683	146,360	128,328	1,241,032
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					2,132,777
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					57,057
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
56. Total (Line 35)	14,081,999	10,971,224	8,876,717	9,370,421	15,454,505
<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)				11,929,562	3,533,928
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)				81,515	1,080,151
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)				3,403,363	2,129,560
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)				88,575	56,675
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
62. Total (Line 35)				15,503,015	6,800,314
<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)					52.9
65. Loss expenses incurred (Line 3)					10.7
66. Other underwriting expenses incurred (Line 4)					32.8
67. Net underwriting gain (loss) (Line 8)					3.6
<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)					33.7
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)					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)				(49.6)	42.9
<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)					(227)
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)					(0.7)
<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)					530
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)					1.6

**NONE Schedule P - Part 1 - Summary**

**NONE Schedule P - Part 2, 3, 4 - Summary**

## 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	Dividends Paid or Credited to Policyholders on Direct Business						
1. Alabama	AL	L	19,663	9,026			(1,900)	10,908	119	
2. Alaska	AK	L								
3. Arizona	AZ	L	6,255	6,231		459	(4,937)	6,364	38	
4. Arkansas	AR	L	396,009	274,409		29,445	(128,986)	186,930	2,395	
5. California	CA	N								
6. Colorado	CO	L	(249)	40			(84)		(2)	
7. Connecticut	CT	L	563,034	741,963		163,687	(275,814)	758,647	3,404	
8. Delaware	DE	L	65,383	99,794		46,440	39,152	152,117	395	
9. District of Columbia	DC	L	55,857	70,578		43,457	(22,543)	154,807	338	
10. Florida	FL	L	(860,205)	218,125		256,334	894,856	1,488,025	(5,201)	
11. Georgia	GA	L	8,845,575	8,779,522		1,723,571	3,209,761	5,363,666	53,487	
12. Hawaii	HI	N								
13. Idaho	ID	L	14,402	25,712			8,653	24,045	87	
14. Illinois	IL	L	1,439,252	1,567,861		1,400,227	775,671	2,844,107	8,703	
15. Indiana	IN	L	4,716,303	3,954,188		1,017,766	1,820,595	1,602,342	28,518	
16. Iowa	IA	L	330,446	481,779		152,576	203,711	78,573	1,998	
17. Kansas	KS	L	126,466	140,892		2,424	176,425	205,211	765	
18. Kentucky	KY	L	570,360	675,827		300,752	370,645	277,440	3,449	
19. Louisiana	LA	L	7,740	8,058			1,765	1,946	47	
20. Maine	ME	N								
21. Maryland	MD	L	1,921,505	2,621,003		1,917,238	1,618,422	17,804,480	11,619	
22. Massachusetts	MA	L	25,516	40,773		644	14,890	34,015	154	
23. Michigan	MI	L	597,488	632,707		286,188	442,926	264,018	3,613	
24. Minnesota	MN	L	366	666			(355)		2	
25. Mississippi	MS	L	76,826	94,619		11,050	10,161	43,824	465	
26. Missouri	MO	L	380,655	333,397		26,596	38,548	89,394	2,302	
27. Montana	MT	L	750	814			(1,247)	1,032	5	
28. Nebraska	NE	L	54,667	65,789		12,930	11,617	57,398	331	
29. Nevada	NV	L	10,624	23,909			6,116	6,765	64	
30. New Hampshire	NH	N								
31. New Jersey	NJ	L	817,601	890,236		433,218	5,015	3,029,417	4,944	
32. New Mexico	NM	L	169,167	196,440		(290)	90,485	130,538	1,023	
33. New York	NY	L	20,753	21,860			7,753	7,974	125	
34. North Carolina	NC	L	1,466,870	1,781,570		854,523	499,237	3,585,795	8,870	
35. North Dakota	ND	L								
36. Ohio	OH	L	4,974,406	4,048,657		1,394,203	3,360,850	2,431,402	30,079	
37. Oklahoma	OK	L	155,420	147,613		24,818	66,900	103,571	940	
38. Oregon	OR	L	901	901			(31)		5	
39. Pennsylvania	PA	L	3,576,227	4,933,789		2,094,696	3,705,260	7,168,250	21,624	
40. Rhode Island	RI	L								
41. South Carolina	SC	L	2,588,972	2,743,524		520,443	3,522,821	3,632,891	15,655	
42. South Dakota	SD	L					(15)			
43. Tennessee	TN	L	910,455	1,209,674		485,303	890,123	1,728,761	5,505	
44. Texas	TX	L	204,192	231,428		60,508	(608,609)	465,790	1,235	
45. Utah	UT	L	254,137	547,812		(386)	318,466	609,763	1,537	
46. Vermont	VT	N								
47. Virginia	VA	L	931,305	994,786		700,167	289,520	2,956,073	5,631	
48. Washington	WA	L					4,442	4,442		
49. West Virginia	WV	L	575,667	535,643		123,012	225,701	226,823	3,481	
50. Wisconsin	WI	L	121,313	102,577			16,374	33,965	734	
51. Wyoming	WY	L	68,441	87,955			33,781	59,180	414	
52. American Samoa	AS	N								
53. Guam	GU	N								
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N								
56. Northern Mariana Islands	MP	N								
57. Canada	CN	N								
58. Aggregate Other Alien	OT	X X X								
59. Totals	(a) 46		36,200,515	39,342,147		14,081,999	21,636,121	57,630,689	218,897	

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

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

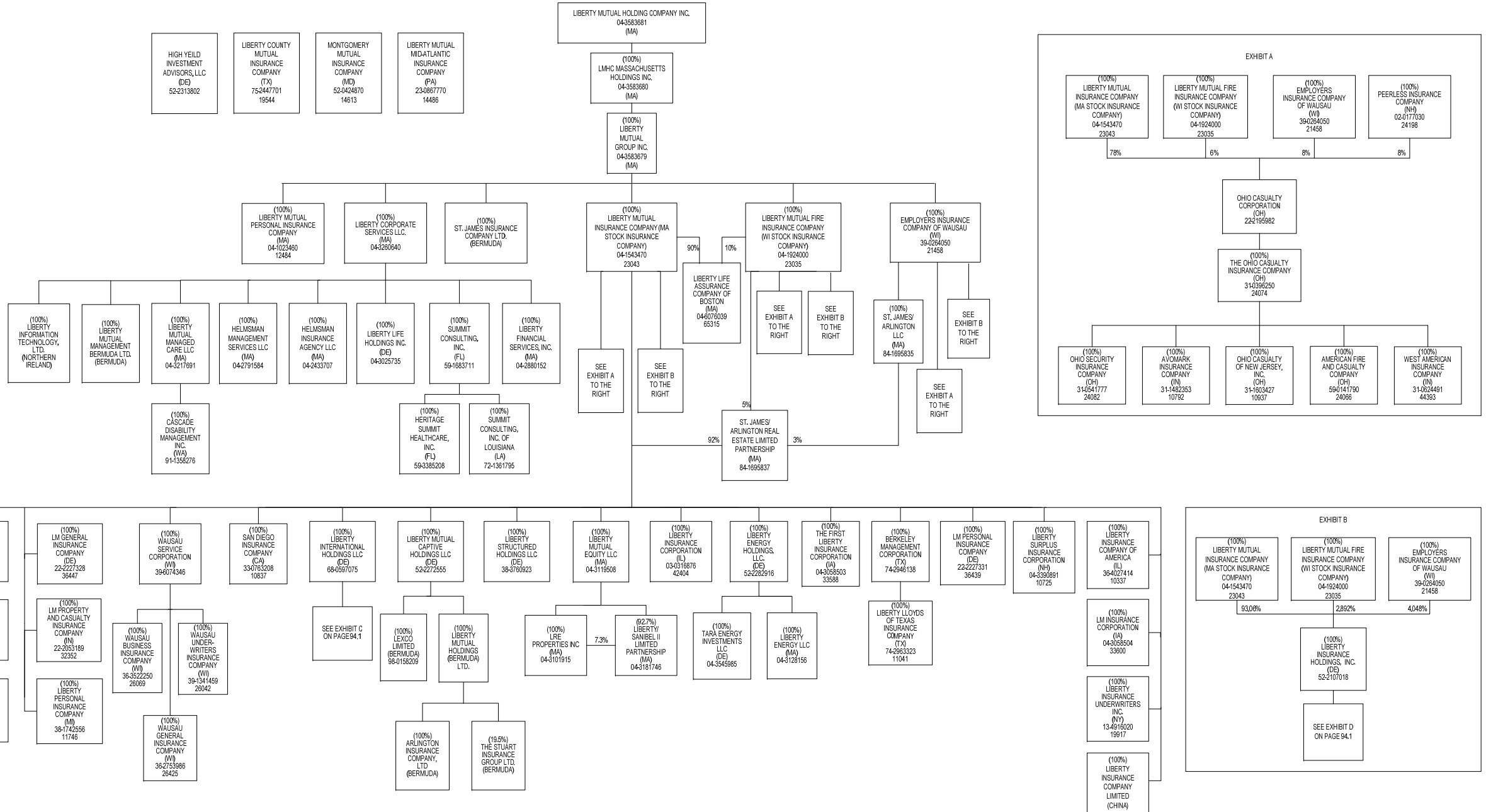
- \*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery
- \*States of Jurisdiction under which payrolls and resulting premiums are developed - Workers' Compensation
- \*Location of Principal place of garaging of each individual car - 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.



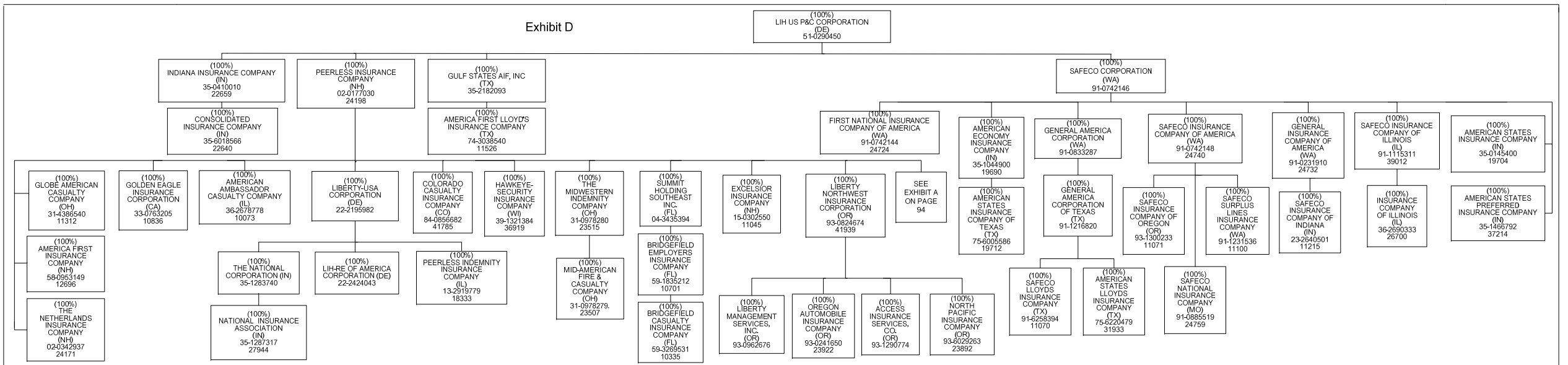
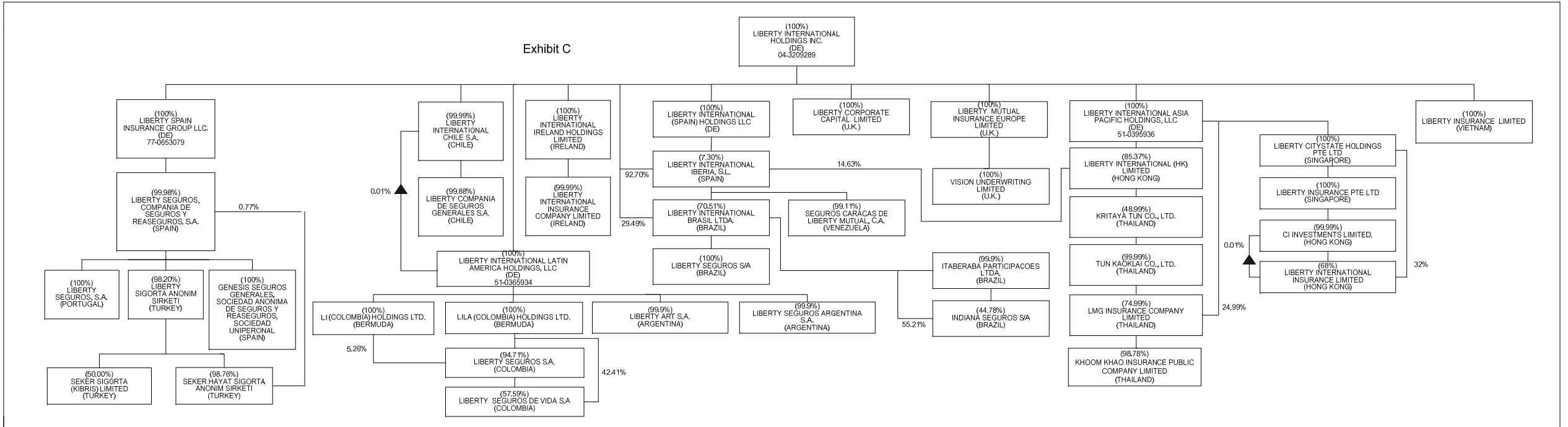
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



# 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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