

ANNUAL STATEMENT

OF THE

PEERLESS INDEMNITY INSURANCE COMPANY

of **WARRENVILLE**

in the state of **ILLINOIS**

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2009

PROPERTY AND CASUALTY

2009

ANNUAL STATEMENT



18333200920100100

For the Year Ended December 31, 2009
OF THE CONDITION AND AFFAIRS OF THE

Peerless Indemnity Insurance Company

NAIC Group Code	<u>0111</u> <small>(Current Period)</small>	<u>0111</u> <small>(Prior Period)</small>	NAIC Company Code	<u>18333</u>	Employer's ID Number	<u>13-2919779</u>
Organized under the Laws of	<u>Illinois</u>			State of Domicile or Port of Entry <u>Illinois</u>		
Country of Domicile	<u>United States of America</u>					
Incorporated/Organized:	<u>April 30, 2002</u>			Commenced Business: <u>August 10, 2002</u>		
Statutory Home Office:	<u>27201 Bella Vista Parkway, Suite 130</u> <small>(Street and Number)</small>			<u>Warrenville, IL 60555</u> <small>(City or Town, State and Zip Code)</small>		
Main Administrative Office:	<u>27201 Bella Vista Parkway, Suite 130</u> <small>(Street and Number)</small>			<u>Warrenville, IL 60555</u> <small>(City or Town, State and Zip Code)</small>		
				<u>630-505-1442</u> <small>(Area Code) (Telephone Number)</small>		
Mail Address:	<u>175 Berkeley Street</u> <small>(Street and Number or P.O. Box)</small>			<u>Boston, MA 02116</u> <small>(City or Town, State and Zip Code)</small>		
Primary Location of Books and Records:	<u>175 Berkeley Street</u> <small>(Street and Number)</small>			<u>Boston, MA 02116</u> <small>(City or Town, State and Zip Code)</small>		<u>617-357-9500</u> <small>(Area Code) (Telephone Number)</small>
Internet Web Site Address:	<u>www.LibertyMutualAgencyMarkets.com</u>					
Statutory Statement Contact:	<u>Joanne Connolly</u> <small>(Name)</small>			<u>617-357-9500 x44393</u> <small>(Area Code) (Telephone Number) (Extension)</small>		
	<u>Statutory.Compliance@LibertyMutual.com</u> <small>(E-Mail Address)</small>			<u>617-574-5955</u> <small>(Fax Number)</small>		

OFFICERS

Chairman of the Board

Gary Richard Gregg

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

VICE-PRESIDENTS

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

DIRECTORS OR TRUSTEES

<u>Michael Joseph Fallon</u>	<u>John Derek Doyle</u>	<u>Joseph Anthony Gilles</u>	<u>Scott Rhodes Goodby</u>
<u>Gary Richard Gregg</u>	<u>Christopher Charles Mansfield</u>	<u>Mary Ann Thaman</u>	<u>Deborah Lucille Michel #</u>
<u>Stephen Douglas Hylka #</u>			

State of Massachusetts
County of Suffolk ss

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

<u>(Signature)</u> <u>Gary Richard Gregg</u> <u>(Printed Name)</u> 1. President and Chief Executive Officer <u>(Title)</u>	<u>(Signature)</u> <u>Dexter Robert Legg</u> <u>(Printed Name)</u> 2. Secretary <u>(Title)</u>	<u>(Signature)</u> <u>Michael Joseph Fallon</u> <u>(Printed Name)</u> 3. Treasurer and Chief Financial Officer <u>(Title)</u>
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Subscribed and sworn to (or affirmed) before me on this
1st day of February, 2010, by

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

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	595,478,581		595,478,581	576,786,290
2. Stocks (Schedule D):				
2.1 Preferred stocks				1,989,419
2.2 Common stocks				226,659
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 (\$ 13,485,234, Schedule E - Part 1), cash equivalents (\$ 6,242,250, Schedule E - Part 2), and short-term investments (\$ 42,880,494, Schedule DA)	62,607,978		62,607,978	50,758,644
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	10,000,000		10,000,000	10,000,000
8. Receivables for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	668,086,559		668,086,559	639,761,012
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	6,223,821		6,223,821	6,130,170
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	13,772,147	1,886,350	11,885,797	10,317,385
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ (2,127,913) earned but unbilled premiums)	84,342,590	(52,370)	84,394,960	79,634,561
13.3 Accrued retrospective premiums	556,864	66,973	489,891	1,532,624
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				952,944
16.2 Net deferred tax asset	24,359,100	5,456,400	18,902,700	13,635,999
17. Guaranty funds receivable or on deposit	555,412		555,412	395,854
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	5,951,176		5,951,176	35,494
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	3,267,630	743,061	2,524,569	4,895,534
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	807,115,299	8,100,414	799,014,885	757,291,577
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	807,115,299	8,100,414	799,014,885	757,291,577

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 9 above)				
2301. Cash Surrender Value Life Insurance	1,700,056		1,700,056	2,763,977
2302. Other assets	855,402	743,061	112,341	19,287
2303. Equities and deposits in pools and associations	712,172		712,172	2,112,270
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	3,267,630	743,061	2,524,569	4,895,534

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	282,008,945	295,510,596
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	18,180,924	15,453,699
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	67,141,366	67,668,864
4. Commissions payable, contingent commissions and other similar charges	7,991,264	8,042,846
5. Other expenses (excluding taxes, licenses and fees)	9,486,750	9,868,429
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	2,875,815	6,112,623
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	4,179,270	
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 265,319,832 and including warranty reserves of \$ 0)	138,034,024	126,473,653
10. Advance premium	982,537	825,358
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	254,699	179,522
12. Ceded reinsurance premiums payable (net of ceding commissions)		
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	(90,970)	557,508
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	9,857,779	1,813,290
19. Payable to parent, subsidiaries and affiliates	753,248	4,510,735
20. Payable for securities	11,282,361	
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	26,579,016	32,121,596
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	579,517,028	569,138,719
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	579,517,028	569,138,719
27. Aggregate write-ins for special surplus funds	4,150,087	
28. Common capital stock	3,500,000	3,500,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	156,560,419	156,560,419
33. Unassigned funds (surplus)	55,287,351	28,092,439
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)	219,497,857	188,152,858
36. Totals (Page 2, Line 26, Col. 3)	799,014,885	757,291,577

DETAILS OF WRITE-IN LINES		
2301. Collateral held for securities loaned	19,007,191	23,786,053
2302. Retroactive reinsurance reserves	2,702,054	6,271,687
2303. Other liabilities	2,273,473	2,063,856
2398. Summary of remaining write-ins for Line 23 from overflow page	2,596,298	
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	26,579,016	32,121,596
2701. SSAP 10R incremental change	3,552,006	
2702. Special surplus from retroactive reinsurance	598,081	
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	4,150,087	
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
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	314,295,895	299,063,741
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	159,395,594	156,615,214
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	37,316,365	32,416,666
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	104,334,907	101,102,496
5. Aggregate write-ins for underwriting deductions	49,033	
6. Total underwriting deductions (Lines 2 through 5)	301,095,899	290,134,376
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	13,199,996	8,929,365
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	28,812,429	28,640,420
10. Net realized capital gains (losses) less capital gains tax of \$ (32,359) (Exhibit of Capital Gains (Losses))	(60,096)	(1,987,562)
11. Net investment gain (loss) (Lines 9 + 10)	28,752,333	26,652,858
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 14,077 amount charged off \$ 1,405,298)	(1,391,221)	(1,178,273)
13. Finance and service charges not included in premiums	2,679,602	246,586
14. Aggregate write-ins for miscellaneous income	(1,717,492)	(3,227,630)
15. Total other income (Lines 12 through 14)	(429,111)	(4,159,317)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	41,523,218	31,422,906
17. Dividends to policyholders	1,344,750	1,952,371
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)	40,178,468	29,470,535
19. Federal and foreign income taxes incurred	13,229,259	29,444,476
20. Net income (Line 18 minus Line 19) (to Line 22)	26,949,209	26,059
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	188,152,858	175,367,244
22. Net income (from Line 20)	26,949,209	26,059
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (295,491)	(548,769)	(474,817)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	577,609	21,858,577
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(7,104)	(10,690,115)
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		
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	4,374,054	2,065,910
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	31,344,999	12,785,614
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	219,497,857	188,152,858

DETAILS OF WRITE-IN LINES		
0501. Private passenger auto escrow	49,033	
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)	49,033	
1401. Retroactive reinsurance gain/(loss)	(40,521)	55,061
1402. Other income/(expense)	(1,676,971)	(3,282,691)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(1,717,492)	(3,227,630)
3701. SSAP 10R incremental change	3,552,006	
3702. Other changes in surplus	822,048	2,065,910
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	4,374,054	2,065,910

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	320,964,244	332,046,375
2. Net investment income	28,604,289	24,505,846
3. Miscellaneous income	2,448,562	(5,678,298)
4. Total (Lines 1 through 3)	352,017,095	350,873,923
5. Benefit and loss related payments	162,125,531	(146,160,468)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	145,891,057	44,227,382
8. Dividends paid to policyholders	1,269,573	1,774,995
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	8,064,686	30,904,618
10. Total (Lines 5 through 9)	317,350,847	(69,253,473)
11. Net cash from operations (Line 4 minus Line 10)	34,666,248	420,127,396
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	83,995,728	30,052,474
12.2 Stocks	2,275,295	6,378
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		(412,420)
12.7 Miscellaneous proceeds		18,760
12.8 Total investment proceeds (Lines 12.1 to 12.7)	86,271,023	29,665,192
13. Cost of investments acquired (long-term only):		
13.1 Bonds	103,556,167	440,169,776
13.2 Stocks	13,708	2,270,590
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications	(11,282,360)	
13.7 Total investments acquired (Lines 13.1 to 13.6)	92,287,515	442,440,366
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)	(6,016,492)	(412,775,174)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(16,800,422)	24,739,170
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(16,800,422)	24,739,170
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	11,849,334	32,091,392
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	50,758,644	18,667,252
19.2 End of year (Line 18 plus Line 19.1)	62,607,978	50,758,644

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

20.0001		
20.0002		
20.0003		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	6,673,943	1,343,270	2,850,632	5,166,581
2. Allied lines	5,301,184	1,259,652	2,293,246	4,267,590
3. Farmowners multiple peril	2,226,459	1,047,527	1,112,426	2,161,560
4. Homeowners multiple peril	41,039,981	9,258,335	22,516,665	27,781,651
5. Commercial multiple peril	51,702,846	34,514,119	29,288,751	56,928,214
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	5,081,755	2,851,390	2,497,054	5,436,091
10. Financial guaranty				
11.1 Medical professional liability—occurrence	47,066		12,130	34,936
11.2 Medical professional liability—claims-made	4,170		1,178	2,992
12. Earthquake	1,372,443	272,863	539,130	1,106,176
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	215,383		2,389	212,994
16. Workers' compensation	37,736,639	14,402,651	11,327,303	40,811,987
17.1 Other liability—occurrence	16,230,848	8,798,771	8,385,097	16,644,522
17.2 Other liability—claims-made	1,000,094	1,943	297,664	704,373
17.3 Excess Workers' Compensation	19,582	23,724	14,737	28,569
18.1 Products liability—occurrence	423,268	353,950	289,817	487,401
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	62,674,632	11,373,308	17,052,636	56,995,304
19.3,19.4 Commercial auto liability	25,170,595	15,168,504	12,900,398	27,438,701
21. Auto physical damage	48,064,663	12,568,789	15,038,380	45,595,072
22. Aircraft (all perils)				
23. Fidelity	111,330	252,928	164,448	199,810
24. Surety	24,131,075	11,092,269	12,957,577	22,265,767
26. Burglary and theft	17,252	5,944	5,738	17,458
27. Boiler and machinery	4,255	4,901	1,017	8,139
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property				
32. Reinsurance-Nonproportional Assumed Liability	3			3
33. Reinsurance-Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	329,249,466	124,594,838	139,548,413	314,295,891

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	2,850,631	1			2,850,632
2. Allied lines	2,293,234	12			2,293,246
3. Farmowners multiple peril	1,112,426				1,112,426
4. Homeowners multiple peril	22,516,665				22,516,665
5. Commercial multiple peril	28,561,593		725,468	1,690	29,288,751
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	2,481,419	15,628	7		2,497,054
10. Financial guaranty					
11.1 Medical professional liability—occurrence	12,130				12,130
11.2 Medical professional liability—claims-made	1,178				1,178
12. Earthquake	539,130				539,130
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	2,389				2,389
16. Workers' compensation	10,724,467	3,312	577,553	21,971	11,327,303
17.1 Other liability—occurrence	8,201,704	41,716	138,400	3,277	8,385,097
17.2 Other liability—claims-made	296,740	573	352		297,665
17.3 Excess Workers' Compensation	14,737				14,737
18.1 Products liability—occurrence	243,116		46,701		289,817
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	17,052,633		3		17,052,636
19.3,19.4 Commercial auto liability	12,752,527	148,904	7	(1,040)	12,900,398
21. Auto physical damage	15,004,452	33,928			15,038,380
22. Aircraft (all perils)					
23. Fidelity	15,544	148,904			164,448
24. Surety	5,656,536	7,301,041			12,957,577
26. Burglary and theft	5,738				5,738
27. Boiler and machinery	1,017				1,017
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-Nonproportional Assumed Property					
32. Reinsurance-Nonproportional Assumed Liability					
33. Reinsurance-Nonproportional Assumed Financial Lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	130,340,006	7,694,019	1,488,491	25,898	139,548,414
36. Accrued retrospective premiums based on experience					(25,898)
37. Earned but unbilled premiums					(1,488,491)
38. Balance (Sum of Lines 35 through 37)					138,034,025

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	1,679,773	6,673,943		1,679,773		6,673,943
2. Allied lines	1,737,040	5,301,184		1,737,040		5,301,184
3. Farmowners multiple peril	2,529,284	2,226,459		2,529,284		2,226,459
4. Homeowners multiple peril	39,928,887	41,039,981		39,928,887		41,039,981
5. Commercial multiple peril	238,302,529	51,702,846		238,302,529		51,702,846
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	3,065,324	5,081,755		3,065,324		5,081,755
10. Financial guaranty						
11.1 Medical professional liability--occurrence		47,066				47,066
11.2 Medical professional liability--claims-made		4,170				4,170
12. Earthquake	1,335,837	1,372,443		1,335,837		1,372,443
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		215,383				215,383
16. Workers' compensation	10,573,484	37,736,639		10,573,484		37,736,639
17.1 Other liability—occurrence	14,963,673	16,230,848		14,963,673		16,230,848
17.2 Other liability—claims-made		1,000,094				1,000,094
17.3 Excess Workers' Compensation		19,582				19,582
18.1 Products liability—occurrence	180,800	423,268		180,800		423,268
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	44,464,563	62,674,632		44,464,563		62,674,632
19.3,19.4 Commercial auto liability	93,664,391	25,170,595		93,664,391		25,170,595
21. Auto physical damage	56,764,015	48,064,663		56,764,015		48,064,663
22. Aircraft (all perils)						
23. Fidelity		111,330				111,330
24. Surety		24,131,075				24,131,075
26. Burglary and theft	13,094	17,252		13,094		17,252
27. Boiler and machinery	57,637	4,255		57,637		4,255
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X					
32. Reinsurance-Nonproportional Assumed Liability	X X X	3				3
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	509,260,331	329,249,466		509,260,331		329,249,466

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	47,761	663,671	47,761	663,671	49,376	264,576	49,376	928,247	114,893
2. Allied lines	99,010	685,117	99,010	685,117	55,730	90,727	55,730	775,844	77,645
3. Farmowners multiple peril	93,773	619,833	93,773	619,833	124,778	112,262	124,778	732,095	167,457
4. Homeowners multiple peril	7,399,518	6,605,361	7,399,518	6,605,361	1,216,093	2,128,158	1,216,093	8,733,519	1,843,350
5. Commercial multiple peril	56,493,560	29,449,497	56,493,560	29,449,497	29,680,332	18,973,355	29,680,332	48,422,852	24,149,878
6. Mortgage guaranty									
8. Ocean marine		440		440				440	
9. Inland marine	479,484	335,086	479,484	335,086	74,105	459,372	74,105	794,458	105,487
10. Financial guaranty									
11.1 Medical professional liability—occurrence		26,748		26,748		38,515		65,263	29,030
11.2 Medical professional liability—claims-made		12,450		12,450		2,083		14,533	3,523
12. Earthquake		1,805		1,805				1,805	(219)
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health		230,855		230,855				230,855	(2)
16. Workers' compensation	4,059,793	56,747,102	4,059,793	56,747,102	3,339,600	46,106,966	3,339,600	102,854,068	14,151,134
17.1 Other liability—occurrence	1,039,385	9,847,645	1,039,385	9,847,645	5,454,597	16,827,432	5,454,597	26,675,077	9,057,852
17.2 Other liability—claims-made		447,675		447,675		399,963		847,638	541,410
17.3 Excess Workers' Compensation		17,917		17,917		(4,813)		13,104	(3,564)
18.1 Products liability—occurrence	5,000	557,746	5,000	557,746	71,298	313,359	71,298	871,105	428,727
18.2 Products liability—claims-made						23		23	
19.1,19.2 Private passenger auto liability	19,198,027	36,130,173	19,198,027	36,130,173	3,153,424	7,962,905	3,153,424	44,093,078	8,854,187
19.3,19.4 Commercial auto liability	27,328,023	17,300,956	27,328,023	17,300,956	22,488,665	11,809,671	22,488,665	29,110,627	4,477,143
21. Auto physical damage	4,430,040	1,227,333	4,430,040	1,227,333	375,020	927,293	375,020	2,154,626	635,607
22. Aircraft (all perils)		3,213		3,213		(23,561)		(20,348)	
23. Fidelity		15,879		15,879		51,686		67,565	13,824
24. Surety		(1,566,486)		(1,566,486)		10,574,046		9,007,560	2,486,108
26. Burglary and theft		4,638		4,638	173	217	173	4,855	1,898
27. Boiler and machinery					1,148	1,558	1,148	1,558	2,781
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	3,057,908		3,057,908	X X X	2,570,592		5,628,500	3,217
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	120,673,374	162,422,562	120,673,374	162,422,562	66,084,339	119,586,385	66,084,339	282,008,947	67,141,366

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	23,415,764			23,415,764
1.2 Reinsurance assumed	10,641,984			10,641,984
1.3 Reinsurance ceded	23,415,764			23,415,764
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	10,641,984			10,641,984
2. Commission and brokerage:				
2.1 Direct, excluding contingent		80,282,733		80,282,733
2.2 Reinsurance assumed, excluding contingent		45,227,141		45,227,141
2.3 Reinsurance ceded, excluding contingent		80,282,733		80,282,733
2.4 Contingent—direct				
2.5 Contingent—reinsurance assumed		4,921,690		4,921,690
2.6 Contingent—reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1+2.2-2.3+2.4+2.5-2.6+2.7)		50,148,831		50,148,831
3. Allowances to manager and agents		25,058	1	25,059
4. Advertising	362,359	1,691,646	774	2,054,779
5. Boards, bureaus and associations	31,156	759,968	23	791,147
6. Surveys and underwriting reports	5,699	1,659,972	801	1,666,472
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	12,717,141	20,185,061	144,579	33,046,781
8.2 Payroll taxes	763,204	1,786,511	8,294	2,558,009
9. Employee relations and welfare	2,564,189	6,328,328	8,044	8,900,561
10. Insurance	1,509,923	204,103	1,679	1,715,705
11. Directors' fees		800		800
12. Travel and travel items	677,162	1,301,111	2,645	1,980,918
13. Rent and rent items	1,494,428	2,458,927	2,627	3,955,982
14. Equipment	888,120	1,675,240	2,324	2,565,684
15. Cost or depreciation of EDP equipment and software	522,124	878,164	1,192	1,401,480
16. Printing and stationery	121,252	414,127	381	535,760
17. Postage, telephone and telegraph, exchange and express	521,837	1,680,492	4,772	2,207,101
18. Legal and auditing	97,521	400,405	4,785	502,711
19. Totals (Lines 3 to 18)	22,276,115	41,449,913	182,921	63,908,949
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 110,572		7,580,565		7,580,565
20.2 Insurance department licenses and fees		654,043		654,043
20.3 Gross guaranty association assessments		(42,870)		(42,870)
20.4 All other (excluding federal and foreign income and real estate)		262,767		262,767
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		8,454,505		8,454,505
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	4,398,266	4,281,656	26,006	8,705,928
25. Total expenses incurred	37,316,365	104,334,905	208,927	(a) 141,860,197
26. Less unpaid expenses—current year	67,141,367	20,353,829		87,495,196
27. Add unpaid expenses—prior year	67,668,864	24,023,898		91,692,762
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)	37,843,862	108,004,974	208,927	146,057,763

DETAILS OF WRITE-IN LINES				
2401. Other expenses	1,656,090	4,281,656	26,006	5,963,752
2402. Change in unallocated expense reserves	2,742,176			2,742,176
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	4,398,266	4,281,656	26,006	8,705,928

(a) Includes management fees of \$ 209,340 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) 5,120,456	4,748,199
1.1 Bonds exempt from U.S. tax	(a) 6,559,513	6,920,957
1.2 Other bonds (unaffiliated)	(a) 16,653,861	16,792,862
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	(428)
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	13,708	11,824
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) 322,099	289,872
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	258,068	258,068
10. Total gross investment income	28,927,705	29,021,354
11. Investment expenses		(g) 208,925
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)		208,925
17. Net investment income (Line 10 minus Line 16)		28,812,429

DETAILS OF WRITE-IN LINES			
0901. Miscellaneous Income/(Expense) - Pooling Restatement		141,358	141,358
0902. Miscellaneous Income/(Expense)		116,710	116,710
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)		258,068	258,068
1501.	NONE		
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 \$ 541,927 accrual of discount less \$ 427,852 amortization of premium and less \$ 326,652 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 \$ 55,864 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	54,555		54,555		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	390,288	(504,110)	(113,822)	(922,956)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	2,108	(35,296)	(33,188)	78,697	
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)	446,951	(539,406)	(92,455)	(844,259)	

DETAILS OF WRITE-IN LINES					
0901.	NONE				
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	1,886,350	1,288,842	(597,508)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	(52,370)	325,398	377,768
13.3 Accrued retrospective premiums	66,973	151,414	84,441
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	5,456,400	9,850,001	4,393,601
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	743,061	29,661	(713,400)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	8,100,414	11,645,316	3,544,902
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	8,100,414	11,645,316	3,544,902

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. Other assets	743,061	29,661	(713,400)
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)	743,061	29,661	(713,400)

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 Illinois Insurance Commissioner, the accompanying financial statements of Peerless Indemnity 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 fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
3. The Company does not own common stocks.
4. The Company does not own preferred stocks.
5. The Company does not own mortgage loans.
6. Mortgage backed/asset backed securities are stated at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company does not own investments in SCA companies.
8. The Company does not own any joint ventures, partnerships, and limited liability companies.
9. Derivative Securities, refer to Note 8.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2009.
13. The Company has no pharmaceutical rebate receivables.

Note 2- Accounting Changes and Correction of Errors

- A. Effective December 31, 2009, the Company elected to admit Deferred Tax Assets (DTA's) pursuant to SSAP No. 10R, Income Taxes-Revised, a temporary replacement of SSAP No. 10. The change in DTA's resulting from adopting SSAP No. 10R, is disclosed as an aggregate write-in for gains and losses in surplus under the caption SSAP 10R incremental change. (Refer to Note 9.A)

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

Pursuant to the approval of the Illinois Department of Insurance, effective October 15, 2009, American Ambassador Casualty Company was merged into the Company. The Company was the surviving entity. The merger was accounted for under the statutory merger method. In accordance with the National Association of Insurance Commissioner's Annual Statement Instructions, the Company's prior year amounts were update to reflect the merger.

C. Impairment Loss

Not applicable

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, Including Mezzanine Real Estate Loans

The Company does not invest in Mortgage Loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loaned Backed Securities

1. Not used.

2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.

3. Not used.

4. All Loaned Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2009 as of December 31, 2009: None.

5. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the company at December 31, 2009: None.

6. All impaired Loaned Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2009:

	1	2
	Less Than 12 Months	Greater Than 12 Months
Gross Unrealized Loss	(217,285)	(583,934)

7. The Company reviews fixed income securities for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to: (a) the extent of the decline in fair value below book value, (b) the duration of the decline, (c) significant adverse changes in the financial condition or near term prospects of the investment or issuer, (d) significant change in the business climate or credit ratings of the issuer, (e) general market conditions and volatility, (f) industry factors, and (g) the past impairment of the security holding or the issuer. If the Company believes a decline in the value of a particular investment is temporary, the decline is recorded as an unrealized loss in policyholders' equity. If the decline is believed to be "other-than-temporary," and the Company believes it will not be able to collect all cash flows due on its fixed income securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment.

8. Not used.

E. Repurchase Agreements

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

2. The Company maintained collateral for loaned securities.

a) For loaned securities, Company policies require a minimum of 102% of the fair value of securities loaned to be maintained as collateral.

b) The Company has not pledged any of its assets as collateral.

NOTES TO FINANCIAL STATEMENTS

3. Aggregate amount of contractually obligated open collateral positions for which the borrower may request the return of on demand:

	Under 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Total
Fair value of open reinvested collateral positions	5,693,793	6,020,888	4,943,394	2,349,117	19,007,191

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

F. Real Estate

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 that exceed 10% of its admitted assets.
- B. The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the assets leads to impairment losses being recognized by management. The Company realized impairment losses of \$5,435,564 during the year.

Note 7- Investment Income

A. Accrued Investment Income

The Company does not admit investment income due and accrued if amounts are over 90 days past due.

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2009.

Note 8- Derivative Instruments

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

Note 9 - Income Taxes

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

	December 31, 2009			December 31, 2008	Change
	Ordinary	Capital	Total	Total	
Total gross DTAs	23,606,108	1,148,842	24,754,950	24,496,000	258,950
Total gross DTLs	(395,850)	0	(395,850)	(1,010,000)	614,150
Net DTA (DTL)	23,210,258	1,148,842	24,359,100	23,486,000	873,100
Net DTA non-admitted			(5,456,400)	(9,850,000)	4,393,600
Net Admitted DTA (DTL)			18,902,700	13,636,000	5,266,700

Effective October 15, 2009, American Ambassador Casualty Company was merged into Peerless Indemnity Insurance Company. All 2008 balances have been updated to reflect the merger.

The Company has elected to admit additional DTAs pursuant to SSAP No. 10R, paragraph 10e. The current period election was not available at December 31, 2008. A statutory valuation allowance adjustment, as described in SSAP No. 10R, paragraph 6e, is not required. Accordingly, total adjusted gross DTAs equal total gross DTAs.

The increased amount, by tax character, of net admitted DTAs resulting from paragraph 10e:

Ordinary	3,552,006
Capital	0
Total increase in net admitted DTAs	3,552,006

NOTES TO FINANCIAL STATEMENTS

The amount of each result or component of the calculation, by tax character, of paragraphs 10a., 10bi., 10bii., 10c.:

	December 31, 2009			December 31, 2008
	Ordinary	Capital	Total	Total
Recoverable through loss carrybacks (10a.)	14,201,852	101,000	14,302,852	13,734,000
Lesser of:				
Expected to be recognized within one year (10bi.)	0	1,047,842	1,047,842	0
10% of adjusted capital and surplus (10bii.)			19,655,639	18,144,000
Adj. gross DTAs offset against existing DTLs (10c.)	395,850	0	395,850	912,000

The amount of each result or component of the calculation, by tax character, of paragraphs 10ei., 10eii., 10eib., and 10eiii.:

	December 31, 2009		
	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	16,317,000	100,000	16,417,000
Lesser of:			
Expected to be recognized within three years (10eii.)	1,436,858	1,048,842	2,485,700
15% of adjusted capital and surplus (10eib.)			29,483,458
Adj. gross DTAs offset against existing DTLs (10eiii.)	395,850	0	395,850

Risk-based capital level used in paragraph 10d:	December 31, 2009
Total adjusted capital	215,945,851
Authorized control level	28,378,058

The following amounts result from the calculation in paragraphs 10a., 10b., and 10c.:

	December 31, 2009
Admitted DTA	15,350,694
Admitted assets	795,462,879
Statutory surplus	215,945,851
Total adjust capital	215,945,851

Admitted DTA, admitted assets and statutory surplus increased by \$3,552,006 resulting from the use of paragraph 10e.

- B. The Company does not have any DTLs described in SSAP No. 10R, Income Taxes, paragraph 6d.
- C. The provisions for incurred taxes on earnings for the years ended December 31 are:

	2009	2008
Federal	13,229,259	29,444,476
Foreign	0	0
Realized capital gains	(32,359)	(1,070,226)
Federal and foreign income taxes incurred	13,196,900	28,374,250

The Company's DTAs and DTLs result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, depreciation, investment impairments, unrealized gains and losses, and statutory non-admitted assets.

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

	2009
Change in net deferred income tax (without unrealized gain or loss)	577,609
Change in tax effect of unrealized (gains) losses	295,491
Total change in net deferred income tax	873,100

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, intercompany elimination, limits on unearned premium reserve deductions, and revisions to prior year estimates.
- E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is \$11,559,100 from the current year and \$29,920,450 from the preceding year.

At December 31, 2009, the Company did not have any unused net operating loss carryforwards available to offset against future net income.

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.
AMBCO Capital Corporation
America First Insurance Company
America First Lloyds Insurance Company

Liberty Insurance Holdings, Inc.
Liberty Insurance Underwriters, Inc.
Liberty International Europe Inc.*
Liberty International Holdings Inc.

NOTES TO FINANCIAL STATEMENTS

American Ambassador Casualty Company (merged 10/21/2009)	Liberty Life Assurance Company of Boston
American Economy Insurance Company	Liberty Life Holdings, Inc.
American Fire & Casualty Company	Liberty Lloyds of Texas Insurance Company
American States Insurance Company	Liberty Management Services, Inc.
American States Insurance Company of Texas	Liberty Mexico Holdings, Inc.
American States Lloyds Insurance Company	Liberty Mutual Fire Insurance Company
American States Preferred Insurance Company	Liberty Mutual Group Inc.
Avomark Insurance Company	Liberty Mutual Holding Company Inc.
Barrier Ridge LLC	Liberty Mutual Insurance Company
Berkeley Holding Company Associates, Inc.	Liberty Mutual Personal Insurance Company
Berkeley Management Corporation	Liberty Northwest Insurance Corporation
Bridgefield Casualty Insurance Company	Liberty Personal Insurance Company
Bridgefield Employers Insurance Company	Liberty RE (Bermuda) Limited
Capitol Court Corporation	Liberty Sponsored Insurance (Vermont) Inc.
Capitol Agency, Inc., The (Arizona corporation)	Liberty Surplus Insurance Corporation
Capitol Agency, Inc., The (Ohio corporation)	LIH U.S. P&C Corporation
Capitol Agency, Inc., The (Tennessee corporation)	LIH-RE of America Corporation
Cascade Disability Management, Inc.	LIU Specialty Insurance Agency Inc.
Colorado Casualty Insurance Company	LM General Insurance Company
Commercial Aviation Insurance, Inc.	LM Insurance Corporation
Companies Agency of New York, Inc.	LM Personal Insurance Company
Companies Agency of Pennsylvania, Inc.	LM Property & Casualty Insurance Company
Consolidated Insurance Company	LMHC Massachusetts Holdings Inc.
Copley Venture Capital, Inc.	LRE Properties, Inc.
Diversified Settlements, Inc.	Mid-American Agency, Inc.
Emerald City Insurance Agency, Inc.	Mid-American Fire & Casualty Company
Employers Insurance Company of Wausau	North Pacific Insurance Company
Excelsior Insurance Company	OCASCO Budget, Inc.
F.B. Beattie & Company, Inc.	OCI Printing, Inc.
First National Insurance Company of America	Ohio Casualty Corporation
First State Agency Inc.	Ohio Casualty of New Jersey, Inc. (merged 9/30/2009)
Florida State Agency, Inc.	Ohio Security Insurance Company
General America Corporation	Open Seas Solutions, Inc.
General America Corporation of Texas	Oregon Automobile Insurance Company
General Insurance Company of America	Peerless Indemnity Insurance Company
Globe American Casualty Company (merged 12/30/2009)	Peerless Insurance Company
Golden Eagle Insurance Corporation	Pilot Insurance Services, Inc.
Gulf States AIF, Inc.	Rianoc Research Corporation
Hawkeye-Security Insurance Company	S.C. Bellevue, Inc.
Heritage-Summit HealthCare, Inc.	Safecare Company, Inc.
Indiana Insurance Company	Safeco Corporation
Insurance Company of Illinois	Safeco General Agency, Inc.
LEXCO Limited	Safeco Insurance Company of America
Liberty - USA Corporation	Safeco Insurance Company of Illinois
Liberty Assignment Corporation	Safeco Insurance Company of Indiana
Liberty Energy Canada, Inc.	Safeco Insurance Company of Oregon
Liberty Financial Services, Inc.	Safeco Lloyds Insurance Company
Liberty Hospitality Group, Inc.	Safeco National Insurance Company
Liberty Insurance Company of America (merged 9/17/2009)	Safeco Properties, Inc.
Liberty Insurance Corporation	Safeco Surplus Lines Insurance Company
SCIT, Inc.	San Diego Insurance Company
St. James Insurance Company Ltd.	The Ohio Casualty Insurance Company
State Agency, Inc. (Indiana corporation)	The Ohio Life Brokerage Services, Inc.
State Agency, Inc. (Wisconsin corporation)	Wausau Business Insurance Company
Summit Consulting, Inc.	Wausau General Insurance Company
Summit Consulting, Inc. of Louisiana	Wausau Service Corporation
Summit Holding Southeast, Inc.	(dissolved 10/21/2009)
The First Liberty Insurance Corporation	Wausau Underwriters Insurance Company
The Midwestern Indemnity Company	West American Insurance Company
The National Corporation	Winmar Company, Inc.
The Netherlands Insurance Company	Winmar of the Desert, Inc.
	Winmar Oregon, Inc.
	Winmar-Metro, Inc

* This company joined the consolidated group in 2009 and its activity from the date it joined the group is included in the consolidated return.

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

Note 10- Information concerning Parent, Subsidiaries and Affiliates

- A. All of the outstanding shares of capital stock of the Company are held by Liberty-USA Corporation (“Liberty-USA”), an insurance holding company incorporated in Delaware. Liberty-USA is wholly owned by Peerless Insurance Company (“PIC”), a New Hampshire insurance company. PIC is wholly owned by LIH US P&C Corporation, an insurance holding

NOTES TO FINANCIAL STATEMENTS

company incorporated in Delaware. LIH US P&C Corporation is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Insurance Holdings, Inc. is owned by Liberty Mutual Insurance Company ("LMIC" 93%), a Massachusetts insurance company; Liberty Mutual Fire Insurance Company ("LMFIC" 4%), a Wisconsin insurance company; and Employers Insurance Company of Wausau ("EICOW" 3%), a Wisconsin insurance company. The ultimate parent of LMIC, LMFIC and EICOW is Liberty Mutual Holding Company Inc., a Massachusetts company.

- B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.
- C. Refer to Notes 10F, 22 and 25.
- D. At December 31, 2009, the Company reported \$5,197,928 due from affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated an undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.
- F. Refer to Note 25 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

The Company is a party to a services agreement (the "Agreement") with PIC and other affiliates. The Agreement allows PIC to provide services related to common management function including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resource services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

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

The Company is a party to a management services agreement 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 (Refer to Note 9F).

The Company is a party to a revolving credit agreement under which the Company may borrow up to \$100,000,000 from LMIC. The purpose of the extension of credit is for operating liquidity to accommodate fluctuations in daily cash flow and to promote efficient management of investments. As of December 31, 2009, there have been no drawings under this agreement.

- G. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- 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 non-insurance holding companies.
Refer to 10 I

Note 11- Debt

- A. Not applicable
- B. The Company has not entered into Federal Home Loan Bank Agreements.

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

As the Company does not have direct employees, the Company 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.

As a result of, Liberty Mutual's acquisition of Safeco Corporation, the ultimate parent of fifteen property and casualty insurance companies (Safeco Companies), the Safeco Companies eligible U.S. employees became employees of Liberty Mutual and began participating in the Liberty Mutual benefit plans. The Safeco Corporation continues to sponsor a cash balance defined benefit pension plan (CBP) covering a wide range of former Safeco Company employees. Safeco

NOTES TO FINANCIAL STATEMENTS

Corporation terminated the CBP effective December 31, 2008 and will distribute plan assets to eligible participants as soon as administratively practicable. The distribution of assets is expected to occur within 2 to 3 years after the November 2008 filing of a request for approval of the plan termination with applicable regulators. The CBP pension costs are subject to the inter-company pooling agreement described in Note 25. These costs amounted to \$42,780, and \$18,120 in 2009 and 2008, respectively. Also, a CBP additional minimum liability of \$148,920 and \$293,142, also subject to the inter-company pooling agreement, was recognized in 2009 and 2008 respectively in accordance with SSAP 89 and is reported as a component of unassigned funds (surplus). The Company has no legal obligation for benefits under this plan.

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

1. Capital Stock

The Company has 500,000 shares authorized, and 10,000 shares issued and outstanding as of December 31, 2009. All shares have a stated par value of \$350.

2. Preferred Stock

Not applicable

3. Dividend Restrictions

Not applicable

4. The Company did not pay a dividend to its parent during 2009.

5. The maximum amount of dividends which can be paid by Illinois-domiciled insurance companies to shareholders without the prior approval of the Insurance Director is the greater of (a) 10% of surplus or (b) net income, subject to the availability of accumulated undistributed earnings. The maximum dividend payout which may be made without prior approval in 2010 is \$26,949,208.

6. As of December 31, 2009, the Company has restricted surplus of \$3,552,006, from recording the increase in admitted adjusted gross DTA's as a result of applying the revised guidance in SSAP No. 10R (refer to Note 2A) and pre-tax restricted surplus of \$598,081 resulting from retroactive reinsurance contracts.

7. The Company had no advances to surplus.

8. The Company did not hold stock for special purposes.

9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2009 and from the adoption of the revised guidance on calculating admitted adjusted gross DTA's in SSAP 10R.

10. The portion of unassigned funds (surplus) represented by cumulative unrealized loss is \$(692,587) after applicable deferred taxes of \$359,470.

11. Surplus Notes

Not applicable

12. Quasi re-organization (dollar impact)

Not applicable

13. Quasi re-organization (effective date)

Not applicable

Note 14- Contingencies

A. Contingent Commitments

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

B. Assessments

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

The Company has accrued a liability for guaranty funds and other assessments of \$2,392,106 that is offset by future premium tax credits of \$399,560. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2009.

NOTES TO FINANCIAL STATEMENTS

During 2009 there were no material insolvencies to report. The company continues to remit payments relating to prior year insolvencies.

C. Gain Contingencies

Not applicable

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

The Company 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.

Pursuant to North Carolina General Statute #58-36-25, the potential interest payable to policyholders for the 2009 Private Passenger Automobile Escrow was \$19.

Note 15- Leases

A. Aside from certain sale-leaseback transactions disclosed below, the Company is not involved in material lease arrangements.

The Company has entered into sale-leaseback arrangements with unrelated parties on certain property, plant and equipment. The transactions have been accounted for in accordance with SSAP No. 22. The Company has a purchase option for all PP&E at the end of each respective lease. The Company's minimum lease obligations under these agreements are as follows:

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2010	\$170,176	\$1,486,128
2011	170,176	1,477,397
2012	170,176	1,301,409
2013	170,176	480,001
2014	14,181	407,627
2015 & thereafter	0	964,511
Total	<u>\$694,885</u>	<u>\$6,117,073</u>

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

Not applicable

Note 16- Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

The Company is not exposed to financial instruments with off-balance sheet risk and 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 sell premium receivables.

B. Transfers and servicing of financial assets:

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

NOTES TO FINANCIAL STATEMENTS

At December 31, 2009 the total fair value of securities on loan was \$30,179,670 with corresponding collateral value of \$31,233,095 of which \$19,007,191 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

In 2008, the Company's affiliate, Safeco Insurance Company of America and other members of the Peerless Amended and Restated Reinsurance Pooling Agreement (refer to note 25) agreed to become participating insurers of the California Earthquake Authority ("CEA"), a publicly-managed, privately funded organization that provides residential earthquake insurance in California. As participating insurers of the CEA, the companies act as a third party administrator and perform certain administrative services on behalf of the CEA, including underwriting, policy issuance, premium collection, and claims payment. The CEA reimburses the companies for commissions and claims paid on behalf of the CEA. The companies also receive an administrative fee equal to 3.43% of premium and 9% of claims paid. These administrative fees are subject to the inter-company pooling agreement. In 2009, the Company recorded CEA administrative fees of \$31,200.

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 \$7,690,635 and \$7,689,924 as of December 31, 2009 and 2008, respectively, were on deposit with government authorities or trustees as required by law.

2) 2009 North Carolina Private Passenger Automobile Escrow

As mandated by North Carolina Statute #58-7-26(C), the escrow account of the company was \$1,515 at December 31, 2009.

3) During the current year, certain members of the Peerless Pool, of which the Company is a member, changed the nature of their cash disbursement accounts, so that disbursement transactions reflect the characteristics of drafts. In prior years, cash disbursement transactions were accounted for as checks. The Company's cash accounts were not changed. The Company's year end drafts outstanding balance increased by \$8,932,952, which represents the Company's pool share of the Peerless Pool's increase in drafts outstanding. (Refer to Note 25)

Interrogatory 6.1

In 2009, as a member of an inter-company reinsurance pooling arrangement, the Company had the benefit of Workers' Compensation Catastrophe reinsurance with limits of \$1,038,000 part of \$1,175,000 xs \$25,000,000 purchased by Peerless Insurance Company, the lead company of the inter-company reinsurance pool, individually or with affiliates within the Liberty Mutual Group covering workers' compensation business ceded to the pool.

Interrogatory 6.3

As a member of the inter-company pooling arrangement in which Peerless Insurance Company is the lead company, the Company has the benefit of \$825,000,000 xs \$500,000,000 of traditional XOL reinsurance covering its business ceded to the pool. In December 2008, Peerless Insurance Company purchased a 31.725% QS treaty for its direct and assumed from affiliates US Homeowners portfolio, which includes business assumed from the Company.

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

NOTES TO FINANCIAL STATEMENTS

F. State Transferable Tax Credits

The Company does not hold transferable state tax credits.

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

Note 21- Events Subsequent

A. The Company evaluated subsequent events through February 24, 2010, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2009 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 which exceed 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.

C. Assumed & Ceded Reinsurance

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, 2009.

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net Reinsurance</u>	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	138,034,024	19,324,763	265,319,832	37,144,776	(127,285,809)	(17,820,013)
All Other	-	-	-	-	-	-
Total	138,034,024	19,324,763	265,319,832	37,144,776	(127,285,809)	(17,820,013)

Direct Unearned Premium Reserve of 265,319,832

2. There are no sliding scale adjustments, or other profit sharing commissions for direct, assumed or ceded business. The following are the contingent commissions for direct, assumed and ceded business.

Direct	\$0
Assumed	7,709,297
Ceded	0
Net	<u>\$7,709,297</u>

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

D. The Company did not write off any uncollectible balances in 2009.

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

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

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	14,244,498	
	2. Adjustment – Prior Year(s)	(11,096,032)	
	3. Adjustment – Current Year	(446,413)	
	4. Total	2,702,054	
b.	Consideration Paid or Received:		
	1. Initial Reserves	15,471,671	
	2. Adjustment – Prior Year(s)	446,788	
	3. Adjustment – Current Year	-	
	4. Total	15,918,459	
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	-	
	2. Adjustment – Prior Year(s)	13,660,484	
	3. Adjustment – Current Year	802,591	

NOTES TO FINANCIAL STATEMENTS

	4. Total	14,463,076	
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	788,014	
	2. Adjustment – Prior Year(s)	(2,450,524)	
	3. Adjustment – Current Year	(62,573)	
	4. Total	598,081	
	5. Cumulative Total Transferred to Unassigned Funds	(1,127,002)	
e.	Other insurers included in the above transactions:		
	Peerless Insurance Company	2,702,054	

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

G. The Company has not entered into any deposit type reinsurance agreements as of December 31, 2009.

Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

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

a. Total accrued retro premium	\$556,864
b. Less: Non-admitted amount	66,973
c. Admitted amount	<u>\$489,891</u>

Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributed to insured events on prior years has decreased \$23,138,390 during 2009. This decrease was primarily the result of improving loss trends in the Other Liability \$8,576,586, Private Passenger Auto Liability \$4,678,565, Commercial Multi-Peril \$3,564,711, Workers' Compensation \$2,687,841, Fidelity/Surety \$1,736,452 and Commercial Auto Liability \$1,236,119 lines. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 25- Intercompany Pooling Arrangements

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

		NAIC Company Number	2009 Pooling Percentage
Lead Company	Peerless Insurance Company (“PIC”)	24198	25.20%
Affiliated Pool Companies	The Ohio Casualty Insurance Company (“OCIC”)	24074	20.40%
	Safeco Insurance Company of America (“SICOA”)	24740	15.20%
	General Insurance Company of America (“GICA”)	24732	9.20%
	American States Insurance Company (“ASIC”)	19704	7.60%
	American Economy Insurance Company (“AEIC”)	19690	5.60%
	Indiana Insurance Company (“IIC”)	22659	4.80%
	Golden Eagle Insurance Corporation (“GEIC”)	10836	3.00%
	Peerless Indemnity Insurance Company (“PIIC”)	18333	3.00%
	Safeco Insurance Company of Illinois (“SICIL”)	39012	2.00%
	The Netherlands Insurance Company (“NIC”)	24171	1.80%
	American States Preferred Insurance Company (“ASPCO”)	37214	0.80%
	First National Insurance Company of America (“FNICA”)	24724	0.80%
	American Fire and Casualty Company (“AFCIC”)	24066	0.60%
	America First Insurance Company (“AFIC”)	12696	0.00%
	America First Lloyd’s Insurance Company (“AFLIC”)	11526	0.00%
	American States Insurance Company of Texas (“ASICT”)	19712	0.00%
	American States Lloyds Insurance Company (“ASLCO”)	31933	0.00%
	Avomark Insurance Company (“AVOIC”)	10792	0.00%
	Colorado Casualty Insurance Company (“CCIC”)	41785	0.00%
	Consolidated Insurance Company (“CIC”)	22640	0.00%
	Excelsior Insurance Company (“EIC”)	11045	0.00%

NOTES TO FINANCIAL STATEMENTS

	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%
	Insurance Company of Illinois ("ICIL")	26700	0.00%
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%
	National Insurance Association ("NIA")	27944	0.00%
	Ohio Security Insurance Company ("OSIC")	24082	0.00%
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%
	Safeco National Insurance Company ("SNIC")	24759	0.00%
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%
	West American Insurance Company ("WAIC")	44393	0.00%
			100.00%
100% Quota Share Affiliated Companies	Bridgefield Employers Insurance Company ("BEIC")	10701	0.00%
	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.00%
	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%
	North Pacific Insurance Company ("NPIC")	23892	0.00%
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%

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

- (a) Each Affiliated Pool Company cedes its net underwriting activity to the Lead Company.
- (b) Each 100% Quota Share Affiliated Company cedes its net underwriting activity to the Lead Company.
- (c) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (d) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- (e) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement that have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- (f) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- (g) The write-off of uncollectible reinsurance is pooled and the Provision for Reinsurance is recognized by the entity placing the outbound external reinsurance.
- (h) Amount due from affiliated entity participating in the Peerless inter-company pool as at December 31, 2009:

Affiliate:	Amount:
Peerless Insurance Company	\$7,884,225

During 2009, American Ambassador Insurance Company, Globe American Insurance Company and Ohio Casualty of New Jersey merged with Peerless Indemnity Insurance Company, The Midwestern Indemnity Company, and Ohio Casualty Insurance Company, respectively. Peerless Indemnity Insurance Company, The Midwestern Indemnity Company and Ohio Casualty Insurance Company were the surviving entities.

During 2009, ICIL merged with an affiliate, Liberty Insurance Company of America (LICA). ICIL became the surviving entity. Concurrent with the merger, ICIL entered into a Quota Share Reinsurance Agreement with Liberty Mutual Insurance Company (LMIC), covering the business written by LICA. ICIL continued as a participant in the Peerless Amended and Restated Reinsurance Agreement. Effective January 1, 2010, ICIL terminated the Quota Share Reinsurance Agreement with LMIC and became a participant in the Liberty Mutual inter-company Pool, with a 0.00% participation in the Pool. As a participant in the Liberty Mutual inter-company Reinsurance Agreement, ICIL cedes the business of LICA to the Pool. Concurrent with entering into the Liberty Mutual inter-company Reinsurance Agreement, ICIL terminated its participation in the Peerless Amended and Restated Reinsurance Agreement and entered into a Quota Share Reinsurance Agreement with PIC, covering the business written by ICIL.

Effective January 1, 2010, Bridgefield Casualty Insurance Company and Bridgefield Employers Insurance Company canceled their 100% Quota Share Reinsurance Agreements with PIC and entered into 100% Reinsurance Agreements with Liberty Mutual Insurance Company.

NOTES TO FINANCIAL STATEMENTS

Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2010, the Peerless Insurance Company Pool structure was revised as follows:

		NAIC Company Number	2010 Pooling Percentage
Lead Company	Peerless Insurance Company ("PIC")	24198	25.20%
Affiliated Pool Companies	The Ohio Casualty Insurance Company ("OCIC")	24074	20.40%
	Safeco Insurance Company of America ("SICOA")	24740	15.20%
	General Insurance Company of America ("GICA")	24732	9.20%
	American States Insurance Company ("ASIC")	19704	7.60%
	American Economy Insurance Company ("AEIC")	19690	5.60%
	Indiana Insurance Company ("IIC")	22659	4.80%
	Golden Eagle Insurance Corporation ("GEIC")	10836	3.00%
	Peerless Indemnity Insurance Company ("PIIC")	18333	3.00%
	Safeco Insurance Company of Illinois ("SICIL")	39012	2.00%
	The Netherlands Insurance Company ("NIC")	24171	1.80%
	American States Preferred Insurance Company ("ASPCO")	37214	0.80%
	First National Insurance Company of America ("FNICA")	24724	0.80%
	American Fire and Casualty Company ("AFCIC")	24066	0.60%
	America First Insurance Company ("AFIC")	12696	0.00%
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%
	American States Insurance Company of Texas ("ASICT")	19712	0.00%
	American States Lloyds Insurance Company ("ASLCO")	31933	0.00%
	Avomark Insurance Company ("AVOIC")	10792	0.00%
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%
	Consolidated Insurance Company ("CIC")	22640	0.00%
	Excelsior Insurance Company ("EIC")	11045	0.00%
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%
	National Insurance Association ("NIA")	27944	0.00%
	Ohio Security Insurance Company ("OSIC")	24082	0.00%
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%
	Safeco National Insurance Company ("SNIC")	24759	0.00%
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%
	West American Insurance Company ("WAIC")	44393	0.00%
			100.00%
100% Quota Share	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%
	North Pacific Insurance Company ("NPIC")	23892	0.00%
Affiliated Companies	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%

Note 26- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$3,511,732 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$3,511,732 as of December 31, 2009.
- B. The Company does not have material structured settlements from life insurers for which the Company has not obtained a release of liability from the claimant.

Note 27 - Health Care Receivables

Not applicable

Note 28 - Participating Policies

Not applicable

Note 29 – Premium Deficiency Reserves

As of December 31, 2009, the Company had no liabilities related to premium deficiency reserves.

Note 30- High Dollar Deductible Policies

The Company does not have any high deductible policies.

NOTES TO FINANCIAL STATEMENTS

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2009 liabilities subject to discount were carried at a value representing a discount of \$4,514,302 net of all reinsurance.

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

Note 32 - Asbestos/Environmental Reserves

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

Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

The uncertainties associated with establishing reserves for asbestos and environmental losses and loss adjustment expenses are compounded by the differing, and at times inconsistent, court rulings on environmental and asbestos coverage issues involving: (i) the differing interpretations of various insurance policy provisions and whether asbestos and environmental losses are or were ever intended to be covered, (ii) when the loss occurred and what policies provide coverage, (iii) whether there is an insured obligation to defend, (iv) whether a compensable loss or injury has occurred, (v) how policy limits are determined, (vi) how policy exclusions are applied and interpreted, (vii) the impact of entities seeking bankruptcy protection as a result of asbestos-related liabilities, (viii) whether clean-up costs are covered as insured property damage, and (ix) applicable coverage defenses or determinations, if any, including the determination as to whether or not an asbestos claim is a products/completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim.

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

Uncertainty Regarding Reserving Methodologies

As a result of the significant uncertainty inherent in determining a company's asbestos and environmental liabilities and establishing related reserves, the amount of reserves required to adequately fund the Company's asbestos and environmental claims cannot be accurately estimated using conventional reserving methodologies based upon historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment.

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

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

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

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

Asbestos:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Direct Basis					
Beginning Reserves	3,583,798	4,449,477	5,144,424	4,853,206	5,021,471
Incurred losses and LAE	1,224,889	1,058,558	280,984	739,960	64,129

NOTES TO FINANCIAL STATEMENTS

Calendar year payments	359,210	363,610	512,202	571,695	387,597
Ending Reserves	4,449,477	5,144,424	4,913,206	5,021,471	4,698,003

Assumed Reinsurance Basis

Beginning Reserves	3,242,966	3,275,222	3,230,789	3,990,167	3,415,554
Incurring losses and LAE	220,831	141,515	919,361	(135,581)	1,688,382
Calendar year payments	188,575	185,948	309,529	439,032	345,693
Ending Reserves	3,275,222	3,230,789	3,840,621	3,415,554	4,758,243

Net of Ceded Reinsurance Basis

Beginning Reserves	5,570,335	6,361,134	6,765,694	7,165,705	6,874,118
Incurring losses and LAE	1,312,667	903,716	992,609	361,267	1,906,289
Calendar year payments	521,868	499,156	684,161	652,854	686,215
Ending Reserves	6,361,134	6,765,694	7,074,142	6,874,118	8,094,192

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

Direct Basis	2,663,124
Assumed Reinsurance Basis	2,678,091
Net of Ceded Reinsurance Basis	4,926,897

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

Direct Basis	1,604,656
Assumed Reinsurance Basis	8,725
Net of Ceded Reinsurance Basis	1,353,129

Environmental:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Direct Basis					
Beginning Reserves	5,392,027	6,021,695	5,866,766	5,578,007	4,765,406
Incurring losses and LAE	1,318,509	553,973	1,543,527	122,816	(206,855)
Calendar year payments	688,841	708,902	1,115,426	935,417	499,216
Ending Reserves	6,021,695	5,866,766	6,294,867	4,765,406	4,059,335

Assumed Reinsurance Basis

Beginning Reserves	1,671,150	1,220,643	1,101,892	1,070,983	1,029,825
Incurring losses and LAE	(372,822)	24,281	16,096	60	(262,461)
Calendar year payments	77,685	143,032	28,098	41,218	26,071
Ending Reserves	1,220,643	1,101,892	1,089,890	1,029,825	741,293

Net of Ceded Reinsurance Basis

Beginning Reserves	6,670,889	6,590,770	6,136,856	6,136,545	5,233,627
Incurring losses and LAE	569,831	328,836	1,703,039	(108,054)	(553,055)
Calendar year payments	649,950	782,750	946,488	794,864	493,779
Ending Reserves	6,590,770	6,136,856	6,893,407	5,233,627	4,186,793

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

Direct Basis	2,699,700
Assumed Reinsurance Basis	466,900
Net of Ceded Reinsurance Basis	2,762,998

NOTES TO FINANCIAL STATEMENTS

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

Direct Basis	1,378,948
Assumed Reinsurance Basis	3,339
Net of Ceded Reinsurance Basis	1,343,609

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

Note 33- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 34 - Multiple Peril Crop Insurance

Not applicable

Note 35 – Financial Guarantee Insurance Contracts

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? _____ Illinois _____
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes No
- 2.2 If yes, date of change: _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. _____ 12/31/2008 _____
- 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. _____ 12/31/2004 _____
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). _____ 06/29/2006 _____
- 3.4 By what department or departments?
 Illinois Department of Financial and Professional Regulation, Division of Insurance

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

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
American Ambassador Casualty Company	10073	IL
	00000	
	00000	

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

GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....

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

7.2 If yes,

7.21 State the percentage of foreign control. _____

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	0
11.13 Total book/adjusted carrying value	\$ 0

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 [X]

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

Yes [] No [X]

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

Yes [] No [] N/A [X]

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 [X] 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 [X]

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

.....

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

Yes [] No [X]

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 [X] 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 [X] 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 [X] 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 [X]

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 | \$ | 0 |
| 19.22 Borrowed from others | \$ | 0 |
| 19.23 Leased from others | \$ | 0 |
| 19.24 Other | \$ | 0 |
- 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 | \$ | 0 |
| 20.22 Amount paid as expenses | \$ | 0 |
| 20.23 Other amounts paid | \$ | 0 |
- 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)
 Please reference note 17B.

- 22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes No N/A
- 22.5 If answer to 22.4 is yes, report amount of collateral. \$ 31,233,095
- 22.6 If answer to 22.4 is no, report amount of collateral. \$ 0
- 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 | \$ | 0 |
| 23.22 Subject to reverse repurchase agreements | \$ | 0 |
| 23.23 Subject to dollar repurchase agreements | \$ | 0 |
| 23.24 Subject to reverse dollar repurchase agreements | \$ | 0 |
| 23.25 Pledged as collateral | \$ | 0 |
| 23.26 Placed under option agreements | \$ | 0 |
| 23.27 Letter stock or securities restricted as to sale | \$ | 0 |
| 23.28 On deposit with state or other regulatory body | \$ | 7,690,635 |
| 23.29 Other | \$ | 0 |

GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

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

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. \$ _____ 0

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

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
.....
.....

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 Investment Advisors, LL	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Insurance Company	175 Berkeley Street, 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
27.2999 TOTAL		0

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	644,601,325	670,395,421	25,794,096
28.2 Preferred stocks	0	0	0
28.3 Totals	644,601,325	670,395,421	25,794,096

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

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

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

Yes [] No [X]

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

Yes [] No [X]

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

The Company reviews the pricing methodology of its vendors on an annual basis. The Company has also established acceptable price change and tolerance guidelines. Vendor prices falling outside the guidelines are furthered reviewed by management on a monthly basis. All prices determined internally by the insurer are reviewed and signed off by the Chief Investment Officer.

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

Yes [X] No []

30.2 If no, list exceptions:

.....

OTHER

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

\$ _____ 0

GENERAL INTERROGATORIES

31.2 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

32.1 Amount of payments for legal expenses, 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 payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
	0
	0
	0

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

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

1 Name	2 Amount Paid
	0
	0
	0

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

.....

.....

.....

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

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ 0

1.62 Total incurred claims \$ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned \$ 0

1.65 Total incurred claims \$ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ 0

1.72 Total incurred claims \$ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned \$ 0

1.75 Total incurred claims \$ 0

1.76 Number of covered lives 0

2. Health Test:

	1		2	
	Current Year		Prior Year	
2.1 Premium Numerator	\$ 212,994		\$ 807	
2.2 Premium Denominator	\$ 314,295,895		\$ 299,063,741	
2.3 Premium Ratio (2.1/2.2)	<u>0.00</u>		<u>0.00</u>	
2.4 Reserve Numerator	\$ 233,243		\$ 0	
2.5 Reserve Denominator	\$ 505,365,259		\$ 505,106,812	
2.6 Reserve Ratio (2.4/2.5)	<u>0.00</u>		<u>0.00</u>	

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

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

3.21 Participating policies \$ 744,857

3.22 Non-participating policies \$ 508,515,475

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

.....

.....

.....

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

5.5 If yes, give full information

.....

.....

.....

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:
See Note 20C

.....

.....

.....

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 v9.0 from RMS and AIR Clasic/2 v11.0. For WC, Liberty Mutual utilizes RiskLink v9.0 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?
 See Note 20C
- 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 uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes No
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. _____ 1
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes No
- 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 32 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

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | | | |
|---|--|----|-----------|
| 12.11 Unpaid losses | | \$ | 1,510,841 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | | \$ | 167,860 |
- 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? \$ 466,315
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes No N/A
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- | | | |
|------------|--|------|
| 12.41 From | | 0.00 |
| 12.42 To | | 9.00 |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes No
- 12.6 If yes, state the amount thereof at December 31 of current year:
- | | | | |
|----------------------------------|--|----|------------|
| 12.61 Letters of Credit | | \$ | 1,135,390 |
| 12.62 Collateral and other funds | | \$ | 10,796,863 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 12,902,638
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes No
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes No
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:

- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes No
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes No
- 14.5 If the answer to 14.4 is no, please explain:

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

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

* Disclose type of coverage: _____

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

Yes [] No [X]

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

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

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

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

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

Yes [] No [X]

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

\$ 0

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

Yes [] No [X]

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

\$ 0

FIVE – YEAR HISTORICAL DATA

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

	1	2	3	4	5
	2009	2008	2007	2006	2005
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3)	307,153,805	291,436,451	(9,872,604)	132,248,181	(16,679,210)
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	131,106,323	96,032,491	1,146,188	44,932,716	(10,075,742)
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	375,791,878	299,307,083	16,948,557	98,306,306	(66,189,017)
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	24,457,788	29,343,370	3,397	26,073	(503,935)
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	3				
6. Total (Line 35)	838,509,797	716,119,395	8,225,538	275,513,276	(93,447,904)
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3)	143,306,894	195,355,211	5,121,318	4,918,086	(136,852,905)
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	66,511,240	55,457,304	1,612,085	1,546,258	(60,492,797)
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	94,973,541	138,515,067	4,406,411	4,293,571	(153,358,567)
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	24,457,788	29,343,370	3,397	26,073	(503,935)
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	3				
12. Total (Line 35)	329,249,466	418,670,952	11,143,211	10,783,988	(351,208,204)
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	13,199,996	8,929,365	182,337	31,314	138,148
14. Net investment gain (loss) (Line 11)	28,752,333	26,652,858	8,557,849	(101,175,205)	30,059,063
15. Total other income (Line 15)	(429,111)	(4,159,317)	21,763	18,456	(9,989)
16. Dividends to policyholders (Line 17)	1,344,750	1,952,371	25,996	29,064	14,299
17. Federal and foreign income taxes incurred (Line 19)	13,229,259	29,444,476	9,664,734	(2,143,853)	(29,579,690)
18. Net income (Line 20)	26,949,209	26,059	(928,781)	(99,010,646)	59,752,613
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	799,014,885	757,377,031	196,263,441	246,151,279	633,822,800
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	11,885,797	10,317,385	524,753	724,773	16,800,254
20.2 Deferred and not yet due (Line 13.2)	84,394,960	79,634,561	3,443,203	18,243,506	2,326,579
20.3 Accrued retrospective premiums (Line 13.3)	489,891	1,532,624	28,885	34,466	
21. Total liabilities excluding protected cell business (Page 3, Line 24)	579,517,028	569,224,173	29,367,800	78,031,214	57,464,824
22. Losses (Page 3, Line 1)	282,008,945	295,510,596	9,508,103	8,804,204	17,311,051
23. Loss adjustment expenses (Page 3, Line 3)	67,141,366	67,668,864	2,175,926	2,020,098	1,519,164
24. Unearned premiums (Page 3, Line 9)	138,034,024	126,473,653	5,076,012	4,743,232	4,233,774
25. Capital paid up (Page 3, Lines 28 & 29)	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
26. Surplus as regards policyholders (Page 3, Line 35)	219,497,857	188,152,858	166,895,641	168,120,065	576,357,976
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	34,666,248	420,127,396	9,186,449	51,280,591	(717,923,738)
Risk-Based Capital Analysis					
28. Total adjusted capital	219,497,857	188,152,858	166,895,641	168,120,065	576,357,976
29. Authorized control level risk-based capital	28,380,208	27,886,383	1,683,197	1,657,658	23,497,486
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	89.1	90.2	87.6	71.1	53.7
31. Stocks (Lines 2.1 & 2.2)		0.3	0.1	0.1	39.6
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)	9.4	7.9	7.0	23.8	4.6
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)	1.5	1.6	5.3	5.0	2.1
37. Receivables for securities (Line 8)			0.0		
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
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					172,510,092
43. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
44. Affiliated mortgage loans on real estate					
45. All other affiliated	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
46. Total of above Lines 40 to 45	10,000,000	10,000,000	10,000,000	10,000,000	182,510,092
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)	4.6	5.3	6.0		31.7

FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2009	2008	2007	2006	2005
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	(548,769)	(474,817)	(8,670)	127,436,206	7,168,387
49. Dividends to stockholders (Line 35)				(435,939,572)	
50. Change in surplus as regards policyholders for the year (Line 38)	31,344,999	12,785,614	(1,224,424)	(408,237,911)	31,719,081
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3)	133,706,716	(119,264,831)	119,332,010	64,998,349	365,714,639
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	67,007,710	37,796,134	11,900,535	31,834,290	36,568,497
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	176,129,524	53,756,884	56,438,931	47,606,123	197,952,775
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	3,457,229	(3,855,543)	604,397	31,003	364,469
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	(5,579,764)	(34,646)	440	(1,572)	1,520,420
56. Total (Line 35)	374,721,415	(31,602,002)	188,276,313	144,468,193	602,120,800
Net Losses Paid (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3)	86,755,484	(137,504,722)	2,279,822	391,502	301,037,226
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	31,307,846	18,207,181	705,912	619,962	7,283,979
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	56,956,450	(6,199,549)	1,855,691	1,674,773	159,032,548
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	3,457,229	(3,855,543)	1,019	6,003	317,277
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	(5,579,764)	(34,646)	440	(1,572)	1,520,420
62. Total (Line 35)	172,897,245	(129,387,279)	4,842,884	2,690,668	469,191,450
Operating Percentages (Page 4) (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)	50.7	52.4	51.4	54.3	49.3
65. Loss expenses incurred (Line 3)	11.9	10.8	11.3	11.9	13.2
66. Other underwriting expenses incurred (Line 4)	33.2	33.8	35.6	33.5	35.9
67. Net underwriting gain (loss) (Line 8)	4.2	3.0	1.7	0.3	1.6
Other Percentages					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	31.8	25.1	34.3	31.7	(0.9)
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	62.6	63.2	62.7	66.2	62.5
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)	150.0	222.5	6.7	6.4	(60.9)
One Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(23,139)	(26,627)	(803)	(162)	(188)
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)	(12.3)	(16.0)	(0.5)	(0.0)	(0.0)
Two Year Loss Development (000 omitted)					
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)	(33,344)	(45,987)	(672)	57	(57)
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)	(19.0)	(27.4)	(0.1)	0.0	(0.0)

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

Yes [X] No []

If no, please explain:

.....

.....

.....

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES**SCHEDULE P – PART 1 – SUMMARY**

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported - Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	3,486	1,318	1,090	91	319	17	125	3,469	X X X
2. 2000	257,273	15,720	241,553	176,578	11,133	12,032	795	19,328	567	9,349	195,443	X X X
3. 2001	258,635	15,617	243,018	164,737	11,145	11,927	619	19,916	614	8,883	184,202	X X X
4. 2002	283,545	26,888	256,657	154,757	14,819	11,262	1,030	19,591	943	8,840	168,818	X X X
5. 2003	310,792	24,939	285,853	150,832	12,527	10,293	736	22,037	1,001	8,870	168,898	X X X
6. 2004	337,804	17,729	320,075	154,475	5,966	9,360	332	21,985	446	11,164	179,076	X X X
7. 2005	355,965	13,559	342,406	156,223	5,941	9,581	344	22,845	325	10,274	182,039	X X X
8. 2006	358,874	14,931	343,943	151,020	3,212	8,202	407	22,643	478	8,736	177,768	X X X
9. 2007	362,504	16,665	345,839	144,304	2,996	6,410	350	22,070	289	8,390	169,149	X X X
10. 2008	357,991	12,661	345,330	146,361	4,061	4,379	176	23,890	207	7,212	170,186	X X X
11. 2009	334,278	19,983	314,295	86,773	6,030	1,452	274	17,030	98	3,821	98,853	X X X
12. Totals	X X X	X X X	X X X	1,489,546	79,148	85,988	5,154	211,654	4,985	85,664	1,697,901	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded			
1. Prior	31,573	9,090	18,006	2,155	1,394	132	4,565	455	2,927	85	612	46,548	X X X
2. 2000	4,152	1,200	1,735	420	42	22	617	70	366	28	62	5,172	X X X
3. 2001	4,323	1,179	2,003	413	85	18	717	52	471	24	156	5,913	X X X
4. 2002	4,532	821	2,219	400	93	4	851	54	411	9	114	6,818	X X X
5. 2003	3,662	497	2,919	429	113	1	1,069	52	461	2	261	7,243	X X X
6. 2004	4,996	886	3,659	502	144	1	1,330	64	591	1	635	9,266	X X X
7. 2005	8,018	664	5,223	701	267	1	1,974	103	990	1	413	15,002	X X X
8. 2006	13,925	1,028	7,656	1,020	459	1	3,235	151	1,546	1	1,120	24,620	X X X
9. 2007	23,873	998	12,072	1,426	739	2	5,570	226	2,514	2	1,078	42,114	X X X
10. 2008	33,813	829	25,283	3,283	890	3	8,841	434	4,296	3	2,548	68,571	X X X
11. 2009	48,747	2,000	50,754	1,193	617	7	10,901	133	10,197	1	7,451	117,882	X X X
12. Totals	181,614	19,192	131,529	11,942	4,843	192	39,670	1,794	24,770	157	14,450	349,149	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	38,334	8,214
2. 2000	214,850	14,235	200,615	83.511	90.553	83.052			3.000	4,267	905
3. 2001	204,179	14,064	190,115	78.945	90.056	78.231			3.000	4,734	1,179
4. 2002	193,716	18,080	175,636	68.319	67.242	68.432			3.000	5,530	1,288
5. 2003	191,386	15,245	176,141	61.580	61.129	61.619			3.000	5,655	1,588
6. 2004	196,540	8,198	188,342	58.182	46.241	58.843			3.000	7,267	1,999
7. 2005	205,121	8,080	197,041	57.624	59.591	57.546			3.000	11,876	3,126
8. 2006	208,686	6,298	202,388	58.150	42.181	58.843			3.000	19,533	5,087
9. 2007	217,552	6,289	211,263	60.014	37.738	61.087			3.000	33,521	8,593
10. 2008	247,753	8,996	238,757	69.206	71.053	69.139			3.000	54,984	13,587
11. 2009	226,471	9,736	216,735	67.749	48.721	68.959			3.000	96,308	21,574
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	282,009	67,140

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

SCHEDULE P – PART 2 – SUMMARY

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										DEVELOPMENT		
	1	2	3	4	5	6	7	8	9	10	11	12	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	One Year	Two Year	
1. Prior	142,244	148,177	152,909	159,592	161,212	166,175	168,822	170,611	170,723	176,361	5,638	5,750	
2. 2000	170,527	176,794	178,646	181,713	181,503	181,920	181,722	181,875	181,025	181,807	782	(68)	
3. 2001	X X X	169,356	168,525	169,663	170,366	170,688	169,755	170,570	169,441	170,635	1,194	65	
4. 2002	X X X	X X X	164,097	162,977	161,459	158,075	157,811	156,652	155,980	156,826	846	174	
5. 2003	X X X	X X X	X X X	163,677	160,312	156,340	155,657	156,512	155,306	154,865	(441)	(1,647)	
6. 2004	X X X	X X X	X X X	X X X	186,157	180,384	177,689	170,043	168,413	166,474	(1,939)	(3,569)	
7. 2005	X X X	X X X	X X X	X X X	X X X	195,177	187,974	177,947	175,872	173,765	(2,107)	(4,182)	
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	194,557	188,853	182,933	178,960	(3,973)	(9,893)	
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	207,208	199,934	187,234	(12,700)	(19,974)	
10. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	221,489	211,050	(10,439)	X X X	
11. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	189,775	X X X	X X X	
											12. Totals	(23,139)	(33,344)

SCHEDULE P – PART 3 – SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		
1. Prior	000	42,651	71,491	89,417	100,854	109,393	116,543	122,065	127,471	130,638	X X X	X X X
2. 2000	87,614	127,902	146,976	159,599	166,824	171,274	173,461	174,955	175,875	176,683	X X X	X X X
3. 2001	X X X	83,961	121,252	138,558	149,740	156,014	159,752	161,973	163,819	164,900	X X X	X X X
4. 2002	X X X	X X X	73,395	108,450	125,367	137,146	143,186	146,764	148,959	150,169	X X X	X X X
5. 2003	X X X	X X X	X X X	74,702	108,295	124,878	135,528	142,711	145,908	147,862	X X X	X X X
6. 2004	X X X	X X X	X X X	X X X	77,909	117,634	136,531	147,737	154,277	157,537	X X X	X X X
7. 2005	X X X	X X X	X X X	X X X	X X X	80,554	120,130	139,382	151,726	159,520	X X X	X X X
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	82,084	123,177	141,252	155,602	X X X	X X X
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	84,911	127,561	147,368	X X X	X X X
10. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	97,790	146,502	X X X	X X X
11. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	81,921	X X X	X X X

SCHEDULE P – PART 4 – SUMMARY

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Prior	55,801	40,962	33,468	31,659	24,966	22,839	20,736	18,539	20,160	21,978
2. 2000	35,135	17,102	10,397	7,626	5,494	4,326	3,990	3,049	2,055	2,153
3. 2001	X X X	40,129	19,187	10,922	8,057	5,617	4,910	3,239	2,882	2,524
4. 2002	X X X	X X X	51,299	26,159	15,154	8,947	6,431	4,210	3,180	2,856
5. 2003	X X X	X X X	X X X	47,613	23,763	13,762	9,646	7,060	5,342	3,727
6. 2004	X X X	X X X	X X X	X X X	60,666	30,314	20,170	11,446	8,222	4,683
7. 2005	X X X	X X X	X X X	X X X	X X X	67,261	33,880	18,218	11,235	6,625
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	60,686	32,183	19,549	10,003
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	65,138	33,694	16,254
10. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	68,832	30,678
11. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	60,497

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

States, Etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
		2	3						
	Active Status	Direct Premiums Written	Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	L							
2. Alaska	AK	L							
3. Arizona	AZ	L	26,227,954	19,674,284	6,890,724	13,577,457	9,742,961	137,606	
4. Arkansas	AR	L	2,299,001	1,681,221	942,263	1,268,151	783,498	12,062	
5. California	CA	L	9,948,896	6,921,626	1,421,962	3,612,137	4,177,487	52,197	
6. Colorado	CO	L	23,794,158	15,860,795	4,556,609	8,970,544	5,338,261	124,837	
7. Connecticut	CT	L	22,691,910	16,741,981	6,505,820	12,522,144	8,738,468	119,054	
8. Delaware	DE	L	3,848,677	3,207,699	956,823	1,642,550	2,430,241	20,192	
9. District of Columbia	DC	L	506,003	333,380	23,165	134,012	137,938	2,655	
10. Florida	FL	L			(6,871)	(23,925)	479		
11. Georgia	GA	L	9,230,231	4,053,175	4,713,012	4,108,706	2,645,353	48,427	
12. Hawaii	HI	L							
13. Idaho	ID	L							
14. Illinois	IL	L	17,999,477	12,824,669	6,615,762	6,705,185	5,501,769	94,435	
15. Indiana	IN	L	11,142,108	9,585,984	6,448,420	6,402,220	5,295,277	58,458	
16. Iowa	IA	L	2,674,711	2,109,902	993,518	2,111,678	2,645,253	14,033	
17. Kansas	KS	L	2,359,418	1,644,743	1,301,064	2,653,374	1,663,999	12,379	
18. Kentucky	KY	L	13,098,220	10,466,312	6,217,603	9,045,024	5,444,255	68,720	
19. Louisiana	LA	L	10,852,579	9,509,189	3,755,901	2,287,459	2,800,201	56,939	
20. Maine	ME	L	5,366,859	4,098,193	2,250,920	2,975,733	1,518,731	28,157	
21. Maryland	MD	L	12,128,758	9,965,406	3,400,519	6,262,752	4,816,549	63,634	
22. Massachusetts	MA	L	11,809,337	8,782,869	2,104,614	4,934,659	4,100,194	61,958	
23. Michigan	MI	L	8,565,326	9,477,593	13,011,313	14,058,962	9,654,139	44,938	
24. Minnesota	MN	L	6,224,645	4,479,125	2,206,168	3,257,157	2,146,852	32,658	
25. Mississippi	MS	L							
26. Missouri	MO	L	8,477,032	6,588,378	6,276,532	8,911,661	4,345,178	44,475	
27. Montana	MT	L							
28. Nebraska	NE	L	2,976,031	2,221,211	1,200,359	1,584,349	1,091,850	15,614	
29. Nevada	NV	L	12,404,019	8,264,664	1,385,132	4,339,387	3,360,611	65,078	
30. New Hampshire	NH	L	6,311,364	4,957,497	1,726,369	1,801,642	1,382,310	33,113	
31. New Jersey	NJ	L	19,275,513	15,361,751	3,818,895	7,932,239	9,704,113	101,130	
32. New Mexico	NM	L	13,534,844	9,988,212	1,609,595	4,126,542	3,159,584	71,011	
33. New York	NY	L	1,079,189	849,649	171,308	455,179	1,383,136	5,662	
34. North Carolina	NC	L	15,071,440	14,281,011	7,376,267	13,136,892	8,567,942	79,073	
35. North Dakota	ND	L							
36. Ohio	OH	L	46,946,284	35,021,157	23,755,609	32,858,196	14,450,552	246,306	
37. Oklahoma	OK	L	6,446,197	5,144,523	2,070,620	2,908,397	1,741,511	33,820	
38. Oregon	OR	L							
39. Pennsylvania	PA	L	77,224,174	66,611,336	36,826,810	47,597,976	27,267,889	405,160	
40. Rhode Island	RI	L	5,082,514	4,054,773	902,004	1,247,480	1,009,543	26,666	
41. South Carolina	SC	L	13,619,750	12,802,591	4,702,326	8,443,079	5,788,663	71,457	
42. South Dakota	SD	L							
43. Tennessee	TN	L	12,140,209	9,274,120	4,349,915	5,544,104	3,751,545	63,694	
44. Texas	TX	L	29,654,683	26,322,782	19,677,668	21,841,480	8,506,277	155,585	
45. Utah	UT	L	11,831,125	7,622,899	1,077,448	3,255,500	2,590,916	62,073	
46. Vermont	VT	L	1,945,730	1,403,616	316,067	288,226	495,956	10,208	
47. Virginia	VA	L	6,388,144	4,328,316	1,183,236	2,117,715	1,351,494	33,516	
48. Washington	WA	L							
49. West Virginia	WV	L							
50. Wisconsin	WI	L	13,706,061	14,107,426	123,949	8,538,230	9,971,277	6,651,921	71,910
51. Wyoming	WY	L	4,377,762	2,704,967	550,472	1,040,112	574,820	22,968	
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) 51		509,260,333	403,329,025	123,949	201,824,171	285,907,412	186,757,716	2,671,858

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							

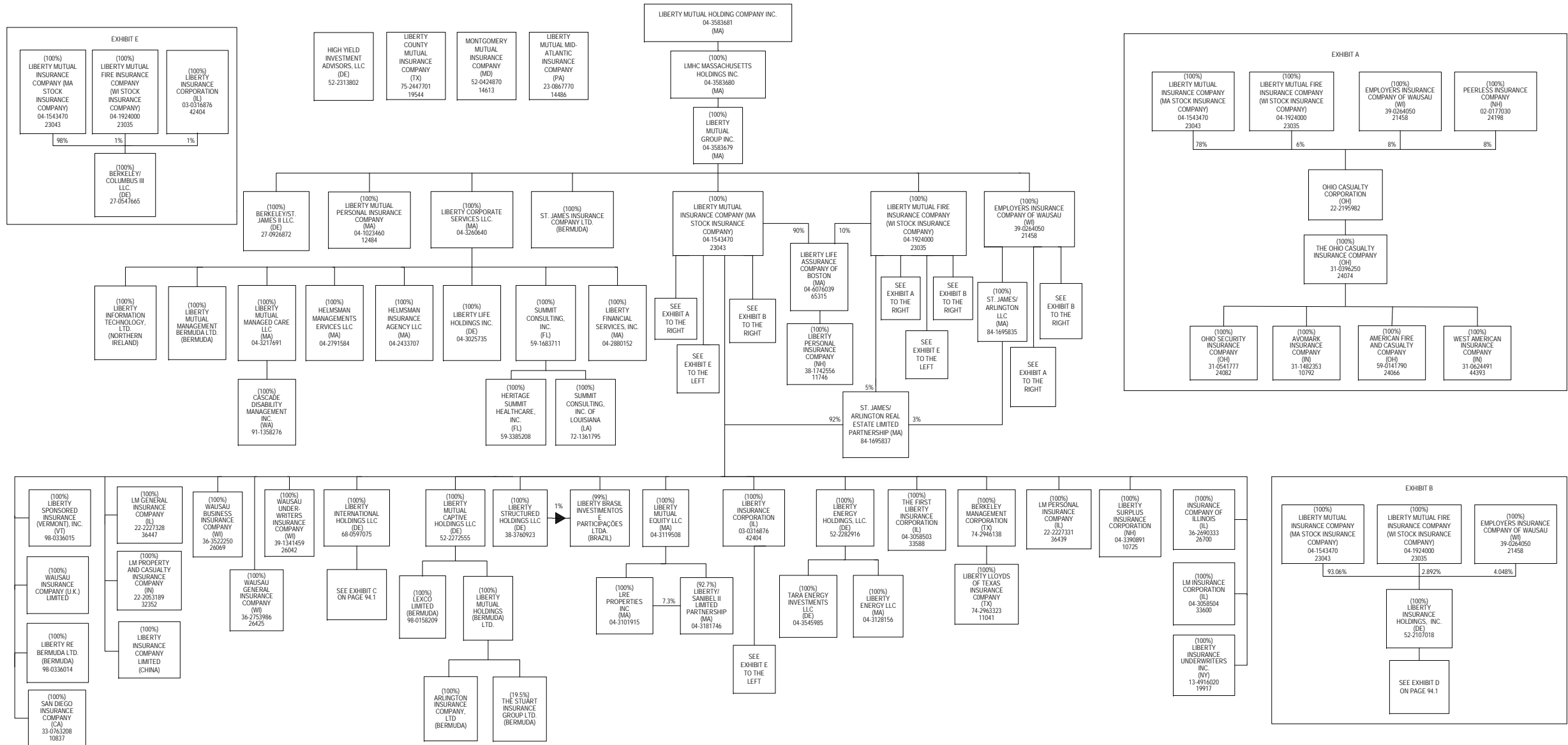
Explanation of basis of allocation of premiums by states, etc.

*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery
 *State of employee's main work place - Worker's 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, Warranty
 *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.

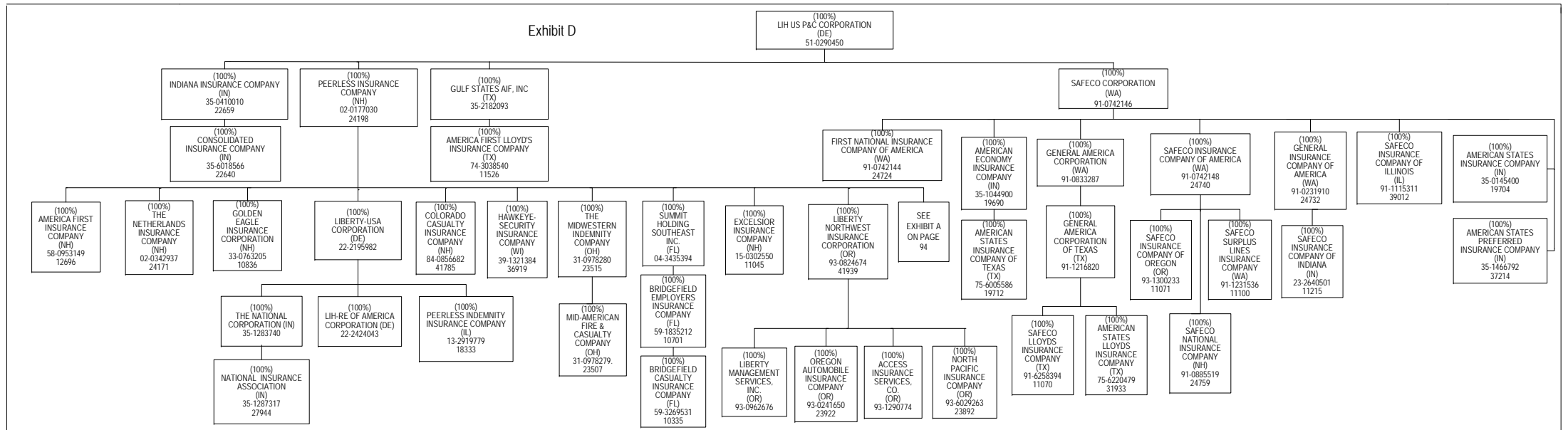
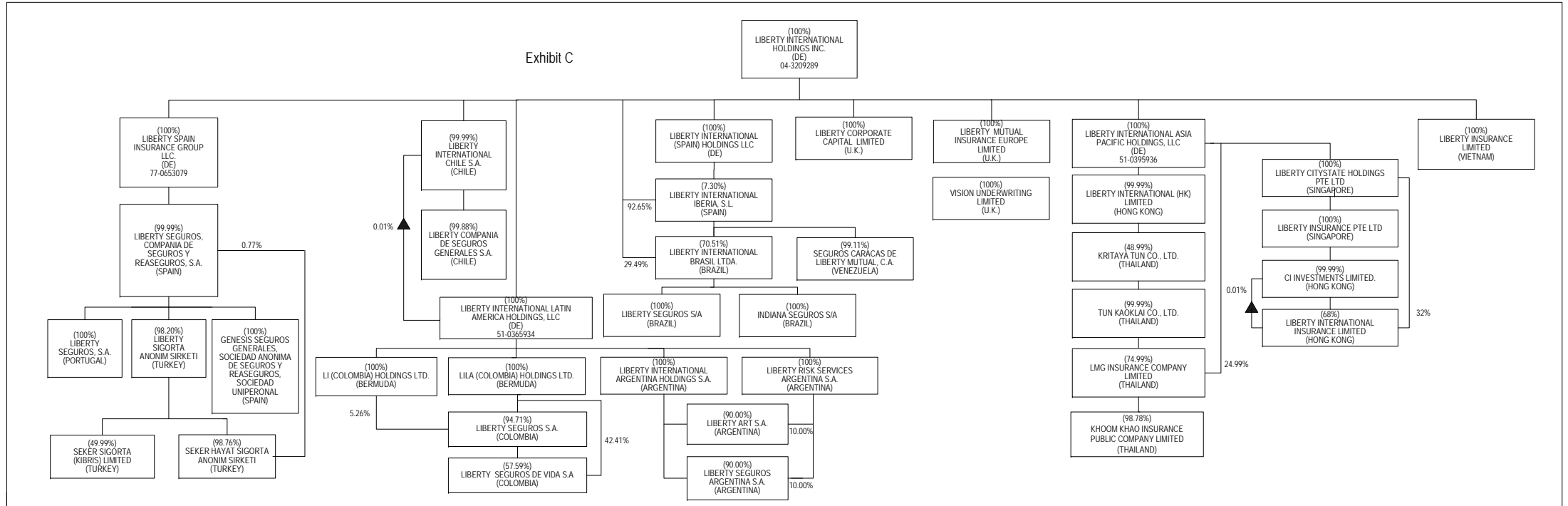
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

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REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES	Current Year	Prior Year
2304. Amounts held under uninsured plans	2,175,088	
2305. Accrued return retrospective premiums	372,177	
2306. Private passenger auto escrow	49,033	
2397. Totals (Lines 2304 through 2396) (Page 3, Line 2398)	2,596,298	

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