

**ANNUAL STATEMENT**

**OF THE**

**PEERLESS INSURANCE COMPANY**

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**of** **KEENE**

**in the state of** **NEW HAMPSHIRE**

**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2008**

**PROPERTY AND CASUALTY**

**2008**



24198200820100010

# ANNUAL STATEMENT

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

## Peerless Insurance Company

**NAIC Group Code** 0111 0111 **NAIC Company Code** 24198 **Employer's ID Number** 02-0177030  
(Current Period) (Prior Period)

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

**Incorporated/Organized:** March 7, 1901 **Commenced Business:** November 23, 1903

**Statutory Home Office:** 62 Maple Avenue, Keene, NH 03431  
(Street and Number) (City or Town, State and Zip Code)

**Main Administrative Office:** 62 Maple Avenue  
(Street and Number)  
Keene, NH 03431 603-352-3221  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

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

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

**Internet Website Address:** www.LibertyMutualAgencyMarkets.com

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

### OFFICERS

#### Chairman of the Board

Gary Richard Gregg

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

### VICE-PRESIDENTS

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

### DIRECTORS OR TRUSTEES

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

State of Massachusetts

County of Suffolk ss

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

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

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

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	4,291,990,673		4,291,990,673	3,920,851,486
2. Stocks (Schedule D):				
2.1 Preferred stocks	60,214,061		60,214,061	93,499,191
2.2 Common stocks	1,075,203,471		1,075,203,471	720,365,183
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	113,319,492		113,319,492	26,821,667
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	5,234,356		5,234,356	5,373,488
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ (76,827,530), Schedule E - Part 1), cash equivalents (\$ 48,903,249, Schedule E - Part 2), and short-term investments (\$ 189,162,370, Schedule DA)	161,238,089		161,238,089	120,041,100
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	64,537,807		64,537,807	45,145,195
8. Receivables for securities	3,702		3,702	1,232,126
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	5,771,741,651		5,771,741,651	4,933,329,436
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	48,367,127		48,367,127	41,647,135
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	97,492,275	10,826,269	86,666,006	124,068,478
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 15,738,689 earned but unbilled premiums)	664,475,941	2,733,345	661,742,596	659,743,600
13.3 Accrued retrospective premiums	14,145,916	1,271,877	12,874,039	6,829,238
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	221,072,409		221,072,409	69,381,135
14.2 Funds held by or deposited with reinsured companies	7,676,804		7,676,804	6,624,058
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon	1,250,757		1,250,757	
16.2 Net deferred tax asset	289,480,000	156,589,039	132,890,961	121,002,600
17. Guaranty funds receivable or on deposit	3,325,173		3,325,173	3,190,323
18. Electronic data processing equipment and software	8,512,467	8,512,467		280
19. Furniture and equipment, including health care delivery assets (\$ 0)	438,376	438,376		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	71,483,081		71,483,081	36,551,387
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	71,970,800	22,037,417	49,933,383	22,635,366
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	7,271,432,777	202,408,790	7,069,023,987	6,025,003,036
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	7,271,432,777	202,408,790	7,069,023,987	6,025,003,036

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	12,622,388	5,996,541	6,625,847	4,586,061
2302. Cash Surrender Value Life Insurance	23,217,408		23,217,408	
2303. OneBeacon Intangible	16,040,876	16,040,876		
2398. Summary of remaining write-ins for Line 23 from overflow page	20,090,128		20,090,128	18,049,305
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	71,970,800	22,037,417	49,933,383	22,635,366

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	2,482,289,010	2,248,032,435
2. Reinsurance payable on paid losses and loss adjustment expenses	143,317,873	31,908,412
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	568,418,457	514,461,445
4. Commissions payable, contingent commissions and other similar charges	67,559,908	82,930,074
5. Other expenses (excluding taxes, licenses and fees)	82,952,681	81,241,929
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	51,346,032	50,520,109
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		72,582,234
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 \$ 1,584,034,001 and including warranty reserves of \$ 0)	1,062,378,685	1,200,138,518
10. Advance premium	6,933,009	5,608,491
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	1,507,989	507,491
12. Ceded reinsurance premiums payable (net of ceding commissions)	210,313,768	79,586,766
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	95,464,193	17,102,095
14. Amounts withheld or retained by company for account of others	4,954,094	1,481,013
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)	13,997,379	6,800,597
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	15,231,640	
19. Payable to parent, subsidiaries and affiliates	114,813,368	70,107,877
20. Payable for securities	1,098	46
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	128,477,396	91,685,919
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	5,049,956,580	4,554,695,451
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	5,049,956,580	4,554,695,451
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	8,848,635	8,848,635
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	1,202,783,818	818,034,882
33. Unassigned funds (surplus)	807,600,670	643,589,784
34. Less treasury stock, at cost:		
34.1 14,998 shares common (value included in Line 28 \$ 37,495)	165,716	165,716
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)	2,019,067,407	1,470,307,585
36. Totals (Page 2, Line 26, Col. 3)	7,069,023,987	6,025,003,036

DETAILS OF WRITE-IN LINES		
2301. Other liabilities	19,777,514	24,172,329
2302. Retroactive reinsurance reserve - assumed	52,682,160	
2303. Restructure liability - OneBeacon	414,870	684,269
2398. Summary of remaining write-ins for Line 23 from overflow page	55,602,852	66,829,321
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	128,477,396	91,685,919
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

## STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	2,512,135,422	2,553,852,718
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	1,315,567,797	1,311,444,309
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	272,299,992	289,451,721
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	849,260,966	909,845,966
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	2,437,128,755	2,510,741,996
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	75,006,667	43,110,722
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	275,550,774	224,948,251
10. Net realized capital gains (losses) less capital gains tax of \$ (23,790,188) (Exhibit of Capital Gains (Losses))	(44,181,778)	1,483,544
11. Net investment gain (loss) (Lines 9 + 10)	231,368,996	226,431,795
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 258,434 amount charged off \$ 10,155,926)	(9,897,492)	(5,225,031)
13. Finance and service charges not included in premiums	15,113,720	14,128,537
14. Aggregate write-ins for miscellaneous income	(33,230,731)	(4,322,563)
15. Total other income (Lines 12 through 14)	(28,014,503)	4,580,943
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	278,361,160	274,123,460
17. Dividends to policyholders	16,399,916	6,146,290
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)	261,961,244	267,977,170
19. Federal and foreign income taxes incurred	75,271,088	79,977,829
20. Net income (Line 18 minus Line 19) (to Line 22)	186,690,156	187,999,341
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	1,470,307,585	1,219,220,103
22. Net income (from Line 20)	186,690,156	187,999,341
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (18,863,822)	(63,572,475)	(32,556,720)
25. Change in net unrealized foreign exchange capital gain (loss)	(48,004)	41,926
26. Change in net deferred income tax	66,863,178	26,363,813
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(26,593,750)	(60,531,842)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	(7,196,782)	15,378,661
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	384,748,936	118,497,719
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	7,868,563	(4,105,416)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	548,759,822	251,087,482
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	2,019,067,407	1,470,307,585

<b>DETAILS OF WRITE-IN LINES</b>		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401. Other income/(expense)	(33,693,237)	(4,322,563)
1402. Retroactive reinsurance gain/(loss)	462,506	
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(33,230,731)	(4,322,563)
3701. Other changes in surplus	7,868,563	(4,105,416)
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	7,868,563	(4,105,416)

## CASH FLOW

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	2,529,640,754	2,640,708,959
2. Net investment income	271,747,833	221,930,752
3. Miscellaneous income	54,926,469	(3,884,134)
4. Total (Lines 1 through 3)	2,856,315,056	2,858,755,577
5. Benefit and loss related payments	1,106,361,400	1,185,113,577
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	1,074,688,718	1,124,424,265
8. Dividends paid to policyholders	15,399,417	6,690,469
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	125,313,891	28,589,962
10. Total (Lines 5 through 9)	2,321,763,426	2,344,818,273
11. Net cash from operations (Line 4 minus Line 10)	534,551,630	513,937,304
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	660,707,490	419,867,433
12.2 Stocks	37,234,117	34,530,053
12.3 Mortgage loans	1,752,823	907,278
12.4 Real estate		
12.5 Other invested assets	5,404,674	6,609,490
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		4,779
12.7 Miscellaneous proceeds	1,224,685	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	706,323,789	461,919,033
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,045,857,337	629,297,348
13.2 Stocks	482,528,445	443,517,029
13.3 Mortgage loans	88,264,138	14,609,809
13.4 Real estate	574,052	296,412
13.5 Other invested assets	27,999,043	25,123,972
13.6 Miscellaneous applications		42,611,135
13.7 Total investments acquired (Lines 13.1 to 13.6)	1,645,223,015	1,155,455,705
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)	(938,899,226)	(693,536,672)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock	384,748,936	118,497,719
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)	60,795,649	(40,622,728)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	445,544,585	77,874,991
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	41,196,989	(101,724,377)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	120,041,100	221,765,477
19.2 End of year (Line 18 plus Line 19.1)	161,238,089	120,041,100

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	16,507,570	12,429,332	11,283,470	17,653,432
2. Allied lines	18,734,789	11,006,280	10,581,080	19,159,989
3. Farmowners multiple peril	11,516,071	13,334,235	8,799,224	16,051,082
4. Homeowners multiple peril	154,110,379	115,029,307	77,770,014	191,369,672
5. Commercial multiple peril	503,092,033	384,313,973	289,918,601	597,487,405
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	45,655,424	35,185,373	23,951,680	56,889,117
10. Financial guaranty				
11.1 Medical malpractice—occurrence	1,192	(2,922)		(1,730)
11.2 Medical malpractice—claims-made				
12. Earthquake	4,563,977	5,030,948	2,292,046	7,302,879
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	6,776			6,776
16. Workers' compensation	583,925,865	154,177,848	120,982,270	617,121,443
17.1 Other liability—occurrence	159,809,644	69,719,298	73,909,674	155,619,268
17.2 Other liability—claims-made	694,207		215,603	478,604
18.1 Products liability—occurrence	7,879,089	1,975,911	2,973,184	6,881,816
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	190,074,898	99,839,375	95,535,785	194,378,488
19.3,19.4 Commercial auto liability	234,124,602	155,874,472	127,415,432	262,583,642
21. Auto physical damage	202,787,244	120,267,864	105,577,830	217,477,278
22. Aircraft (all perils)				
23. Fidelity	4,549,181	92,537	2,124,596	2,517,122
24. Surety	241,443,374	410,300	93,175,062	148,678,612
26. Burglary and theft	68,214	143,752	49,931	162,035
27. Boiler and machinery	(54,199)	413,863	41,171	318,493
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property				
32. Reinsurance-Nonproportional Assumed Liability				
33. Reinsurance-Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	2,379,490,330	1,179,241,746	1,046,596,653	2,512,135,423

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	11,283,439	31			11,283,470
2. Allied lines	10,580,995	85			10,581,080
3. Farmowners multiple peril	8,799,040	184			8,799,224
4. Homeowners multiple peril	77,770,014				77,770,014
5. Commercial multiple peril	294,026,461	8,029	(4,139,546)	23,657	289,918,601
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	23,611,768	339,912			23,951,680
10. Financial guaranty					
11.1 Medical malpractice—occurrence					
11.2 Medical malpractice—claims-made					
12. Earthquake	2,292,038	8			2,292,046
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	129,915,068	306	(8,889,760)	(43,344)	120,982,270
17.1 Other liability—occurrence	75,805,340	781,266	(2,653,275)	(23,657)	73,909,674
17.2 Other liability—claims-made	215,738		(135)		215,603
18.1 Products liability—occurrence	3,029,057	99	(55,973)		2,973,183
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	95,535,785				95,535,785
19.3,19.4 Commercial auto liability	124,945,590	2,469,842			127,415,432
21. Auto physical damage	105,139,965	437,866			105,577,831
22. Aircraft (all perils)					
23. Fidelity	670,558	1,454,038			2,124,596
24. Surety	70,107,718	23,067,344			93,175,062
26. Burglary and theft	49,931				49,931
27. Boiler and machinery	41,171				41,171
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	1,033,819,676	28,559,010	(15,738,689)	(43,344)	1,046,596,653
36. Accrued retrospective premiums based on experience					43,344
37. Earned but unbilled premiums					15,738,689
38. Balance (Sum of Lines 35 through 37)					1,062,378,686

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	20,458,024	40,965,505	1,159,213	45,727,711	347,462	16,507,569
2. Allied lines	16,858,535	39,629,793	805,441	37,007,082	1,551,898	18,734,789
3. Farmowners multiple peril	7,067,292	34,721,317	44	29,990,962	281,621	11,516,070
4. Homeowners multiple peril	155,788,707	416,310,274	1,546,424	339,738,370	79,796,656	154,110,379
5. Commercial multiple peril	270,360,508	1,386,439,543		1,120,351,621	33,356,396	503,092,034
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	55,113,750	91,461,875		99,669,549	1,250,652	45,655,424
10. Financial guaranty						
11.1 Medical malpractice—occurrence				(1,192)		1,192
11.2 Medical malpractice—claims-made						
12. Earthquake	1,833,982	18,660,877	13,847	11,188,909	4,755,820	4,563,977
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		92,387		27,716	57,895	6,776
16. Workers' compensation	85,984,196	1,433,522,553	36,148,146	971,235,948	493,083	583,925,864
17.1 Other liability—occurrence	83,090,671	417,489,998	(40,537)	308,111,666	32,618,821	159,809,645
17.2 Other liability—claims-made		1,652,875		958,668		694,207
18.1 Products liability—occurrence	1,685,843	19,003,116		12,805,982	3,888	7,879,089
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	134,002,654	413,593,022	2,428,303	359,276,907	672,173	190,074,899
19.3,19.4 Commercial auto liability	106,856,370	601,837,013	4,400,828	476,487,423	2,482,185	234,124,603
21. Auto physical damage	132,838,343	470,016,548	485,325	399,928,411	624,560	202,787,245
22. Aircraft (all perils)						
23. Fidelity	(277)	11,119,197		6,518,692	51,046	4,549,182
24. Surety	848,676	575,911,143	106,582	334,952,128	470,899	241,443,374
26. Burglary and theft	76,815	222,510	4,492	233,824	1,780	68,213
27. Boiler and machinery	595,225	492,044	(2,345)	338,085	801,037	(54,198)
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X					
32. Reinsurance-Nonproportional Assumed Liability	X X X					
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	1,073,459,314	5,973,141,590	47,055,763	4,554,548,462	159,617,872	2,379,490,333

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

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

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

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



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

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	1,642,894	5,805,886	4,321,470	3,127,310	671,327	2,671,936	1,932,088	4,538,485	960,097
2. Allied lines	1,773,944	5,314,859	4,936,499	2,152,304	434,366	1,206,311	985,561	2,807,420	642,764
3. Farmowners multiple peril	1,567,357	17,235,279	13,616,286	5,186,350	347,876	2,220,135	1,489,446	6,264,915	1,481,685
4. Homeowners multiple peril	27,053,010	68,429,514	57,886,265	37,596,259	9,170,048	41,426,195	31,034,291	57,158,211	11,865,728
5. Commercial multiple peril	117,118,816	599,807,415	428,357,402	288,568,829	84,596,455	449,980,529	322,688,917	500,456,896	214,116,472
6. Mortgage guaranty									
8. Ocean marine									1
9. Inland marine	8,424,823	7,247,168	9,393,972	6,278,019	1,389,600	2,471,626	2,201,762	7,937,483	1,411,600
10. Financial guaranty									
11.1 Medical malpractice—occurrence									(24)
11.2 Medical malpractice—claims-made									(1)
12. Earthquake		303,282	175,904	127,378				127,378	5,072
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)									
15. Other accident and health		426,010	426,010			132,394	132,394	(a)	(30)
16. Workers' compensation	75,347,266	1,328,172,011	870,321,019	533,198,258	87,428,129	1,521,723,982	995,039,864	1,147,310,505	170,097,536
17.1 Other liability—occurrence	29,455,775	190,341,360	149,406,454	70,390,681	74,732,274	552,722,722	441,135,843	256,709,834	76,782,742
17.2 Other liability—claims-made		112,600	65,308	47,292		167,085	99,377	115,000	15,801
18.1 Products liability—occurrence	371,695	6,712,009	4,394,177	2,689,527	1,570,051	13,100,222	8,617,744	8,742,056	3,415,591
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	67,393,966	246,592,184	201,632,717	112,353,433	28,927,770	92,494,300	80,474,373	153,301,130	25,402,635
19.3,19.4 Commercial auto liability	61,392,290	302,015,772	214,323,504	149,084,558	43,094,514	232,489,328	166,894,066	257,774,334	45,159,686
21. Auto physical damage	5,289,999	24,592,342	17,718,048	12,164,293	14	26,549	(231)	12,191,087	1,063,508
22. Aircraft (all perils)									
23. Fidelity	5	991,800	575,668	416,137	73,125	2,386,572	2,026,384	849,450	1,071,692
24. Surety	4,462,284	14,587,017	12,425,730	6,623,571	1,744,775	137,747,419	80,525,951	65,589,814	15,486,649
26. Burglary and theft	60	60,452	35,097	25,415	1,817	9,811	6,731	30,312	10,845
27. Boiler and machinery	25,000		25,000		99,993	117,015	131,925	85,083	(571,593)
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	713,375	413,757	299,618	X X X			299,618	
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	401,319,184	2,819,460,335	1,990,450,287	1,230,329,232	334,282,134	3,053,094,131	2,135,416,486	2,482,289,011	568,418,456

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	45,576,571			45,576,571
1.2 Reinsurance assumed	282,033,803			282,033,803
1.3 Reinsurance ceded	199,101,706			199,101,706
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	128,508,668			128,508,668
2. Commission and brokerage:				
2.1 Direct, excluding contingent		166,083,720		166,083,720
2.2 Reinsurance assumed, excluding contingent		718,753,766		718,753,766
2.3 Reinsurance ceded, excluding contingent		531,205,858		531,205,858
2.4 Contingent—direct		112,709,711		112,709,711
2.5 Contingent—reinsurance assumed		12,472,239		12,472,239
2.6 Contingent—reinsurance ceded		73,353,340		73,353,340
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)		405,460,238		405,460,238
3. Allowances to manager and agents		11,165		11,165
4. Advertising	3,278,765	12,548,596	12,078	15,839,439
5. Boards, bureaus and associations	265,434	6,892,824	324	7,158,582
6. Surveys and underwriting reports	1,012	7,993,152	5,934	8,000,098
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	78,391,403	187,444,717	1,117,488	266,953,608
8.2 Payroll taxes	5,099,566	15,591,359	62,391	20,753,316
9. Employee relations and welfare	13,218,920	39,179,994	63,403	52,462,317
10. Insurance	214,796	1,194,798	2,199	1,411,793
11. Directors' fees	235	6,138	1	6,374
12. Travel and travel items	4,515,285	15,318,949	21,294	19,855,528
13. Rent and rent items	6,711,209	19,051,685	25,003	25,787,897
14. Equipment	5,445,709	15,327,405	22,762	20,795,876
15. Cost or depreciation of EDP equipment and software	5,387,281	8,938,025	7,396	14,332,702
16. Printing and stationery	1,078,199	3,996,516	3,101	5,077,816
17. Postage, telephone and telegraph, exchange and express	2,643,122	10,443,164	8,358	13,094,644
18. Legal and auditing	592,269	3,196,013	95,456	3,883,738
19. Totals (Lines 3 to 18)	126,843,205	347,134,500	1,447,188	475,424,893
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 770,376		62,530,867		62,530,867
20.2 Insurance department licenses and fees		3,115,305		3,115,305
20.3 Gross guaranty association assessments		(12,901,500)		(12,901,500)
20.4 All other (excluding federal and foreign income and real estate)		2,126,796		2,126,796
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		54,871,468		54,871,468
21. Real estate expenses			1,394,377	1,394,377
22. Real estate taxes			342,349	342,349
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	16,948,119	41,794,760	139,616	58,882,495
25. Total expenses incurred	272,299,992	849,260,966	3,323,530	(a) 1,124,884,488
26. Less unpaid expenses—current year	568,418,457	201,800,744	57,877	770,277,078
27. Add unpaid expenses—prior year	514,461,445	214,595,505	96,607	729,153,557
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)	218,342,980	862,055,727	3,362,260	1,083,760,967

DETAILS OF WRITE-IN LINES				
2401. Change in unallocated expense reserves	11,533,558			11,533,558
2402. Other expenses	5,414,561	41,794,760	139,616	47,348,937
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	16,948,119	41,794,760	139,616	58,882,495

(a) Includes management fees of \$ 1,585,636 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) 19,185,442	16,332,479
1.1 Bonds exempt from U.S. tax	(a) 66,910,255	72,165,759
1.2 Other bonds (unaffiliated)	(a) 111,196,688	113,850,735
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 5,283,439	5,245,826
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	10,763,057	11,703,832
2.21 Common stocks of affiliates	42,326,629	42,326,629
3. Mortgage loans	(c) 3,932,761	4,506,764
4. Real estate	(d) 2,684,739	2,684,739
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 4,852,415	5,038,654
7. Derivative instruments	(f)	
8. Other invested assets	507,434	507,434
9. Aggregate write-ins for investment income	5,224,637	5,224,637
10. Total gross investment income	272,867,496	279,587,488
11. Investment expenses		(g) 3,323,530
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) 713,184
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		4,036,714
17. Net investment income (Line 10 minus Line 16)		275,550,774

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	5,224,637	5,224,637
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)	5,224,637	5,224,637
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503 plus 1598) (Line 15 above)		

- (a) Includes \$ 2,408,065 accrual of discount less \$ 4,636,102 amortization of premium and less \$ 8,531,520 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 5,536 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 \$ 176,945 paid for accrued interest on purchases.
- (d) Includes \$ 2,684,739 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 436,859 accrual of discount less \$ 8,968 amortization of premium and less \$ 20,181 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 \$ 713,184 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	3,827,604		3,827,604		
1.1 Bonds exempt from U.S. tax	394,233		394,233	(2,458,179)	
1.2 Other bonds (unaffiliated)	(1,912,441)	(8,364,989)	(10,277,430)	(3,268,850)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	(95,738)	(50,594,870)	(50,690,608)	(5,467,694)	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	(10,628,438)	(1,630,378)	(12,258,816)	(38,464,549)	
2.21 Common stocks of affiliates				(28,580,967)	
3. Mortgage loans	(10,778)		(10,778)	(2,711)	
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets	1,876,409	(832,580)	1,043,829	(4,193,348)	(48,004)
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	(6,549,149)	(61,422,817)	(67,971,966)	(82,436,298)	(48,004)

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

## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks		11,727,000	11,727,000
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)		11,727,000	11,727,000
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	10,826,269	5,347,584	(5,478,685)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	2,733,345	2,340,097	(393,248)
13.3 Accrued retrospective premiums	1,271,877	998,781	(273,096)
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	156,589,039	82,750,400	(73,838,639)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software	8,512,467	21,392,838	12,880,371
19. Furniture and equipment, including health care delivery assets	438,376	621,114	182,738
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	22,037,417	50,635,105	28,597,688
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	202,408,790	175,812,919	(26,595,871)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	202,408,790	175,812,919	(26,595,871)

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	5,996,541	33,557,772	27,561,231
2302. OneBeacon Goodwill	16,040,876	17,077,333	1,036,457
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	22,037,417	50,635,105	28,597,688

## NOTES TO FINANCIAL STATEMENTS

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

#### A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of New Hampshire, the accompanying financial statements of Peerless Insurance Company (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

#### B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. It also requires estimates in the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

#### C. Accounting Policies

Premiums are earned over the terms of the related policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro-rata methods. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the SVO Manual.
3. Common stocks are carried at market value, except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1 C(7).
4. Preferred stocks are carried at cost or market as specified by the SVO Manual.
5. Mortgage loans are carried at unpaid principal balances less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are stated at amortized cost or market based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company carries its investments in SCA companies in accordance with SSAP No. 97, *Investment in Subsidiaries, Controlled and Affiliated Entities a Replacement of SSAP No. 88*, and the SVO Manual. Schedule D Part 6-Section 1 illustrates the valuation method used for each SCA company.
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships, and Limited Liability Companies*, and the SVO Manual.
9. Derivative Securities refer to Note 8.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2008.
13. The Company has no pharmaceutical rebate receivables.

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

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

## NOTES TO FINANCIAL STATEMENTS

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

#### A. Statutory Purchase Method:

Acquired Company	Date of Acquisition	% Ownership	Cost	Unamortized Goodwill December 31, 2008	Goodwill Amortization December 31, 2008
Ohio Casualty Corporation	August 24, 2007	8%	\$173,394,088	\$101,762,257	\$11,758,581

#### B. Statutory Mergers

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

#### C. Impairment Loss

Not applicable

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

The Company has no discontinued operations to report.

### **Note 5- Investments**

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

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

- (1) The maximum and minimum lending rates for mortgage loans during 2008 were 7.375% and 4.75% respectively.
- (2) As of December 31, 2008 the company held commercial loans in good standing with an outstanding principal balance of \$113,331,872.
- (3) The maximum loan to value of any loan written during 2008 was 75%.
- (4) No loans had interest more than 180 days past due.
- (5) There were \$5,220 taxes, assessments or any amounts advanced and not included in the mortgage loan.
- (6) Total recorded investment in impaired loans as of December 31, 2008 was \$20,463, of which there is a related allowance for credit losses of \$12,379.
- (7) \$8,084 of impaired loans have no related allowance for credit losses.
- (8) The average recorded investment in impaired loans during 2008 was \$6,499.
- (9) Interest income of \$1,268 was recognized during the time within the period that the loan was impaired.
- (10) All income was recognized using a cash-basis method during the time the loans were impaired.
- (11)
  - a) The balance in the allowance for credit losses at the beginning of each period is as followed: January = \$12,562, April = \$12,562, July = \$18,352, October = \$12,379.
  - b) There were no additions charged to operations.
  - c) There were \$2,894 direct write-downs charged against the allowance.
  - d) There were no recoveries of amounts previously charged off.
  - e) The balance in the allowance for credit losses at the end of each quarter is as followed: March = \$12,562, June = \$12,562, September = \$18,352, December = \$12,379.
- (12) The policy for recording income on impaired loans is interest-only payments received.

#### B. Troubled Debt Restructuring for Creditors

Not applicable

#### C. Reverse Mortgages

The Company has no reverse mortgages.

#### D. Loan-Backed Securities

1. The Company elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date, where historical cash flows are not readily available.
2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
3. The Company had no negative yield situations requiring a change from the retrospective to prospective method.

#### E. Repurchase Agreements

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



## NOTES TO FINANCIAL STATEMENTS

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

	Under 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Total
Fair value of open reinvested collateral positions	32,671,181	815,742	2,039,355	20,076,574	55,602,852

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

### F. Real Estate

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

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

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 asset leads to impairment losses being recognized by management. The Company realized impairment losses of \$832,580 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 (180 days for mortgage loans).

#### B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2008.

### **Note 8- Derivative Instruments**

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

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

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

	December 31, 2008	December 31, 2007	Change
Total of gross deferred tax assets	312,325,000	224,589,000	87,736,000
Total of deferred tax liabilities	(22,845,000)	(20,836,000)	(2,009,000)
Net deferred tax asset (liability)	289,480,000	203,753,000	85,727,000
Net deferred tax asset non-admitted	(156,589,000)	(82,750,400)	(73,838,600)
Net admitted deferred tax asset (liability)	132,891,000	121,002,600	11,888,400

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

## NOTES TO FINANCIAL STATEMENTS

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

	2008	2007
Federal tax on operations	75,271,087	79,977,829
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	75,271,087	79,977,829
Tax on capital (losses) gains	(23,790,187)	798,831
Total income tax incurred	51,480,900	80,776,660

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

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

	2008
Change in net deferred income tax (without unrealized gain or loss)	66,863,178
Tax effect of unrealized (gains) losses	18,863,822
Total change in net deferred income tax	85,727,000

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, permanent impairments, excludible dividend income, goodwill, revisions to prior year estimates, partnership income, discounting of unpaid loss and LAE reserves, and limits on unearned premium reserve deduction.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$56,358,000 from the current year and \$93,978,000 from the preceding year.

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

Copley Venture Capital, Inc.	Rianoc Research Corporation*
Countrywide Services Corporation (dissolved 10/17/2008)	S.C. Bellevue, Inc.*
Diversified Settlements, Inc.	Safecare Company, Inc.*
Emerald City Insurance Agency, Inc.*	Safeco Corporation*
Employers Insurance Company of Wausau	Safeco General Agency, Inc.*
Excelsior Insurance Company	Safeco Insurance Company of America*
F.B. Beattie & Company, Inc.*	Safeco Insurance Company of Illinois*
First National Insurance Company of America*	Safeco Insurance Company of Indiana*
Florida State Agency, Inc.	Safeco Insurance Company of Oregon*
General America Corporation*	Safeco Lloyds Insurance Company*
General America Corporation of Texas *	Safeco National Insurance Company*
General Insurance Company of America*	Safeco Properties, Inc.*
Globe American Casualty Company	Safeco Surplus Lines Insurance Company*
Golden Eagle Insurance Corporation	San Diego Insurance Company
Gulf States AIF, Inc.	SCIT, Inc. *
Hawkeye-Security Insurance Company	St. James Insurance Company Ltd.
Heritage-Summit HealthCare, Inc.	State Agency, Inc. (Indiana corporation)
Indiana Insurance Company	State Agency, Inc. (Wisconsin corporation)
Insurance Company of Illinois*	Summit Consulting, Inc.
LEXCO Limited	Summit Consulting, Inc. of Louisiana
Liberty - USA Corporation	Summit Holding Southeast, Inc.
Liberty Assignment Corporation	The First Liberty Insurance Corporation
Liberty Energy Canada, Inc.	The Midwestern Indemnity Company
Liberty Financial Services, Inc.	The National Corporation
Liberty Hospitality Group, Inc.	The Netherlands Insurance Company
Liberty Insurance Company of America	The Ohio Casualty Insurance Company
Liberty Insurance Corporation	Wausau Business Insurance Company
Liberty Insurance Holdings, Inc.	Wausau General Insurance Company
Liberty Insurance Underwriters, Inc.	Wausau Service Corporation
Liberty Life Assurance Company of Boston	Wausau Underwriters Insurance Company
Liberty Life Holdings, Inc.	West American Insurance Company
Liberty Lloyds of Texas Insurance Company	Winmar Company, Inc.*
Liberty Management Services, Inc.	Winmar of the Desert, Inc.*
Liberty Mexico Holdings, Inc.	Winmar Oregon, Inc.*
Liberty Mutual Fire Insurance Company	Winmar-Metro, Inc.*

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

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

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

- A. The Company is a wholly owned subsidiary of LIH US P&C Corporation, an insurance holding 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 wholly owned by Liberty Mutual Insurance Company (LMIC 93%), an insurance company incorporated in Massachusetts, 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 between the Company and its affiliates are described in Schedule Y Part 2.
- During 2008, the Company had the following capital transactions with its subsidiaries.
1. Contributed capital in the amount of \$45,000,000.
  2. Received dividends in the amount of \$42,326,629.
  3. The Company received a capital contribution of \$384,748,936. The contributed capital consisted of the statutory book value of Golden Eagle Insurance Company, Colorado Casualty Insurance Company, Liberty Northwest Insurance Company, and Bridgefield Employers Insurance Company.
- C. Refer to Notes 10F, 22 and 25.
- D. At December 31, 2008, the Company reported \$43,330,287 due to affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.

## NOTES TO FINANCIAL STATEMENTS

- 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 entered into a Services Agreement, effective January 1, 1999, with a number of affiliates. The Agreement allows parties to the Agreement to provide services related to common management functions including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resources services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

The Company entered into a management services agreement, effective December 15, 2001, 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 entered into investment management agreements, effective January 1, 2007 with LMIC, and effective May 1, 2000 with Liberty Mutual Investment Advisors LLC (LMIA). Under these agreements, LMIC and LMIA provide investment management services to the Company.

Refer to Note 25 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

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

The Company entered into a management agreement, effective April 1, 2002, with Liberty Mutual Mid-Atlantic Insurance Company (LMMAIC), to provide services related to common management functions including, but not limited to, coordinating marketing and advertising, actuarial support, and accounting, as well as consulting and other services as the parties may request.

The Company entered into a cash management agreement with LMIA effective January 28, 2000.

The Company entered into an agreement for a loan or extension of credit effective May 22, 2006; namely a revolving credit agreement under which the Company may borrow up to \$150,000,000 from LMIC. The purpose of the extension of credit is for operating liquidity to accommodate fluctuations in daily cash flow and to promote efficient management of investments. As of December 31, 2008, there have been no drawings under this agreement.

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

The Company utilizes the look-through approach for the valuation of the following downstream non-insurance holding companies:

	Carrying Value
Liberty USA Corporation	\$ 191,271,425
Summit Holding Southeast, Inc.	\$ 99,460,716
Total	\$ 290,732,141

The Company has limited the value of its investment in these companies to the value contained in the audited financial statements, including adjustments required by SSAP 97 of SCA entities. All liabilities, commitments, contingencies, guarantees or obligations of the downstream non-insurance holding company, which are required to be recorded as liabilities, commitments, contingencies, guarantees or obligations under applicable accounting guidance, are reflected in the Company's determination of the carrying value of the investment in the downstream non-insurance holding company.

### **Note 11- Debt**

Not applicable

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

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

## NOTES TO FINANCIAL STATEMENTS

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

1. Common Stock

The Company has 5,000,000 shares authorized, and 3,524,456 shares issued and outstanding as of December 31, 2008. All shares have a stated par value of \$2.50.

2. Preferred Stock

The Company has 113,043 shares authorized, but no shares are issued and outstanding as of December 31, 2008. All shares have a stated par value of \$2.50.

3. Dividend Restrictions

The Company has no dividend restrictions.

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

5. The maximum amount of dividends which can be paid by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is 10% of policyholder surplus less any dividends paid in the preceding twelve months. The maximum dividend payout which may be made without prior approval in 2009 is \$201,906,740.

6. The Company does not have restricted unassigned surplus.

7. The Company had no advances to surplus.

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

9. The Company had no changes in special surplus funds.

10. The portion of unassigned funds (surplus) represented by cumulative unrealized loss is (\$444,679,662) after applicable deferred taxes of \$28,451,892.

11. Surplus Notes

Not applicable

12. Quasi re-organization (dollar impact)

Not applicable

13. Quasi re-organization (effective date)

Not applicable

### **Note 14- Contingencies**

A. Contingent Commitments

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

B. Assessments

The Company is subject to guaranty funds and other assessments by the states in which it writes business. Guaranty funds 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 \$27,526,502 that is offset by future premium tax credits of \$3,325,173. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2008.

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

C. Gain Contingencies

Not applicable

## NOTES TO FINANCIAL STATEMENTS

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$3,516,907

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

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

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

( f ) Per Claim       ( g ) Per Claimant

E. All other Contingencies

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

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

**Note 15- Leases**

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

Year(s)	Operating Lease Arrangements
2009	\$6,287,805
2010	6,336,458
2011	5,383,258
2012	3,346,111
2013	1,997,875
2014 & thereafter	8,879,162
Total	\$32,230,669

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

Not applicable

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

The Company is not exposed to financial instruments with off-balance sheet risk or with concentrations of credit risk.

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

A. The Company did not sell premium receivables.

B. Transfers and servicing of financial assets:

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

At December 31, 2008 the total fair value of securities on loan was \$86,517,606 with corresponding collateral value of \$89,762,404 of which \$55,602,852 represents cash collateral.

## NOTES TO FINANCIAL STATEMENTS

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

**Note 20- Other Items**

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

1) Assets in the amount of \$349,662,778 and \$292,243,681 as of December 31, 2008 and 2007, respectively, were on deposit with government authorities or trustees as required by law.

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

The Company does not hold transferable state tax credits.

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

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

**Note 21- Events Subsequent**

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

**Note 22- Reinsurance**

A. Excluding amounts arising pursuant to the inter-company Reinsurance Agreement, as described in Note 25, the following are the unsecured reinsurance recoverables of an individual reinsurer which exceed 3% of policyholders surplus.

<u>Reinsurer</u>	<u>NAIC Co.</u>	<u>Fed ID #</u>	<u>Recoverable Amount</u>
Swiss Reinsurance America Corporation	25364	13-1675535	\$212,519,000
General Reinsurance Corporation	22039	13-2673100	\$81,887,000
Partner Reinsurance Company	38636	13-3031176	\$67,711,000

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

## NOTES TO FINANCIAL STATEMENTS

### C. Reinsurance Assumed & Ceded

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

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net Reinsurance</u>	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$2,101,105,952	\$214,871,076	\$1,467,094,375	\$100,700,021	\$634,011,577	\$114,171,055
All Other	17,983,457	3,673,143	116,939,627	15,928,615	(98,956,170)	(12,255,472)
Total	<u>\$2,119,089,409</u>	<u>\$218,544,219</u>	<u>\$1,584,034,002</u>	<u>\$116,628,636</u>	<u>\$535,055,407</u>	<u>\$101,915,583</u>

Direct unearned premium reserve \$527,323,278

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

Direct	\$116,430,413
Assumed	26,462,597
Ceded	(82,877,946)
Net	<u>\$60,015,064</u>

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

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

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

F. The Company has one assumed and one ceded 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	\$508,403,066	\$294,866,621
	2. Adjustment – Prior Year(s)	(366,020,037)	(212,286,469)
	3. Adjustment – Current Year	(16,953,519)	(9,832,802)
	4. Total	125,429,510	72,747,350
b.	Consideration Paid or Received:		
	1. Initial Reserves	508,403,066	294,866,621
	2. Adjustment – Prior Year(s)	14,892,933	8,637,691
	3. Adjustment – Current Year		0
	4. Total	523,295,999	303,504,312
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves		
	2. Adjustment – Prior Year(s)	447,953,930	259,806,973.09
	3. Adjustment – Current Year	14,942,083	8,666,198
	4. Total	462,896,013	268,473,171
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	0	0
	2. Adjustment – Prior Year(s)	(67,040,960)	(38,882,813)
	3. Adjustment – Current Year	2,011,436	1,166,605
	4. Total		
	5. Cumulative Total Transferred to Unassigned Funds	(65,029,524)	(37,716,208)
e.	Other insurers included in the above transactions:		
	Great American Insurance - 22039	125,429,510	
	Golden Eagle Insurance Corporation, 10836		\$8,779,853
	Indiana Insurance Company, 22659		10,034,117
	Netherlands Insurance Company, 24171		3,762,794
	Peerless Indemnity Insurance Company, 18333		6,271,323
	American Fire and Casualty Company, 24066		1,254,265
	Ohio Casualty Insurance Company, 24074		42,644,998
	Total	\$125,429,510	\$72,747,350

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.



## NOTES TO FINANCIAL STATEMENTS

G. There are no contracts recorded as deposit accounting.

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

- A. The Company estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing case-base loss development with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium.
- B. Accrued retrospective premiums are recorded as a component of written premiums.
- C. For detail of net premium written subject to retrospective rating features see Schedule P - Part 7A.
- 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	\$14,145,916
b. Less: Non-admitted amount	1,271,877
c. Admitted amount	12,874,039

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

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

### **Note 25- Intercompany Pooling Arrangements**

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

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

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

- (a) Each Affiliated Pool Company cedes its net underwriting activity to the Lead Company.

## NOTES TO FINANCIAL STATEMENTS

- (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) Amounts due (to)/ from affiliated entities participating in the Peerless inter-company pool as at December 31, 2008:

Affiliate:	Amount:
America Fire and Casualty Insurance Company	3,172,000
Ohio Casualty Insurance Company	(2,280,000)
Ohio Casualty Insurance Company of New Jersey	(68,000)
Ohio Security Insurance Company	(608,000)
West America Insurance Company	(1,191,000)
Golden Eagle Insurance Corporation	(555,000)
Indiana Insurance Company	(634,000)
The Netherlands Insurance Company	(238,000)
Peerless Indemnity Insurance Company	(396,000)

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

		NAIC <u>Co. #</u>	Pooling <u>%</u>	<u>Lines of Business</u>
Lead Company	Peerless Insurance Company	24198	25.20%	All Lines
Affiliated Pool Companies:	America First Insurance Company	12696	0.00%	All Lines
	America First Lloyd's Insurance Company	11526	0.00%	All Lines
	American Ambassador Casualty Company	10073	0.00%	All Lines
	Colorado Casualty Insurance Company	41785	0.00%	All Lines
	Consolidated Insurance Company	22640	0.00%	All Lines
	Excelsior Insurance Company	11045	0.00%	All Lines
	Globe American Casualty Company	11312	0.00%	All Lines
	Golden Eagle Insurance Corporation	10836	3.00%	All Lines (Except WC)
	Hawkeye-Security Insurance Company	36919	0.00%	All Lines
	Indiana Insurance Company	22659	4.80%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company	14486	0.00%	All Lines
	Mid-American Fire & Casualty Company	23507	0.00%	All Lines
	The Midwestern Indemnity Company	23515	0.00%	All Lines
	Montgomery Mutual Insurance Company	14613	0.00%	All Lines
	The Netherlands Insurance Company	24171	1.80%	All Lines
	Peerless Indemnity Insurance Company	18333	3.00%	All Lines
	National Insurance Association	27944	0.00%	All Lines
	The Ohio Casualty Insurance Company	24074	20.40%	All Lines
	Avomark Insurance Company	10798	0.00%	All Lines
	West American Insurance Company	44393	0.00%	All Lines
	American Fire and Casualty Company	24066	0.60%	All Lines
	Ohio Security Insurance Company	24082	0.00%	All Lines
	Ohio Casualty of New Jersey, Inc.	10937	0.00%	All Lines
	Insurance Company of Illinois (ICI)	26700	0.00%	All Lines
	Safeco Insurance Company of Illinois (SICIL)	39012	2.00%	All Lines
	American Economy Insurance Company (AEIC)	19690	5.60%	All Lines
	American States Insurance Company (ASIC)	19704	7.60%	All Lines
	American States Preferred Insurance Company (ASPIC)	37214	0.80%	All Lines
	Safeco Insurance Company of Indiana (SICIN)	11215	0.00%	All Lines
	Safeco National Insurance Company (SNIC)	24759	0.00%	All Lines
	Safeco Insurance Company of Oregon (SICO)	11071	0.00%	All Lines
	American States Lloyds Insurance Company (ASLIC)	31933	0.00%	All Lines
	Safeco Lloyds Insurance Company (SLIC)	11070	0.00%	All Lines
	First National Insurance Company of America (FNICA)	24724	0.80%	All Lines
	General Insurance Company of America (GICA)	24732	9.20%	All Lines
	Safeco Insurance Company of America (SICA)	24740	15.20%	All Lines
	Safeco Surplus Lines Insurance Company (SSLIC)	11100	0.00%	All Lines
	American States Insurance Company of Texas (ASICT)	19712	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Liberty Northwest Insurance Corporation	41939	0.00%	All Lines
	Bridgefield Casualty Insurance Company	10335	0.00%	All Lines
	Bridgefield Employers Insurance Company	10701	0.00%	All Lines
	North Pacific Insurance Company	23892	0.00%	All Lines
	Oregon Automobile Insurance Company	23922	0.00%	All Lines

### Note 26- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$23,649,354 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 \$23,649,354 as of December 31, 2008.
- B. Not applicable

## NOTES TO FINANCIAL STATEMENTS

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

Not applicable

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

Not applicable

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

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

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

The Company does not have any high deductible policies.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 3.5%. The December 31, 2008 liabilities subject to discount were carried at a value representing a discount of \$48,495,711, net of all reinsurance.

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

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

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

#### *Factors Contributing to Uncertainty in Establishing Adequate Reserves*

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

The uncertainties associated with establishing reserves for asbestos and environmental losses and loss adjustment expenses are compounded by the differing, and at times inconsistent, court rulings on environmental and asbestos coverage issues involving: (i) the differing interpretations of various insurance policy provisions and whether asbestos and environmental losses are or were ever intended to be covered, (ii) when the loss occurred and what policies provide coverage, (iii) whether there is an insured obligation to defend, (iv) whether a compensable loss or injury has occurred, (v) how policy limits are 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.

## NOTES TO FINANCIAL STATEMENTS

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

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

### Asbestos:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Direct Basis</b>					
Beginning Reserves	23,019,304	23,561,222	26,197,919	27,287,079	22,762,009
Incurred losses and LAE	2,554,054	4,907,125	2,702,241	(1,745,507)	1,204,232
Calendar year payments	2,012,136	2,270,428	1,613,081	1,939,550	1,874,347
Ending Reserves	23,561,222	26,197,919	23,602,022	23,602,022	22,091,894
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	1,025,985	648,631	3,766,182	3,331,110	5,387,580
Incurred losses and LAE	179,728	3,349,517	(393,341)	113,614	492,599
Calendar year payments	557,082	231,966	41,731	150,793	769,882
Ending Reserves	648,631	3,766,182	3,331,110	3,293,931	5,110,297
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	18,847,854	18,421,272	22,301,815	22,986,527	21,167,349
Incurred losses and LAE	1,696,083	6,360,308	1,893,359	(1,161,023)	2,570,155
Calendar year payments	2,122,665	2,479,765	1,208,647	1,940,030	2,300,219
Ending Reserves	18,421,272	22,301,815	22,986,527	19,885,474	21,437,285

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

Direct Basis	17,767,102
Assumed Reinsurance Basis	2,859,918
Net of Ceded Reinsurance Basis	18,808,837

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

Direct Basis	8,038,979
Assumed Reinsurance Basis	-
Net of Ceded Reinsurance Basis	7,832,990

### Environmental:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Direct Basis</b>					
Beginning Reserves	22,436,425	28,025,764	30,228,026	30,421,707	35,921,718
Incurred losses and LAE	8,240,575	5,857,394	5,051,602	21,490,396	1,245,906
Calendar year payments	2,651,236	3,655,132	4,857,921	5,954,333	7,402,785
Ending Reserves	28,025,764	30,228,026	30,421,707	45,957,770	29,764,839
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	2,511,148	2,314,133	3,117,215	2,838,981	2,647,276
Incurred losses and LAE	44,932	868,916	74,955	117,064	(313,491)
Calendar year payments	241,947	65,834	353,189	44,084	25,089
Ending Reserves	2,314,133	3,117,215	2,838,981	2,911,961	2,308,696

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**NOTES TO FINANCIAL STATEMENTS**


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**Net of Ceded Reinsurance Basis**

Beginning Reserves	24,471,748	28,438,608	29,734,741		36,948,615
Incurring losses and LAE	7,111,300	4,910,637	4,317,756	29,471,585	
Calendar year payments	3,144,440	3,614,504	4,580,912	23,381,944	(2,045,661)
				5,308,851	7,239,513
Ending Reserves	28,438,608	29,734,741	29,471,585	47,544,678	27,663,441

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

Direct Basis					24,311,074
Assumed Reinsurance Basis					1,765,116
Net of Ceded Reinsurance Basis					22,422,927

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

Direct Basis					4,138,039
Assumed Reinsurance Basis					-
Net of Ceded Reinsurance Basis					4,509,975

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

**Note 33- Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 34 - Multiple Peril Crop Insurance**

Not applicable

# GENERAL INTERROGATORIES

## PART 1 – COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes  No
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  N/A
- 1.3 State Regulating? \_\_\_\_\_ New Hampshire \_\_\_\_\_
- 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). \_\_\_\_\_ 06/23/2006 \_\_\_\_\_
- 3.4 By what department or departments?  
State of New Hampshire Insurance Department  
.....  
.....  
.....
- 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	2	3
Name of Entity	NAIC Company Code	State of Domicile
.....	.....	.....
.....	.....	.....

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

## GENERAL INTERROGATORIES

6.2 If yes, give full information:

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

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

7.2 If yes,

7.21 State the percentage of foreign control. \_\_\_\_\_

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11.2 If yes, provide explanation:

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



## GENERAL INTERROGATORIES

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

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

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

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

Yes  No

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

Yes  No

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

Yes  No  N/A

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

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

Yes  No

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

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

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

Yes  No

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

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

.....

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

Yes  No

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

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

## BOARD OF DIRECTORS

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

Yes  No

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

Yes  No

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

Yes  No

## FINANCIAL

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

Yes  No

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

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

### GENERAL INTERROGATORIES

- 18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
  - 18.21 To directors or other officers \$ \_\_\_\_\_ 0
  - 18.22 To stockholders not officers \$ \_\_\_\_\_ 0
  - 18.23 Trustees, supreme or grand (Fraternal only) \$ \_\_\_\_\_ 0
  
- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [ X ]
  
- 19.2 If yes, state the amount thereof at December 31 of the current year:
  - 19.21 Rented from others \$ \_\_\_\_\_
  - 19.22 Borrowed from others \$ \_\_\_\_\_
  - 19.23 Leased from others \$ \_\_\_\_\_
  - 19.24 Other \$ \_\_\_\_\_
  
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [ X ]
  
- 20.2 If answer is yes:
  - 20.21 Amount paid as losses or risk adjustment \$ \_\_\_\_\_
  - 20.22 Amount paid as expenses \$ \_\_\_\_\_
  - 20.23 Other amounts paid \$ \_\_\_\_\_
  
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ X ] No [ ]
  
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ \_\_\_\_\_ 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 [ X ] No [ ]
  
- 22.2 If no, give full and complete information relating thereto:  
 .....  
 .....  
 .....
  
- 22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)  
 Please reference Note 17B .....  
 .....  
 .....
  
- 22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [ X ] No [ ]
  
- 22.5 If answer to 22.4 is yes, report amount of collateral. \$ \_\_\_\_\_ 89,762,404
  
- 22.6 If answer to 22.4 is no, report amount of collateral. \$ \_\_\_\_\_
  
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3.) Yes [ X ] No [ ]
  
- 23.2 If yes, state the amount thereof at December 31 of the current year:
  - 23.21 Subject to repurchase agreements \$ \_\_\_\_\_
  - 23.22 Subject to reverse repurchase agreements \$ \_\_\_\_\_
  - 23.23 Subject to dollar repurchase agreements \$ \_\_\_\_\_
  - 23.24 Subject to reverse dollar repurchase agreements \$ \_\_\_\_\_
  - 23.25 Pledged as collateral \$ \_\_\_\_\_
  - 23.26 Placed under option agreements \$ \_\_\_\_\_
  - 23.27 Letter stock or securities restricted as to sale \$ \_\_\_\_\_
  - 23.28 On deposit with state or other regulatory body \$ \_\_\_\_\_ 349,662,780
  - 23.29 Other \$ \_\_\_\_\_ 0

## GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

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

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

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

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

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

1 Name of Custodian(s)	2 Custodian's Address
JP MORGAN CHASE	3 Chase Metro Tech Center, Brooklyn, NY 11245

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

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

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

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

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

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

1 Central Registration Depository Number(s)	2 Name(s)	3 Address
N/A	Liberty Mutual Insurance Company	175 Berkeley St., Boston, MA 02116
N/A	Liberty Mutual Investment Advisors LL	175 Berkeley St., Boston, MA 02116
N/A	STANCORP MORTGAGE INVESTOR	1100 SW Sixth Avenue, Portland, OR 97204

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

## GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
42982#-10-0	LMIA HIGH YIELD FUND	117,809,200
		0
		0
27.2999 TOTAL		117,809,200

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
LMIA HIGH YIELD FUND	J P. MORGAN PRIME-CAPITA	7,612,499	12/31/2008
LMIA HIGH YIELD FUND	ALLIED WASTE NORTH AMER	3,281,840	12/31/2008
LMIA HIGH YIELD FUND	DRS TECHNOLOGIES INC	2,481,500	12/31/2008
LMIA HIGH YIELD FUND	MULTIPLAN INC	2,227,314	12/31/2008
LMIA HIGH YIELD FUND	VENTAS REALTY LP/CAP CR	1,952,225	12/31/2008
LMIA HIGH YIELD FUND	WILLIAMS PARTNERS LP/WIL	1,925,063	12/31/2008

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	4,530,056,292	4,391,520,111	(138,536,181)
28.2 Preferred stocks	60,214,061	60,451,822	237,761
28.3 Totals	4,590,270,353	4,451,971,933	(138,298,420)

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

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

Yes  No

29.2 If no, list exceptions:

.....

.....

.....

### OTHER

30.1 Amount of payments to Trade associations, service organizations and statistical or Rating Bureaus, if any? \$ 468,389

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

1 Name	2 Amount Paid
Insurance Services Office Inc.	311,447
	0
	0

31.1 Amount of payments for legal expenses, if any? \$ 2,257,966

## GENERAL INTERROGATORIES

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

1 Name	2 Amount Paid
	0
	0
	0

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

\$ 436,408

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

1 Name	2 Amount Paid
Federal Trade Commission	280,000
	0
	0

# GENERAL INTERROGATORIES

## PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

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

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

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

1.6 Individual policies:

Most current three years:

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

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

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

All years prior to most current three years:

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

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

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

1.7 Group policies:

Most current three years:

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

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

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

All years prior to most current three years:

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

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

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

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ 6,776	\$ 0
2.2 Premium Denominator	\$ 2,512,135,422	\$ 2,553,852,718
2.3 Premium Ratio (2.1/2.2)	0.00	0.00
2.4 Reserve Numerator	\$ 0	\$ 0
2.5 Reserve Denominator	\$ 4,256,404,025	\$ 3,994,540,810
2.6 Reserve Ratio (2.4/2.5)	0.00	0.00

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

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

3.21 Participating policies \$ 3,337,386

3.22 Non-participating policies \$ 1,070,121,928

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

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

5.5 If yes, give full information

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

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

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

.....  
 .....

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes [ ] No [X]

11.2 If yes, give full information  
 .....  
 .....

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

12.11 Unpaid losses		\$	40,890,817
12.12 Unpaid underwriting expenses (including loss adjustment expenses)		\$	3,018,619

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? \$ 11,420,341

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

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

12.41 From		0.00
12.42 To		9.00

12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [X] No [ ]

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

12.61 Letters of Credit		\$	311,337,922
12.62 Collateral and other funds		\$	63,405,255

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 165,225,225

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

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

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

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

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

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

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

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

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

16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]  
 If yes, disclose the following information for each of the following types of warranty coverage:

		1	2	3	4	5
		Direct Losses Incurred	Direct Losses Unpaid	Direct Written Premium	Direct Premium Unearned	Direct Premium Earned
16.11 Home	\$	.....	\$	.....	\$	.....
16.12 Products	\$	.....	\$	.....	\$	.....
16.13 Automobile	\$	.....	\$	.....	\$	.....
16.14 Other*	\$	.....	\$	.....	\$	.....

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



## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

Yes [ ] No [X]

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

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

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

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

## FIVE – YEAR HISTORICAL DATA

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

	1	2	3	4	5
	2008	2007	2006	2005	2004
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	3,341,655,051	1,721,887,757	1,663,078,784	1,277,053,701	1,258,705,194
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	890,604,875	553,904,215	531,494,192	478,440,838	505,684,589
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,273,319,033	1,536,879,494	1,507,929,095	1,325,994,022	1,300,870,601
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	588,077,708	1,132,476	8,674,958	1,275,951	2,071,142
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6. Total (Line 35)	7,093,656,667	3,813,803,942	3,711,177,029	3,082,764,512	3,067,331,526
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,176,509,499	1,210,850,841	1,162,799,809	1,006,943,955	484,676,623
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	288,317,217	381,150,394	365,586,931	397,843,705	203,747,388
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	668,664,285	1,041,822,458	1,015,143,519	1,066,470,987	505,621,080
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	245,999,332	803,263	6,164,488	1,533,509	849,135
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12. Total (Line 35)	2,379,490,333	2,634,626,956	2,549,694,747	2,472,792,156	1,194,894,226
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	75,006,667	43,110,722	7,403,355	32,662,851	450,992
14. Net investment gain (loss) (Line 11)	231,368,996	226,431,795	678,576,356	122,306,999	89,584,941
15. Total other income (Line 15)	(28,014,503)	4,580,943	9,111,147	3,399,439	6,932,347
16. Dividends to policyholders (Line 17)	16,399,916	6,146,290	6,871,671	3,380,696	1,503,576
17. Federal and foreign income taxes incurred (Line 19)	75,271,088	79,977,829	108,737,255	115,997,734	32,459,646
18. Net income (Line 20)	186,690,156	187,999,341	579,481,932	38,990,859	63,005,058
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	7,069,023,987	6,025,003,036	5,707,896,863	4,551,478,620	2,541,989,714
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	86,666,006	124,068,478	171,360,719	240,008,958	54,364,866
20.2 Deferred and not yet due (Line 13.2)	661,742,596	659,743,600	617,491,263	550,080,761	310,292,205
20.3 Accrued retrospective premiums (Line 13.3)	12,874,039	6,829,238	8,148,722		
21. Total liabilities excluding protected cell business (Page 3, Line 24)	5,049,956,580	4,554,695,451	4,488,676,760	3,534,816,691	1,679,937,941
22. Losses (Page 3, Line 1)	2,482,289,010	2,248,032,435	2,081,607,322	1,562,734,554	767,313,733
23. Loss adjustment expenses (Page 3, Line 3)	568,418,457	514,461,445	477,618,586	359,180,936	171,591,280
24. Unearned premiums (Page 3, Line 9)	1,062,378,685	1,200,138,518	1,121,458,176	1,001,005,264	563,718,584
25. Capital paid up (Page 3, Lines 28 & 29)	8,848,635	8,848,635	8,848,635	8,848,635	8,848,635
26. Surplus as regards policyholders (Page 3, Line 35)	2,019,067,407	1,470,307,585	1,219,220,103	1,016,661,929	862,051,773
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	534,551,630	513,937,304	1,436,392,548	1,150,942,007	384,184,532
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	2,019,067,407	1,470,307,585	1,219,220,103	1,016,661,929	862,051,773
29. Authorized control level risk-based capital	360,631,272	285,104,975	227,339,457	203,723,687	178,109,077
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	74.4	79.5	83.4	74.3	69.0
31. Stocks (Lines 2.1 & 2.2)	19.7	16.5	10.2	20.3	33.3
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	2.0	0.5	0.3		
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.1	0.1	0.1	0.2	0.4
34. Cash, cash equivalents and short-term investments (Line 5)	2.8	2.4	5.0	5.1	(3.0)
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)	1.1	0.9	0.5	0.1	0.3
37. Receivables for securities (Line 8)		0.0	0.4	0.0	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
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)	14,367,920				
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)	957,386,920	556,575,175	219,463,709	592,004,868	558,088,370
43. Affiliated short-term investments (Schedule DA Verification, Col. 5, Line 10)					
44. Affiliated mortgage loans on real estate					
45. All other affiliated					
46. Total of above Lines 40 to 45	971,754,840	556,575,175	219,463,709	592,004,868	558,088,370
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)	48.1	37.9	18.0	58.2	64.7

**FIVE – YEAR HISTORICAL DATA**

(Continued)

	1	2	3	4	5
	2008	2007	2006	2005	2004
<b>Capital and Surplus Accounts (Page 4)</b>					
48. Net unrealized capital gains (losses) (Line 24)	(63,572,475)	(32,556,720)	(469,385,832)	31,263,135	34,561,069
49. Dividends to stockholders (Line 35)			(67,370,072)		
50. Change in surplus as regards policyholders for the year (Line 38)	548,759,822	251,087,482	202,558,174	154,610,156	62,363,090
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	(1,032,495,791)	811,136,570	199,609,231	587,758,763	525,108,646
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	402,783,851	245,117,875	212,967,675	190,458,142	185,415,457
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	774,628,585	661,633,827	622,066,994	473,304,023	358,697,635
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(61,368,197)	189,387	2,232,590	807,645	1,216,654
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	24,953	146,543	(523,929)		2,530
56. Total (Line 35)	83,573,401	1,718,224,202	1,036,352,561	1,252,328,573	1,070,440,922
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	363,905,605	539,025,911	92,563,777	49,656,432	170,894,377
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	176,985,694	166,900,853	146,579,748	127,543,716	74,929,256
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	559,640,613	438,747,467	395,972,566	151,455,518	129,545,949
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(19,452,104)	241,020	1,419,368	167,330	185,194
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	231,416	103,943	(371,623)	(1,648,527)	
62. Total (Line 35)	1,081,311,224	1,145,019,194	636,163,836	327,174,469	375,554,776
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	52.4	51.4	54.3	49.3	53.6
65. Loss expenses incurred (Line 3)	10.8	11.3	11.9	13.2	12.9
66. Other underwriting expenses incurred (Line 4)	33.8	35.6	33.5	35.9	33.8
67. Net underwriting gain (loss) (Line 8)	3.0	1.7	0.3	1.6	0.0
<b>Other Percentages</b>					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	36.9	34.4	31.5	29.6	30.1
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	63.2	62.7	66.2	62.5	66.5
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)	117.9	179.2	209.1	243.2	138.6
<b>One Year Loss Development (000 omitted)</b>					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(223,610)	(191,348)	(38,121)	(44,067)	9,872
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)	(15.2)	(15.7)	(3.8)	(5.1)	1.2
<b>Two Year Loss Development (000 omitted)</b>					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(386,263)	(159,792)	13,250	(12,458)	46,845
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)	(31.7)	(15.7)	1.5	(1.6)	28.5

**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	25,745	3,627	6,057	568	3,319	583	565	30,343	X X X
2. 1999	1,634,854	155,519	1,479,335	1,131,275	149,235	79,283	9,251	129,684	13,437	51,870	1,168,319	X X X
3. 2000	1,621,754	151,606	1,470,148	1,117,438	132,556	84,208	8,947	119,511	7,896	55,843	1,171,758	X X X
4. 2001	1,678,712	155,012	1,523,700	1,047,668	129,097	77,130	4,606	116,742	8,570	57,686	1,099,267	X X X
5. 2002	2,018,440	324,181	1,694,259	1,104,389	188,492	75,562	11,398	106,573	13,112	50,166	1,073,522	X X X
6. 2003	2,231,808	288,602	1,943,206	1,063,892	161,355	73,493	8,631	134,701	16,089	51,009	1,086,011	X X X
7. 2004	2,350,593	191,690	2,158,903	971,268	69,496	58,306	3,581	126,152	6,229	52,653	1,076,420	X X X
8. 2005	2,486,552	134,657	2,351,895	966,421	64,640	61,566	3,271	134,452	4,519	45,831	1,090,009	X X X
9. 2006	2,565,371	112,668	2,452,703	909,086	28,726	45,811	1,280	135,414	6,674	35,543	1,053,631	X X X
10. 2007	2,569,815	76,711	2,493,104	810,346	13,356	32,004	967	130,874	3,933	16,951	954,968	X X X
11. 2008	2,588,643	76,510	2,512,133	649,083	24,901	14,572	31	116,713	2,364	997	753,072	X X X
12. Totals	X X X	X X X	X X X	9,796,611	965,481	607,992	52,531	1,254,135	83,406	419,114	10,557,320	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	135,035	40,627	128,878	48,661	2,365	139	22,762	7,287	14,495	1,189	3,632	205,632	X X X
2. 1999	32,629	10,755	13,414	4,845	225		3,848	959	3,048	740	467	35,865	X X X
3. 2000	30,635	9,583	13,083	4,577	833	1	3,731	806	3,146	580	546	35,881	X X X
4. 2001	23,234	9,950	23,986	6,104	528	10	6,536	1,022	3,504	489	972	40,213	X X X
5. 2002	43,641	14,528	26,794	8,436	963	129	10,769	1,277	4,011	182	1,097	61,626	X X X
6. 2003	42,154	6,373	51,896	9,697	870	17	15,985	1,483	6,084	37	1,539	99,382	X X X
7. 2004	66,332	11,155	83,218	12,582	921	1	21,780	1,792	8,380	3	2,070	155,098	X X X
8. 2005	117,235	10,505	104,678	15,167	1,430		34,895	2,348	12,943		3,655	243,161	X X X
9. 2006	174,786	14,108	183,458	24,877	2,560		60,415	3,610	21,120	2	5,058	399,742	X X X
10. 2007	302,167	9,459	279,235	39,472	4,096	8	96,048	5,415	37,418	24	9,693	664,586	X X X
11. 2008	414,287	14,760	528,349	10,609	6,687		108,522	923	79,280	1,298	27,422	1,109,535	X X X
12. Totals	1,382,135	151,803	1,436,989	185,027	21,478	305	385,291	26,922	193,429	4,544	56,151	3,050,721	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	174,625	31,007
2. 1999	1,393,406	189,222	1,204,184	85,231	121,671	81,400				30,443	5,422
3. 2000	1,372,585	164,946	1,207,639	84,636	108,799	82,144				29,558	6,323
4. 2001	1,299,328	159,848	1,139,480	77,400	103,120	74,784				31,166	9,047
5. 2002	1,372,702	237,554	1,135,148	68,008	73,278	67,000				47,471	14,155
6. 2003	1,389,075	203,682	1,185,393	62,240	70,575	61,002				77,980	21,402
7. 2004	1,336,357	104,839	1,231,518	56,852	54,692	57,044				125,813	29,285
8. 2005	1,433,620	100,450	1,333,170	57,655	74,597	56,685				196,241	46,920
9. 2006	1,532,650	79,277	1,453,373	59,744	70,363	59,256				319,259	80,483
10. 2007	1,692,188	72,634	1,619,554	65,849	94,685	64,961				532,471	132,115
11. 2008	1,917,493	54,886	1,862,607	74,073	71,737	74,144				917,267	192,268
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,482,294	568,427

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

**SCHEDULE P – PART 2 – SUMMARY**

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	One Year	Two Year
1. Prior	827,995	816,310	799,960	833,346	846,457	859,855	891,675	892,880	913,688	907,185	(6,503)	14,305
2. 1999	992,264	1,023,501	1,030,958	1,046,941	1,058,954	1,066,862	1,076,412	1,081,676	1,088,740	1,087,624	(1,116)	5,948
3. 2000	X X X	1,016,711	1,053,911	1,065,164	1,089,701	1,090,707	1,096,115	1,098,274	1,105,009	1,095,676	(9,333)	(2,598)
4. 2001	X X X	X X X	1,022,441	1,010,803	1,029,516	1,033,922	1,035,476	1,027,744	1,044,663	1,031,032	(13,631)	3,288
5. 2002	X X X	X X X	X X X	1,097,605	1,088,217	1,082,687	1,062,246	1,064,012	1,050,581	1,041,165	(9,416)	(22,847)
6. 2003	X X X	X X X	X X X	X X X	1,120,047	1,088,763	1,063,684	1,062,276	1,076,153	1,064,073	(12,080)	1,797
7. 2004	X X X	X X X	X X X	X X X	X X X	1,304,481	1,240,697	1,220,362	1,124,498	1,106,959	(17,539)	(113,403)
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	1,369,815	1,316,796	1,218,425	1,194,157	(24,268)	(122,639)
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,457,455	1,368,483	1,307,341	(61,142)	(150,114)
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,528,328	1,459,746	(68,582)	X X X
11. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,672,463	X X X	X X X
12. Totals											(223,610)	(386,263)

**SCHEDULE P – PART 3 – SUMMARY**

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		
1. Prior	000	240,318	389,376	487,404	545,034	582,390	617,588	648,692	670,497	698,104	X X X	X X X
2. 1999	481,568	720,014	834,020	917,847	969,226	1,004,761	1,022,275	1,035,623	1,044,203	1,052,072	X X X	X X X
3. 2000	X X X	475,277	730,477	851,529	938,522	990,480	1,021,933	1,041,356	1,052,631	1,060,143	X X X	X X X
4. 2001	X X X	X X X	467,030	699,799	806,755	885,843	926,539	955,363	973,822	991,095	X X X	X X X
5. 2002	X X X	X X X	X X X	424,284	660,128	785,942	880,736	932,148	961,092	980,061	X X X	X X X
6. 2003	X X X	X X X	X X X	X X X	446,668	679,167	796,280	879,236	938,653	967,399	X X X	X X X
7. 2004	X X X	X X X	X X X	X X X	X X X	439,052	692,937	819,733	901,432	956,497	X X X	X X X
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	467,042	732,986	867,573	960,076	X X X	X X X
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	494,763	779,337	924,891	X X X	X X X
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	514,520	828,027	X X X	X X X
11. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	638,723	X X X	X X X

**SCHEDULE P – PART 4 – SUMMARY**

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Prior	287,674	210,222	147,022	138,587	134,251	108,902	96,905	79,687	80,728	112,447
2. 1999	233,554	125,593	79,584	55,287	36,204	31,647	23,094	20,774	16,488	13,453
3. 2000	X X X	250,221	148,893	103,006	69,912	49,502	33,286	32,835	23,279	13,649
4. 2001	X X X	X X X	286,251	173,829	104,572	80,064	48,327	43,880	28,300	26,135
5. 2002	X X X	X X X	X X X	427,352	235,323	138,078	89,720	67,777	42,608	31,157
6. 2003	X X X	X X X	X X X	X X X	379,962	213,770	144,067	104,912	79,034	60,040
7. 2004	X X X	X X X	X X X	X X X	X X X	527,557	312,649	223,496	129,667	94,365
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	590,842	334,730	205,425	125,921
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	570,775	350,512	219,212
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	617,547	334,923
11. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	627,526

## 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						
1. Alabama	AL	L				4,392	23,366		
2. Alaska	AK	L	16,966	4,026		32,996	80,967	47,971	84
3. Arizona	AZ	L	669,531	1,216,377		358,720	292,160	647,487	3,301
4. Arkansas	AR	L	2,002,114	2,301,959		861,491	1,492,079	3,310,308	9,870
5. California	CA	L	243,229,456	251,107,112	4,173	96,078,304	91,696,335	159,651,947	1,199,069
6. Colorado	CO	L	1,681	569		789	23,998	23,209	8
7. Connecticut	CT	L	78,099,159	71,259,721	34,082	28,554,276	29,907,770	60,108,331	385,012
8. Delaware	DE	L	5,214,473	5,700,592	3,848	2,225,442	(60,003)	6,881,275	25,706
9. District of Columbia	DC	L	1,675,695	1,632,882		512,078	(2,164,552)	2,731,949	8,261
10. Florida	FL	L	56,559	58,612		14,199	816	59,685	279
11. Georgia	GA	L	23,227,788	20,724,950	1,551	16,038,658	14,813,327	16,209,170	114,508
12. Hawaii	HI	N		5					
13. Idaho	ID	L							
14. Illinois	IL	L	9,182,180	9,641,120	2,107	3,267,820	5,807,396	7,755,242	45,266
15. Indiana	IN	L	15,690,614	16,043,624		8,438,065	6,226,087	18,600,797	77,351
16. Iowa	IA	L	1,032,571	1,114,217		556,105	1,851,753	2,067,057	5,090
17. Kansas	KS	L	1,671,267	1,866,168		1,281,326	1,445,508	1,211,855	8,239
18. Kentucky	KY	L	4,311,351	4,168,452		1,983,585	1,580,971	3,666,747	21,254
19. Louisiana	LA	L	6,570,047	6,950,113		4,319,324	4,843,546	7,176,570	32,389
20. Maine	ME	L	55,198,171	55,988,379	17,383	29,086,137	30,212,742	30,891,902	272,115
21. Maryland	MD	L	19,185,257	20,158,171	18,990	6,783,382	6,525,624	20,468,489	94,579
22. Massachusetts	MA	L	38,510,601	33,396,225		9,947,700	18,852,443	26,277,205	189,849
23. Michigan	MI	L	3,100,468	2,923,606		594,666	890,056	1,504,064	15,285
24. Minnesota	MN	L	3,216,493	3,071,818		1,561,380	1,251,759	3,084,318	15,857
25. Mississippi	MS	L		11					
26. Missouri	MO	L	9,478,830	10,094,385		4,962,469	3,872,273	6,800,778	46,729
27. Montana	MT	L							
28. Nebraska	NE	L	1,695,818	1,739,939	8,042	700,703	1,071,249	1,176,565	8,360
29. Nevada	NV	L	4,609	1,093		12,017	(8,559)	11,332	23
30. New Hampshire	NH	L	90,172,938	93,180,271	170,155	45,978,470	47,588,811	63,233,048	444,533
31. New Jersey	NJ	Q	2	2			(19,900)	19,743	
32. New Mexico	NM	L	420	420					2
33. New York	NY	L	141,584,531	125,168,311	590,293	54,597,655	72,608,491	77,680,650	697,981
34. North Carolina	NC	L	95,116,060	86,001,184	13,535	35,703,513	41,881,555	39,560,942	468,902
35. North Dakota	ND	L							
36. Ohio	OH	L	6,187,874	6,455,513		16,873,714	768,865	3,641,377	30,505
37. Oklahoma	OK	L	7,932,086	6,700,257		3,891,490	5,081,755	7,285,864	39,103
38. Oregon	OR	L	200	200					1
39. Pennsylvania	PA	L	68,862,101	73,410,179	10,463	32,884,468	25,475,119	63,956,762	339,475
40. Rhode Island	RI	L	34,750,030	35,201,938	1,581	13,940,760	13,357,034	17,037,472	171,310
41. South Carolina	SC	L	32,002,333	25,335,224		9,459,052	13,712,482	18,033,862	157,765
42. South Dakota	SD	L							
43. Tennessee	TN	L	5,187,926	5,006,414	4,012	1,176,112	1,672,427	4,328,849	25,575
44. Texas	TX	L	7,244,825	8,156,321	2,226	7,111,990	6,287,656	5,338,489	35,715
45. Utah	UT	L	1,934	574					10
46. Vermont	VT	L	35,788,749	36,262,083	105,813	14,757,323	17,540,728	29,792,096	176,431
47. Virginia	VA	L	23,343,148	22,674,580		11,813,476	14,187,647	23,343,345	115,077
48. Washington	WA	L							
49. West Virginia	WV	L	(71)	21					
50. Wisconsin	WI	L	2,242,525	2,187,539	46,892	1,057,153	839,685	1,961,205	11,055
51. Wyoming	WY	L							
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	N							
55. U.S. Virgin Islands	VI	N							
56. Northern Mariana Islands	MP	N							
57. Canada	CN	N							
58. Aggregate Other Alien	OT	X X X							
59. Totals	(a) 49		1,073,459,310	1,046,905,157	1,035,146	467,416,808	481,492,492	735,601,323	5,291,924

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

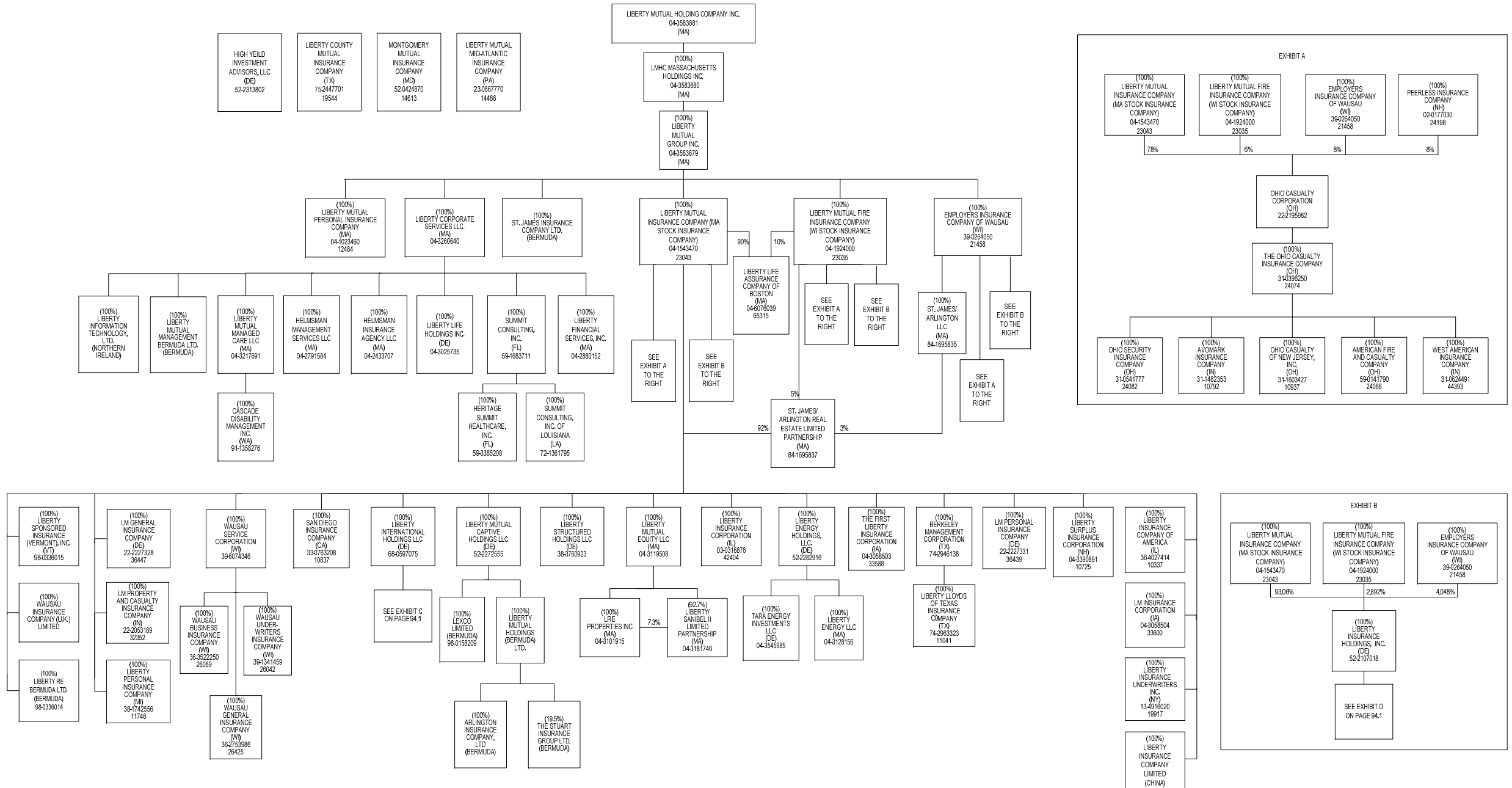
#### Explanation of basis of allocation of premiums by states, etc.

- \*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery
- \*States of Jurisdiction under which payrolls and resulting premiums are developed - Workers' Compensation
- \*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage
- \*Principal Location of business or location of coverage - Liability other than Auto, Fidelity
- \*Point of origin of shipment or principal location of assured - Inland Marine
- \*State in which employees regularly work - Group Accident and Health
- \*Location of Court - Surety
- \*Address of Assured - Other Accident and Health
- \*Location of Properties covered - Burglary and Theft
- \*Principal Location of Assured - Ocean Marine, Credit
- \*Primary Residence of Assured - Aircraft (all perils)

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

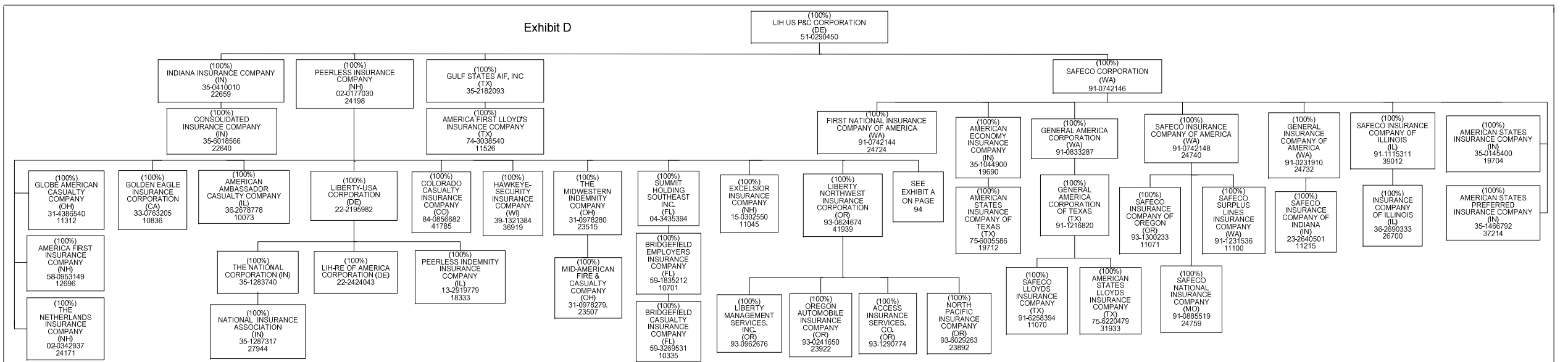
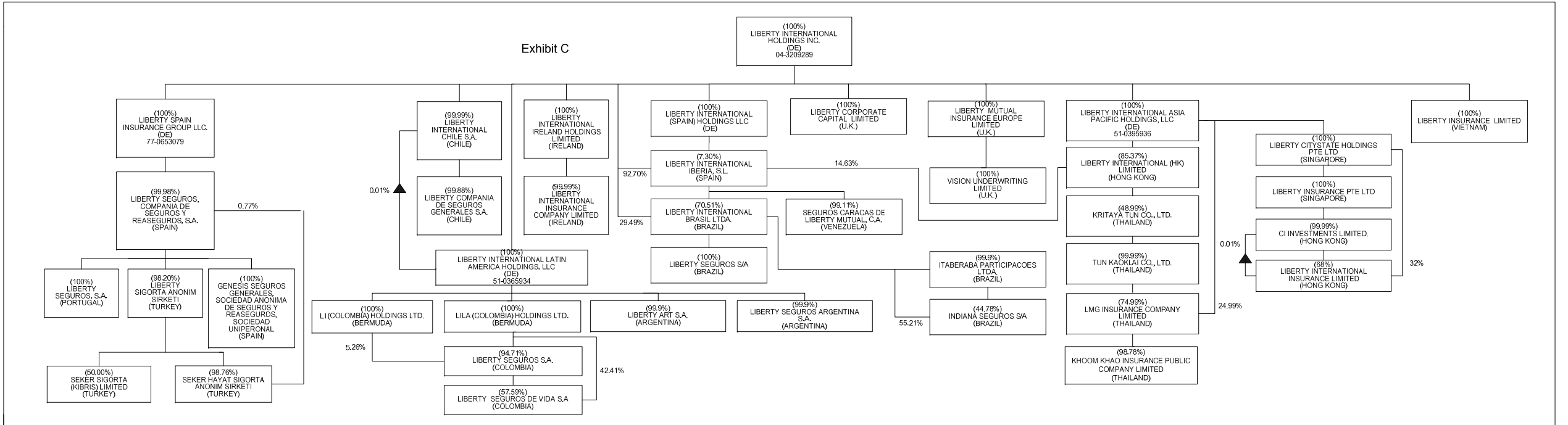
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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

## PART 1 - ORGANIZATIONAL CHART





**OVERFLOW PAGE FOR WRITE-INS**

**Page 2 - Continuation**

**ASSETS**

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
<b>REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR OTHER THAN INVESTED ASSETS</b>				
2304. Equities and deposits in pools and associations	20,090,128		20,090,128	18,049,305
2305. ....				
2306. ....				
2307. ....				
2308. ....				
2309. ....				
2310. ....				
2311. ....				
2312. ....				
2313. ....				
2314. ....				
2315. ....				
2316. ....				
2317. ....				
2318. ....				
2319. ....				
2320. ....				
2321. ....				
2322. ....				
2323. ....				
2324. ....				
2325. ....				
2397. Totals (Lines 2304 through 2325) (Page 2, Line 2398)	20,090,128		20,090,128	18,049,305

**OVERFLOW PAGE FOR WRITE-INS**

**Page 3 - Continuation**

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1	2
	Current Year	Prior Year
<b>REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES</b>		
2304. Collateral held for securities loaned	55,602,852	66,829,321
2305. ....		
2306. ....		
2307. ....		
2308. ....		
2309. ....		
2310. ....		
2311. ....		
2312. ....		
2313. ....		
2314. ....		
2315. ....		
2316. ....		
2317. ....		
2318. ....		
2319. ....		
2320. ....		
2321. ....		
2322. ....		
2323. ....		
2324. ....		
2325. ....		
2397. Totals (Lines 2304 through 2325) (Page 3, Line 2398)	55,602,852	66,829,321

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