

ANNUAL STATEMENT

OF THE

PEERLESS INSURANCE COMPANY

of **KEENE**

in the state of **NEW HAMPSHIRE**

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2009

PROPERTY AND CASUALTY

2009

ANNUAL STATEMENT



For the Year Ended December 31, 2009
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 Web Site Address: www.LibertyMutualAgencyMarkets.com

Statutory Statement Contact: Joanne Connolly 617-357-9500 x44393
(Name) (Area Code) (Telephone Number) (Extension)
Statutory.Compliance@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	(Signature) Dexter Robert Legg	(Signature) Michael Joseph Fallon
(Printed Name) 1. President and Chief Executive Officer	(Printed Name) 2. Secretary	(Printed Name) 3. Treasurer and Chief Financial Officer
(Title)	(Title)	(Title)

Subscribed and sworn to (or affirmed) before me on this
1st day of February, 2010, by

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

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	4,608,965,547		4,608,965,547	4,291,990,673
2. Stocks (Schedule D):				
2.1 Preferred stocks	70,703,960		70,703,960	60,214,061
2.2 Common stocks	1,083,221,127		1,083,221,127	1,075,203,471
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	119,080,513		119,080,513	113,319,492
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	4,860,264		4,860,264	5,234,356
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 93,036,381, Schedule E - Part 1), cash equivalents (\$ 34,034,917, Schedule E - Part 2), and short-term investments (\$ 180,507,198, Schedule DA)	307,578,496		307,578,496	161,238,089
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	59,444,497		59,444,497	64,537,807
8. Receivables for securities				3,702
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	6,253,854,404		6,253,854,404	5,771,741,651
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	51,763,506		51,763,506	48,367,127
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	120,386,899	15,845,337	104,541,562	86,666,006
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ (17,874,471) earned but unbilled premiums)	894,331,355	(439,911)	894,771,266	661,742,596
13.3 Accrued retrospective premiums	4,677,654	562,572	4,115,082	12,874,039
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	628,010,950		628,010,950	221,072,409
14.2 Funds held by or deposited with reinsured companies	14,594,090		14,594,090	7,676,804
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
16.2 Net deferred tax asset	215,705,850	48,774,250	166,931,600	132,890,961
17. Guaranty funds receivable or on deposit	4,665,458		4,665,458	3,325,173
18. Electronic data processing equipment and software	5,409,042	5,409,042		
19. Furniture and equipment, including health care delivery assets (\$ 0)	263,195	263,195		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	224,888,442		224,888,442	71,483,081
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	43,524,854	14,419,665	29,105,189	49,933,383
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	8,462,075,699	84,834,150	8,377,241,549	7,069,023,987
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	8,462,075,699	84,834,150	8,377,241,549	7,069,023,987

DETAILS OF WRITE-IN LINES				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301. Cash Surrender Value Life Insurance	14,280,474		14,280,474	23,217,408
2302. Other assets	11,553,995	6,252,236	5,301,759	6,625,847
2303. Equities and deposits in pools and associations	9,522,956		9,522,956	20,090,128
2398. Summary of remaining write-ins for Line 23 from overflow page	8,167,429	8,167,429		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	43,524,854	14,419,665	29,105,189	49,933,383

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	2,368,875,142	2,482,289,010
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	388,864,517	143,317,873
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	563,987,478	568,418,457
4. Commissions payable, contingent commissions and other similar charges	67,126,619	67,559,908
5. Other expenses (excluding taxes, licenses and fees)	79,759,424	82,952,681
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	24,156,848	51,346,032
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	51,808,511	
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 \$ 3,492,729,611 and including warranty reserves of \$ 0)	1,159,485,799	1,062,378,685
10. Advance premium	8,253,311	6,933,009
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	2,139,474	1,507,989
12. Ceded reinsurance premiums payable (net of ceding commissions)	573,228,857	210,313,768
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	70,239,063	95,464,193
14. Amounts withheld or retained by company for account of others	(363,199)	4,954,094
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)	67,527,000	13,997,379
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	82,805,347	15,231,640
19. Payable to parent, subsidiaries and affiliates	264,338,057	114,813,368
20. Payable for securities	19,582,734	1,098
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	176,081,643	128,477,396
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	5,967,896,625	5,049,956,580
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	5,967,896,625	5,049,956,580
27. Aggregate write-ins for special surplus funds	22,298,648	
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	1,202,783,818
33. Unassigned funds (surplus)	1,175,579,539	807,600,670
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)	2,409,344,924	2,019,067,407
36. Totals (Page 2, Line 26, Col. 3)	8,377,241,549	7,069,023,987

DETAILS OF WRITE-IN LINES		
2301. Collateral held for securities loaned	112,524,426	55,602,852
2302. Retroactive reinsurance reserves	22,697,252	52,682,160
2303. Other liabilities	19,047,618	19,777,514
2398. Summary of remaining write-ins for Line 23 from overflow page	21,812,347	414,870
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	176,081,643	128,477,396
2701. SSAP 10R incremental change	17,274,770	
2702. Special surplus from retroactive reinsurance	5,023,878	
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	22,298,648	
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	2,640,085,520	2,512,135,422
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	1,338,922,988	1,315,567,797
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	313,457,465	272,299,992
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	876,239,343	849,260,966
5. Aggregate write-ins for underwriting deductions	411,880	
6. Total underwriting deductions (Lines 2 through 5)	2,529,031,676	2,437,128,755
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	111,053,844	75,006,667
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	241,159,420	275,550,774
10. Net realized capital gains (losses) less capital gains tax of \$ (7,343,257) (Exhibit of Capital Gains (Losses))	(13,637,478)	(44,181,778)
11. Net investment gain (loss) (Lines 9 + 10)	227,521,942	231,368,996
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 118,246 amount charged off \$ 11,804,500)	(11,686,255)	(9,897,492)
13. Finance and service charges not included in premiums	22,508,659	15,113,720
14. Aggregate write-ins for miscellaneous income	(18,968,298)	(33,230,731)
15. Total other income (Lines 12 through 14)	(8,145,894)	(28,014,503)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	330,429,892	278,361,160
17. Dividends to policyholders	11,295,896	16,399,916
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)	319,133,996	261,961,244
19. Federal and foreign income taxes incurred	105,839,007	75,271,088
20. Net income (Line 18 minus Line 19) (to Line 22)	213,294,989	186,690,156
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	2,019,067,407	1,470,307,585
22. Net income (from Line 20)	213,294,989	186,690,156
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 19,443,254	159,361,186	(63,572,475)
25. Change in net unrealized foreign exchange capital gain (loss)	181,512	(48,004)
26. Change in net deferred income tax	(54,330,896)	66,863,178
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	100,299,872	(26,593,750)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	(53,529,621)	(7,196,782)
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles	254,431	
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
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	24,746,044	7,868,563
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	390,277,517	548,759,822
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	2,409,344,924	2,019,067,407

DETAILS OF WRITE-IN LINES		
0501. Private passenger auto escrow	411,880	
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)	411,880	
1401. Retroactive reinsurance gain/(loss)	(340,372)	462,506
1402. Other income/(expense)	(18,627,926)	(33,693,237)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(18,968,298)	(33,230,731)
3701. SSAP 10R incremental change	17,274,770	
3702. Other changes in surplus	7,471,274	7,868,563
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	24,746,044	7,868,563

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	2,869,650,640	2,529,640,754
2. Net investment income	239,058,963	271,747,833
3. Miscellaneous income	(12,724,616)	54,926,469
4. Total (Lines 1 through 3)	3,095,984,987	2,856,315,056
5. Benefit and loss related payments	1,647,290,458	1,106,361,400
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	1,225,311,005	1,074,688,718
8. Dividends paid to policyholders	10,664,416	15,399,417
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	45,436,482	125,313,891
10. Total (Lines 5 through 9)	2,928,702,361	2,321,763,426
11. Net cash from operations (Line 4 minus Line 10)	167,282,626	534,551,630
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	680,295,567	660,707,490
12.2 Stocks	157,306,283	37,234,117
12.3 Mortgage loans	4,065,516	1,752,823
12.4 Real estate		
12.5 Other invested assets	2,873,457	5,404,674
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	4,800	1,224,685
12.8 Total investment proceeds (Lines 12.1 to 12.7)	844,545,623	706,323,789
13. Cost of investments acquired (long-term only):		
13.1 Bonds	992,016,065	1,045,857,337
13.2 Stocks	8,989,068	482,528,445
13.3 Mortgage loans	10,196,210	88,264,138
13.4 Real estate	180,997	574,052
13.5 Other invested assets	12,216,954	27,999,043
13.6 Miscellaneous applications	(19,581,637)	
13.7 Total investments acquired (Lines 13.1 to 13.6)	1,004,017,657	1,645,223,015
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)	(159,472,034)	(938,899,226)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		384,748,936
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)	138,529,815	60,795,649
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	138,529,815	445,544,585
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	146,340,407	41,196,989
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	161,238,089	120,041,100
19.2 End of year (Line 18 plus Line 19.1)	307,578,496	161,238,089

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	56,061,120	11,283,470	23,945,305	43,399,285
2. Allied lines	44,529,950	10,581,080	19,263,264	35,847,766
3. Farmowners multiple peril	18,702,257	8,799,224	9,344,376	18,157,105
4. Homeowners multiple peril	344,735,838	77,770,014	189,139,987	233,365,865
5. Commercial multiple peril	434,303,905	289,918,601	246,025,510	478,196,996
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	42,686,746	23,951,680	20,975,256	45,663,170
10. Financial guaranty				
11.1 Medical professional liability—occurrence	395,354		101,891	293,463
11.2 Medical professional liability—claims-made	35,029		9,899	25,130
12. Earthquake	11,528,516	2,292,046	4,528,695	9,291,867
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	1,809,217		20,066	1,789,151
16. Workers' compensation	316,987,768	120,982,270	95,149,342	342,820,696
17.1 Other liability—occurrence	136,339,127	73,909,674	70,434,813	139,813,988
17.2 Other liability—claims-made	8,400,792	16,319	2,500,380	5,916,731
17.3 Excess Workers' Compensation	164,486	199,284	123,787	239,983
18.1 Products liability—occurrence	3,555,452	2,973,184	2,434,461	4,094,175
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	526,466,908	95,535,785	143,242,139	478,760,554
19.3,19.4 Commercial auto liability	211,432,995	127,415,432	108,363,343	230,485,084
21. Auto physical damage	403,743,170	105,577,830	126,322,388	382,998,612
22. Aircraft (all perils)				
23. Fidelity	935,173	2,124,596	1,381,361	1,678,408
24. Surety	202,701,031	93,175,062	108,843,650	187,032,443
26. Burglary and theft	144,918	49,931	48,200	146,649
27. Boiler and machinery	35,741	41,171	8,540	68,372
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property				
32. Reinsurance-Nonproportional Assumed Liability	27			27
33. Reinsurance-Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	2,765,695,520	1,046,596,653	1,172,206,653	2,640,085,520

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	23,945,298	7			23,945,305
2. Allied lines	19,263,162	102			19,263,264
3. Farmowners multiple peril	9,344,376				9,344,376
4. Homeowners multiple peril	189,139,987				189,139,987
5. Commercial multiple peril	239,917,383		6,093,933	14,194	246,025,510
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	20,843,921	131,279	55		20,975,255
10. Financial guaranty					
11.1 Medical professional liability—occurrence	101,891				101,891
11.2 Medical professional liability—claims-made	9,899				9,899
12. Earthquake	4,528,695				4,528,695
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	20,066				20,066
16. Workers' compensation	90,085,521	27,820	4,851,445	184,556	95,149,342
17.1 Other liability—occurrence	68,894,310	350,418	1,162,557	27,527	70,434,812
17.2 Other liability—claims-made	2,492,616	4,811	2,953		2,500,380
17.3 Excess Workers' Compensation	123,787				123,787
18.1 Products liability—occurrence	2,042,175		392,286		2,434,461
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	143,242,114		25		143,242,139
19.3,19.4 Commercial auto liability	107,121,226	1,250,795	55	(8,733)	108,363,343
21. Auto physical damage	126,037,396	284,992			126,322,388
22. Aircraft (all perils)					
23. Fidelity	506,603	874,758			1,381,361
24. Surety	47,514,909	61,328,741			108,843,650
26. Burglary and theft	48,200				48,200
27. Boiler and machinery	8,540				8,540
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	1,095,232,075	64,253,723	12,503,309	217,544	1,172,206,651
36. Accrued retrospective premiums based on experience					(217,544)
37. Earned but unbilled premiums					(12,503,309)
38. Balance (Sum of Lines 35 through 37)					1,159,485,798

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	20,480,865	225,508,891	1,368,644	191,005,523	291,758	56,061,119
2. Allied lines	14,552,601	183,873,286	1,200,505	149,677,746	5,418,696	44,529,950
3. Farmowners multiple peril	7,728,733	82,117,040		70,390,117	753,398	18,702,258
4. Homeowners multiple peril	173,029,854	1,700,997,004	1,539,155	1,314,221,299	216,608,877	344,735,837
5. Commercial multiple peril	230,362,287	2,035,626,285		1,779,709,380	51,975,287	434,303,905
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	50,529,085	161,559,632	925	168,128,897	1,273,999	42,686,746
10. Financial guaranty						
11.1 Medical professional liability--occurrence		1,568,864		1,173,510		395,354
11.2 Medical professional liability--claims-made		139,005		103,976		35,029
12. Earthquake	1,762,476	50,761,610	68,981	27,409,452	13,655,099	11,528,516
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		10,185,823		7,850,987	525,619	1,809,217
16. Workers' compensation	83,922,094	1,348,388,644	24,926,338	1,138,078,938	2,170,370	316,987,768
17.1 Other liability—occurrence	86,200,430	607,378,568	(13,461)	525,070,233	32,156,178	136,339,126
17.2 Other liability—claims-made		33,507,244		25,106,303	149	8,400,792
17.3 Excess Workers' Compensation		969,047		804,561		164,486
18.1 Products liability—occurrence	1,485,759	17,365,094		15,273,626	21,775	3,555,452
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	168,887,785	2,016,846,285	66,598,174	1,716,119,710	9,745,626	526,466,908
19.3,19.4 Commercial auto liability	92,944,145	945,360,606	5,766,595	829,903,226	2,735,124	211,432,996
21. Auto physical damage	149,325,280	1,579,825,678	51,273,985	1,376,397,468	284,304	403,743,171
22. Aircraft (all perils)						
23. Fidelity	47,936	7,035,442		6,148,205		935,173
24. Surety	657,009	987,823,936	1,624,857	764,258,307	23,146,464	202,701,031
26. Burglary and theft	219,615	433,921	2,267	509,382	1,503	144,918
27. Boiler and machinery	791,503	1,914,648		702,703	1,967,706	35,742
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X					
32. Reinsurance-Nonproportional Assumed Liability	X X X		447	80	340	27
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	1,082,927,457	11,999,186,553	154,357,412	10,108,043,629	362,732,272	2,765,695,521

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	1,988,151	22,816,832	19,230,146	5,574,837	703,198	8,071,728	6,552,484	7,797,279	965,105
2. Allied lines	2,153,212	22,011,900	18,410,129	5,754,983	535,760	3,703,678	3,477,330	6,517,091	652,218
3. Farmowners multiple peril	1,731,017	23,251,368	19,775,792	5,206,593	420,470	3,321,586	2,799,058	6,149,591	1,406,641
4. Homeowners multiple peril	27,580,908	249,987,137	222,083,014	55,485,031	27,892,325	71,467,781	81,483,581	73,361,556	15,484,137
5. Commercial multiple peril	115,407,642	889,647,685	757,679,544	247,375,783	118,574,452	529,319,301	488,517,567	406,751,969	202,858,971
6. Mortgage guaranty									
8. Ocean marine		24,969	21,283	3,686				3,686	
9. Inland marine	3,435,757	7,885,717	8,506,754	2,814,720	1,314,093	35,085,456	32,540,829	6,673,440	886,089
10. Financial guaranty									
11.1 Medical professional liability—occurrence		891,604	666,920	224,684		1,283,835	960,308	548,211	243,849
11.2 Medical professional liability—claims-made		415,000	310,420	104,580		69,440	51,941	122,079	29,591
12. Earthquake		62,104	46,945	15,159				15,159	(1,842)
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)									
15. Other accident and health		29,793,285	27,854,107	1,939,178		125,271	125,271	(a)	1,939,178
16. Workers' compensation	85,958,779	2,036,933,248	1,646,216,375	476,675,652	74,851,020	1,582,394,725	1,269,947,232	863,974,165	118,869,528
17.1 Other liability—occurrence	45,346,753	357,993,425	320,619,958	82,720,220	64,572,157	652,231,318	575,453,044	224,070,651	76,085,958
17.2 Other liability—claims-made		15,876,859	12,116,392	3,760,467		13,689,963	10,330,274	7,120,156	4,547,842
17.3 Excess Workers' Compensation		597,234	446,731	150,503		(160,307)	(119,882)	110,078	(29,937)
18.1 Products liability—occurrence	328,596	21,502,253	17,145,780	4,685,069	870,225	10,068,995	8,307,000	7,317,289	3,601,310
18.2 Products liability—claims-made						767	574	193	
19.1,19.2 Private passenger auto liability	83,680,215	1,257,999,981	1,038,186,745	303,493,451	25,563,881	251,168,723	209,844,204	370,381,851	74,375,171
19.3,19.4 Commercial auto liability	51,527,465	532,955,622	439,155,060	145,328,027	43,387,040	357,098,688	301,284,489	244,529,266	37,608,007
21. Auto physical damage	9,174,807	31,985,990	30,851,200	10,309,597	1,905,466	29,113,894	23,230,098	18,098,859	5,339,099
22. Aircraft (all perils)		504,764	477,775	26,989			197,910	(170,921)	
23. Fidelity		530,288	396,908	133,380	79,606	1,606,096	1,251,539	567,543	116,118
24. Surety	4,283,481	(51,393,126)	(33,951,158)	(13,158,487)	1,836,534	350,683,579	263,698,132	75,663,494	20,883,310
26. Burglary and theft	92	154,524	115,653	38,963	1,108	6,114	5,402	40,783	15,947
27. Boiler and machinery	5,599	7,000	12,599		22,646	29,771	39,327	13,090	23,361
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	117,804,572	92,118,142	25,686,430	X X X	93,320,941	71,727,969	47,279,402	27,025
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	432,602,474	5,570,240,235	4,638,493,214	1,364,349,495	362,529,981	3,993,701,343	3,351,705,681	2,368,875,138	563,987,480

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	33,920,492			33,920,492
1.2 Reinsurance assumed	333,782,518			333,782,518
1.3 Reinsurance ceded	278,310,346			278,310,346
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	89,392,664			89,392,664
2. Commission and brokerage:				
2.1 Direct, excluding contingent		160,238,111		160,238,111
2.2 Reinsurance assumed, excluding contingent		1,445,362,465		1,445,362,465
2.3 Reinsurance ceded, excluding contingent		1,225,692,593		1,225,692,593
2.4 Contingent—direct		128,255,089		128,255,089
2.5 Contingent—reinsurance assumed		39,664,719		39,664,719
2.6 Contingent—reinsurance ceded		126,577,609		126,577,609
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)		421,250,182		421,250,182
3. Allowances to manager and agents		210,485	6	210,491
4. Advertising	3,043,815	14,209,825	7,136	17,260,776
5. Boards, bureaus and associations	261,711	6,383,733	211	6,645,655
6. Surveys and underwriting reports	47,872	13,943,769	7,387	13,999,028
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	106,823,986	169,554,516	1,333,636	277,712,138
8.2 Payroll taxes	6,410,911	15,006,689	76,490	21,494,090
9. Employee relations and welfare	21,539,186	53,157,956	74,183	74,771,325
10. Insurance	12,683,355	1,714,463	15,480	14,413,298
11. Directors' fees		6,718		6,718
12. Travel and travel items	5,688,163	10,929,333	24,394	16,641,890
13. Rent and rent items	12,553,195	20,654,989	24,227	33,232,411
14. Equipment	7,460,205	14,072,017	21,432	21,553,654
15. Cost or depreciation of EDP equipment and software	4,385,842	7,376,573	10,989	11,773,404
16. Printing and stationery	1,018,518	3,478,670	3,518	4,500,706
17. Postage, telephone and telegraph, exchange and express	4,383,435	14,116,135	44,010	18,543,580
18. Legal and auditing	819,178	3,363,406	44,130	4,226,714
19. Totals (Lines 3 to 18)	187,119,372	348,179,277	1,687,229	536,985,878
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 928,807		63,676,743		63,676,743
20.2 Insurance department licenses and fees		5,493,964		5,493,964
20.3 Gross guaranty association assessments		(360,106)		(360,106)
20.4 All other (excluding federal and foreign income and real estate)		2,207,244		2,207,244
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		71,017,845		71,017,845
21. Real estate expenses			1,385,873	1,385,873
22. Real estate taxes			360,336	360,336
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	36,945,432	35,792,039	239,821	72,977,292
25. Total expenses incurred	313,457,468	876,239,343	3,673,259	(a) 1,193,370,070
26. Less unpaid expenses—current year	563,987,479	170,972,167	70,725	735,030,371
27. Add unpaid expenses—prior year	568,418,457	201,800,742	57,877	770,277,076
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)	317,888,446	907,067,918	3,660,411	1,228,616,775

DETAILS OF WRITE-IN LINES				
2401. Other expenses	13,911,157	35,792,039	239,821	49,943,017
2402. Change in unallocated expense reserves	23,034,275			23,034,275
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	36,945,432	35,792,039	239,821	72,977,292

(a) Includes management fees of \$ 1,667,596 to affiliates and \$ 262,925 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 14,161,861	14,912,002
1.1 Bonds exempt from U.S. tax	(a) 80,178,627	80,679,383
1.2 Other bonds (unaffiliated)	(a) 119,739,013	123,379,804
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 3,146,789	2,908,278
2.11 Preferred stocks of affiliates	(b) 1,436,792	1,436,792
2.2 Common stocks (unaffiliated)	7,129,854	6,150,586
2.21 Common stocks of affiliates	2,000,000	2,000,000
3. Mortgage loans	(c) 7,163,666	7,125,418
4. Real estate	(d) 2,521,708	2,521,708
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 1,881,296	1,642,014
7. Derivative instruments	(f)	
8. Other invested assets	559,845	559,845
9. Aggregate write-ins for investment income	2,071,939	2,071,939
10. Total gross investment income	241,991,390	245,387,769
11. Investment expenses		(g) 3,673,259
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) 555,090
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		4,228,349
17. Net investment income (Line 10 minus Line 16)		241,159,420

DETAILS OF WRITE-IN LINES		
0901. Investment Income/(Expense) – Pooling Restatement	1,187,405	1,187,405
0902. Miscellaneous Income/(Expense)	884,534	884,534
0903.		
0998. Summary of remaining write-ins for Line 09 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)	2,071,939	2,071,939
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)		

NONE

- (a) Includes \$ 3,813,922 accrual of discount less \$ 4,542,005 amortization of premium and less \$ 8,795,515 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 33,311 paid for accrued interest on purchases.
- (d) Includes \$ 2,521,708 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 197,129 accrual of discount less \$ 29,719 amortization of premium and less \$ 41,500 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 \$ 555,090 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	149,110		149,110		
1.1 Bonds exempt from U.S. tax	11,000		11,000	1,708,031	
1.2 Other bonds (unaffiliated)	3,971,902	(4,837,211)	(865,309)	4,827,673	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	2,584,399	(1,537,398)	1,047,001	18,221,236	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	1,136,299	(17,844,648)	(16,708,349)	40,975,164	
2.21 Common stocks of affiliates				123,441,670	
3. Mortgage loans	(106,433)		(106,433)	(263,241)	
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets	927,809	(5,435,564)	(4,507,755)	(10,106,093)	181,512
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	8,674,086	(29,654,821)	(20,980,735)	178,804,440	181,512

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)					

NONE

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	15,845,337	10,826,269	(5,019,068)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	(439,911)	2,733,345	3,173,256
13.3 Accrued retrospective premiums	562,572	1,271,877	709,305
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	48,774,250	156,589,039	107,814,789
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software	5,409,042	8,512,467	3,103,425
19. Furniture and equipment, including health care delivery assets	263,195	438,376	175,181
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	14,419,665	22,037,417	7,617,752
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	84,834,150	202,408,790	117,574,640
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	84,834,150	202,408,790	117,574,640

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. OneBeacon Goodwill	8,167,429	16,040,876	7,873,447
2302. Other assets	6,252,236	5,996,541	(255,695)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	14,419,665	22,037,417	7,617,752

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 fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
3. Common stocks are carried at fair value except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1 C(7).
4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1 C(7).
5. Mortgage loans are reported at unpaid principal balances, less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are stated at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company carries its investments in SCA companies in accordance with SSAP No. 97, Investment in Subsidiaries, Controlled Entities and Affiliates, 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 2009.
13. The Company has no pharmaceutical rebate receivables.

Note 2- Accounting Changes and Correction of Errors

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

NOTES TO FINANCIAL STATEMENTS

- B. The Company adopted SSAP No. 43R, Loan-backed and Structured Securities (SSAP 43R), in the third quarter 2009. The cumulative effect of adopting SSAP No. 43R, \$254,431, was reported through Surplus, as a change in accounting principles. The cumulative effect is not considered material.

Note 3- Business Combinations and Goodwill

- A. Statutory Purchase Method:

Acquired Company	Date of Acquisition	% Ownership	Cost	Unamortized Goodwill December 31, 2009	Goodwill Amortization December 31, 2009
Ohio Casualty Corporation	August 24, 2007	8%	\$173,394,088	\$89,991,030	\$11,771,227

- 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 2009, 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 2009 were 10.25% and 5.24% respectively.
- (2) During 2009, the company did not reduce interest rates of any outstanding mortgage loans.
- (3) The maximum loan to value of any loan written during 2009 was 75%.
- (4) No loans had interest more than 180 days past due.
- (5) There were \$3,717 in taxes, assessments and any amounts advanced and not included in the mortgage loan.
- (6) Total recorded investment in impaired loans as of December 31, 2009 was \$603,847, of which there is a related allowance for credit losses of \$214,860.
- (7) There was no recorded investment in impaired loans without a related allowance for credit losses.
- (8) The average recorded investment in impaired loans was \$60,332 for 2009.
- (9) There was no interest income recognized for impaired loans during 2009.
- (10) There was no interest income recognized on a cash basis for impaired loans during 2009.
- (11)
 - a) The balance in the allowance for credit losses at the beginning of 2009 was \$0 and at the beginning of 2008 was \$0.
 - b) There were \$214,860 of additions to the allowance charged to operations in 2009 and \$0 in 2008.
 - c) There were no direct write-downs charged against the allowance.
 - d) There were no recoveries of amounts previously charged off.
 - e) The balance in the allowance for credit losses was \$214,860 in 2009 and \$0 in 2008.
- (12) The company recognizes interest income on its impaired loans upon receipt.

- B. Troubled Debt Restructuring for Creditors

- (1) There was \$624,751 of recorded investment in mortgage loans for which impairment has been recognized.
- (2) There was no realized capital loss.
- (3) There were no commitments to lend additional funds to debtors owing receivables whose terms have been modified in trouble debt restructuring.
- (4) The company accrues interest income on impaired loans to the extent it is deemed collectible and the loan continues to perform under its original or restructured contractual terms. Interest income on non performing loans is generally recognized on a cash basis.

- C. Reverse Mortgages

The company has no reverse mortgages.

- D. Loaned Backed Securities

1. Not used.
2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.

NOTES TO FINANCIAL STATEMENTS

3. Not used.
4. All Loaned Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2009 as of December 31, 2009:

	1 Amortized Cost Basis Before Other-than-Temporary Impairment	2 Other-than-Temporary Impairment Recognized in Loss	3 Fair Value
Aggregate Intent to Sell			
Aggregate Intent & Ability	975,864	115,521	614,366

5. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the company at December 31, 2009:

1 CUSIP	2 Book/Adj Carrying Value Amortized cost before current period OTTI	3 Projected Cash Flows	4 Recognized other-than-tempor ary impairment	5 Amortized cost after other-than-tempor ary impairment	6 Fair Value
021468AD5	975,864	860,343	115,521	860,343	614,366

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

	1 Less Than 12 Months	2 Greater Than 12 Months
Gross Unrealized Loss	(1,439,066)	(9,551,416)

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

8. Not used.

E. Repurchase Agreements

1. The Company did not enter into any repurchase agreements during the year.
2. The Company maintained collateral for loaned securities.
 - a) For loaned securities, Company policies require a minimum of 102% of the fair value of securities loaned to be maintained as collateral.
 - b) The Company has not pledged any of its assets as collateral.
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	33,707,807	35,644,242	29,265,373	13,907,002	112,524,424

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.

NOTES TO FINANCIAL STATEMENTS

G. Investments in Low-Income Housing Tax Credits

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

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

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

Note 7- Investment Income

A. Accrued Investment Income

The Company does not admit investment income due and accrued if amounts are over 90 days past due (180 days for mortgage loans).

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2009.

Note 8- Derivative Instruments

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

Note 9 - Income Taxes

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

	December 31, 2009			December 31, 2008	Change
	Ordinary	Capital	Total	Total	
Total gross DTAs	211,782,604	29,999,187	241,781,791	312,325,000	(70,543,209)
Total gross DTLs	(25,768,721)	(307,220)	(26,075,941)	(22,845,000)	(3,230,941)
Net DTA (DTL)	186,013,883	29,691,967	215,705,850	289,480,000	(73,774,150)
Net DTA non-admitted			(48,774,250)	(156,589,000)	107,814,750
Net Admitted DTA (DTL)			166,931,600	132,891,000	34,040,600

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

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

Ordinary	17,274,770
Capital	0
Total increase in net admitted DTAs	17,274,770

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

	December 31, 2009			December 31, 2008
	Ordinary	Capital	Total	Total
Recoverable through loss carrybacks (10a.)	112,147,000	2,071,000	114,218,000	132,891,000
Lesser of:				
Expected to be recognized within one year (10bi.)	7,817,930	27,620,900	35,438,830	0
10% of adjusted capital and surplus (10bii.)			216,641,429	140,501,000
Adj. gross DTAs offset against existing DTLs (10c.)	25,768,721	307,220	26,075,941	22,845,000

NOTES TO FINANCIAL STATEMENTS

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

	December 31, 2009		
	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	124,675,000	2,071,000	126,746,000
Lesser of:			
Expected to be recognized within three years (10eia.)	12,564,700	27,620,900	40,185,600
15% of adjusted capital and surplus (10eib.)			324,962,143
Adj. gross DTAs offset against existing DTLs (10eiii.)	25,768,721	307,220	26,075,941

Risk-based capital level used in paragraph 10d:	December 31, 2009
Total adjusted capital	2,392,070,155
Authorized control level	360,281,933

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

	December 31, 2009
Admitted DTAs	149,656,830
Admitted assets	8,359,966,779
Statutory surplus	2,392,070,155
Total adjust capital	2,392,070,155

Admitted DTAs, admitted assets and statutory surplus increased by \$17,274,770 resulting from the use of paragraph 10e.

The Company does not have any DTLs described in SSAP No. 10R, Income Taxes, paragraph 6d.

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

	2009	2008
Federal	105,839,007	75,271,087
Foreign	0	0
Realized capital gains	(7,343,257)	(23,790,187)
Federal and foreign income taxes incurred	98,495,750	51,480,900

The Company's DTAs and DTLs result primarily from unearned premiums, discounting of unpaid losses and LAE, nonadmitted assets, unrealized gains/losses, permanent impairments, capital loss limitation, income and loss from partnerships, accretion of market discount on owned securities and allowance for doubtful accounts.

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

	2009
Change in net deferred income tax (without unrealized gain or loss)	(54,330,896)
Change in tax effect of unrealized (gains) losses	(19,443,254)
Total change in net deferred income tax	(73,774,150)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of goodwill, tax-exempt interest, dividends received deduction, discounting of unpaid losses and LAE, allowance for doubtful accounts and capital loss limitation.

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is \$92,793,750 from the current year and \$46,468,100 from the preceding year.

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

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

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

Access Insurance Services, Co.	Liberty Insurance Holdings, Inc.
AMBCO Capital Corporation	Liberty Insurance Underwriters, Inc.
America First Insurance Company	Liberty International Europe Inc.*
America First Lloyds Insurance Company	Liberty International Holdings Inc.
American Ambassador Casualty Company (merged 10/21/2009)	Liberty Life Assurance Company of Boston
American Economy Insurance Company	Liberty Life Holdings, Inc.
American Fire & Casualty Company	Liberty Lloyds of Texas Insurance Company
American States Insurance Company	Liberty Management Services, Inc.
American States Insurance Company of Texas	Liberty Mexico Holdings, Inc.
American States Lloyds Insurance Company	Liberty Mutual Fire Insurance Company
American States Preferred Insurance Company	Liberty Mutual Group Inc.
Avomark Insurance Company	Liberty Mutual Holding Company Inc.
Barrier Ridge LLC	Liberty Mutual Insurance Company
	Liberty Mutual Personal Insurance Company

NOTES TO FINANCIAL STATEMENTS

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

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

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

Note 10- Information concerning Parent, Subsidiaries and Affiliates

- A. All of the outstanding shares of capital stock of the Company are held by LIH US P&C Corporation (“LIH US”), an insurance holding company incorporated in Delaware. LIH US is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Insurance Holdings, Inc. is owned by Liberty Mutual Insurance Company (“LMIC” 93%), a Massachusetts insurance company; Liberty Mutual Fire Insurance Company (“LMFIC” 4%), a Wisconsin insurance company; and Employers Insurance Company of Wausau (“EICOW” 3%), a Wisconsin insurance company. The ultimate parent of LMIC, LMFIC and EICOW is Liberty Mutual Holding Company Inc., a Massachusetts company.
- B. Transactions between the Company and its affiliates are described in Schedule Y Part 2.

NOTES TO FINANCIAL STATEMENTS

- C. As of December 31, 2009, the Company had the following capital transactions with its parent and subsidiaries:

Received dividends in the amount of \$3,436,792

- D. At December 31, 2009, the Company reported \$39,449,615 due to affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated an undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.
- F. Refer to Note 25 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

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

The Company is a party to a service agreement with Employers Insurance Company of Wausau, Wausau Business Insurance Company, Wausau General Insurance Company and Wausau Underwriters Insurance Company (collectively known as "Wausau") whereby Wausau provides services to the Company.

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

The Company is a party to a management services agreement with LMIC. Under the agreement, LMIC may provide services related to common management functions including, but not limited to, accounting, financial, tax and auditing, information technology and support, purchasing, payroll and employee benefits, policy administration, real estate management, legal, general administration, as well as consulting and other services as the parties may request.

The Company entered into a management agreement 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 is party to a Federal Tax Sharing Agreement between LMIC and affiliates (Refer to Note 9F).

The Company is a party to a revolving credit agreement under which the Company may borrow up to \$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, 2009, there have been no drawings under this agreement.

- G. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- I. The Company has no investments in 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
- Refer to 10 I

Note 11- Debt

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

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

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

As a result of, Liberty Mutual's acquisition of Safeco Corporation, the ultimate parent of fifteen property and casualty insurance companies (Safeco Companies), the Safeco Companies eligible U.S. employees became employees of Liberty Mutual and began participating in the Liberty Mutual benefit plans. The Safeco Corporation continues to sponsor a cash balance defined benefit pension plan (CBP) covering a wide range of former Safeco Company employees. Safeco Corporation terminated the CBP effective December 31, 2008 and will distribute plan assets to eligible participants as soon as administratively practicable. The distribution of assets is expected to occur within 2 to 3 years after the November 2008 filing of a request for approval of the plan termination with applicable regulators. The CBP pension costs are subject to the

NOTES TO FINANCIAL STATEMENTS

inter-company pooling agreement described in Note 25. These costs amounted to \$359,354 and \$152,208 in 2009 and 2008, respectively. Also, a CBP additional minimum liability of \$1,250,932 and \$2,462,397, also subject to the inter-company pooling agreement, was recognized in 2009 and 2008 respectively in accordance with SSAP 89 and is reported as a component of unassigned funds (surplus). The Company has no legal obligation for benefits under this plan.

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

1. Common Stock

The Company has 5,000,000 common shares authorized, and 3,524,456 shares issued and outstanding as of December 31, 2009. All shares have a stated par value of \$2.50.

The Company has 113,043 preferred shares authorized and no shares are issued and outstanding as of December 31, 2009. All shares have a stated par value of \$2.50.

2. Preferred Stock

Not applicable

3. Dividend Restrictions

The Company has no dividend restrictions.

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

5. The maximum amount of dividends that can be paid by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, or (b) net income. The maximum dividend payout that may be made without prior approval in 2010 is \$240,934,492.

6. As of December 31, 2009, the Company has restricted surplus of \$17,274,770, from recording the increase in admitted adjusted gross DTA's as a result of applying the revised guidance in SSAP No. 10R (refer to Note 2A) and pre-tax restricted surplus of \$5,023,878 resulting from retroactive reinsurance contracts.

7. The Company had no advances to surplus.

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

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

10. The portion of unassigned funds (surplus) represented by cumulative unrealized loss is (\$285,112,723) after applicable deferred taxes of \$9,008,638.

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 \$20,093,692 that is offset by future premium tax credits of \$3,356,305. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2009.

NOTES TO FINANCIAL STATEMENTS

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

C. Gain Contingencies

Not applicable

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

The company 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	\$40,750

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 [x] (g) Per Claimant []

E. All other Contingencies

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

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

Pursuant to North Carolina General Statute #58-36-25, the potential interest payable to policyholders for the 2009 Private Passenger Automobile Escrow was \$9,843.

Note 15- Leases

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

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

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2010	\$1,429,482	\$12,483,472
2011	1,429,482	12,410,135
2012	1,429,482	10,931,838
2013	1,429,482	4,032,012
2014	119,123	3,424,069
2015 & thereafter	0	8,101,893
Total	\$5,837,051	\$51,383,419

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

Not applicable

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

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

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

A. The Company did not sell premium receivables.

NOTES TO FINANCIAL STATEMENTS

B. Transfers and servicing of financial assets:

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

At December 31, 2009 the total fair value of securities on loan was \$133,479,020 with corresponding collateral value of \$138,099,206 of which \$112,524,424 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

In 2008, the Company's affiliate, Safeco Insurance Company of America and other members of the Peerless Amended and Restated Reinsurance Pooling Agreement (refer to note 25) agreed to become participating insurers of the California Earthquake Authority ("CEA"), a publicly-managed, privately funded organization that provides residential earthquake insurance in California. As participating insurers of the CEA, the companies act as a third party administrator and perform certain administrative services on behalf of the CEA, including underwriting, policy issuance, premium collection, and claims payment. The CEA reimburses the companies for commissions and claims paid on behalf of the CEA. The companies also receive an administrative fee equal to 3.43% of premium and 9% of claims paid. These administrative fees are subject to the inter-company pooling agreement. In 2009, the Company recorded CEA administrative fees of \$262,080.

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 \$372,909,441 and \$349,662,778 as of December 31, 2009 and 2008, respectively, were on deposit with government authorities or trustees as required by law.

2) 2009 North Carolina Private Passenger Automobile Escrow

As mandated by North Carolina Statute #58-7-26(C), the escrow account of the company was \$649,903 at December 31, 2009.

3) During the current year, certain members of the Peerless Pool, of which the Company is a member, changed the nature of their cash disbursement accounts, so that disbursement transactions reflect the characteristics of drafts. In prior years, cash disbursement transactions were accounted for as checks. The Company's cash accounts were not changed. The Company's year end drafts outstanding balance increased by \$ 5,955,301, which represents the Company's pool share of the Peerless Pool's increase in drafts payable. (Refer to Note 25)

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

NOTES TO FINANCIAL STATEMENTS

F. State Transferable Tax Credits

- (1) Carrying value of transferable state tax credits gross of any related tax liabilities and total unused transferable state tax credits by state and in total

<u>Description of State Transferable Tax Credits</u>	<u>State</u>	<u>Carrying Value</u>	<u>Unused Amount</u>
Film Credit	MA	465,000	465,000
Total		465,000	465,000

- (2) Method of Estimating Utilization of Remaining Transferable State Tax Credits

The Company estimated the utilization of the remaining Transferable State Tax credits by projecting future premium taking into account policy growth and rate changes, projecting future tax liability based on projected premium, tax rates and tax credits, and comparing projected future tax liability to the availability of remaining Transferable State Tax Credits

- (3) Impairment Loss

The Company has not recognized any impairment losses associate with its Transferable State Tax Credits

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

Note 21- Events Subsequent

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

There were no events subsequent to December 31, 2009 that would require disclosure.

Note 22- Reinsurance

- A. Excluding amounts arising pursuant to the inter-company Reinsurance Agreement, as described in Note 25, 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>
NORTH AMER ELITE INS CO	29700	13-3440360	
NORTH AMER SPECIALTY INS CO	29874	02-0311919	
SWISS RE LIFE & HLTH AMER INC	82627	06-0839705	
SWISS REINS AMER CORP	25364	13-1675535	
WESTPORT INS CORP	39845	48-0921045	
SWISS RE FRANKONA REINS LTD	00000	AA-1120643	
SWISS RE FRANKONA RUECKVERSICHERUNGS AG	00000	AA-1340090	
SWISS REINS CO (UK) LTD	00000	AA-1121400	
SWISS RE GROUP	181		469,871,323
COLOGNE REINS CO OF AMER	33197	06-0949141	
FINIAL REINS CO	39136	06-1325038	
GENERAL REINS CORP	22039	13-2673100	
GENERAL STAR IND CO	37362	06-0876629	
NATIONAL IND CO	20087	47-0355979	
NATIONAL REINS CORP	34835	13-1988169	
NORTH STAR REINS CORP	22047	13-2930109	
PHILADELPHIA REINS CORP	12319	23-1620930	
BERKSHIRE HATHAWAY GROUP	31		139,151,189
AMERICAN ALT INS CORP	19720	52-2048110	
HARTFORD STEAM BOIL INSPEC & INS CO	11452	06-0384680	
MUNICH REINS AMER INC	10227	13-4924125	
MUNICH RE GROUP	361		106,653,839
MICHIGAN CATASTROPHIC CLAIMS ASSN		AA-9991159	104,568,418

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

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, 2009.

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net Reinsurance</u>	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	4,063,948,731	568,946,430	3,441,648,321	481,830,765	622,300,410	87,115,665
All Other	48,572,045	8,158,657	51,081,291	12,896,340	(2,509,245)	(4,737,683)
Total	4,112,520,776	577,105,087	3,492,729,611	494,727,105	619,791,165	82,377,982

Direct Unearned Premium

Reserve of 539,694,633

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

Direct	\$191,002,450
Assumed	65,974,101
Ceded	<u>(192,218,460)</u>
Net	<u>64,758,091</u>

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

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

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

F. The Company has one assumed and thirty five 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	388,749,280
2. Adjustment – Prior Year(s)	(382,973,556)	(289,766,889)
3. Adjustment – Current Year	(15,661,969)	(11,912,103)
4. Total	109,767,541	87,070,288
b. Consideration Paid or Received:		
1. Initial Reserves	508,403,066	378,441,026
2. Adjustment – Prior Year(s)	14,892,933	11,139,914
3. Adjustment – Current Year	-	-
4. Total	523,295,999	389,580,940
c. Amounts Recovered / Paid - Cumulative		
1. Initial Reserves	0	0
2. Adjustment – Prior Year(s)	462,896,013	348,147,944
3. Adjustment – Current Year	26,757,269	20,015,503
4. Total	489,653,282	368,163,447
d. Special Surplus from Retroactive Reinsurance		
1. Initial Reserves	-	(45,914,957)
2. Adjustment – Prior Year(s)	(76,124,824)	(47,223,723)
3. Adjustment – Current Year	-	3,645,912
4. Total	-	(34,848,170)
5. Cumulative Total Transferred to Unassigned Funds	(76,124,824)	(124,340,938)
e. Other insurers included in the above transactions:		
Great American Insurance	109,767,541	
Westport Insurance Corporation		15,183,585
Lloyd's Syndicate Number 138		61,283
Lloyd's Syndicate Number 183		122,531
Lloyd's Syndicate Number 227		122,531
Lloyd's Syndicate Number 1003		53,911
Lloyd's Syndicate Number 1007		122,531
Lloyd's Syndicate Number 1047		122,531
Lloyd's Syndicate Number 1096		98,038
Lloyd's Syndicate Number 1173		367,627

NOTES TO FINANCIAL STATEMENTS

Lloyd's Syndicate Number 1212		367,661
Lloyd's Syndicate Number 2027		183,813
Lloyd's Syndicate Number 2003		191,151
Lloyd's Syndicate Number 1218		122,531
Lloyd's Syndicate Number 2020		245,096
Lloyd's Syndicate Number 1241		245,096
Lloyd's Syndicate Number 1415		61,283
Lloyd's Syndicate Number 1900		306,344
Lloyd's Syndicate Number 1223		122,531
Lloyd's Syndicate Number 1204		183,812
American Security Insurance Company		(5,500)
Everest Reinsurance Company		1,303,475
Finial Reinsurance Company		117,217
American Economy Insurance Company		5,043,834
American Fire and Casualty Company		540,411
American States Insurance Company		6,845,203
American States Preferred Insurance Company		720,548
First National Insurance Company of America		720,548
General Insurance Company of America		8,286,299
Golden Eagle Insurance Corporation		2,702,054
Indiana Insurance Company		4,323,286
Peerless Indemnity Insurance Company		2,702,054
Safeco Insurance Company of America		13,690,406
Safeco Insurance Company of Illinois		1,801,369
The Netherlands Insurance Company		1,621,232
The Ohio Casualty Insurance Company		18,373,966
Total	109,767,541	87,070,288

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

- G. At December 31, 2009, the deposit balance for reinsurance contracts accounted for under the deposit method was \$3,845.

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	\$4,677,654
b. Less: Non-admitted amount	562,572
c. Admitted amount	<u>\$4,115,082</u>

Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributed to insured events on prior years has decreased \$194,362,476 during 2009. This decrease was primarily the result of improving loss trends in the Other Liability \$72,043,323, Private Passenger Auto Liability \$39,299,943, Commercial Mult-Peril \$29,943,568, Workers' Compensation \$22,577,864, Fidelity/Surety \$14,586,200 and Commercial Auto Liability \$10,383,399 lines. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 25- Intercompany Pooling Arrangements

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

		NAIC Company Number	2009 Pooling Percentage
Lead Company	Peerless Insurance Company ("PIC")	24198	25.20%
Affiliated Pool Companies	The Ohio Casualty Insurance Company ("OCIC")	24074	20.40%
	Safeco Insurance Company of America ("SICOA")	24740	15.20%
	General Insurance Company of America ("GICA")	24732	9.20%
	American States Insurance Company ("ASIC")	19704	7.60%

NOTES TO FINANCIAL STATEMENTS

	American Economy Insurance Company ("AEIC")	19690	5.60%
	Indiana Insurance Company ("IIC")	22659	4.80%
	Golden Eagle Insurance Corporation ("GEIC")	10836	3.00%
	Peerless Indemnity Insurance Company ("PIIC")	18333	3.00%
	Safeco Insurance Company of Illinois ("SICIL")	39012	2.00%
	The Netherlands Insurance Company ("NIC")	24171	1.80%
	American States Preferred Insurance Company ("ASPCO")	37214	0.80%
	First National Insurance Company of America ("FNICA")	24724	0.80%
	American Fire and Casualty Company ("AFCIC")	24066	0.60%
	America First Insurance Company ("AFIC")	12696	0.00%
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%
	American States Insurance Company of Texas ("ASICT")	19712	0.00%
	American States Lloyds Insurance Company ("ASLCO")	31933	0.00%
	Avomark Insurance Company ("AVOIC")	10792	0.00%
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%
	Consolidated Insurance Company ("CIC")	22640	0.00%
	Excelsior Insurance Company ("EIC")	11045	0.00%
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%
	Insurance Company of Illinois ("ICIL")	26700	0.00%
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%
	National Insurance Association ("NIA")	27944	0.00%
	Ohio Security Insurance Company ("OSIC")	24082	0.00%
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%
	Safeco National Insurance Company ("SNIC")	24759	0.00%
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%
	West American Insurance Company ("WAIC")	44393	0.00%
			100.00%
100% Quota Share	Bridgefield Employers Insurance Company ("BEIC")	10701	0.00%
Affiliated Companies	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.00%
	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%
	North Pacific Insurance Company ("NPIC")	23892	0.00%
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%

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

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

Affiliate:	Amount:
The Netherlands Insurance Company	(4,730,535)
Indiana Insurance Company	(12,614,759)
Peerless Indemnity Insurance Company	(7,884,225)
Ohio Casualty Insurance Company	(43,388,068)
Ohio Security Insurance Company	464,524
West America Insurance Company	(1,595,568)
American Fire and Casualty Insurance Company	2,114,282
Golden Eagle Insurance Corporation	(7,884,225)
American Economy Insurance Company	(26,766,274)
American States Insurance Company	(19,542,035)

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American States Insurance Company of Texas	154,155
American States Lloyds Insurance Company	34,078
American States Preferred Insurance Company	(1,517,544)
First National Insurance Company	2,627,563
General Insurance Company of America	(41,703,436)
Insurance Company of Illinois	(1,043)
Safeco Insurance Company of America	924,194
Safeco Insurance Company of Illinois	5,759,683
Safeco Insurance Company of Indiana	4,312,416
Safeco Insurance Company of Oregon	690,659
Safeco Lloyds Insurance Company	1,473,377
Safeco National Insurance Company	(1,310,455)
Safeco Surplus Insurance Company	(158,492)

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

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

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

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

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

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			100.00%
100% Quota	Liberty Northwest Insurance Corporation (“LNW”)	41939	0.00%
Share	North Pacific Insurance Company (“NPIC”)	23892	0.00%
Affiliated Companies	Oregon Automobile Insurance Company (“OAIC”)	23922	0.00%

Note 26- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$29,498,545 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 \$29,498,545 as of December 31, 2009.
- B. Not applicable

Note 27 - Health Care Receivables

Not applicable

Note 28 - Participating Policies

Not applicable

Note 29 – Premium Deficiency Reserves

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

Note 30- High Dollar Deductible Policies

The Company does not have any high deductible policies.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2009 liabilities subject to discount were carried at a value representing a discount of \$37,920,137, 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.

NOTES TO FINANCIAL STATEMENTS

Uncertainty Regarding Reserving Methodologies

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

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

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

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

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

Asbestos:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Direct Basis					
Beginning Reserves	30,103,901	37,375,602	43,213,163	40,766,930	42,180,352
Incurred losses and LAE	10,289,067	8,891,887	2,360,267	6,215,660	538,695
Calendar year payments	3,017,366	3,054,326	4,302,494	4,802,238	3,255,814
Ending Reserves	<u>37,375,602</u>	<u>43,213,163</u>	<u>41,270,936</u>	<u>42,180,352</u>	<u>39,463,233</u>
Assumed Reinsurance Basis					
Beginning Reserves	27,240,911	27,511,865	27,138,629	33,517,404	28,690,657
Incurred losses and LAE	1,854,982	1,188,723	7,722,629	(1,138,881)	14,182,412
Calendar year payments	1,584,028	1,561,959	2,600,044	3,687,866	2,903,818
Ending Reserves	<u>27,511,865</u>	<u>27,138,629</u>	<u>32,261,214</u>	<u>28,690,657</u>	<u>39,969,251</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	46,790,810	53,433,519	56,831,832	60,191,920	57,742,585
Incurred losses and LAE	11,026,402	7,591,222	8,337,913	3,034,640	16,012,836
Calendar year payments	4,383,693	4,192,909	5,746,951	5,483,975	5,764,210
Ending Reserves	<u>53,433,519</u>	<u>56,831,832</u>	<u>59,422,794</u>	<u>57,742,585</u>	<u>67,991,211</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					22,370,240
Assumed Reinsurance Basis					22,495,967
Net of Ceded Reinsurance Basis					41,385,936
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					13,479,114
Assumed Reinsurance Basis					73,293
Net of Ceded Reinsurance Basis					11,366,282

Environmental:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Direct Basis					
Beginning Reserves	45,293,023	50,582,236	49,280,835	46,855,257	40,029,409
Incurred losses and LAE	11,075,476	4,653,372	12,965,630	1,031,658	(1,737,580)
Calendar year payments	5,786,263	5,954,773	9,369,577	7,857,506	4,193,415
Ending Reserves	<u>50,582,236</u>	<u>49,280,835</u>	<u>52,876,888</u>	<u>40,029,409</u>	<u>34,098,414</u>
Assumed Reinsurance Basis					
Beginning Reserves	14,037,659	10,253,405	9,255,899	8,996,258	8,650,536
Incurred losses and LAE	(3,131,702)	203,963	135,195	506	(2,204,682)
Calendar year payments	652,552	1,201,469	236,026	346,228	218,993

NOTES TO FINANCIAL STATEMENTS

Ending Reserves	10,253,405	9,255,899	9,155,068	8,650,536	6,226,861
Net of Ceded Reinsurance Basis					
Beginning Reserves	56,035,465	55,362,462	51,549,592	51,546,979	43,962,466
Incurred losses and LAE	4,786,579	2,762,231	14,305,527	(907,654)	(4,645,665)
Calendar year payments	5,459,582	6,575,101	7,950,502	6,676,859	4,147,744
Ending Reserves	55,362,462	51,549,592	57,904,617	43,962,466	35,169,057
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					22,677,480
Assumed Reinsurance Basis					3,921,961
Net of Ceded Reinsurance Basis					23,209,184
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					11,583,162
Assumed Reinsurance Basis					28,046
Net of Ceded Reinsurance Basis					11,286,313

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

Note 33- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 34 - Multiple Peril Crop Insurance

Not applicable

Note 35 – Financial Guarantee Insurance Contracts

Not applicable

GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]

7.2 If yes,

7.21 State the percentage of foreign control.

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

1 Nationality	2 Type of Entity
.....

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]

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

.....

8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]

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

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

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

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

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

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

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [] No [X]

11.11 Name of real estate holding company

11.12 Number of parcels involved

0

11.13 Total book/adjusted carrying value

\$ _____ 0

11.2 If yes, provide explanation:

.....

GENERAL INTERROGATORIES

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

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

.....

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

Yes [] No [X]

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

Yes [] No [X]

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

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

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

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

Yes [X] No []

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

.....

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

Yes [] No [X]

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

.....

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

Yes [] No [X]

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

.....

BOARD OF DIRECTORS

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

Yes [X] No []

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

Yes [X] No []

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

Yes [X] No []

FINANCIAL

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

Yes [] No [X]

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

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

GENERAL INTERROGATORIES

- 18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- | | | | |
|--|---|----|---|
| | 18.21 To directors or other officers | \$ | 0 |
| | 18.22 To stockholders not officers | \$ | 0 |
| | 18.23 Trustees, supreme or grand (Fraternal only) | \$ | 0 |
- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes No
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- | | | | |
|--|----------------------------|----|---|
| | 19.21 Rented from others | \$ | 0 |
| | 19.22 Borrowed from others | \$ | 0 |
| | 19.23 Leased from others | \$ | 0 |
| | 19.24 Other | \$ | 0 |
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes No
- 20.2 If answer is yes:
- | | | | |
|--|--|----|---|
| | 20.21 Amount paid as losses or risk adjustment | \$ | 0 |
| | 20.22 Amount paid as expenses | \$ | 0 |
| | 20.23 Other amounts paid | \$ | 0 |
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes No
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3) Yes No
- 22.2 If no, give full and complete information relating thereto:

- 22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)
 Please reference Note 17B

- 22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes No N/A
- 22.5 If answer to 22.4 is yes, report amount of collateral. \$ 138,099,206
- 22.6 If answer to 22.4 is no, report amount of collateral. \$ 0
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3.) Yes No
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- | | | | |
|--|--|----|-------------|
| | 23.21 Subject to repurchase agreements | \$ | 0 |
| | 23.22 Subject to reverse repurchase agreements | \$ | 0 |
| | 23.23 Subject to dollar repurchase agreements | \$ | 0 |
| | 23.24 Subject to reverse dollar repurchase agreements | \$ | 0 |
| | 23.25 Pledged as collateral | \$ | 0 |
| | 23.26 Placed under option agreements | \$ | 0 |
| | 23.27 Letter stock or securities restricted as to sale | \$ | 0 |
| | 23.28 On deposit with state or other regulatory body | \$ | 372,909,441 |
| | 23.29 Other | \$ | 0 |

GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

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

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

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

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

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

26. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F – Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [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 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 Street, Boston, MA 02116
N/A	Liberty Mutual Investment Advisors, LL	175 Berkeley Street, Boston, MA 02116
N/A	Stancorp Mortgage Investors	1100 SW Sixth Avenue, Portland, OR 97204

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

GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

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

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

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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	4,823,507,662	4,996,595,070	173,087,408
28.2 Preferred stocks	70,703,960	71,051,885	347,925
28.3 Totals	4,894,211,622	5,067,646,955	173,435,333

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

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

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

Yes [] No [X]

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

Yes [] No [X]

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

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

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

Yes [X] No []

30.2 If no, list exceptions:

.....

OTHER

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

\$ 274,803

GENERAL INTERROGATORIES

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

1 Name	2 Amount Paid
Insurance Services Office	235,509
.....	0
.....	0

32.1 Amount of payments for legal expenses, if any? \$ 2,404,599

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

1 Name	2 Amount Paid
.....	0
.....	0
.....	0

33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 273,782

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

1 Name	2 Amount Paid
.....	0
.....	0
.....	0

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

.....

.....

.....

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

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ 0

1.62 Total incurred claims \$ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned \$ 0

1.65 Total incurred claims \$ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ 0

1.72 Total incurred claims \$ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned \$ 0

1.75 Total incurred claims \$ 0

1.76 Number of covered lives 0

2. Health Test:

	1	2	
	Current Year	Prior Year	
2.1 Premium Numerator	\$ 1,789,151	\$ 6,776	
2.2 Premium Denominator	\$ 2,640,085,520	\$ 2,512,135,422	
2.3 Premium Ratio (2.1/2.2)	<u>0.00</u>	<u>0.00</u>	
2.4 Reserve Numerator	\$ 1,959,244	\$ 0	
2.5 Reserve Denominator	\$ 4,481,212,936	\$ 4,256,404,025	
2.6 Reserve Ratio (2.4/2.5)	<u>0.00</u>	<u>0.00</u>	

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

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

3.21 Participating policies \$ 4,318,082

3.22 Non-participating policies \$ 1,078,609,376

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

.....

.....

.....

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

5.5 If yes, give full information

.....

.....

.....

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

.....

.....

.....

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
 The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, we employ RiskLink v9.0 from RMS and AIR Clasic/2 v11.0. For WC, Liberty Mutual utilizes RiskLink v9.0 from RMS.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
 See Note 20C
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes No
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes No
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. _____ 1
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes No
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes No
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 (c) Aggregate stop loss reinsurance coverage;
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes No
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes No
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes No
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
 (a) The entity does not utilize reinsurance; or, Yes No
 (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes No
 (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes No

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes No N/A

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

11.2 If yes, give full information

.....

.....

.....

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

12.11 Unpaid losses		\$	12,691,067
12.12 Unpaid underwriting expenses (including loss adjustment expenses)		\$	1,410,021

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? \$ 3,917,046

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

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

12.41 From			0.00
12.42 To			9.00

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

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

12.61 Letters of Credit		\$	9,537,276
12.62 Collateral and other funds		\$	90,693,652

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 108,382,161

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

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

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

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:

Premiums and recoverables were allocated pursuant to separate intercompany agreement

.....

.....

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

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

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

.....

.....

.....

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

15.2 If yes, give full information

.....

.....

.....

16.1 Does the reporting entity write any warranty business? Yes No

If yes, disclose the following information for each of the following types of warranty coverage:

		1		2		3		4		5
		Direct Losses Incurred		Direct Losses Unpaid		Direct Written Premium		Direct Premium Unearned		Direct Premium Earned
16.11 Home	\$	0	\$	0	\$	0	\$	0	\$	0
16.12 Products	\$	0	\$	0	\$	0	\$	0	\$	0
16.13 Automobile	\$	0	\$	0	\$	0	\$	0	\$	0
16.14 Other*	\$	0	\$	0	\$	0	\$	0	\$	0

* Disclose type of coverage: _____

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

Yes [] No [X]

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

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

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

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

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

Yes [] No [X]

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

\$ 0

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

Yes [] No [X]

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

\$ 0

FIVE – YEAR HISTORICAL DATA

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

	1	2	3	4	5
	2009	2008	2007	2006	2005
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3)	5,502,241,216	3,341,655,051	1,721,887,757	1,663,078,784	1,277,053,701
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,492,748,247	890,604,875	553,904,215	531,494,192	478,440,838
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	4,234,106,509	2,273,319,033	1,536,879,494	1,507,929,095	1,325,994,022
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,007,375,003	588,077,708	1,132,476	8,674,958	1,275,951
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	447				
6. Total (Line 35)	13,236,471,422	7,093,656,667	3,813,803,942	3,711,177,029	3,082,764,512
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3)	1,203,777,911	1,176,509,499	1,210,850,841	1,162,799,809	1,006,943,955
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	558,694,420	288,317,217	381,150,394	365,586,931	397,843,705
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	797,777,742	668,664,285	1,041,822,458	1,015,143,519	1,066,470,987
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	205,445,421	245,999,332	803,263	6,164,488	1,533,509
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	27				
12. Total (Line 35)	2,765,695,521	2,379,490,333	2,634,626,956	2,549,694,747	2,472,792,156
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	111,053,844	75,006,667	43,110,722	7,403,355	32,662,851
14. Net investment gain (loss) (Line 11)	227,521,942	231,368,996	226,431,795	678,576,356	122,306,999
15. Total other income (Line 15)	(8,145,894)	(28,014,503)	4,580,943	9,111,147	3,399,439
16. Dividends to policyholders (Line 17)	11,295,896	16,399,916	6,146,290	6,871,671	3,380,696
17. Federal and foreign income taxes incurred (Line 19)	105,839,007	75,271,088	79,977,829	108,737,255	115,997,734
18. Net income (Line 20)	213,294,989	186,690,156	187,999,341	579,481,932	38,990,859
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	8,377,241,549	7,069,023,987	6,025,003,036	5,707,896,863	4,551,478,620
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	104,541,562	86,666,006	124,068,478	171,360,719	240,008,958
20.2 Deferred and not yet due (Line 13.2)	894,771,266	661,742,596	659,743,600	617,491,263	550,080,761
20.3 Accrued retrospective premiums (Line 13.3)	4,115,082	12,874,039	6,829,238	8,148,722	
21. Total liabilities excluding protected cell business (Page 3, Line 24)	5,967,896,625	5,049,956,580	4,554,695,451	4,488,676,760	3,534,816,691
22. Losses (Page 3, Line 1)	2,368,875,142	2,482,289,010	2,248,032,435	2,081,607,322	1,562,734,554
23. Loss adjustment expenses (Page 3, Line 3)	563,987,478	568,418,457	514,461,445	477,618,586	359,180,936
24. Unearned premiums (Page 3, Line 9)	1,159,485,799	1,062,378,685	1,200,138,518	1,121,458,176	1,001,005,264
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)	2,409,344,924	2,019,067,407	1,470,307,585	1,219,220,103	1,016,661,929
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	167,282,626	534,551,630	513,937,304	1,436,392,548	1,150,942,007
Risk-Based Capital Analysis					
28. Total adjusted capital	2,409,344,924	2,019,067,407	1,470,307,585	1,219,220,103	1,016,661,929
29. Authorized control level risk-based capital	360,340,526	360,631,272	285,104,975	227,339,457	203,723,687
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	73.7	74.4	79.5	83.4	74.3
31. Stocks (Lines 2.1 & 2.2)	18.5	19.7	16.5	10.2	20.3
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	1.9	2.0	0.5	0.3	
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.1	0.1	0.1	0.1	0.2
34. Cash, cash equivalents and short-term investments (Line 5)	4.9	2.8	2.4	5.0	5.1
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)	1.0	1.1	0.9	0.5	0.1
37. Receivables for securities (Line 8)			0.0	0.4	0.0
38. Aggregate write-ins for invested assets (Line 9)					
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)	14,367,920	14,367,920			
42. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	1,080,828,590	957,386,920	556,575,175	219,463,709	592,004,868
43. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
44. Affiliated mortgage loans on real estate					
45. All other affiliated					
46. Total of above Lines 40 to 45	1,095,196,510	971,754,840	556,575,175	219,463,709	592,004,868
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)	45.5	48.1	37.9	18.0	58.2

FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2009	2008	2007	2006	2005
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	159,361,186	(63,572,475)	(32,556,720)	(469,385,832)	31,263,135
49. Dividends to stockholders (Line 35)				(67,370,072)	
50. Change in surplus as regards policyholders for the year (Line 38)	390,277,517	548,759,822	251,087,482	202,558,174	154,610,156
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3)	(211,888,056)	(1,032,495,791)	811,136,570	199,609,231	587,758,763
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,005,318,086	402,783,851	245,117,875	212,967,675	190,458,142
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,225,018,873	774,628,585	661,633,827	622,066,994	473,304,023
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(16,258,447)	(61,368,197)	189,387	2,232,590	807,645
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	(205,135,158)	24,953	146,543	(523,929)	
56. Total (Line 35)	1,797,055,298	83,573,401	1,718,224,202	1,036,352,561	1,252,328,573
Net Losses Paid (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3)	728,746,061	363,905,605	539,025,911	92,563,777	49,656,432
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	262,985,915	176,985,694	166,900,853	146,579,748	127,543,716
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	478,434,177	559,640,613	438,747,467	395,972,566	151,455,518
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	29,040,723	(19,452,104)	241,020	1,419,368	167,330
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	(46,870,018)	231,416	103,943	(371,623)	(1,648,527)
62. Total (Line 35)	1,452,336,858	1,081,311,224	1,145,019,194	636,163,836	327,174,469
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	50.7	52.4	51.4	54.3	49.3
65. Loss expenses incurred (Line 3)	11.9	10.8	11.3	11.9	13.2
66. Other underwriting expenses incurred (Line 4)	33.2	33.8	35.6	33.5	35.9
67. Net underwriting gain (loss) (Line 8)	4.2	3.0	1.7	0.3	1.6
Other Percentages					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	32.0	36.9	34.4	31.5	29.6
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	62.6	63.2	62.7	66.2	62.5
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)	114.8	117.9	179.2	209.1	243.2
One Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(194,378)	(223,610)	(191,348)	(38,121)	(44,067)
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)	(9.6)	(15.2)	(15.7)	(3.8)	(5.1)
Two Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(280,089)	(386,263)	(159,792)	13,250	(12,458)
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	(19.1)	(31.7)	(15.7)	1.5	(1.6)

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

Yes [] No [X]

If no, please explain:

Not applicable

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

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported - Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1-2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	29,278	11,069	9,156	762	2,679	139	1,053	29,143	X X X
2. 2000	2,161,092	132,044	2,029,048	1,483,258	93,516	101,067	6,675	162,359	4,759	78,527	1,641,734	X X X
3. 2001	2,172,534	131,179	2,041,355	1,383,793	93,618	100,187	5,202	167,297	5,156	74,614	1,547,301	X X X
4. 2002	2,381,775	225,857	2,155,918	1,299,956	124,480	94,597	8,650	164,560	7,921	74,254	1,418,062	X X X
5. 2003	2,610,650	209,485	2,401,165	1,266,991	105,227	86,462	6,183	185,107	8,404	74,511	1,418,746	X X X
6. 2004	2,837,555	148,927	2,688,628	1,297,593	50,118	78,623	2,785	184,674	3,751	93,778	1,504,236	X X X
7. 2005	2,990,103	113,894	2,876,209	1,312,277	49,906	80,481	2,887	191,895	2,726	86,304	1,529,134	X X X
8. 2006	3,014,543	125,420	2,889,123	1,268,564	26,982	68,894	3,415	190,200	4,019	73,386	1,493,242	X X X
9. 2007	3,045,030	139,986	2,905,044	1,212,151	25,165	53,845	2,939	185,384	2,424	70,476	1,420,852	X X X
10. 2008	3,007,122	106,354	2,900,768	1,229,430	34,117	36,779	1,480	200,674	1,738	60,583	1,429,548	X X X
11. 2009	2,807,939	167,855	2,640,084	728,895	50,652	12,194	2,299	143,050	821	32,096	830,367	X X X
12. Totals	X X X	X X X	X X X	12,512,186	664,850	722,285	43,277	1,777,879	41,858	719,582	14,262,365	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	265,210	76,357	151,251	18,104	11,714	1,117	38,351	3,818	24,583	718	5,139	390,995	X X X
2. 2000	34,875	10,082	14,571	3,525	350	182	5,186	587	3,075	235	521	43,446	X X X
3. 2001	36,314	9,906	16,826	3,469	716	152	6,019	434	3,959	202	1,313	49,671	X X X
4. 2002	38,068	6,893	18,637	3,362	781	30	7,145	455	3,454	73	959	57,272	X X X
5. 2003	30,757	4,175	24,521	3,604	950	9	8,976	434	3,871	18	2,193	60,835	X X X
6. 2004	41,970	7,439	30,732	4,221	1,211	7	11,171	539	4,965	5	5,332	77,838	X X X
7. 2005	67,353	5,574	43,875	5,892	2,242	8	16,580	865	8,319	6	3,471	126,024	X X X
8. 2006	116,966	8,633	64,306	8,565	3,856	11	27,177	1,272	12,988	10	9,405	206,802	X X X
9. 2007	200,535	8,387	101,403	11,977	6,208	15	46,789	1,897	21,117	14	9,058	353,762	X X X
10. 2008	284,029	6,962	212,376	27,573	7,473	29	74,261	3,642	36,090	26	21,400	575,997	X X X
11. 2009	409,478	16,800	426,337	10,020	5,178	63	91,573	1,116	85,651	8	62,592	990,210	X X X
12. Totals	1,525,555	161,208	1,104,835	100,312	40,679	1,623	333,228	15,059	208,072	1,315	121,383	2,932,852	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	322,000	68,995
2. 2000	1,804,741	119,561	1,685,180	83.511	90.546	83.053			25.200	35,839	7,607
3. 2001	1,715,111	118,139	1,596,972	78.945	90.059	78.231			25.200	39,765	9,906
4. 2002	1,627,198	151,864	1,475,334	68.319	67.239	68.432			25.200	46,450	10,822
5. 2003	1,607,635	128,054	1,479,581	61.580	61.128	61.619			25.200	47,499	13,336
6. 2004	1,650,939	68,865	1,582,074	58.182	46.241	58.843			25.200	61,042	16,796
7. 2005	1,723,022	67,864	1,655,158	57.624	59.585	57.547			25.200	99,762	26,262
8. 2006	1,752,951	52,907	1,700,044	58.150	42.184	58.843			25.200	164,074	42,728
9. 2007	1,827,432	52,818	1,774,614	60.014	37.731	61.087			25.200	281,574	72,188
10. 2008	2,081,112	75,567	2,005,545	69.206	71.052	69.138			25.200	461,870	114,127
11. 2009	1,902,356	81,779	1,820,577	67.749	48.720	68.959			25.200	808,995	181,215
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,368,870	563,982

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

SCHEDULE P – PART 2 – SUMMARY

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										DEVELOPMENT		
	1	2	3	4	5	6	7	8	9	10	11	12	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	One Year	Two Year	
1. Prior	1,194,848	1,244,690	1,284,434	1,340,569	1,354,180	1,395,866	1,418,103	1,433,131	1,434,083	1,481,432	47,349	48,301	
2. 2000	1,432,429	1,485,069	1,500,625	1,526,390	1,524,624	1,528,128	1,526,469	1,527,753	1,520,606	1,527,181	6,575	(572)	
3. 2001	X X X	1,422,594	1,415,611	1,425,171	1,431,076	1,433,782	1,425,940	1,432,789	1,423,306	1,433,331	10,025	542	
4. 2002	X X X	X X X	1,378,415	1,369,008	1,356,254	1,327,828	1,325,615	1,315,879	1,310,235	1,317,339	7,104	1,460	
5. 2003	X X X	X X X	X X X	1,374,886	1,346,622	1,313,253	1,307,520	1,314,697	1,304,570	1,300,869	(3,701)	(13,828)	
6. 2004	X X X	X X X	X X X	X X X	1,563,721	1,515,228	1,492,588	1,428,363	1,414,670	1,398,385	(16,285)	(29,978)	
7. 2005	X X X	X X X	X X X	X X X	X X X	1,639,490	1,578,984	1,494,755	1,477,325	1,459,626	(17,699)	(35,129)	
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	1,634,276	1,586,366	1,536,637	1,503,263	(33,374)	(83,103)	
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,740,550	1,679,449	1,572,768	(106,681)	(167,782)	
10. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,860,511	1,772,820	(87,691)	X X X	
11. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,594,109	X X X	X X X	
											12. Totals	(194,378)	(280,089)

SCHEDULE P – PART 3 – SUMMARY

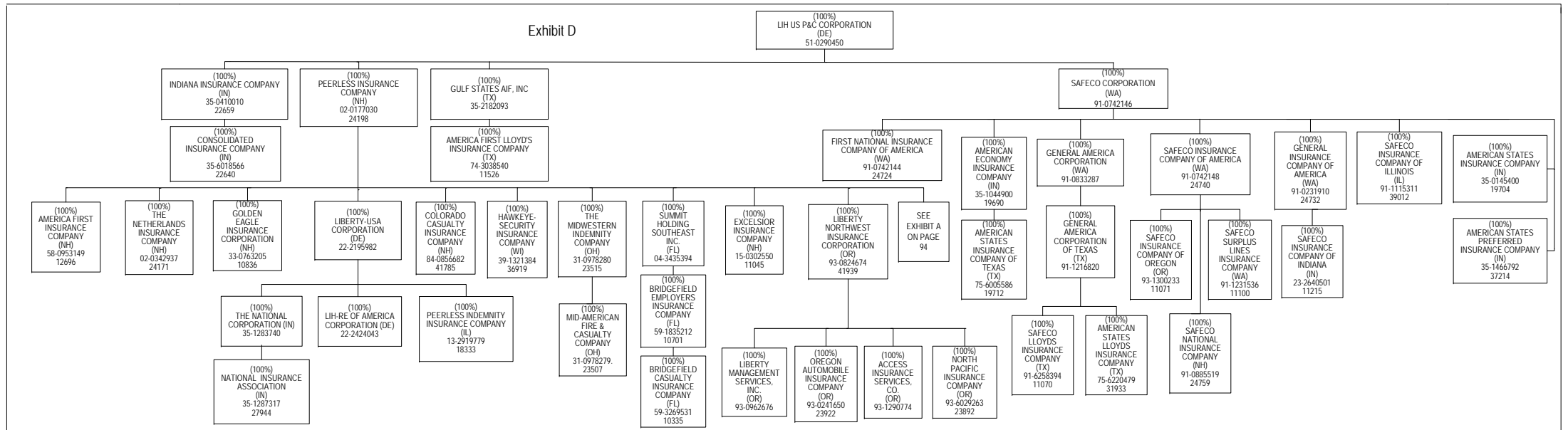
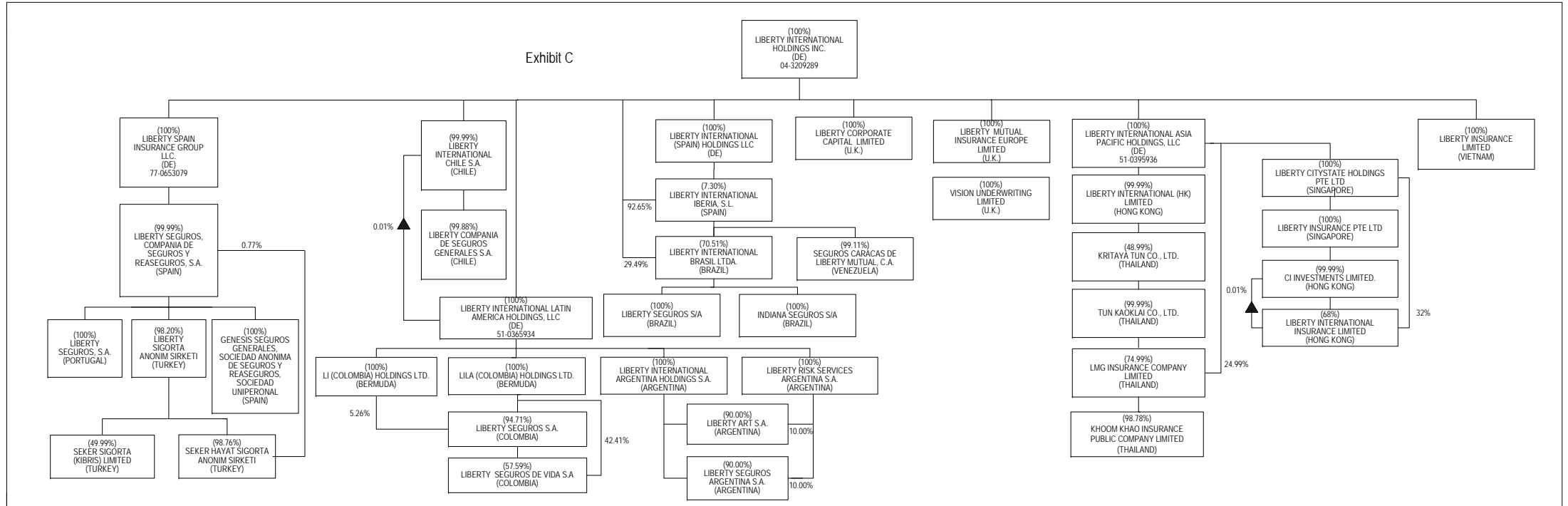
Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		
1. Prior	000	358,265	600,523	751,104	847,177	918,903	978,965	1,025,344	1,070,757	1,097,360	X X X	X X X
2. 2000	735,953	1,074,381	1,234,602	1,340,629	1,401,325	1,438,705	1,457,072	1,469,618	1,477,347	1,484,134	X X X	X X X
3. 2001	X X X	705,268	1,018,520	1,163,883	1,257,818	1,310,521	1,341,918	1,360,569	1,376,078	1,385,160	X X X	X X X
4. 2002	X X X	X X X	616,520	910,980	1,053,079	1,152,030	1,202,765	1,232,817	1,251,255	1,261,423	X X X	X X X
5. 2003	X X X	X X X	X X X	627,493	909,680	1,048,977	1,138,437	1,198,775	1,225,630	1,242,043	X X X	X X X
6. 2004	X X X	X X X	X X X	X X X	654,438	988,123	1,146,863	1,240,987	1,295,925	1,323,313	X X X	X X X
7. 2005	X X X	X X X	X X X	X X X	X X X	676,649	1,009,096	1,170,807	1,274,501	1,339,965	X X X	X X X
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	689,505	1,034,684	1,186,520	1,307,061	X X X	X X X
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	713,250	1,071,510	1,237,892	X X X	X X X
10. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	821,440	1,230,612	X X X	X X X
11. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	688,138	X X X	X X X

SCHEDULE P – PART 4 – SUMMARY

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Prior	468,725	344,082	281,129	265,934	209,716	191,846	174,182	155,728	169,343	184,614
2. 2000	295,134	143,659	87,336	64,061	46,151	36,338	33,512	25,613	17,264	18,088
3. 2001	X X X	337,080	161,171	91,741	67,681	47,183	41,244	27,209	24,207	21,200
4. 2002	X X X	X X X	430,909	219,738	127,291	75,158	54,017	35,367	26,710	23,991
5. 2003	X X X	X X X	X X X	399,950	199,608	115,605	81,025	59,301	44,873	31,303
6. 2004	X X X	X X X	X X X	X X X	509,593	254,641	169,427	96,149	69,061	39,337
7. 2005	X X X	X X X	X X X	X X X	X X X	564,992	284,592	153,035	94,377	55,648
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	509,764	270,336	164,216	84,024
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	547,156	283,031	136,534
10. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	578,185	257,694
11. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	508,177

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

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR OTHER THAN INVESTED ASSETS				
2304. OneBeacon Intangible	8,167,429	8,167,429		
2397. Totals (Lines 2301. through 2396.) (Page 2, Line 2398)	8,167,429	8,167,429		

OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

	1	2
REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES	Current Year	Prior Year
2304. Amounts held under uninsured plans	18,270,739	
2305. Accrued return retrospective premiums	3,126,286	
2306. Private passenger auto escrow	411,876	
2307. Restructure liability - OneBeacon	3,446	414,870
2397. Totals (Lines 2304 through 2396) (Page 3, Line 2398)	21,812,347	414,870

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