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, 2011

PROPERTY AND CASUALTY

2011

24198201120100100

ANNUAL STATEMENT

For the Year Ended December 31, 2011
OF THE CONDITION AND AFFAIRS OF THE

Peerless Insurance Company

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

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 (Street and Number), Keene, NH 03431 (City or Town, State and Zip Code)

Main Administrative Office 175 Berkeley Street (Street and Number)
Boston, MA 02116 (City or Town, State and Zip Code) 617-357-9500 (Area Code) (Telephone Number)

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

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

Internet Web Site Address www.lmac.com

Statutory Statement Contact Pamela Heenan (Name) 617-357-9500 x44689 (Area Code) (Telephone Number) (Extension)
Statutory.Compliance@LibertyMutual.com (E-Mail Address) 617-574-5955 (Fax Number)

OFFICERS

Chairman of the Board

James Paul Condrin, III #

	Name	Title
1.	James Paul Condrin, III #	President and Chief Executive Officer
2.	Dexter Robert Legg	Secretary
3.	James Paul McKenney #	Treasurer and Chief Financial Officer

VICE-PRESIDENTS

Name	Title	Name	Title
Anthony Alexander Fontanes	EVP and Chief Investment Officer	Michael Joseph Fallon #	Executive Vice President

DIRECTORS OR TRUSTEES

James Paul Condrin, III #	John Derek Doyle	Michael Joseph Fallon	Dexter Robert Legg #
Christopher Charles Mansfield	James Paul McKenney #		

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)	(Signature)	(Signature)
James Paul Condrin, III #	Dexter Robert Legg	James Paul McKenney #
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President and Chief Executive Officer	Secretary	Treasurer and Chief Financial Officer
(Title)	(Title)	(Title)

Subscribed and sworn to (or affirmed) before me on this
23rd day of January , 2012, by

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

ASSETS

	Current Year 1 Assets	Current Year 2 Nonadmitted Assets	Current Year 3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	3,511,242,975		3,511,242,975	3,719,020,536
2. Stocks (Schedule D):				
2.1 Preferred stocks	33,539,450		33,539,450	55,126,940
2.2 Common stocks	1,335,625,635		1,335,625,635	1,113,143,107
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	120,615,022		120,615,022	130,826,374
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ 0 encumbrances)	4,013,651		4,013,651	4,374,163
4.2 Properties held for the production of income (less $ 0 encumbrances)				
4.3 Properties held for sale (less $ 0 encumbrances)				
5. Cash ($ 20,586,854, Schedule E - Part 1), cash equivalents ($ 59,142,033, Schedule E - Part 2), and short-term investments ($ 164,142,096, Schedule DA)	243,870,983		243,870,983	292,789,988
6. Contract loans (including $ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	49,343,687		49,343,687	11,593,302
9. Receivables for securities	690,086		690,086	2,473,491
10. Securities lending reinvested collateral assets (Schedule DL)	42,652,706		42,652,706	70,883,237
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	5,341,594,195		5,341,594,195	5,400,231,138
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	42,775,111		42,775,111	43,503,078
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	114,027,766	13,046,898	100,980,868	94,609,867
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 1,578,494 earned but unbilled premiums)	1,014,230,966	157,851	1,014,073,115	967,205,954
15.3 Accrued retrospective premiums	1,292,796	129,157	1,163,639	2,308,536
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	547,810,987		547,810,987	536,638,464
16.2 Funds held by or deposited with reinsured companies	14,765,486		14,765,486	14,840,524
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	3,430,335		3,430,335	29,709,703
18.2 Net deferred tax asset	206,859,000	48,741,778	158,117,222	145,852,144
19. Guaranty funds receivable or on deposit	3,029,871		3,029,871	4,258,001
20. Electronic data processing equipment and software	2,620,689	2,620,689		
21. Furniture and equipment, including health care delivery assets ($ 0)	6,003	6,003		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	106,128,723		106,128,723	153,037,658
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	31,117,096	3,202,110	27,914,986	28,297,832
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	7,429,689,024	67,904,486	7,361,784,538	7,420,492,899
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	7,429,689,024	67,904,486	7,361,784,538	7,420,492,899

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Cash Surrender Value Life Insurance	14,883,788		14,883,788	14,649,471
2502. Equities and deposits in pools and associations	8,337,030		8,337,030	9,204,656
2503. Other assets	7,896,278	3,202,110	4,694,168	4,443,705
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	31,117,096	3,202,110	27,914,986	28,297,832

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	2,271,621,602	2,250,497,523
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	349,195,045	320,678,656
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	502,296,047	502,280,553
4.	Commissions payable, contingent commissions and other similar charges	70,724,734	67,973,581
5.	Other expenses (excluding taxes, licenses and fees)	39,657,677	19,970,606
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	18,696,772	22,732,203
7.1	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))		
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 $ 3,822,020,738 and including warranty reserves of $ 0 and accrued accident and healthexperience rating refunds including $ 0 for medical loss ratio rebate per the Public Health Service Act)	1,269,858,758	1,222,995,740
10.	Advance premium	8,668,174	8,289,073
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders	347,716	236,214
12.	Ceded reinsurance premiums payable (net of ceding commissions)	565,764,630	541,924,384
13.	Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	51,560,716	59,765,373
14.	Amounts withheld or retained by company for account of others	3,850,674	4,023,235
15.	Remittances and items not allocated		
16.	Provision for reinsurance (Schedule F, Part 7)	51,973,907	62,066,307
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding	89,730,645	82,486,717
19.	Payable to parent, subsidiaries and affiliates	168,112,625	342,804,788
20.	Derivatives		
21.	Payable for securities	12,641,959	19,949,163
22.	Payable for securities lending	42,652,706	70,883,237
23.	Liability for amounts held under uninsured plans		
24.	Capital notes $ 0 and interest thereon $ 0		
25.	Aggregate write-ins for liabilities	41,952,922	43,260,216
26.	Total liabilities excluding protected cell liabilities (Lines 1 through 25)	5,559,307,309	5,642,817,569
27.	Protected cell liabilities		
28.	Total liabilities (Lines 26 and 27)	5,559,307,309	5,642,817,569
29.	Aggregate write-ins for special surplus funds	34,843,267	32,155,134
30.	Common capital stock	8,848,635	8,848,635
31.	Preferred capital stock		
32.	Aggregate write-ins for other than special surplus funds		
33.	Surplus notes		
34.	Gross paid in and contributed surplus	1,412,783,818	1,412,783,818
35.	Unassigned funds (surplus)	346,167,225	324,053,459
36.	Less treasury stock, at cost:		
	36.1 14,998 shares common (value included in Line 30 $ 37,495)	165,716	165,716
	36.2 0 shares preferred (value included in Line 31 $ 0)		
37.	Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	1,802,477,229	1,777,675,330
38.	Totals (Page 2, Line 28, Col. 3)	7,361,784,538	7,420,492,899

	DETAILS OF WRITE-IN LINES		
2501.	Retroactive reinsurance reserves	22,353,673	24,041,063
2502.	Other liabilities	18,241,815	13,169,847
2503.	Amounts held under uninsured plans	1,357,434	2,711,717
2598.	Summary of remaining write-ins for Line 25 from overflow page		3,337,589
2599.	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	41,952,922	43,260,216
2901.	SSAP 10R incremental change	29,545,615	26,704,629
2902.	Special surplus from retroactive reinsurance	5,297,652	5,450,505
2903.			
2998.	Summary of remaining write-ins for Line 29 from overflow page		
2999.	Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	34,843,267	32,155,134
3201.			
3202.			
3203.			
3298.	Summary of remaining write-ins for Line 32 from overflow page		
3299.	Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

		1 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 35, Column 4)	2,638,752,618	2,599,173,358
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	1,632,544,749	1,456,342,678
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	318,781,183	306,835,739
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	867,995,178	873,634,349
5.	Aggregate write-ins for underwriting deductions	(269,717)	(142,181)
6.	Total underwriting deductions (Lines 2 through 5)	2,819,051,393	2,636,670,585
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(180,298,775)	(37,497,227)
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	194,885,334	206,519,147
10.	Net realized capital gains (losses) less capital gains tax of $ 1,009,147 (Exhibit of Capital Gains (Losses))	1,874,131	34,097,926
11.	Net investment gain (loss) (Lines 9 + 10)	196,759,465	240,617,073
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 93,460 amount charged off $ 5,991,472)	(5,898,012)	(10,921,411)
13.	Finance and service charges not included in premiums	22,278,899	22,935,303
14.	Aggregate write-ins for miscellaneous income	(11,073,526)	(40,474,429)
15.	Total other income (Lines 12 through 14)	5,307,361	(28,460,537)
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	21,768,051	174,659,309
17.	Dividends to policyholders	5,299,127	(888,116)
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)	16,468,924	175,547,425
19.	Federal and foreign income taxes incurred	(7,123,147)	5,115,645
20.	Net income (Line 18 minus Line 19) (to Line 22)	23,592,071	170,431,780
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	1,777,675,330	2,409,344,924
22.	Net income (from Line 20)	23,592,071	170,431,780
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ (16,126,918)	5,608,420	63,859,482
25.	Change in net unrealized foreign exchange capital gain (loss)	(12,174,019)	4,480,483
26.	Change in net deferred income tax	7,976,282	(26,341,955)
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(15,153,564)	19,812,383
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	10,092,400	5,460,693
29.	Change in surplus notes		
30.	Surplus (contributed to) withdrawn from protected cells		
31.	Cumulative effect of changes in accounting principles	2,019,322	
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		210,000,000
	33.2 Transferred to capital (Stock Dividend)		
	33.3 Transferred from capital		
34.	Net remittances from or (to) Home Office		
35.	Dividends to stockholders		(1,087,270,097)
36.	Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37.	Aggregate write-ins for gains and losses in surplus	2,840,987	7,897,637
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	24,801,899	(631,669,594)
39.	Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	1,802,477,229	1,777,675,330

	DETAILS OF WRITE-IN LINES		
0501.	Private passenger auto escrow	(269,717)	(142,181)
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)	(269,717)	(142,181)
1401.	Retroactive reinsurance gain/(loss)	(537,921)	(32,187,399)
1402.	Other income/(expense)	(10,535,605)	(8,287,030)
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(11,073,526)	(40,474,429)
3701.	SSAP 10R incremental change	2,840,987	9,429,859
3702.	Other changes in surplus		(1,532,222)
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page		
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	2,840,987	7,897,637

CASH FLOW

		1	2
	Cash from Operations	Current Year	Prior Year
1.	Premiums collected net of reinsurance	2,658,070,078	2,613,054,543
2.	Net investment income	199,690,510	219,136,206
3.	Miscellaneous income	26,238,209	(26,694,608)
4.	Total (Lines 1 through 3)	2,883,998,797	2,805,496,141
5.	Benefit and loss related payments	1,611,532,428	1,551,852,303
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	1,166,319,847	1,338,177,230
8.	Dividends paid to policyholders	5,187,625	1,015,143
9.	Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	(32,393,368)	102,404,614
10.	Total (Lines 5 through 9)	2,750,646,532	2,993,449,290
11.	Net cash from operations (Line 4 minus Line 10)	133,352,265	(187,953,149)
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	612,532,755	1,924,289,651
	12.2 Stocks	128,552,145	123,621,006
	12.3 Mortgage loans	9,479,005	3,675,580
	12.4 Real estate		
	12.5 Other invested assets	245,395,747	57,275,317
	12.6 Net gains (or losses) on cash, cash equivalents and short-term investments	264,706	7,444
	12.7 Miscellaneous proceeds	1,664,819	(2,998,185)
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	997,889,177	2,105,870,813
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	420,993,217	975,406,302
	13.2 Stocks	335,372,613	74,740,306
	13.3 Mortgage loans	188,207	16,014,467
	13.4 Real estate	95,617	61,455
	13.5 Other invested assets	254,406,486	80,403,350
	13.6 Miscellaneous applications	7,307,204	(366,429)
	13.7 Total investments acquired (Lines 13.1 to 13.6)	1,018,363,344	1,146,259,451
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)	(20,474,167)	959,611,362
	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		210,000,000
	16.3 Borrowed funds		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders		1,087,270,097
	16.6 Other cash provided (applied)	(161,797,104)	90,823,377
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(161,797,104)	(786,446,720)
	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)	(48,919,006)	(14,788,507)
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	292,789,989	307,578,496
	19.2 End of year (Line 18 plus Line 19.1)	243,870,983	292,789,989

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

20.0001	12.1 - Proceeds from investments sold, matured or repaid - Bonds	6,480,000	1,118,946,318
20.0002	12.2 - Proceeds from investments sold, matured or repaid - Stocks	10,218,000	
20.0003	12.3 - Proceeds from investments sold, matured or repaid - Mortgage loans	951,429	
20.0004	12.5 - Proceeds from investments sold, matured or repaid - Other invested assets		5,013,685
20.0005	13.1 Cost of Investment Acquired - Bonds	16,698,000	
20.0006	13.5 Cost of Investment Acquired - Other invested assets	951,429	

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	50,860,359	25,133,897	26,835,057	49,159,199
2. Allied lines	42,222,015	20,869,479	22,936,623	40,154,871
3. Farmowners multiple peril	21,011,215	9,780,708	10,538,909	20,253,014
4. Homeowners multiple peril	420,919,144	201,841,289	223,874,057	398,886,376
5. Commercial multiple peril	470,095,429	239,209,910	235,778,505	473,526,834
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	42,557,668	20,507,017	20,534,813	42,529,872
10. Financial guaranty				
11.1 Medical professional liability—occurrence	185,340	91,057	73,369	203,028
11.2 Medical professional liability—claims-made	25,050	10,523	11,539	24,034
12. Earthquake	8,876,571	4,381,109	4,586,256	8,671,424
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	222,809,230	95,885,169	86,592,179	232,102,220
17.1 Other liability—occurrence	134,517,485	67,288,765	65,864,429	135,941,821
17.2 Other liability—claims-made	5,723,595	2,693,413	2,574,169	5,842,839
17.3 Excess workers' compensation				
18.1 Products liability—occurrence	3,295,164	1,875,676	1,664,677	3,506,163
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	485,146,102	178,741,095	198,296,029	465,591,168
19.3,19.4 Commercial auto liability	205,784,201	102,976,471	99,457,589	209,303,083
21. Auto physical damage	376,750,089	147,311,322	160,157,412	363,903,999
22. Aircraft (all perils)				
23. Fidelity	1,623,311	1,348,754	1,324,974	1,647,091
24. Surety	187,097,214	109,824,927	109,522,876	187,399,265
26. Burglary and theft	70,698	37,589	35,277	73,010
27. Boiler and machinery	27,365	20,868	14,923	33,310
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-nonproportional assumed property				
32. Reinsurance-nonproportional assumed liability				
33. Reinsurance-nonproportional assumed financial lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	2,679,597,245	1,229,829,038	1,270,673,662	2,638,752,621

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	26,835,057				26,835,057
2. Allied lines	22,936,623				22,936,623
3. Farmowners multiple peril	10,538,909				10,538,909
4. Homeowners multiple peril	223,874,057				223,874,057
5. Commercial multiple peril	234,880,156	1,775	882,380	14,194	235,778,505
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	20,483,058	51,755			20,534,813
10. Financial guaranty					
11.1 Medical professional liability—occurrence	73,369				73,369
11.2 Medical professional liablity—claims-made	11,492	47			11,539
12. Earthquake	4,586,256				4,586,256
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	86,928,181		956,793	(1,292,796)	86,592,178
17.1 Other liability—occurrence	65,348,727	265,634	264,262	(14,194)	65,864,429
17.2 Other liability—claims-made	2,542,967	29,992	1,211		2,574,170
17.3 Excess workers' compensation					
18.1 Products liability—occurrence	1,661,622		3,055		1,664,677
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	198,296,029				198,296,029
19.3,19.4 Commercial auto liability	98,700,205	757,384			99,457,589
21. Auto physical damage	160,031,748	125,663			160,157,411
22. Aircraft (all perils)					
23. Fidelity	468,535	856,439			1,324,974
24. Surety	75,310,149	34,212,727			109,522,876
26. Burglary and theft	35,277				35,277
27. Boiler and machinery	14,923				14,923
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	1,233,557,340	36,301,416	2,107,701	(1,292,796)	1,270,673,661
36. Accrued retrospective premiums based on experience					1,292,796
37. Earned but unbilled premiums					(2,107,701)
38. Balance (Sum of Lines 35 through 37)					1,269,858,756

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	Reinsurance Assumed 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	Reinsurance Ceded 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	21,407,207	182,739,092	1,984,066	154,819,923	450,082	50,860,360
2. Allied lines	14,685,152	155,816,888	1,249,591	129,143,621	385,995	42,222,015
3. Farmowners multiple peril	8,641,303	76,176,981		63,301,002	506,068	21,011,214
4. Homeowners multiple peril	188,213,183	1,501,921,389	1,590,765	1,267,631,995	3,174,197	420,919,145
5. Commercial multiple peril	220,436,327	1,722,097,269		1,463,020,235	9,417,932	470,095,429
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	49,846,895	123,803,135		129,554,220	1,538,142	42,557,668
10. Financial guaranty						
11.1 Medical professional liability--occurrence		735,475		550,135		185,340
11.2 Medical professional liability--claims-made		99,403		74,353		25,050
12. Earthquake	2,095,528	34,394,320	363	26,412,980	1,200,659	8,876,572
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		479,988		327,709	152,279	
16. Workers' compensation	99,009,701	773,539,271	12,824,369	661,825,744	738,367	222,809,230
17.1 Other liability—occurrence	90,535,893	474,539,978	(20,127)	399,231,603	31,306,655	134,517,486
17.2 Other liability—claims-made	418,704	22,294,001		16,989,083	27	5,723,595
17.3 Excess workers' compensation						
18.1 Products liability—occurrence	1,618,716	11,457,333		9,780,885		3,295,164
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	172,743,975	1,644,917,241	116,578,883	1,440,400,545	8,693,452	485,146,102
19.3,19.4 Commercial auto liability	81,657,376	734,327,930	3,988,607	610,823,066	3,366,646	205,784,201
21. Auto physical damage	148,201,308	1,258,763,171	97,401,076	1,127,274,871	340,595	376,750,089
22. Aircraft (all perils)			(649)	(649)		
23. Fidelity	2,511	6,439,198		4,818,398		1,623,311
24. Surety	513,944	761,648,795	834,672	555,367,187	20,533,011	187,097,213
26. Burglary and theft	78,228	202,271	1,125	209,851	1,075	70,698
27. Boiler and machinery	915,220	1,451,931		2,328,627	11,159	27,365
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-nonproportional assumed property	X X X					
32. Reinsurance-nonproportional assumed liability	X X X		5,593	2,117	3,476	
33. Reinsurance-nonproportional assumed financial lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	1,101,021,171	9,487,845,060	236,438,334	8,063,887,501	81,819,817	2,679,597,247

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 2 – LOSSES PAID AND INCURRED

	Losses Paid Less Salvage				5	6	7	8
Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	Net Losses Unpaid Current Year (Part 2A, Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire	6,672,467	58,129,137	48,486,055	16,315,549	8,469,755	8,212,004	16,573,300	33.714
2. Allied lines	10,072,122	126,213,613	102,174,626	34,111,109	7,461,935	6,869,535	34,703,509	86.424
3. Farmowners multiple peril	4,173,393	47,933,571	38,688,157	13,418,807	4,261,677	5,848,410	11,832,074	58.421
4. Homeowners multiple peril	169,874,946	1,111,628,634	960,700,034	320,803,546	120,153,924	98,500,135	342,457,335	85.853
5. Commercial multiple peril	118,303,268	1,079,375,193	906,000,513	291,677,948	468,211,364	432,307,865	327,581,447	69.179
6. Mortgage guaranty								
8. Ocean marine		925	810	115	6,079	(208)	6,402	
9. Inland marine	19,820,954	49,530,139	52,008,267	17,342,826	2,565,929	3,587,906	16,320,849	38.375
10. Financial guaranty								
11.1 Medical professional liability—occurrence		88,295	66,045	22,250	678,559	595,770	105,039	51.736
11.2 Medical professional liability—claims-made		(11)	(8)	(3)	133,340	121,762	11,575	48.161
12. Earthquake		16,116	12,055	4,061	401	9,939	(5,477)	(0.063)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health		1,659,045	1,560,205	98,840	11,698,554	11,415,790	381,604	
16. Workers' compensation	51,031,077	628,065,892	512,221,131	166,875,838	742,819,260	702,301,369	207,393,729	89.354
17.1 Other liability—occurrence	28,005,448	284,750,669	241,326,725	71,429,392	216,035,661	242,683,035	44,782,018	32.942
17.2 Other liability—claims-made	22,697	8,474,637	6,565,225	1,932,109	9,032,737	13,195,141	(2,230,295)	(38.171)
17.3 Excess workers' compensation								
18.1 Products liability—occurrence	215,154	4,714,147	3,735,675	1,193,626	8,092,756	5,352,178	3,934,204	112.208
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability	112,282,750	963,004,141	808,368,192	266,918,699	337,919,050	351,257,492	253,580,257	54.464
19.3,19.4 Commercial auto liability	46,649,699	478,610,199	393,499,652	131,760,246	236,852,859	237,618,439	130,994,666	62.586
21. Auto physical damage	98,103,798	807,011,435	677,082,335	228,032,898	13,558,657	14,679,931	226,911,624	62.355
22. Aircraft (all perils)		467	1,257	(790)	116,717	19,860	96,067	
23. Fidelity	(3,042)	816,574	608,522	205,010	534,172	203,997	535,185	32.493
24. Surety	(78,972)	187,556,571	140,211,480	47,266,119	33,109,773	66,371,056	14,004,836	7.473
26. Burglary and theft	2,155	114,184	87,021	29,318	754	888	29,184	39.973
27. Boiler and machinery	76,498	451,897	532,394	(3,999)	(21,761)	13,090	(38,850)	(116.632)
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-nonproportional assumed property	XXX							
32. Reinsurance-nonproportional assumed liability	XXX	9,625,235	7,638,079	1,987,156	49,929,451	49,332,138	2,584,469	
33. Reinsurance-nonproportional assumed financial lines	XXX							
34. Aggregate write-ins for other lines of business								
35. TOTALS	665,224,412	5,847,770,705	4,901,574,447	1,611,420,670	2,271,621,603	2,250,497,522	1,632,544,751	61.868

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

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

	Reported Losses				Incurred But Not Reported			8	9
Line of Business	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	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire	2,224,170	20,489,171	17,291,979	5,421,362	798,169	11,298,628	9,048,404	8,469,755	702,917
2. Allied lines	2,509,199	24,814,499	20,560,208	6,763,490	480,121	3,343,785	3,125,460	7,461,936	448,524
3. Farmowners multiple peril	1,605,252	15,098,690	12,494,549	4,209,393	158,488	48,988	155,192	4,261,677	1,386,020
4. Homeowners multiple peril	42,534,191	280,349,000	243,753,924	79,129,267	21,842,996	141,501,811	122,320,149	120,153,925	18,533,387
5. Commercial multiple peril	117,606,164	1,036,733,035	868,483,724	285,855,475	87,483,887	652,294,614	557,422,612	468,211,364	192,022,191
6. Mortgage guaranty									
8. Ocean marine		29,967	22,823	7,144		949	2,014	6,079	16
9. Inland marine	3,553,977	7,298,506	8,132,298	2,720,185	923,238	(1,415,717)	(338,224)	2,565,930	418,270
10. Financial guaranty									
11.1 Medical professional liablity—occurrence		393,873	294,617	99,256		2,298,822	1,719,519	678,559	348,992
11.2 Medical professional liablity—claims-made						529,129	395,788	133,341	37,685
12. Earthquake		1,590	1,189	401				401	4,226
13. Group accident and health								(a)	(643)
14. Credit accident and health (group and individual)									
15. Other accident and health		51,953,575	49,383,112	2,570,463		36,867,884	27,739,792	(a) 11,698,555	1,558,164
16. Workers' compensation	115,446,074	1,976,561,944	1,624,002,101	468,005,917	80,291,802	1,106,942,335	912,420,795	742,819,259	88,196,333
17.1 Other liability—occurrence	54,331,892	344,372,174	314,607,057	84,097,009	80,861,047	588,254,246	537,176,642	216,035,660	61,129,706
17.2 Other liability—claims-made	129,090	15,401,624	11,830,978	3,699,736	167,560	21,295,841	16,130,400	9,032,737	5,894,857
17.3 Excess workers' compensation			(1)	1				1	87
18.1 Products liability—occurrence	129,472	33,847,030	28,040,187	5,936,315	825,809	9,099,381	7,768,749	8,092,756	2,947,861
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	119,243,745	1,155,385,048	984,742,793	289,886,000	19,061,091	175,539,058	146,567,099	337,919,050	65,793,076
19.3,19.4 Commercial auto liability	52,691,356	557,612,677	457,917,511	152,386,522	31,646,131	311,114,819	258,294,613	236,852,859	36,030,670
21. Auto physical damage	6,778,443	21,341,804	21,093,907	7,026,340	3,629,429	22,331,675	19,428,788	13,558,656	2,449,434
22. Aircraft (all perils)		758,262	642,054	116,208		2,020	1,511	116,717	1
23. Fidelity		446,071	333,662	112,409	6,296	1,667,365	1,251,899	534,171	193,076
24. Surety	2,692,962	(55,976,139)	(34,200,526)	(19,082,651)	50,289	207,062,270	154,920,134	33,109,774	22,816,618
26. Burglary and theft	271	37	230	78	741	1,941	2,006	754	3,306
27. Boiler and machinery	8,000	18,000	44,264	(18,264)	(32,467)	18,590	(10,380)	(21,761)	9,471
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-nonproportional assumed property	XXX				XXX				
32. Reinsurance-nonproportional assumed liability	XXX	98,429,632	77,205,674	21,223,958	XXX	120,137,589	91,432,096	49,929,451	1,371,804
33. Reinsurance-nonproportional assumed financial lines	XXX				XXX				
34. Aggregate write-ins for other lines of business									
35. TOTALS	521,484,258	5,585,360,070	4,706,678,314	1,400,166,014	328,194,627	3,410,236,023	2,866,975,058	2,271,621,606	502,296,049

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 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	54,021,242			54,021,242
1.2 Reinsurance assumed	450,420,068			450,420,068
1.3 Reinsurance ceded	380,647,491			380,647,491
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	123,793,819			123,793,819
2. Commission and brokerage:				
2.1 Direct, excluding contingent		167,647,137		167,647,137
2.2 Reinsurance assumed, excluding contingent		1,443,109,372		1,443,109,372
2.3 Reinsurance ceded, excluding contingent		1,212,238,862		1,212,238,862
2.4 Contingent—direct		135,247,201		135,247,201
2.5 Contingent—reinsurance assumed		15,014,221		15,014,221
2.6 Contingent—reinsurance ceded		112,944,797		112,944,797
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)		435,834,272		435,834,272
3. Allowances to manager and agents	19,546	143,569		163,115
4. Advertising	1,785,836	20,462,222	74,684	22,322,742
5. Boards, bureaus and associations	393,797	5,518,016	2,141	5,913,954
6. Surveys and underwriting reports	29,927	16,361,575	53,131	16,444,633
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	113,391,330	143,904,071	4,800,030	262,095,431
8.2 Payroll taxes	3,089,329	16,302,915	161,189	19,553,433
9. Employee relations and welfare	16,531,307	58,007,862	614,359	75,153,528
10. Insurance	8,613,860	2,321,173	88,402	11,023,435
11. Directors' fees	349	500	2	851
12. Travel and travel items	8,199,965	10,772,202	162,953	19,135,120
13. Rent and rent items	5,080,490	18,439,531	197,098	23,717,119
14. Equipment	4,080,372	9,946,569	106,938	14,133,879
15. Cost or depreciation of EDP equipment and software	1,001,652	9,284,493	228,286	10,514,431
16. Printing and stationery	1,779,354	2,261,059	20,509	4,060,922
17. Postage, telephone and telegraph, exchange and express	10,810,497	8,856,945	222,490	19,889,932
18. Legal and auditing	539,856	1,717,844	326,547	2,584,247
19. Totals (Lines 3 to 18)	175,347,467	324,300,546	7,058,759	506,706,772
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 821,465		59,250,619		59,250,619
20.2 Insurance department licenses and fees		7,448,547		7,448,547
20.3 Gross guaranty association assessments		478,522		478,522
20.4 All other (excluding federal and foreign income and real estate)		5,248,601		5,248,601
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		72,426,289		72,426,289
21. Real estate expenses			1,269,174	1,269,174
22. Real estate taxes			378,356	378,356
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	19,639,897	35,434,063	1,370,893	56,444,853
25. Total expenses incurred	318,781,183	867,995,170	10,077,182	(a) 1,196,853,535
26. Less unpaid expenses—current year	502,296,047	129,021,398	57,785	631,375,230
27. Add unpaid expenses—prior year	502,280,553	110,599,723	76,666	612,956,942
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year		4		4
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	318,765,689	849,573,499	10,096,063	1,178,435,251

DETAILS OF WRITE-IN LINES				
2401. Other expenses	19,639,897	35,434,063	1,370,893	56,444,853
2402.				
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	19,639,897	35,434,063	1,370,893	56,444,853

(a) Includes management fees of $ 43,212,286 to affiliates and $ 412,790 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 12,585,787	11,922,658
1.1	Bonds exempt from U.S. tax	(a) 51,505,173	52,198,641
1.2	Other bonds (unaffiliated)	(a) 124,482,658	123,632,511
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b) 2,697,777	2,615,971
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	2,502,983	2,738,586
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c) 8,235,874	8,185,312
4.	Real estate	(d) 2,288,822	2,288,822
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 138,223	126,831
7.	Derivative instruments	(f)	
8.	Other invested assets	1,002,412	1,002,412
9.	Aggregate write-ins for investment income	723,446	723,446
10.	Total gross investment income	206,163,155	205,435,190
11.	Investment expenses		(g) 10,077,182
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h) 16,419
14.	Depreciation on real estate and other invested assets		(i) 456,254
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15)		10,549,855
17.	Net investment income (Line 10 minus Line 16)		194,885,335

	DETAILS OF WRITE-IN LINES		
0901.	Miscellaneous Income/(Expense)...	723,446	723,446
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)	723,446	723,446
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		
1599.	Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		

(a) Includes $ 4,466,461 accrual of discount less $ 7,817,308 amortization of premium and less $ 2,089,314 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 $ 372 paid for accrued interest on purchases.
(d) Includes $ 2,288,822 for company's occupancy of its own buildings; and excludes $ 0 interest on encumbrances.
(e) Includes $ 3,062 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.
(f) Includes $ 0 accrual of discount less $ 0 amortization of premium.
(g) Includes $ 0 investment expenses and $ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $ 0 interest on surplus notes and $ 0 interest on capital notes.
(i) Includes $ 456,254 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	(11,607)		(11,607)		
1.1	Bonds exempt from U.S. tax	(10,580)		(10,580)		
1.2	Other bonds (unaffiliated)	5,556,193	(995,658)	4,560,535	(7,765,608)	(9,659,916)
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)	(66,055)		(66,055)	(2,347,050)	
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)	2,893,706	(3,564,524)	(670,818)	(23,753,506)	(2,489,310)
2.21	Common stocks of affiliates				23,401,311	
3.	Mortgage loans	(714,455)		(714,455)	(206,099)	
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments	264,706		264,706		
7.	Derivative instruments					
8.	Other invested assets	574,512	(22,655)	551,857	152,453	(24,792)
9.	Aggregate write-ins for capital gains (losses)		(1,020,304)	(1,020,304)		
10.	Total capital gains (losses)	8,486,420	(5,603,141)	2,883,279	(10,518,499)	(12,174,018)

	DETAILS OF WRITE-IN LINES					
0901.	Impairment on software		(1,020,304)	(1,020,304)		
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)		(1,020,304)	(1,020,304)		

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	13,046,898	10,913,525	(2,133,373)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	157,851	16,872	(140,979)
15.3 Accrued retrospective premiums	129,157	256,096	126,939
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	48,741,778	36,903,656	(11,838,122)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	2,620,689		(2,620,689)
21. Furniture and equipment, including health care delivery assets	6,003	100,354	94,351
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	3,202,110	7,401,403	4,199,293
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	67,904,486	55,591,906	(12,312,580)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	67,904,486	55,591,906	(12,312,580)

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Other assets	3,202,110	3,688,926	486,816
2502. OneBeacon Intangible		3,712,477	3,712,477
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	3,202,110	7,401,403	4,199,293

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 applies the following accounting policies, where applicable:

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 1C(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 1C(7).

5. Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.

6. Mortgage backed/asset backed securities are carried 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. Investments in SCA companies are carried in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88,* and the SVO Manual.

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. Investment income is anticipated as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*. Refer to Note 30.

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 2011.

13. The Company has no pharmaceutical rebate receivables.

Note 2 - Accounting Changes and Correction of Errors

A. The Company adopted SSAP No. 35R, *Guaranty Fund and Other Assessments*, effective January 1, 2011. The cumulative effect of adopting SSAP No. 35R is reported in the Capital and Surplus Account and is not considered material.

The Company adopted SSAP No. 5R, *Liabilities, Contingencies and Impairments of Assets*, effective December 31, 2011. The adoption of SSAP No. 5R has no impact on the Company.

NOTES TO FINANCIAL STATEMENTS

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

On August 24, 2007, the Company and three affiliates (Liberty Mutual Fire Insurance Company ("LMFIC"), a Wisconsin insurance company; Liberty Mutual Insurance Company ("LMIC"), a Massachusetts insurance company; and Employers Insurance Company of Wausau ("EICOW"), a Wisconsin insurance company) acquired all of the issued and outstanding voting securities of Ohio Casualty Corporation, an insurance holding company, which is the upstream parent of four property casualty insurance companies. The Company directly acquired an 8% ownership interest in Ohio Casualty Corporation, while the affiliates account for the remaining 92% (LMFIC 6%, LMIC 78%, and EICOW 8%). The transaction was accounted for as a statutory purchase and the cost was $2,168,405,460, resulting in goodwill in the amount of $1,147,694,340. Goodwill amortization relating to the purchase of Ohio Casualty Corporation was $114,769,463 for year ended December 31, 2011; goodwill is being amortized over ten years.

B. Statutory Mergers

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

C. Impairment Loss

The Company did not recognize an impairment loss during the period.

Note 4 - Discontinued Operations

The Company has no discontinued operations.

Note 5 - Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

During 2011, 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 received for new mortgage loans during 2011 were 7.00% and 5.00%, respectively.
(2) During 2011, the Company did not reduce interest rates of any outstanding mortgage loans.
(3) The maximum loan to value of any loan written during 2011 was 75%.
(4) As of year end, PIC held mortgages with interest more than 180 days past due with a recorded investment, excluding accrued, of $215,669.
    a) Total interest due on mortgages with interest more than 180 days past due was $25,919.
(5) There were $17,731 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, 2011 was $1,939,357, of which there is a related allowance for credit losses of $845,134.
(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 $58,768 for 2011.
(9) There was $30,243 interest income recognized for impaired loans during 2011.
(10) There was $30,243 interest income recognized on a cash basis for impaired loans during 2011.
    a) The balance in the allowance for credit losses at the beginning of 2011 was $639,036 and at the beginning of 2010 was $214,860.
    b) There were $758,836 of additions to the allowance charged to operations in 2011 and $771,139 in 2010.
    c) There were $552,738 of direct write-downs charged against the allowance in 2011 and $346,963 in 2010.
    d) There were no recoveries of amounts previously charged off.
    e) The balance in the allowance for credit losses was $845,134 in 2011 and $639,036 in 2010.
(11) The Company recognizes interest income on its impaired loans upon receipt.

B. Troubled Debt Restructuring for Creditors

(1) There was $2,812,381 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. Loan-Backed Securities

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

2. All Loan-Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2011 as of December 31, 2011: None

NOTES TO FINANCIAL STATEMENTS

3. Each Loan-Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2011:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than-temporary impairment	Amortized cost after other-than-temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
021468AD5	975,864	860,343	115,521	860,343	614,366	6/30/2009
021468AD5	1,554,886	1,520,246	34,640	1,520,246	1,575,844	9/30/2010
021468AD5	825,703	821,910	3,793	821,910	787,982	12/31/2010
021468AD5	805,238	784,968	20,270	784,968	741,080	3/31/2011
021468AD5	761,250	751,305	9,945	751,305	682,784	6/30/2011
021468AD5	738,726	731,633	7,094	731,633	644,250	9/30/2011
021468AD5	648,975	645,175	3,800	645,175	644,250	9/30/2011
021468AD5	718,737	689,702	29,035	689,702	562,968	12/31/2011
021468AD5	634,083	564,251	69,832	564,251	562,968	12/31/2011
02147XAN7	3,111,215	2,978,630	132,585	2,978,630	2,858,884	9/30/2010
02147XAN7	1,802,301	1,793,640	8,661	1,793,640	1,419,916	12/31/2010
02147XAN7	1,793,640	1,756,580	37,060	1,756,580	1,580,518	3/31/2011
02147XAN7	1,756,580	1,742,380	14,200	1,742,380	1,539,192	6/30/2011
02147XAN7	1,742,380	1,741,580	800	1,741,580	1,502,190	9/30/2011
02147XAN7	1,726,306	1,674,420	51,885	1,674,420	1,445,644	12/31/2011
76200RAG3	5,654,887	5,405,828	249,059	5,405,828	5,089,692	12/31/2010
76200RAG3	5,405,207	5,402,327	2,880	5,402,327	5,063,600	3/31/2011
76200RAG3	5,402,327	5,400,343	1,984	5,400,343	4,902,730	6/30/2011
76200RAG3	5,233,818	5,217,980	15,838	5,217,980	4,581,605	12/31/2011
74958YAA0	1,999,531	1,878,500	121,031	1,878,500	1,713,250	12/31/2010
74958YAA0	1,878,601	1,868,080	10,521	1,868,080	1,732,646	3/31/2011
74958YAA0	1,850,585	1,835,045	15,540	1,835,045	1,667,613	6/30/2011
74958YAA0	1,732,369	1,719,275	13,094	1,719,275	1,525,712	12/31/2011
12545CAU4	3,956,394	3,639,728	316,666	3,639,728	3,460,316	6/30/2011
12545CAU4	3,443,524	3,372,918	70,606	3,372,918	3,084,973	12/31/2011

4. All impaired Loan-Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2011:

	1	2
	Less Than 12 Months	12 Months or Longer
Gross Unrealized Loss	(194,468)	(5,466,075)
Fair Value of Securities with Unrealized Losses	22,732,391	29,317,218

5. 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' surplus. 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.

E. Repurchase Agreements and Securities Lending

1. On March 26, 2010, the Company entered into a $750,000,000 three-year committed repurchase agreement for general corporate purposes. In connection with the new repurchase agreement the Company terminated its existing $750,000,000 364-day committed repurchase agreement. The Company's practice is to obtain collateral that approximates 91% - 95% of the fair value of securities transferred to the counterparty, as of the transaction date. As of December 31, 2011, no borrowings were outstanding under the agreement.

   Refer to Note 17B for the policy on requiring collateral related to securities lending.

2. The Company has not pledged any of its assets as collateral as of December 31, 2011.

NOTES TO FINANCIAL STATEMENTS

3. Aggregate Amount of Contractually open cash collateral positions:

Aging of Collateral	Total Fair Value
Open	$ 42,652,706
30 Days or Less	-
31 to 60 Days	-
61 to 90 Days	-
Greater than 90 Days	-
Sub-Total	42,652,706
Securities Received	-
Total Collateral Received	$ 42,652,706

4. Securities Lending Transactions Administered by an Affiliated Agent

   The Company's security lending transactions are not administered by an affiliate agent.

5. Collateral Reinvestment

   a. Aggregate Amount Cash Collateral Reinvested

	Amortized Cost	Fair Value
Open	$ -	$ -
30 Days or Less	10,567,892	10,567,926
31 to 60 Days	20,860,759	20,861,123
61 to 90 Days	11,227,859	11,228,539
90 to 120 Days	-	-
121 to 180 Days	-	-
181 to 365 Days	-	-
1 to 2 Years	-	-
2 to 3 Years	-	-
Greater than 3 Years	-	-
Subtotal	42,656,510	42,657,588
Securities Received	-	-
Total Collateral Reinvested	$ 42,656,510	$ 42,657,588

   b. The reporting entity's sources of cash that it uses to return the cash collateral is dependent on the liquidity of the current market conditions. Under current conditions, the reporting entity could liquidate all or a portion of its cash collateral reinvestment securities in order to meet the collateral calls that could come due under a worst-case scenario.

F. Real Estate

1. The Company did not recognize any impairments on real estate during the year.

2. The Company has not sold or classified real estate investments as held for sale.

3. The Company has not experienced any changes to a plan of sale for investment in real estate.

4. The Company does not engage in retail land sale operations.

5. The Company does not hold real estate investments with participating mortgage loan features.

G. Investments in Low-Income Housing Tax Credits

1. There are thirteen years remaining of unexpired tax credits. The required holding period for the LIHTC investment is fifteen years.

2. The Company’s LIHTC property is required to meet regulatory benchmarks to comply with the LIHTC program which include the review of tenant files. Oversight of the projects is administered by the State Housing agencies.

3. The carrying value of the Company’s investment in LIHTC did not exceed 10% of its admitted assets.

4. The Company did not recognize any impairment loss on its LIHTC investment during the year.

5. The Company did not write-down its LIHTC investment or reclassify the LIHTC during the year due to the forfeiture or ineligibility of tax credits.

NOTES TO FINANCIAL STATEMENTS

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

A. Investments in joint ventures, partnerships and limited liability companies that exceed 10% of its admitted assets

The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of its admitted assets.

B. Impairments on joint ventures, partnerships or limited liability companies

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 $22,655 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 (over 180 days for mortgage loans in default).

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2011.

Note 8 - Derivative Instruments

The Company maintains an active Derivative Use Policy as approved by the New York State Insurance Department. Pursuant to the policy, the Company may enter into derivative transactions. The Company may also 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, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross Deferred Tax Assets	226,799,289	24,832,711	251,632,000	197,531,334	18,786,206	216,317,540	29,267,955	6,046,505	35,314,460
Statutory Valuation Allowance Adjustment	-	-	-	-	-	-	-	-	-
Adjusted Gross Deferred Tax Assets	226,799,289	24,832,711	251,632,000	197,531,334	18,786,206	216,317,540	29,267,955	6,046,505	35,314,460
Deferred Tax Liabilities	(38,051,250)	(6,721,750)	(44,773,000)	(27,535,542)	(6,026,198)	(33,561,740)	(10,515,708)	(695,552)	(11,211,260)
Net DTA (DTL)	188,748,039	18,110,961	206,859,000	169,995,792	12,760,008	182,755,800	18,752,247	5,350,953	24,103,200
Deferred Tax Assets Nonadmitted	(31,918,748)	(16,823,029)	(48,741,777)	(35,828,081)	(1,075,575)	(36,903,656)	3,909,333	(15,747,454)	(11,838,121)
Net Admitted DTA (DTL)	156,829,291	1,287,932	158,117,223	134,167,711	11,684,433	145,852,144	22,661,580	(10,396,501)	12,265,079

The Company has elected to admit additional DTAs pursuant to SSAP No. 10R, paragraph 10e. The current period election does not differ from the prior reporting period. The Company does not utilize tax planning strategies.

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10a.)	-	-	-	101,992,262	10,859,303	112,851,565	(101,992,262)	(10,859,303)	(112,851,565)
Lesser of:									
Expected to be recognized within one year (10bi.)	127,283,675	1,287,932	128,571,607	6,295,950	-	6,295,950	120,987,725	1,287,932	122,275,657
10% of adjusted capital and surplus (10bii.)			146,343,956			121,544,377			24,799,579
Adj. gross DTAs offset against existing DTLs (10c.)	38,051,250	6,721,750	44,773,000	27,535,542	6,026,198	33,561,740	10,515,708	695,552	11,211,260
Total	165,334,925	8,009,682	173,344,607	135,823,754	16,885,501	152,709,255	29,511,171	(8,875,819)	20,635,352

NOTES TO FINANCIAL STATEMENTS

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	-	-	-	103,065,667	11,684,433	114,750,100	(103,065,667)	(11,684,433)	(114,750,100)
Lesser of:									
Expected to be recognized within three years (10eiia.)	156,829,291	1,287,932	158,117,223	31,102,044	-	31,102,044	125,727,247	1,287,932	127,015,179
15% of adjusted capital and surplus (10eiib.)			219,515,934			182,316,565			37,199,369
Adj. gross DTAs offset against existing DTLs (10eiii.)	38,051,250	6,721,750	44,773,000	27,535,542	6,026,198	33,561,740	10,515,708	695,552	11,211,260
Total	194,880,541	8,009,682	202,890,223	161,703,253	17,710,631	179,413,884	33,177,288	(9,700,949)	23,476,339

Used in SSAP No. 10R, Paragraph 10.d.	December 31, 2011	December 31, 2010	Change
Total Adjusted Capital	1,772,931,613	1,750,970,701	21,960,912
Authorized Control Level	355,063,215	348,672,512	6,390,703

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	127,283,675	1,287,932	128,571,607	108,288,212	10,859,303	119,147,515	18,995,463	(9,571,371)	9,424,092
Admitted Assets			7,332,238,922			7,394,613,400			(62,374,478)
Adjusted Statutory Surplus*			1,463,439,559			1,215,443,767			247,995,792
Total Adjusted Capital from DTAs			128,571,607			119,147,515			9,424,092

*As reported on the statutory balance sheet for the most recently filed statement with the domiciliary state commissioner adjusted in accordance with SSAP No.10R, Paragraph 10bii

Increase due to SSAP No. 10R, Paragraph 10.e.	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	29,545,616	-	29,545,616	25,879,499	825,130	26,704,629	3,666,117	(825,130)	2,840,987
Admitted Assets	29,545,616	-	29,545,616	25,879,499	825,130	26,704,629	3,666,117	(825,130)	2,840,987
Adjusted Statutory Surplus	29,545,616	-	29,545,616	25,879,499	825,130	26,704,629	3,666,117	(825,130)	2,840,987

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

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

	2011	2010
Federal	(7,123,147)	5,115,645
Foreign	-	-
Realized capital gains	1,009,147	15,770,755
Federal and foreign income taxes incurred	(6,114,000)	20,886,400

The Company's DTAs and DTLs result primarily from limits on unearned premium reserves, discounting of unpaid losses and LAE reserves, pension funding, unrealized gains and losses, and net operating loss carry-forward.

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

	2011
Change in net deferred income tax (without unrealized gain or loss)	7,976,282
Change in tax effect of unrealized (gains) losses	16,126,918
Total change in net deferred income tax	24,103,200

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, unearned premium reserves, pension funding, permanent impairments, and net operating loss carry-forward.

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is none from the current year and none from the preceding year.

NOTES TO FINANCIAL STATEMENTS

The Company has net operating loss carry-forward available to offset future net income subject to Federal income taxes as follows:

Year Generated	Amount	Expiration
2011	58,333,000	2031

The Company has general business credit carry-forward available to offset future net income subject to Federal income taxes as follows:

Year Generated	Amount	Expiration
2011	842,000	2031

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

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

Access Insurance Services, Co. (Dissolved 10/24/2011)
AMBCO Capital Corporation
America First Insurance Company
America First Lloyds Insurance Company
American Economy Insurance Company
American Fire & Casualty Company
American States Insurance Company
American States Insurance Company of Texas
American States Lloyds Insurance Company
American States Preferred Insurance Company
Barrier Ridge LLC
Berkeley Holding Company Associates, Inc.
Berkeley Management Corporation
Bridgefield Casualty Insurance Company
Bridgefield Employers Insurance Company
Capitol Court Corporation
Capitol Agency, Inc., The (Arizona corporation) (Dissolved 1/20/2011)
Cascade Disability Management, Inc.
Colorado Casualty Insurance Company
Commercial Aviation Insurance, Inc.
Consolidated Insurance Company
Copley Venture Capital, Inc.
Diversified Settlements, Inc.
Emerald City Insurance Agency, Inc.
Employers Insurance Company of Wausau
Excelsior Insurance Company
F.B. Beattie & Co., Inc.
First National Insurance Company of America
First State Agency Inc.
General America Corporation
General America Corporation of Texas
General Insurance Company of America
Golden Eagle Insurance Corporation
Gulf States AIF, Inc.
Hawkeye-Security Insurance Company
Heritage-Summit HealthCare, Inc.
Indiana Insurance Company
Insurance Company of Illinois
LEXCO Limited
Liberty-USA Corporation
Liberty Assignment Corporation
Liberty Energy Canada, Inc.
Liberty Financial Services, Inc.
Liberty Hospitality Group, Inc.
Liberty Insurance Corporation
Liberty Insurance Holdings, Inc.
Liberty Insurance Underwriters Inc.*
Liberty International Europe Inc.
Liberty Mutual Holding Company Inc.
Liberty Mutual Insurance Company
Liberty Mutual Personal Insurance Company
Liberty Northwest Insurance Corporation
Liberty Personal Insurance Company
Liberty RE (Bermuda) Limited
Liberty Sponsored Insurance (Vermont) Inc.
Liberty Surplus Insurance Corporation
LIH-RE of America Corporation
LIU Specialty Insurance Agency Inc.
LM General Insurance Company
LM Insurance Corporation
LM Property & Casualty Insurance Company
LMHC Massachusetts Holdings Inc.
LRE Properties, Inc.
Mid-American Fire & Casualty Company
North Pacific Insurance Company
OCASCO Budget, Inc.
OCI Printing, Inc.
Ohio Casualty Corporation
Ohio Security Insurance Company
Open Seas Solutions, Inc.
Oregon Automobile Insurance Company
Peerless Indemnity Insurance Company
Peerless Insurance Company
Pilot Insurance Services, Inc.
Rianoc Research Corporation
S.C. Bellevue, Inc.
SAFECARE Company, Inc.
Safeco Corporation
Safeco General Agency, Inc.
Safeco Insurance Company of America
Safeco Insurance Company of Illinois
Safeco Insurance Company of Indiana
Safeco Insurance Company of Oregon
Safeco Lloyds Insurance Company
Safeco National Insurance Company
Safeco Properties, Inc.
Safeco Surplus Lines Insurance Company
San Diego Insurance Company
SCIT, Inc.
St. James Insurance Company Ltd.
Summit Consulting, Inc.
Summit Consulting, Inc. of Louisiana
Summit Holding Southeast, Inc.
The First Liberty Insurance Corporation
The Midwestern Indemnity Company
The National Corporation
The Netherlands Insurance Company

NOTES TO FINANCIAL STATEMENTS

Liberty International Holdings Inc.	The Ohio Casualty Insurance Company
Liberty Life Assurance Company of Boston	Wausau Business Insurance Company
Liberty Life Holdings Inc.	Wausau General Insurance Company
Liberty Lloyds of Texas Insurance Company	Wausau Underwriters Insurance Company
Liberty Management Services, Inc.	West American Insurance Company
Liberty Mexico Holdings Inc.	Winmar Company, Inc.
Liberty Mutual Agency Corporation	Winmar of the Desert, Inc.
Liberty Mutual Fire Insurance Company	Winmar Oregon, Inc.
Liberty Mutual Group Asset Management Inc.**	Winmar-Metro, Inc.
Liberty Mutual Group Inc.	

* Merged with and into LM Personal Insurance Company and LM Personal Insurance Company changed its name to Liberty Insurance Underwriters Inc. on January 3, 2011.

** This company joined the consolidated group in 2011 and its activity from the date it joined the group is included in the consolidated return.

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

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Agency Corporation ("LMAC"), an insurance holding company incorporated in Delaware. LMAC is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Insurance Holdings, Inc. is wholly owned by LMIC, a Massachusetts insurance company. The ultimate parent of LMIC is Liberty Mutual Holding Company Inc. ("LMHC"), a Massachusetts company.

B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.

C. There have been no material transactions with the Company's affiliates during 2011.

D. At December 31, 2011, the Company reported a net $61,983,902 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.

E. The Company has not made any guarantees or initiated any undertakings, written or otherwise, for the benefit of affiliates or other related parties.

F. Refer to Note 26 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

The Company is a party to management services agreements (the "Agreements"), with a number of affiliates. The Agreements allow 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 related to common management functions including, but not limited to policy and underwriting, claims management, general financial, tax; litigation and other services the Company may request.

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

The Company is a party to a management services agreement with LMAC. Under the agreement, LMAC shall provide either directly or through its affiliates, certain management, operating and other services as the parties may request.
The Company entered into a management agreement with Liberty Mutual Mid-Atlantic Insurance Company, 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 LMHC 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, 2011, there have been no drawings under this agreement.

The Company is party to two Claims Services Agreements with LMIC.

G. The Company is a member 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.

NOTES TO FINANCIAL STATEMENTS

I. The Company does not own investments in subsidiary, controlled or affiliated companies that exceed 10% of its admitted assets.

J. The Company did not recognize any impairment write down for its investments in subsidiary, controlled, or affiliated entities during the statement period.

K. The Company does not hold investments in foreign insurance subsidiaries.

L. The Company does not hold any investments in downstream non-insurance holding companies.

Note 11- Debt

A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

B. On May 11, 2010, the Company became a member of the Federal Home Loan Bank of Boston. On June 10, 2011 the Company borrowed $12,000,000 under the agreement and paid the funds back on December 9, 2011. In 2011, the Company paid and incurred interest expense of $16,380. There were no outstanding borrowings as of December 31, 2011.

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

Effective January 1, 2011 employees were transferred into the Company from other Liberty Mutual entities. Also effective January 1, 2011 LMAC established the Retirement Benefit Plan, the Supplemental Income at Retirement Plan which has both a defined benefit component and defined contribution component; and the Deferred Compensation Plan which has both a defined benefit component and a defined contribution component. Eligible employees may participate in these pension plans effective January 1, 2011. Also, eligible employees who had participated in the LMGI and LMIC defined benefit pension plans would be entitled to benefits with respect to years of service credited under these plans through 2010. Lastly, eligible employees continue to participate in the LMGI and LMIC defined contribution pension and postretirement health and life insurance benefit plans.

The Company has no legal obligation for these plans except for the minimum required contributions described in note 14F. Accordingly, these plans' assets and obligations are not disclosed in this note. The costs of the LMGI plans are allocated by LMGI to LMIC, pursuant to an Employee Benefit Plan Cost-Sharing Agreement. Except for defined benefit pension plans costs and postretirement benefit plans prior service costs, a portion of the costs of the LMGI and LMIC sponsored plans in turn, are allocated to LMAC through a master service agreement. The costs of the LMGI and LMIC sponsored plans, as well as the plans sponsored by LMAC are allocated to PIC through a master service agreement.

LMAC allocates defined benefit pension amounts for the pension plans it sponsors to the Company based on paid amounts. LMAC allocated $30,006,254 of defined benefit pension expense to the Company in 2011.

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

1. The Company has 5,000,000 common shares authorized, and 3,524,456 shares issued and outstanding as of December 31, 2011. All shares have a stated par value of $2.50.

   The Company has 113,043 preferred shares authorized, but no shares issued and outstanding as of December 31, 2011. All shares have a stated par value of $2.50.

2. Preferred Stock

   Not applicable

3. The Company has no dividend restrictions.

4. The Company did not pay any dividends to its parent during 2011.

5. The maximum amount of dividends that can be paid to shareholders by New Hampshire-domiciled insurance companies without prior approval of the Insurance Commissioner is 10% of surplus. The maximum dividend payout that may be made without prior approval in 2012 is $180,247,723.

6. As of December 31, 2011, the Company has restricted surplus of $29,545,615 from recording the increase in admitted DTA's as a result of applying the revised guidance in SSAP No. 10R, *Income Taxes,* (refer to Note 2A) and pre-tax restricted surplus of $5,297,652 resulting from retroactive reinsurance contracts.

7. The Company had no advances to surplus.

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

9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2011 and from the adoption of the revised guidance on calculating admitted DTA's in SSAP 10R.

10. The portion of unassigned funds (surplus) represented by cumulative net unrealized losses is $(241,999,499) after applicable deferred taxes of $18,527,461.

NOTES TO FINANCIAL STATEMENTS

11. Surplus Notes

    Not applicable

12. Quasi-reorganization (dollar impact)

    Not applicable

13. Quasi-reorganization (effective date)

    Not applicable

Note 14 - Contingencies

A. Contingent Commitments

    1. The Company has made no commitments or contingent commitments on behalf of affiliates.

    2. The Company has made no guarantees on behalf of affiliates.

B. Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments and premium-based assessments are presumed probable when the premium on which the assessments are expected to be based are written. In the case of loss-based assessments, the event that obligates the entity is an entity incurring the losses on which the assessments are expected to be based.

The Company has accrued a liability for guaranty funds and other assessments of $10,287,862 that is offset by future premium tax credits of $1,322,201. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2012. During 2011 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

Reconciliation of paid and accrued premium tax offsets and policy surcharges at prior year-end to current year-end:

a.	Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	$ 2,100,334
b.	Decreases current year: Premium tax offset applied	778,132
c.	Increases current year: Premium tax offset increase	-
d.	Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	$ 1,322,202

C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	$2,021,765

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. Product Warranties

The Company does not write product warranty business.

NOTES TO FINANCIAL STATEMENTS

F. All Other Contingencies

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") and LMAC. LMGI is the plan sponsor of the Liberty Mutual Retirement Benefit Plan, a qualified plan under federal law. LMAC is the Plan Sponsor of the Liberty Mutual Agency Corporation Retirement Benefit Plan, also 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, or LMAC has not made the minimum required contributions with respect to the Liberty Mutual Agency Corporation Retirement Benefit Plan, the Company, jointly and severally with all other members of the controlled group, would be contingently liable to make such contributions.

Note 15 - Leases

A. Lessee Leasing Arrangements

The Company leases office space, plant and equipment under various non cancelable operating lease arrangements. The Company has also 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, *Leases*. The Company has a purchase option for all property, plant and equipment at the end of each respective lease.

The Company's minimum lease obligations under these agreements are as follows:

Year(s)	Sale Lease-back	All Other Operating Lease Arrangements
2012	$ 1,429,482	$ 10,154,779
2013	1,429,482	10,117,284
2014	119,123	9,390,176
2015	-	7,321,118
2016	-	6,659,627
2017 & thereafter	-	8,205,683
Total	$ 2,978,087	$ 51,848,667

The amount of liability the Company recognized in its financial statements for lease agreements for which it is no longer using the leased property benefits is $3,599,301.

B. Leasing as a Significant Part of Lessor's Business Activities

Leasing is not a significant part of the Company's business activities.

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

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

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

A. Transfers of Receivables Reported as Sales

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

B. Transfers and Servicing of Financial Assets

The Company 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 collateral is unrestricted and 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, 2011 the total fair value of securities on loan was $41,765,846, with corresponding collateral value of $42,652,706 of which $42,652,706 represents cash collateral.

C. Wash Sales

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

NOTES TO FINANCIAL STATEMENTS

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

In 2008, certain members of the PIC Amended and Restated Reinsurance Pooling Agreement (refer to Note 26) 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 third party administrators 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 2011, the Company recorded net CEA administrative fees of $288,599.

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 or produced through managing general agents or third party administrators.

Note 20 - Fair Value Measurements

A. Inputs Used for Assets and Liabilities Measured at Fair Value

1. Fair Value Measurements by Levels 1, 2 and 3

Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company primarily uses the market approach which generally utilizes market transaction data for identical or similar instruments.

The hierarchy level assigned to each security in the Company's portfolio is based on the Company's assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. The highest priority is given to Level 1 measurements and the lowest priority to Level 3 measurements. Securities are classified based on the lowest level of input that is significant to the fair value measurement. The Company recognizes transfers between levels at the end of each reporting period. The three hierarchy levels are defined as follows:

- Level 1 — Valuations based on unadjusted observable quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

- Level 2 — Valuations based on directly or indirectly observable inputs (other than Level 1 prices) at the measurement date, such as quoted prices in active markets or prices in markets that are not active for similar assets or liabilities or other inputs that are observable.

- Level 3 — Valuations based on inputs that are unobservable and reflect the Company's own assumptions about the assumptions that market participants might use.

The following table summarizes the Company's assets and liabilities that are measured at fair value at December 31, 2011:

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	-	$ 121,339,400	$ 3,000,000	$ 124,339,400
Residential Mortgage-Backed Securities	-	3,377,304	-	3,377,304
Total Bonds	-	$ 124,716,704	$ 3,000,000	$ 127,716,704
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	-	$ 33,539,450	-	$ 33,539,450
Total Preferred Stocks	-	$ 33,539,450	-	$ 33,539,450
Common Stocks				
Industrial and Miscellaneous	$ 254,438,255	-	$ 5,945,606	$ 260,383,861
Total Common Stocks	$ 254,438,255	-	$ 5,945,606	$ 260,383,861
Total assets at fair value	$ 254,438,255	$ 158,256,154	$ 8,945,606	$ 421,640,015
Liabilities at fair value	-	-	-	-
Total liabilities at fair value	$ 0	$ 0	$ 0	$ 0

The Company did not have significant transfers between Levels 1 and 2 during the period ended December 31, 2011.

NOTES TO FINANCIAL STATEMENTS

2. Rollforward of Level 3 Items

The following tables set forth the fair values of assets basis classified as Level 3 within the fair value hierarchy:

1	2	3	4	5	6	7	8	9	10	11
	Balance at 12/31/2010	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at 12/31/2011
Bonds	$ -	$ -	$ -	$ -	$ -	$ 3,000,000	$ -	$ -	$ -	$ 3,000,000
Preferred Stock	-	-	-	-	-	-	-	-	-	-
Common Stock	4,180,900	-	-	-	-	1,764,706	-	-	-	5,945,606
Total	$ 4,180,900	$ -	$ -	$ -	$ -	$ 4,764,706	$ -	$ -	$ -	$ 8,945,606

3. Policy on Transfers Into and Out of Level 3

Transfers in and/or out of Level 3 are due to re-evaluation of the observability of pricing inputs.

4. Inputs and Techniques Used for Fair Value

Fixed Maturities

At each valuation date, the Company uses various valuation techniques to estimate the fair value of its fixed maturities portfolio. The primary method for valuing the Company’s securities is through independent third-party valuation service providers. For positions where valuations are not available from independent third-party valuation service providers, the Company utilizes broker quotes and internal pricing methods to determine fair values. The Company obtains a single non-binding price quote from a broker familiar with the security who, similar to the Company’s valuation service providers, may consider transactions or activity in similar securities, as applicable, among other information. The brokers providing price quotes are generally from the brokerage divisions of leading financial institutions with market making, underwriting and distribution expertise regarding the security subject to valuation. The evaluation and prioritization of these valuation sources is systematic and predetermined resulting in a single quote or price for each financial instrument. The following describes the techniques generally used to determine the fair value of the Company’s fixed maturities by asset class:

U.S. Government and Agency

U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. As the fair values of the Company’s U.S. Treasury securities are based on unadjusted market prices, they are classified within Level 1. The fair value of U.S. government agency securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, reported trades, bids, offers and credit spreads. Accordingly, the fair value of U.S. government agency securities is classified within Level 2.

Mortgage-Backed Securities

The Company’s portfolio of residential mortgage-backed securities (“MBS”) and commercial MBS are originated by both agencies and non-agencies, the majority of which are pass-through securities issued by U.S. government agencies. The fair value of MBS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of MBS is primarily classified within Level 2.

Asset-Backed Securities

Asset-backed securities (“ABS”) include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, credit card receivables, and collateralized loan obligation securities originated by a variety of financial institutions. The fair value of ABS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of ABS is primarily classified within Level 2.

Municipals

The Company’s municipal portfolio comprises bonds issued by U.S. domiciled state and municipal entities. The fair value of municipal securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades and credit spreads. Accordingly, the fair value of municipal securities is primarily classified within Level 2.

NOTES TO FINANCIAL STATEMENTS

Corporate debt and other

Corporate debt securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair value of corporate and other securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, new issuances, issuer ratings, reported trades of identical or comparable securities, bids, offers and credit spreads. Accordingly, the fair value of corporate and other securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Foreign government securities

Foreign government securities comprise bonds issued by foreign governments and their agencies along with supranational organizations. The fair value of foreign government securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades of identical or comparable securities and credit spreads. Accordingly, the fair value of foreign government securities is primarily classified within Level 2.

Equity Securities

Equity securities include common and preferred stocks. Common stocks with fair values based on quoted market prices in active markets are classified in Level 1. Common stocks with fair values determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active are classified in Level 2. The fair value of preferred stock is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active. Accordingly, the fair value of preferred stock is primarily classified within Level 2.

Other Investments

Other investments include primarily international loans, foreign cash deposits and equity investments in privately held businesses. International loans and cash deposits are primarily valued using quoted prices for similar instruments in active markets; these assets are categorized as Level 2 of the fair value hierarchy. Equity investments in privately held businesses are valued using internal management estimates; they are categorized as Level 3 of the hierarchy. Limited partnership investments, which represent the remainder of the other investment balance on the consolidated balance sheet, are not subject to these disclosures and therefore are excluded from the above table.

5. Derivative Fair Values

   Not applicable

B. Other Fair Value Disclosures

   Not applicable

C. Reasons Not Practical to Estimate Fair Value

   Not applicable

Note 21 - Other Items

A. Extraordinary Items

   The Company has no extraordinary items to report.

B. Troubled Debt Restructuring: Debtors

   Not applicable

C. Other Disclosures

   1) Assets in the amount of $828,092,040 and $594,946,454 as of December 31, 2011 and 2010, respectively, were on deposit with government authorities or trustees as required by law.

   2) Interrogatory 6.2

   The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, the Company employs RiskLink v11.0 from RMS and AIR Clasic/2 v12.0. For workers compensation, Liberty Mutual utilizes RiskLink v11.0 from RMS.

D. The Company routinely assesses the collectability of its premium receivable balances. The Company does not believe that amounts in excess of nonadmitted amounts are material.

E. Business Interruption Insurance Recoveries

   The Company does not purchase business interruption coverage.

NOTES TO FINANCIAL STATEMENTS

F. State Transferable and Non-transferable Tax Credits

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

Description of State Transferable and Non-transferable Tax Credits	State	Carrying Value	Unused Amount
Urban Industrial Site Reinvestment Tax Credit	CT	$360,000	$360,000
Total		$360,000	$360,000

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

The Company estimated the utilization of the remaining transferable and non-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 and non-transferable state tax credits

(3) Impairment amount recognized by the reporting period, if any.

The Company has not recognized any impairment losses associate with its transferable and non-transferable state tax credits during the reporting period.

(4) Identify state tax credit by transferable and non-transferable classification, and identify the admitted and nonadmitted portions of each classification.

Description of State Transferable and Non-transferable Tax Credits	State		Transferable	Non-Transferable
Urban Industrial Site Reinvestment Tax Credit	CT	Admitted	-	$360,000
Urban Industrial Site Reinvestment Tax Credit	CT	Non Admitted	-	-
Total				$360,000

G. Subprime-Mortgage-Related Risk Exposure

1. The Company has not purchased securities characterized by the market as subprime. The Company looks at such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities. The Company's only exposure to subprime was inherited through past acquisitions of insurance companies.

2. The Company does not have any direct exposure through investments in subprime mortgage loans.

3. The Company has direct exposure through their investment in residential mortgage-backed securities.

Actual Cost	Book Adjusted Carrying Value	Fair Value	Other-Than-Temporary Impairments Recognized
$1,816,280	$1,816,266	$1,815,465	$ -

4. The Company does not have any underwriting exposure to sub-prime mortgage risk.

Note 22 - Events Subsequent

A. The Company evaluated subsequent events through February 24, 2012, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2011 that would require disclosure.

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverable

Excluding amounts arising pursuant to the Intercompany Reinsurance Agreement, as described in Note 26, the following are the unsecured reinsurance recoverables or ceded unearned premium of an individual reinsurer which exceed 3% of policyholder's surplus.

NOTES TO FINANCIAL STATEMENTS

Reinsurer	NAIC No.	Federal ID No.	Recoverable Amount
European Reinsurance Company of Zurich	00000	AA-1460045	-
GE Frankona Reinsurance Ltd.	00000	AA-1120643	-
Mercantile & General Reinsurance Company Ltd.	00000	AA-1120950	-
North American Elite Insurance Company	29700	13-3440360	-
North American Specialty Insurance Company	29874	02-0311919	-
Swiss Reinsurance Europe SA	00000	AA-1370021	-
Swiss Reinsurance Life and Health Ltd.	00000	AA-1120029	-
Swiss Reinsurance Life and Health America Inc.	82627	06-0839705	-
Swiss Reinsurance America Corporation	25364	13-1675535	-
Swiss Reinsurance Company (UK) Ltd.	00000	AA-1121400	-
Union Ruckversicherungs Gesellschaft	00000	AA-1460155	-
Westport Insurance Corporation	39845	48-0921045	-
Swiss Re Group (NAIC Code: 181)			$ 225,481,132
Allied World Reinsurance Company	22730	06-1182357	-
Europa Ruckversicherungs AG	00000	AA-1340003	-
Finial Reinsurance Company	39136	06-1325038	-
General Reinsurance Corporation	22039	13-2673100	-
General Star Indemnity Company	37362	06-0876629	-
National Indemnity Company	20087	47-0355979	-
Yasuda Fire and Marine Insurance Company of Europe Ltd.	00000	AA-1121575	-
Berkshire Hathaway Group (NAIC Code: 31)			$ 129,640,005
Michigan Catastrophic Claims Association	00000	AA-9991159	$ 95,396,232
Ergo Versicherung AG	00000	AA-1340240	-
Great Lakes Reinsurance (UK) PLC	00000	AA-1120697	-
Hamburg Mannheimer Sachversicherungs AG	00000	AA-1340110	-
Hartford Steam Boil Inspection and Insurance Company	11452	06-0384680	-
Munchener Ruckversicherungs Gesellschaft	00000	AA-1340165	-
Munich Reinsurance American Inc	10227	13-4924125	-
Nouvelle Cie De Reassur SA	00000	AA-1460100	-
Munich Re Group (NAIC Code: 361)			$ 77,678,363
Paris RE	00000	AA-1320034	-
Partner Reinsurance Company of the US	38636	13-3031176	-
Partner Re Insurance Company of NY	10006	13-3531373	-
Partner Re Group (NAIC Code: 3483)			$ 52,543,153
Total			$ 580,738,886

B. Reinsurance Recoverable in Dispute

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

C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2011.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	$ 4,443,299,777	$ 666,494,967	$ 3,769,263,296	$565,389,494	$674,036,482	$ 101,105,472
All Other	106,203,731	17,944,038	52,757,443	13,075,878	53,446,289	4,868,160
Total	$ 4,549,503,508	$ 684,439,005	$ 3,822,020,739	$ 578,465,372	$727,482,771	$ 105,973,632

Direct Unearned Premium Reserve: $ 542,375,988

2. Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2011 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	$ 210,922,017	$ 56,208,297	$ (208,578,323)	$ 58,551,990
Sliding scale adjustments	-	-	-	-
Other profit commissions	-	-	-	-
Totals	$ 210,922,017	$ 56,208,297	$ (208,578,323)	$ 58,551,990

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

NOTES TO FINANCIAL STATEMENTS

D. Uncollectible Reinsurance

The Company has written off in the current year reinsurance balances due (from the companies listed below) in the amount of: $(16,524), which is reflected as:

Income Statement Classification	Amount
Losses Incurred	$16,524
Loss Expenses Incurred	-
Premiums Earned	-
Other	-
Total	$16,524
Reinsurer	Amount
Continental Insurance Co	$10,091
CNA Insurance Co LTD	$6,433
Total	$16,524

E. Commutation of Ceded Reinsurance

The Company commuted one reinsurance treaty in the current year with the reinsurer listed below. The net effect of all commutations was an increase in Net Income of $158,586. This amount is shown below by Income Statement classification and by reinsurer.

Income Statement Classification	Amount
Losses Incurred	$(158,586)
Loss Expenses Incurred	-
Premiums Earned	-
Other	-
Total	$(158,586)
Reinsurer	Amount
GTE Re	$(158,586)
Total	$(158,586)

F. Retroactive Reinsurance

The Company's retroactive reinsurance is a result of the Intercompany Reinsurance Agreement as described in Note 26.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial	$ 508,403,066	$ 388,749,280
	2. Adjustments – Prior Year(s)	(399,279,660)	(303,666,936)
	3. Adjustments – Current Year	(10,154,795)	(8,467,405)
	4. Total	$ 98,968,611	$ 76,614,938
b.	Consideration Paid or Received:		
	1. Initial	$ 508,403,066	$ 409,941,026
	2. Adjustments – Prior Year(s)	14,892,933	11,139,914
	3. Adjustments – Current Year	-	-
	4. Total	$ 523,295,999	$ 421,080,940
c.	Amounts Recovered / Paid – Cumulative:		
	1. Initial		
	2. Adjustments – Prior Year(s)	$ 495,877,259	$ 374,794,732
	3. Adjustments – Current Year	10,155,200	8,317,664
	4. Total	$ 506,032,459	$ 383,112,396
d.	Special Surplus from Retroactive Reinsurance:		
	1. Initial Surplus Gain or Loss	$ -	$ 24,880,681
	2. Adjustments – Prior Year(s)	(81,704,666)	(59,987,882)
	3. Adjustments – Current Year	(405)	149,741
	4. Current Year Special Surplus	-	(5,297,652)
	5. Cumulative Total Transferred to Unassigned Funds	$ (81,705,071)	$ (29,659,807)

NOTES TO FINANCIAL STATEMENTS

e.	All cedents and reinsurers included in the above transactions:		
	Great American Insurance Company	$ 98,968,611	$ -
	Westport Insurance Corporation		8,687,247
	LLOYD'S SYNDICATE # 0138		30,953
	LLOYD'S SYNDICATE # 0183		61,889
	LLOYD'S SYNDICATE # 0227		61,889
	LLOYD'S SYNDICATE # 1003		27,230
	LLOYD'S SYNDICATE # 1007		61,889
	LLOYD'S SYNDICATE # 1047		61,889
	LLOYD'S SYNDICATE # 1096		49,518
	LLOYD'S SYNDICATE # 1173		185,685
	LLOYD'S SYNDICATE # 1204		92,842
	LLOYD'S SYNDICATE # 1212		185,702
	LLOYD'S SYNDICATE # 1218		61,889
	LLOYD'S SYNDICATE # 1223		61,889
	LLOYD'S SYNDICATE # 1241		123,796
	LLOYD'S SYNDICATE # 1415		30,953
	LLOYD'S SYNDICATE # 1900		154,731
	LLOYD'S SYNDICATE # 2003		96,548
	LLOYD'S SYNDICATE # 2020		123,796
	LLOYD'S SYNDICATE # 2027		92,842
	American Security Insurance Company		10,382
	American Economy Insurance Company		4,967,483
	American Fire and Casualty Company		532,230
	American States Insurance Company		6,741,584
	American States Preferred Insurance Company		709,640
	First National Insurance Company of America		709,640
	General Insurance Company of America		8,160,865
	Golden Eagle Insurance Corporation		2,661,152
	Indiana Insurance Company		4,257,842
	Peerless Indemnity Insurance Company		2,661,152
	Safeco Insurance Company of America		13,483,168
	Safeco Insurance Company of Illinois		1,774,101
	The Netherlands Insurance Company		1,596,691
	The Ohio Casualty Insurance Company		18,095,830
	Total	$ 98,968,611	$ 76,614,938

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. Reinsurance Accounted for as a Deposit

The Company has not entered into any reinsurance agreements that have been accounted for as deposits as of December 31, 2011.

H. Disclosures for the Transfer of Property and Casualty Run-off Agreements

The Company has not entered into any agreements which have been approved by their domiciliary regulator and have qualified pursuant to SSAP No. 62R, *Property and Casualty Reinsurance* to receive P&C Run-off Accounting Treatment.

Note 24 - 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 refer to Schedule P, Part 7A.

D. Medical Loss Ratio Rebates

The Company does not recognize a liability for medical loss ratio rebates pursuant to the Public Health Service Act, as the Company does not write direct comprehensive major medical health business.

NOTES TO FINANCIAL STATEMENTS

E. Ten Percent of the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss adjustment expense reserves), or collateral as permitted by SSAP No. 66, *Retrospectively Rated Contracts*, has been nonadmitted.

a.	Total accrued retro premium	$1,292,796
b.	Unsecured amount	
c.	Less: Nonadmitted amount (10%)	129,157
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	
e.	Admitted amount (a) - (c) - (d)	$1,163,639

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributed to insured events on prior years has decreased $73,862,490 during 2011. This decrease was primarily the result of updated reserving analysis and improving loss trends in the Commercial Multiple Peril $31,564,195, Other Liability $27,812,857, Fidelity/Surety $22,363,288, and Private Passenger Auto Liability/Medical $20,114,834 lines. This was partially offset by deteriorating loss trends in the Workers Compensation $28,144,145 line. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 26 - Intercompany Pooling Arrangements

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

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Peerless Insurance Company ("PIC")	24198	25.20%	All Lines
Affiliated Pool Companies:	The Ohio Casualty Insurance Company ("OCIC")	24074	20.40%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	15.20%	All Lines
	General Insurance Company of America ("GICA")	24732	9.20%	All Lines
	American States Insurance Company ("ASIC")	19704	7.60%	All Lines
	American Economy Insurance Company ("AEIC")	19690	5.60%	All Lines
	Indiana Insurance Company ("IIC")	22659	4.80%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	3.00%	All Lines
	Peerless Indemnity Insurance Company ("PIIC")	18333	3.00%	All Lines
	Safeco Insurance Company of Illinois ("SICIL")	39012	2.00%	All Lines
	The Netherlands Insurance Company ("NIC")	24171	1.80%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.80%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.80%	All Lines
	American Fire and Casualty Company ("AFCIC")	24066	0.60%	All Lines
	America First Insurance Company ("AFIC")	12696	0.00%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines
	American States Lloyds Insurance Company ("ASLCO")	31933	0.00%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.00%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.00%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%	All Lines
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%	All Lines
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%	All Lines
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%	All Lines
	National Insurance Association ("NIA")	27944	0.00%	All Lines
	Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%	All Lines
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%	All Lines
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%	All Lines
	Safeco National Insurance Company ("SNIC")	24759	0.00%	All Lines
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%	All Lines
	West American Insurance Company ("WAIC")	44393	0.00%	All Lines
			100.0%	
100% Quota Share Affiliated Companies:	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%	All Lines
	North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	All Lines

NOTES TO FINANCIAL STATEMENTS

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. Each 100% Quota Share Affiliated Company cedes its net underwriting activity to the Lead Company.

(b) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.

(c) 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.

(d) 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.

(e) 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.

(f) The write-off of uncollectible reinsurance is pooled and the Provision for Reinsurance is recognized by the entity placing the outbound external reinsurance

(g) Amounts due (to)/from affiliated entities participating in the PIC Amended and Restated Reinsurance Pooling Agreement as at December 31, 2011:

Affiliate:	Amount:
The Netherlands Insurance Company	1,322,485
Indiana Insurance Company	3,526,627
Peerless Indemnity Insurance Company	2,204,142
Ohio Casualty Insurance Company	10,983,299
Ohio Security Insurance Company	(5,581,464)
West America Insurance Company	(971,283)
American Fire and Casualty Insurance Company	(232,069)
Golden Eagle Insurance Corporation	2,204,142
American Economy Insurance Company	3,907,052
American States Insurance Company	7,781,828
American States Insurance Company of Texas	209,268
American States Lloyds Insurance Company	(75,330)
American States Preferred Insurance Company	(1,011,351)
First National Insurance Company	(2,702,517)
General Insurance Company of America	556,231
Safeco Insurance Company of America	(18,761,813)
Safeco Insurance Company of Illinois	(32,945,144)
Safeco Insurance Company of Indiana	(5,463,300)
Safeco Insurance Company of Oregon	(8,089,719)
Safeco Lloyds Insurance Company	(1,602,517)
Safeco National Insurance Company	(816,001)
Safeco Surplus Insurance Company	17,754

Note 27 - Structured Settlements

A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of $ 30,895,141 after applying Intercompany 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 $30,895,141 as of December 31, 2011.

B. Not applicable

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 - Premium Deficiency Reserves

1. Liability carried for premium deficiency reserves	$ -
2. Date of the most recent evaluation of this liability	12/31/2011
3. Was anticipated investment income utilized in the calculation?	Yes

Note 31 - High Dollar Deductible Policies

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 32 - 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, 2011 liabilities subject to discount were carried at a value representing a discount of $33,475,624 net of all reinsurance.

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

Note 33 - Asbestos/Environmental Reserves

The Company has exposure to asbestos and environmental claims that 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 reserves for anticipated losses and bulk reserves for claim adjustment expenses and incurred but not reported claims reserves ("IBNR"). The Company maintained casualty excess of loss reinsurance during the relevant periods. The reserves are reported net of cessions to reinsurers and include any reserves reported by ceding reinsurers on assumed reinsurance contracts.

On June 30, 2010, the Company entered into an aggregate stop-loss reinsurance agreement with an affiliate, LMIC. Pursuant to the agreement, LMIC will indemnify the Company, on an incurred basis, against adverse development in the Company's legacy run-off liability exposures, which includes any failure to fully realize reinsurance recoverables, whether due to coverage disputes or inability to pay. The agreement provides that, if at any time commencing on July 1, 2010, the Company's total legacy run-off liability exposures develop adversely from the amounts established as of June 30, 2010, LMIC will pay to the Company an amount equal to such adverse development, up to an aggregate amount of $500,000,000.

The agreement will terminate upon the earlier of the time that there are no liabilities for the Company's legacy run-off exposures remaining or the second anniversary of the date that the aggregate net payments made by LMIC under the agreement equal $500,000,000 if the parties agree that no reinsurance refunds are likely to become due. The agreement may only be amended or assigned with the written consent of both parties.

Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

The uncertainties associated with establishing reserves for asbestos and environmental claims and claim 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. The uncertainties cannot be reasonably estimated, but could have a material impact on the Company's future operating results and financial condition.

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 utilized questionable practices discovered in the Federal Silica Multi District Litigation. Court decisions in several key states (e.g., Mississippi) have been favorable to defendants. Most importantly, several states have enacted and sustained 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.

In the third quarter of 2011, the Company completed ground-up asbestos and environmental reserve studies. The studies were completed by a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel, and they included all major segments of the Company's direct, assumed, and ceded asbestos and environmental claims. As part of the internal reviews, potential exposures of certain policyholders were individually evaluated using the Company's proprietary stochastic model, which is consistent with published actuarial papers on asbestos reserving. Among the factors reviewed in depth by the team of specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, types of injury, state jurisdictions, legal defenses, and reinsurance potential. The remaining policyholders (those with less potential exposure) were evaluated using aggregate methods that utilized information and experience specific to these insureds. The studies resulted in an increase to reserves. Between comprehensive studies, the Company monitors asbestos and environmental activity to determine whether or not any adjustment to reserves is warranted.

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 on historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment. In that regard, the estimation of asbestos claims and associated liabilities and the analysis

NOTES TO FINANCIAL STATEMENTS

of environmental claims considered prevailing applicable law and certain inconsistencies of court decisions as to coverage, plaintiffs' expanded theories of liability, and the risks inherent in major litigation and other uncertainties, the Company believes that in future periods it is possible that the outcome of the continued uncertainties regarding asbestos and environmental related claims could result in an aggregate liability that differs from current reserves by an amount that could be material to the Company's future operating results and financial condition.

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.

The following tables summarize the activity for the Company's asbestos and environmental claims and claim adjustment expenses, a component of the Company's unpaid claims and claim adjustment expenses, for the years ended December 31, 2011, 2010, 2009, 2008, and 2007:

Asbestos:

	2007	2008	2009	2010	2011
Direct Basis					
Beginning Reserves	43,213,164	41,270,937	42,180,352	39,463,233	$35,511,880
Incurred losses and LAE	2,360,267	6,215,660	538,695	(3,267)	(7,150,522)
Calendar year payments	4,302,494	4,802,238	3,255,814	3,948,086	2,486,843
Ending Reserves	41,270,937	42,684,359	39,463,233	35,511,880	$25,874,515
Assumed Reinsurance Basis					
Beginning Reserves	27,138,629	33,517,404	28,690,658	39,969,251	$34,874,065
Incurred losses and LAE	7,722,629	(1,138,881)	14,182,412	(14,053)	6,183,100
Calendar year payments	2,600,044	3,687,866	2,903,818	5,081,133	2,382,709
Ending Reserves	32,261,214	28,690,657	39,969,252	34,874,065	$38,674,456
Net of Ceded Reinsurance Basis					
Beginning Reserves	56,831,832	60,191,920	57,742,584	67,991,210	$59,804,479
Incurred losses and LAE	8,337,913	3,034,640	16,012,836	31,997	(448,597)
Calendar year payments	5,746,951	5,483,975	5,764,210	8,218,728	7,085,760
Ending Reserves	59,422,794	57,742,585	67,991,210	59,804,479	$52,270,122

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	$ 3,894,327
Assumed Reinsurance Basis	196,357
Net of Ceded Reinsurance Basis	$ 2,016,320
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	$ 7,597,362
Assumed Reinsurance Basis	329,307
Net of Ceded Reinsurance Basis	$ 5,129,813

Environmental:	2007	2008	2009	2010	2011
Direct Basis					
Beginning Reserves	49,280,834	46,855,257	40,029,408	34,098,413	$30,521,848
Incurred losses and LAE	12,965,630	1,031,658	(1,737,580)	(182,367)	6,134,570
Calendar year payments	9,369,577	7,857,506	4,193,415	3,394,198	4,386,020
Ending Reserves	52,876,887	40,029,409	34,098,413	30,521,848	$32,270,398
Assumed Reinsurance Basis					
Beginning Reserves	9,255,899	8,996,258	8,650,537	6,226,862	$ 5,698,074
Incurred losses and LAE	135,195	506	(2,204,682)	114,616	(612,162)
Calendar year payments	236,026	346,228	218,993	643,404	710,097
Ending Reserves	9,155,068	8,650,536	6,226,862	5,698,074	$ 4,375,815
Net of Ceded Reinsurance Basis					
Beginning Reserves	51,549,592	51,546,979	43,962,466	35,169,057	$31,316,515
Incurred losses and LAE	14,305,527	(907,654)	(4,645,665)	19,595	(3,781)
Calendar year payments	7,950,502	6,676,859	4,147,744	3,872,137	(2,434,866)
Ending Reserves	57,904,617	43,962,466	35,169,057	31,316,515	$33,747,600

NOTES TO FINANCIAL STATEMENTS

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	$ 2,350,709
Assumed Reinsurance Basis	8,399
Net of Ceded Reinsurance Basis	$ 1,967,615
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	$ 5,468,924
Assumed Reinsurance Basis	56,651
Net of Ceded Reinsurance Basis	$ 5,000,636

Upon entering the PIC Pool, effective January 1, 2008 (refer to Note 26), the Ohio Casualty Companies' asbestos and environmental claims coding was revised to reflect the definition employed by the PIC 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 34 - Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

Note 36 - Financial Guaranty Insurance

Not applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No [ ]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] N/A [ ]

1.3 State Regulating? New Hampshire

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [X] No [ ]

2.2 If yes, date of change: 06/07/2011

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2008

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2008

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/28/2010

3.4 By what department or departments?
State of New Hampshire Insurance Department

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [ ] No [ ] N/A [X]

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [ ] No [ ] N/A [X]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [ ] No [X]
4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [ ] No [X]
4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
	00000	
	00000	
	00000	

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

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. 0.00 %

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

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [X]

10.2 If response to 10.1 is yes, provide information related to this exemption:

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]

10.4 If response to 10.3 is yes, provide information related to this exemption:

GENERAL INTERROGATORIES

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [ ] N/A [ ]

10.6 If the response to 10.5 is no or n/a, please explain:

11. 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?
Kristen M. Bessette, FCAS, MAAA
175 Berkeley Street Boston, MA 02116
Sr. Vice President & Chief Actuary of Liberty Mutual Agency Corporation

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

12.11	Name of real estate holding company	
12.12	Number of parcels involved	0
12.13	Total book/adjusted carrying value	$ 0

12.2 If yes, provide explanation:

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

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

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [X]

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [X]

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

14.1 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 [ ]

14.11 If the response to 14.1 is no, please explain:

14.2 Has the code of ethics for senior managers been amended? Yes [X] No [ ]

14.21 If the response to 14.2 is yes, provide information related to amendment(s).
In 2011, Code provisions were added for Registered Investment Adviser compliance, as a Liberty Mutual subsidiary obtained SEC approval as a Registered Investment Adviser. Several non-material Code changes were also made to clarify existing provisions.

GENERAL INTERROGATORIES

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below? Yes [ ] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
0			0
0			0
0			0

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate thereof? Yes [X] No [ ]

17. 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 [ ]

18. 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

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

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

20.11	To directors or other officers	$ 0
20.12	To stockholders not officers	$ 0
20.13	Trustees, supreme or grand (Fraternal only)	$ 0

20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21	To directors or other officers	$ 0
20.22	To stockholders not officers	$ 0
20.23	Trustees, supreme or grand (Fraternal only)	$ 0

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

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

21.21	Rented from others	$ 0
21.22	Borrowed from others	$ 0
21.23	Leased from others	$ 0
21.24	Other	$ 0

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]

22.2 If answer is yes:

22.21	Amount paid as losses or risk adjustment	$ 0
22.22	Amount paid as expenses	$ 0
22.23	Other amounts paid	$ 0

GENERAL INTERROGATORIES

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 0

INVESTMENT

24.1 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 24.3) Yes [X] No [ ]

24.2 If no, give full and complete information, relating thereto:

24.3 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 17 where this information is also provided):
Please reference Note 17B

24.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [X] No [ ] N/A [ ]

24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. $ 42,652,706

24.6 If answer to 24.4 is no, report amount of collateral for other programs. $ 0

24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [X] No [ ] N/A [ ]

24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [X] No [ ] N/A [ ]

24.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [X] No [ ] N/A [ ]

25.1 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 21.1 and 24.3). Yes [X] No [ ]

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

25.21	Subject to repurchase agreements	$ 0
25.22	Subject to reverse repurchase agreements	$ 0
25.23	Subject to dollar repurchase agreements	$ 0
25.24	Subject to reverse dollar repurchase agreements	$ 0
25.25	Pledged as collateral	$ 0
25.26	Placed under option agreements	$ 0
25.27	Letter stock or securities restricted as to sale	$ 0
25.28	On deposit with state or other regulatory body	$ 828,092,040
25.29	Other	$ 0

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		0
		0
		0

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

26.2 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.

GENERAL INTERROGATORIES

27.1 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]

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

28. 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 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

28.01 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	1 Chase Manhattan Plaza, New York, NY 10005
Bank of New York	601 Travis Street, Houston, TX 77002
Bank of Itau	Av. Engenheiro Armondo de Arruda Pereira, 707 Torre Eudoro Villela

28.02 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)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [ ] No [X]

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

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

28.05 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	3 Address
N/A	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Group Asset Managemen	175 Berkeley Street, Boston, MA 02116
N/A	Stancorp Mortgage Investors	1100 SW Sixth Avenue, Portland, OR 97204

29.1 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]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
		0
		0
		0
29.2999 TOTAL		0

GENERAL INTERROGATORIES

29.3 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	

30. 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 (+)
30.1 Bonds	3,725,860,392	3,996,656,986	270,796,594
30.2 Preferred stocks	33,539,450	33,539,450	0
30.3 Totals	3,759,399,842	4,030,196,436	270,796,594

30.4 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 and Markit. Lastly, management determines fair value based on quoted market prices of similar financial instruments or by using industry recognized valuation techniques.

31.1 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]

31.2 If the answer to 31.1 is 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 [ ]

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]

32.2 If no, list exceptions:

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $ 19,045,577

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

1 Name	2 Amount Paid
INSURANCE SERVICES OFFICE INC	$ 11,785,925
	$ 0
	$ 0

34.1 Amount of payments for legal expenses, if any? $ 531,098

GENERAL INTERROGATORIES

34.2 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

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 129,030

35.2 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 Current Year	2 Prior Year
2.1	Premium Numerator	$ 0	$ 0
2.2	Premium Denominator	$ 2,638,752,618	$ 2,599,173,358
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 13,256,075	$ 12,699,599
2.5	Reserve Denominator	$ 4,392,971,453	$ 4,299,520,366
2.6	Reserve Ratio (2.4/2.5)	0.00	0.00

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

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

3.21	Participating policies	$ 6,018,665
3.22	Non-participating policies	$ 1,095,002,505

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:
The Company protects itself from catastrophic exposure by managing risk concentrations and utilizing industry recognized catastrophe modeling software to ensure risk levels are maintained at a reasonable level.

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:
See Note 21C

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?
In 2011, as the lead company in the inter-company pool, the Company purchased traditional Prop Cat excess of loss reinsurance, with limits of $742.5m part of $825m xs $500m covering its direct and assumed from affiliates property business.

6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [X] No [ ]

6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured 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 [X]

7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 0

7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [X]

8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [ ] No [X]

8.2 If yes, give full information

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No [X]

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [ ] No [X]

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, 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 [X] 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 [X]
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [ ] No [X]

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 [X] No [ ] N/A [ ]

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

11.2 If yes, give full information

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11 Unpaid losses $ 86,336,849

12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 8,031,253

12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? $ 1,074,024

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

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

12.41 From 9.00 %

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

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

12.61 Letters of Credit $ 200,141,302

12.62 Collateral and other funds $ 44,882,910

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 117,771,200

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

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

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

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

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

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

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

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

15.2 If yes, give full information

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

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

		1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 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	$ 0
17.12	Unfunded portion of Interrogatory 17.11	$ 0
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	$ 0
17.14	Case reserves portion of Interrogatory 17.11	$ 0
17.15	Incurred but not reported portion of Interrogatory 17.11	$ 0
17.16	Unearned premium portion of Interrogatory 17.11	$ 0
17.17	Contingent commission portion of Interrogatory 17.11	$ 0

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	$ 0
17.19	Unfunded portion of Interrogatory 17.18	$ 0
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	$ 0
17.21	Case reserves portion of Interrogatory 17.18	$ 0
17.22	Incurred but not reported portion of Interrogatory 17.18	$ 0
17.23	Unearned premium portion of Interrogatory 17.18	$ 0
17.24	Contingent commission portion of Interrogatory 17.18	$ 0

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 adminstered 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 2011	2 2010	3 2009	4 2008	5 2007
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, 19.4)	4,241,266,729	4,348,696,044	5,502,241,216	3,341,655,051	1,721,887,757
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,092,669,416	2,094,280,352	2,492,748,247	890,604,875	553,904,215
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	3,721,443,719	3,551,922,527	4,234,106,509	2,273,319,033	1,536,879,494
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	769,919,108	763,947,049	1,007,375,003	588,077,708	1,132,476
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	5,593	101,324	447		
6. Total (Line 35)	10,825,304,565	10,758,947,296	13,236,471,422	7,093,656,667	3,813,803,942
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 & 19.3,19.4)	1,057,486,168	1,083,788,422	1,203,777,911	1,176,509,499	1,210,850,841
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	521,337,402	521,044,350	558,694,420	288,317,217	381,150,394
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	912,053,153	867,865,058	797,777,742	668,664,285	1,041,822,458
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	188,720,524	184,097,912	205,445,421	245,999,332	803,263
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)			27		
12. Total (Line 35)	2,679,597,247	2,656,795,742	2,765,695,521	2,379,490,333	2,634,626,956
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(180,298,775)	(37,497,227)	111,053,844	75,006,667	43,110,722
14. Net investment gain (loss) (Line 11)	196,759,465	240,617,073	227,521,942	231,368,996	226,431,795
15. Total other income (Line 15)	5,307,361	(28,460,537)	(8,145,894)	(28,014,503)	4,580,943
16. Dividends to policyholders (Line 17)	5,299,127	(888,116)	11,295,896	16,399,916	6,146,290
17. Federal and foreign income taxes incurred (Line 19)	(7,123,147)	5,115,645	105,839,007	75,271,088	79,977,829
18. Net income (Line 20)	23,592,071	170,431,780	213,294,989	186,690,156	187,999,341
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	7,361,784,538	7,420,492,899	8,377,241,549	7,069,023,987	6,025,003,036
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	100,980,868	94,609,867	104,541,562	86,666,006	124,068,478
20.2 Deferred and not yet due (Line 15.2)	1,014,073,115	967,205,954	894,771,266	661,742,596	659,743,600
20.3 Accrued retrospective premiums (Line 15.3)	1,163,639	2,308,536	4,115,082	12,874,039	6,829,238
21. Total liabilities excluding protected cell business (Page 3, Line 26)	5,559,307,309	5,642,817,569	5,967,896,625	5,049,956,580	4,554,695,451
22. Losses (Page 3, Line 1)	2,271,621,602	2,250,497,523	2,368,875,142	2,482,289,010	2,248,032,435
23. Loss adjustment expenses (Page 3, Line 3)	502,296,047	502,280,553	563,987,478	568,418,457	514,461,445
24. Unearned premiums (Page 3, Line 9)	1,269,858,758	1,222,995,740	1,159,485,799	1,062,378,685	1,200,138,518
25. Capital paid up (Page 3, Lines 30 & 31)	8,848,635	8,848,635	8,848,635	8,848,635	8,848,635
26. Surplus as regards policyholders (Page 3, Line 37)	1,802,477,229	1,777,675,330	2,409,344,924	2,019,067,407	1,470,307,585
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	133,352,265	(187,953,149)	167,282,626	534,551,630	513,937,304
Risk-Based Capital Analysis					
28. Total adjusted capital	1,802,477,229	1,777,675,330	2,409,344,924	2,019,067,407	1,470,307,585
29. Authorized control level risk-based capital	355,139,007	348,747,336	360,340,526	360,631,272	285,104,975
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	65.7	68.9	73.7	74.4	79.5
31. Stocks (Lines 2.1 & 2.2)	25.6	21.6	18.5	19.7	16.5
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	2.3	2.4	1.9	2.0	0.5
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.1	0.1	0.1	0.1	0.1
34. Cash, cash equivalents and short-term investments (Line 5)	4.6	5.4	4.9	2.8	2.4
35. Contract loans (Line 6)					
36. Derivatives (Line 7)			XXX	XXX	XXX
37. Other invested assets (Line 8)	0.9	0.2	1.0	1.1	0.9
38. Receivables for securities (Line 9)	0.0	0.0			0.0
39. Securities lending reinvested collateral assets (Line 10)	0.8	1.3	XXX	XXX	XXX
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)			14,367,920	14,367,920	
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	1,075,241,775	1,051,840,464	1,080,828,590	957,386,920	556,575,175
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Lines 42 to 47	1,075,241,775	1,051,840,464	1,095,196,510	971,754,840	556,575,175
49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	59.7	59.2	45.5	48.1	37.9

FIVE – YEAR HISTORICAL DATA
(Continued)

		1 2011	2 2010	3 2009	4 2008	5 2007
	Capital and Surplus Accounts (Page 4)					
50.	Net unrealized capital gains (losses) (Line 24)	5,608,420	63,859,482	159,361,186	(63,572,475)	(32,556,720)
51.	Dividends to stockholders (Line 35)		(1,087,270,097)			
52.	Change in surplus as regards policyholders for the year (Line 38)	24,801,899	(631,669,594)	390,277,517	548,759,822	251,087,482
	Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
53.	Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	2,605,914,794	3,238,365,280	(211,888,056)	(1,032,495,791)	811,136,570
54.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,175,686,120	1,062,145,551	1,005,318,086	402,783,851	245,117,875
55.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,531,818,792	1,921,266,867	1,225,018,873	774,628,585	661,633,827
56.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	189,950,176	145,057,226	(16,258,447)	(61,368,197)	189,387
57.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	9,625,235	22,590,406	(205,135,158)	24,953	146,543
58.	Total (Line 35)	6,512,995,117	6,389,425,330	1,797,055,298	83,573,401	1,718,224,202
	Net Losses Paid (Page 9, Part 2, Col. 4)					
59.	Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	640,132,157	803,359,317	728,746,061	363,905,605	539,025,911
60.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	295,835,761	267,003,448	262,985,915	176,985,694	166,900,853
61.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	625,895,627	462,532,552	478,434,177	559,640,613	438,747,467
62.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	47,569,969	36,429,413	29,040,723	(19,452,104)	241,020
63.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	1,987,156	5,395,568	(46,870,018)	231,416	103,943
64.	Total (Line 35)	1,611,420,670	1,574,720,298	1,452,336,858	1,081,311,224	1,145,019,194
	Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
65.	Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
66.	Losses incurred (Line 2)	61.9	56.0	50.7	52.4	51.4
67.	Loss expenses incurred (Line 3)	12.1	11.8	11.9	10.8	11.3
68.	Other underwriting expenses incurred (Line 4)	32.9	33.6	33.2	33.8	35.6
69.	Net underwriting gain (loss) (Line 8)	(6.8)	(1.4)	4.2	3.0	1.7
	Other Percentages					
70.	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	32.2	33.9	32.0	36.9	34.4
71.	Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	73.9	67.8	62.6	63.2	62.7
72.	Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	148.7	149.5	114.8	117.9	179.2
	One Year Loss Development (000 omitted)					
73.	Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(70,998)	(30,610)	(194,378)	(223,610)	(191,348)
74.	Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100.0)	(4.0)	(1.3)	(9.6)	(15.2)	(15.7)
	Two Year Loss Development (000 omitted)					
75.	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)	(63,709)	(155,396)	(280,089)	(386,263)	(159,792)
76.	Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0)	(2.6)	(7.7)	(19.1)	(31.7)	(15.7)

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
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1–2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	X X X	X X X	X X X	62,283	7,397	8,614	463	3,328	712	837	65,653	X X X
2. 2002	2,297,440	225,857	2,071,583	1,268,018	126,733	96,057	9,022	162,800	8,231	74,585	1,382,889	X X X
3. 2003	2,508,214	209,485	2,298,729	1,228,489	107,545	86,337	6,297	183,987	8,733	76,776	1,376,238	X X X
4. 2004	2,699,249	148,927	2,550,322	1,260,254	51,203	79,343	2,831	180,409	3,840	95,036	1,462,132	X X X
5. 2005	2,812,007	113,894	2,698,113	1,288,920	52,249	82,962	3,039	189,311	2,972	90,838	1,502,933	X X X
6. 2006	2,808,281	125,420	2,682,861	1,295,897	29,375	81,680	3,534	191,825	4,287	79,289	1,532,206	X X X
7. 2007	2,866,324	139,986	2,726,338	1,303,861	28,711	79,171	2,974	190,603	2,699	85,377	1,539,251	X X X
8. 2008	2,860,692	106,354	2,754,338	1,425,697	43,430	73,103	3,139	211,256	2,212	75,048	1,661,275	X X X
9. 2009	2,683,953	167,854	2,516,099	1,137,841	74,508	46,881	3,555	185,379	1,602	66,996	1,290,436	X X X
10. 2010	2,652,816	53,643	2,599,173	1,045,078	7,153	29,167	274	196,382	373	67,452	1,262,827	X X X
11. 2011	2,687,526	48,773	2,638,753	910,296	3,237	11,878	108	154,450	301	51,090	1,072,978	X X X
12. Totals	X X X	X X X	X X X	12,226,634	531,541	675,193	35,236	1,849,730	35,962	763,324	14,148,818	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR				Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
	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	306,672	107,160	151,674	22,219	10,338	2,369	29,506	3,520	24,859	5	7,224	387,776	X X X
2. 2002	54,922	8,570	7,122	2,974	625	53	2,120	184	2,399		47	55,407	X X X
3. 2003	20,398	3,055	10,026	1,396	438	4	4,050	153	1,946		1,106	32,250	X X X
4. 2004	25,425	6,270	14,160	1,722	674	3	4,039	198	2,587		4,682	38,692	X X X
5. 2005	31,406	3,475	16,339	2,405	953	3	7,870	288	3,295		5,606	53,692	X X X
6. 2006	48,615	6,453	16,577	2,441	1,522	3	10,976	522	4,865		15,127	73,136	X X X
7. 2007	82,010	3,867	29,966	6,025	2,640	5	14,678	1,170	7,605		5,540	125,832	X X X
8. 2008	114,145	2,497	57,794	11,482	4,657	33	29,634	1,375	13,993		18,203	204,836	X X X
9. 2009	179,449	3,778	101,372	10,633	5,587	162	44,174	1,752	21,302		19,007	335,559	X X X
10. 2010	263,773	2,413	155,341	10,211	6,153	47	68,959	2,540	36,965		31,478	515,980	X X X
11. 2011	423,001	2,117	387,442	4,849	5,043	6	82,526	470	61,206	1,034	52,871	950,742	X X X
12. Totals	1,549,816	149,655	947,813	76,357	38,630	2,688	298,532	12,172	181,022	1,039	160,891	2,773,902	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	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	Inter-Company Pooling Participation Percentage	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	328,967	58,809
2. 2002	1,594,063	155,767	1,438,296	69.384	68.967	69.430			25.200	50,500	4,907
3. 2003	1,535,671	127,183	1,408,488	61.226	60.712	61.272			25.200	25,973	6,277
4. 2004	1,566,891	66,067	1,500,824	58.049	44.362	58.848			25.200	31,593	7,099
5. 2005	1,621,056	64,431	1,556,625	57.648	56.571	57.693			25.200	41,865	11,827
6. 2006	1,651,957	46,615	1,605,342	58.824	37.167	59.837			25.200	56,298	16,838
7. 2007	1,710,534	45,451	1,665,083	59.677	32.468	61.074			25.200	102,084	23,748
8. 2008	1,930,279	64,168	1,866,111	67.476	60.334	67.752			25.200	157,960	46,876
9. 2009	1,721,985	95,990	1,625,995	64.159	57.187	64.624			25.200	266,410	69,149
10. 2010	1,801,818	23,011	1,778,807	67.921	42.897	68.437			25.200	406,490	109,490
11. 2011	2,035,842	12,122	2,023,720	75.752	24.854	76.692			25.200	803,477	147,265
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,271,617	502,285

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) 1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009	9 2010	10 2011	DEVELOPMENT 11 One Year	12 Two Year
1. Prior	1,319,099	1,409,615	1,424,200	1,468,216	1,485,932	1,501,981	1,470,827	1,538,535	1,571,551	1,572,616	1,065	34,081
2. 2002	1,326,540	1,319,772	1,307,849	1,280,200	1,275,577	1,265,251	1,256,766	1,264,478	1,264,216	1,282,987	18,771	18,509
3. 2003	XXX	1,306,554	1,282,606	1,250,654	1,244,188	1,252,779	1,243,145	1,238,598	1,233,601	1,232,508	(1,093)	(6,090)
4. 2004	XXX	XXX	1,469,365	1,433,716	1,415,053	1,353,486	1,345,251	1,329,734	1,326,137	1,323,110	(3,027)	(6,624)
5. 2005	XXX	XXX	XXX	1,533,320	1,474,982	1,402,061	1,393,134	1,376,157	1,372,462	1,368,299	(4,163)	(7,858)
6. 2006	XXX	XXX	XXX	XXX	1,509,027	1,478,246	1,439,641	1,407,459	1,412,067	1,414,491	2,424	7,032
7. 2007	XXX	XXX	XXX	XXX	XXX	1,617,471	1,574,566	1,476,120	1,475,351	1,471,300	(4,051)	(4,820)
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	1,750,706	1,671,080	1,664,546	1,645,065	(19,481)	(26,015)
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,494,514	1,447,407	1,422,591	(24,816)	(71,923)
10. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,583,986	1,547,359	(36,627)	XXX
11. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,810,158	XXX	XXX
										12. Totals	(70,998)	(63,708)

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) 1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009	9 2010	10 2011	11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
1. Prior	000	391,514	635,109	792,518	899,260	974,302	1,037,971	1,078,659	1,126,756	1,189,792	XXX	XXX
2. 2002	604,540	884,950	1,018,457	1,111,739	1,159,429	1,187,036	1,204,498	1,213,917	1,223,993	1,228,320	XXX	XXX
3. 2003	XXX	610,032	878,474	1,007,174	1,091,128	1,147,812	1,172,558	1,187,455	1,195,500	1,200,984	XXX	XXX
4. 2004	XXX	XXX	632,942	950,544	1,098,675	1,186,661	1,238,631	1,264,315	1,276,638	1,285,562	XXX	XXX
5. 2005	XXX	XXX	XXX	647,978	962,129	1,112,554	1,210,318	1,271,559	1,301,184	1,316,593	XXX	XXX
6. 2006	XXX	XXX	XXX	XXX	659,915	980,432	1,120,002	1,232,691	1,302,315	1,344,668	XXX	XXX
7. 2007	XXX	XXX	XXX	XXX	XXX	685,750	1,018,579	1,171,497	1,282,322	1,351,348	XXX	XXX
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	795,113	1,175,746	1,341,525	1,452,231	XXX	XXX
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	664,132	962,591	1,106,660	XXX	XXX
10. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	729,449	1,066,818	XXX	XXX
11. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	918,830	XXX	XXX

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 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009	9 2010	10 2011
1. Prior	502,333	401,943	307,811	264,409	239,532	203,925	196,741	212,803	217,096	174,058
2. 2002	402,852	204,793	116,574	67,343	49,403	33,489	22,193	20,529	12,223	7,743
3. 2003	XXX	365,345	181,942	104,047	72,052	52,439	38,428	26,110	16,561	13,746
4. 2004	XXX	XXX	458,716	228,282	150,739	81,272	59,766	32,332	23,728	17,722
5. 2005	XXX	XXX	XXX	512,418	254,828	128,850	79,887	45,499	31,393	22,824
6. 2006	XXX	XXX	XXX	XXX	462,184	232,680	141,856	68,317	38,797	26,142
7. 2007	XXX	XXX	XXX	XXX	XXX	477,837	249,263	117,450	63,891	39,174
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	519,575	228,602	136,379	76,561
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	455,455	230,623	134,835
10. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	449,740	213,075
11. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	465,407

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

States, Etc.		1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken 2 Direct Premiums Written	 3 Direct Premiums Earned	4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	L				112	22,876	808		
2. Alaska	AK	L	42,826	39,945		38,180	48,463	28,540	237	
3. Arizona	AZ	L	18,433	52,556		66,438	(12,155,402)	137,576	102	
4. Arkansas	AR	L	2,061,944	2,061,472		2,970,536	1,510,695	2,272,413	11,417	
5. California	CA	L	176,832,152	174,778,679	14,269	64,656,311	61,012,639	109,118,321	979,142	
6. Colorado	CO	L	3,145	2,840		605	(1,531,641)	39,300	17	
7. Connecticut	CT	L	97,953,182	98,641,746	31,632	67,655,109	79,024,849	80,590,705	542,379	
8. Delaware	DE	L	4,135,707	4,028,436		4,341,316	1,843,960	6,523,725	22,900	
9. District of Columbia	DC	L	989,855	963,626		308,580	134,453	994,286	5,481	
10. Florida	FL	L	45,543	47,093		12,341	1,640,390	42,035	252	
11. Georgia	GA	L	25,809,021	28,075,288		28,231,047	27,133,890	14,242,420	142,908	
12. Hawaii	HI	N								
13. Idaho	ID	L					3,848,284			
14. Illinois	IL	L	9,660,949	10,250,085	258	5,866,488	6,643,110	20,034,373	53,494	
15. Indiana	IN	L	15,490,789	15,558,420		8,535,135	(7,352,840)	23,827,881	85,775	
16. Iowa	IA	L	1,079,042	1,060,360		507,818	325,212	1,109,989	5,975	
17. Kansas	KS	L	2,730,094	2,605,967		1,017,990	949,726	1,506,713	15,117	
18. Kentucky	KY	L	5,293,047	5,074,401		2,227,355	1,557,512	4,648,533	29,308	
19. Louisiana	LA	L	9,542,130	8,660,004		3,958,050	4,980,617	9,718,623	52,836	
20. Maine	ME	L	55,823,248	56,188,418	1,308	25,908,741	24,224,474	26,988,956	309,101	
21. Maryland	MD	L	15,246,259	15,814,740		6,943,510	2,038,863	16,698,201	84,421	
22. Massachusetts	MA	L	72,082,415	71,523,289		41,161,864	55,672,989	61,916,108	399,130	
23. Michigan	MI	L	1,153,681	1,415,243		782,483	740,304	1,712,457	6,388	
24. Minnesota	MN	L	3,084,603	3,268,296		1,330,590	339,945	5,503,955	17,080	
25. Mississippi	MS	L					(495,570)			
26. Missouri	MO	L	6,778,723	7,221,767		5,374,138	959,386	5,713,510	37,535	
27. Montana	MT	L					(910,272)	1,196		
28. Nebraska	NE	L	1,526,266	1,568,913	2,314	499,798	461,941	1,093,135	8,451	
29. Nevada	NV	L	11,155	10,716			13,150	3,142	62	
30. New Hampshire	NH	L	71,004,849	71,904,077	57,048	36,241,030	34,906,284	60,366,015	393,163	
31. New Jersey	NJ	Q	(1)	(1)				19,743		
32. New Mexico	NM	L	857	617			(141,771)	1,272	5	
33. New York	NY	L	204,017,501	202,199,947	275,043	140,959,673	162,777,186	156,069,437	1,129,671	
34. North Carolina	NC	L	111,652,665	109,781,542		92,153,026	98,274,165	54,193,815	618,235	
35. North Dakota	ND	L					153			
36. Ohio	OH	L	5,360,750	5,196,672	282	2,111,133	(1,783,412)	4,167,608	29,683	
37. Oklahoma	OK	L	14,352,016	13,540,822		6,658,250	9,148,260	12,146,509	79,469	
38. Oregon	OR	L					26,619	23,665		
39. Pennsylvania	PA	L	50,868,061	52,605,732	9,448	23,640,951	26,596,818	55,806,964	281,663	
40. Rhode Island	RI	L	33,116,565	32,760,535	758	16,345,474	21,530,374	18,837,065	183,371	
41. South Carolina	SC	L	36,280,351	38,189,144		34,305,458	33,826,412	26,105,185	200,889	
42. South Dakota	SD	L					2,685			
43. Tennessee	TN	L	5,548,036	5,651,752	7,743	3,233,707	3,631,915	5,961,194	30,720	
44. Texas	TX	L	5,713,518	5,377,031		2,765,676	(5,142,723)	4,842,836	31,636	
45. Utah	UT	L	3,233	3,264			2,337	561	18	
46. Vermont	VT	L	31,177,044	31,596,027	34,721	16,613,224	17,088,187	27,166,844	172,631	
47. Virginia	VA	L	22,827,762	23,202,969	1,328	16,655,565	16,853,867	18,180,484	126,400	
48. Washington	WA	L					(659,593)	8,596,572		
49. West Virginia	WV	L	184	184			3,308		1	
50. Wisconsin	WI	L	1,703,570	2,078,732	220,315	1,146,702	946,851	2,726,214	9,433	
51. Wyoming	WY	L					(525,989)			
52. American Samoa	AS	N								
53. Guam	GU	N								
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N								
56. Northern Mariana Islands	MP	N								
57. Canada	CN	N								
58. Aggregate Other Alien	OT	XXX								
59. Totals		(a) 49	1,101,021,170	1,103,001,346	656,467	665,224,404	670,043,936	849,678,884	6,096,496	

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

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines In the state; (N) None of the above - Not allowed to write business in the state.

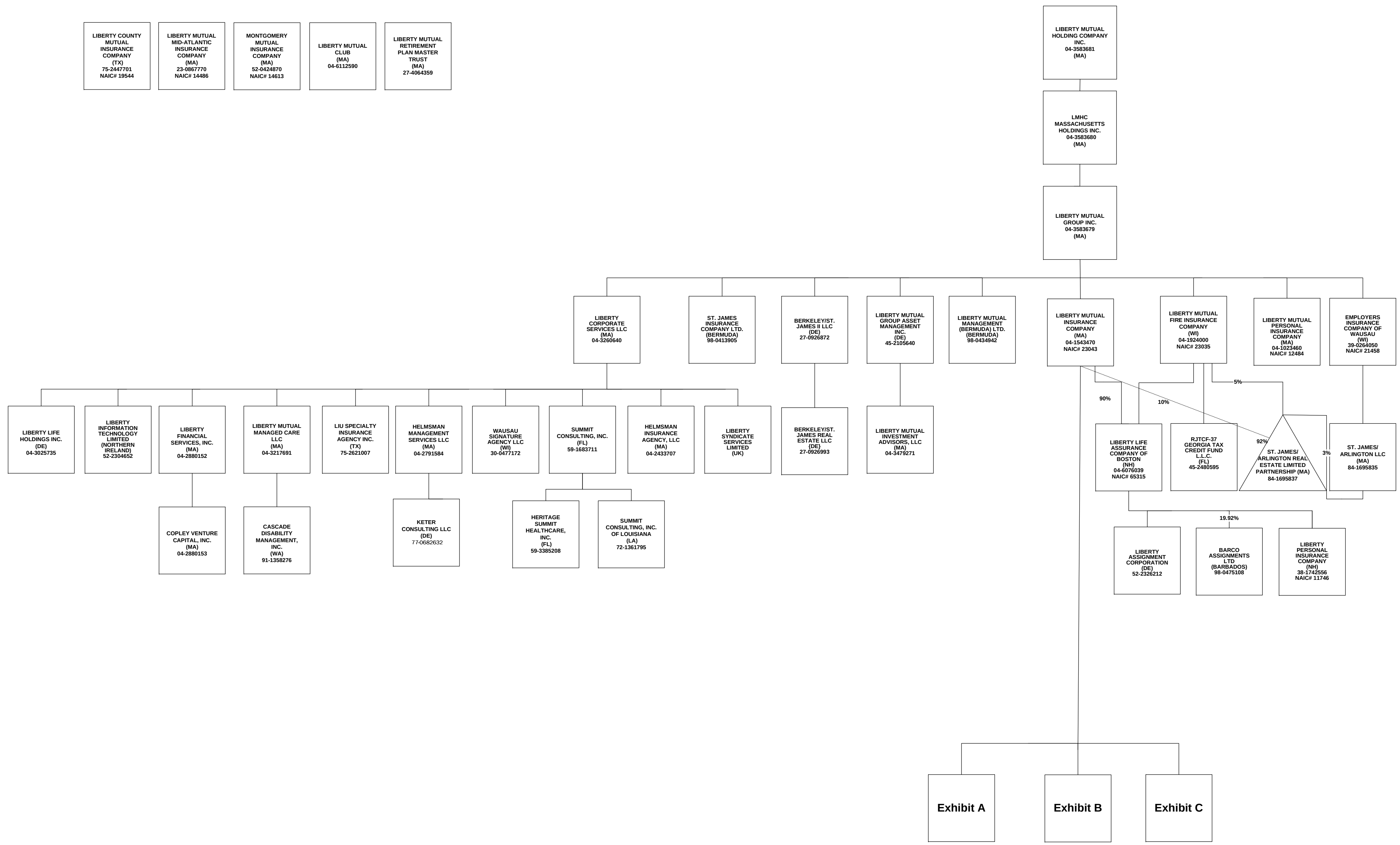
Explanation of basis of allocation of premiums by states, etc.

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

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

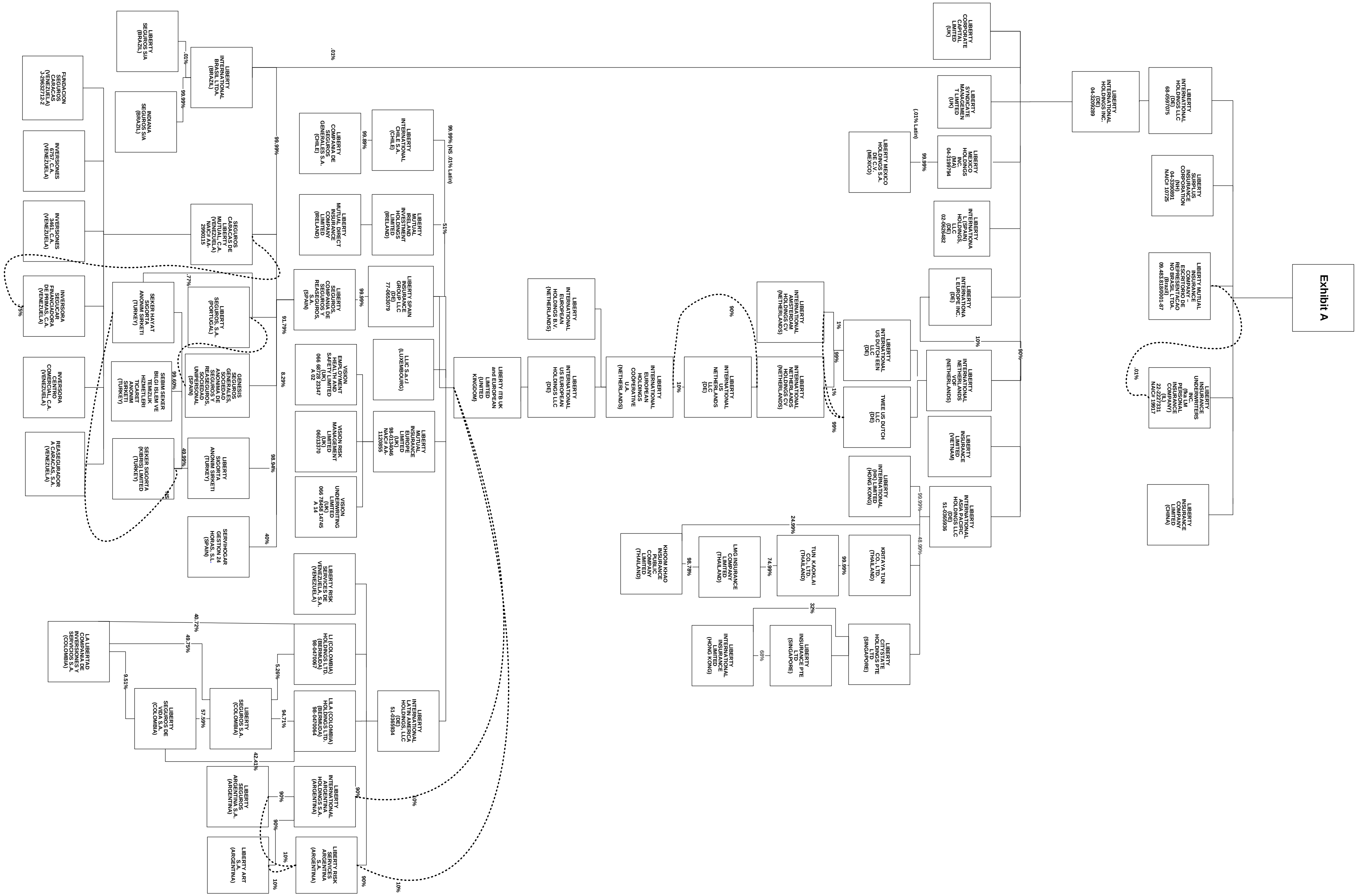
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



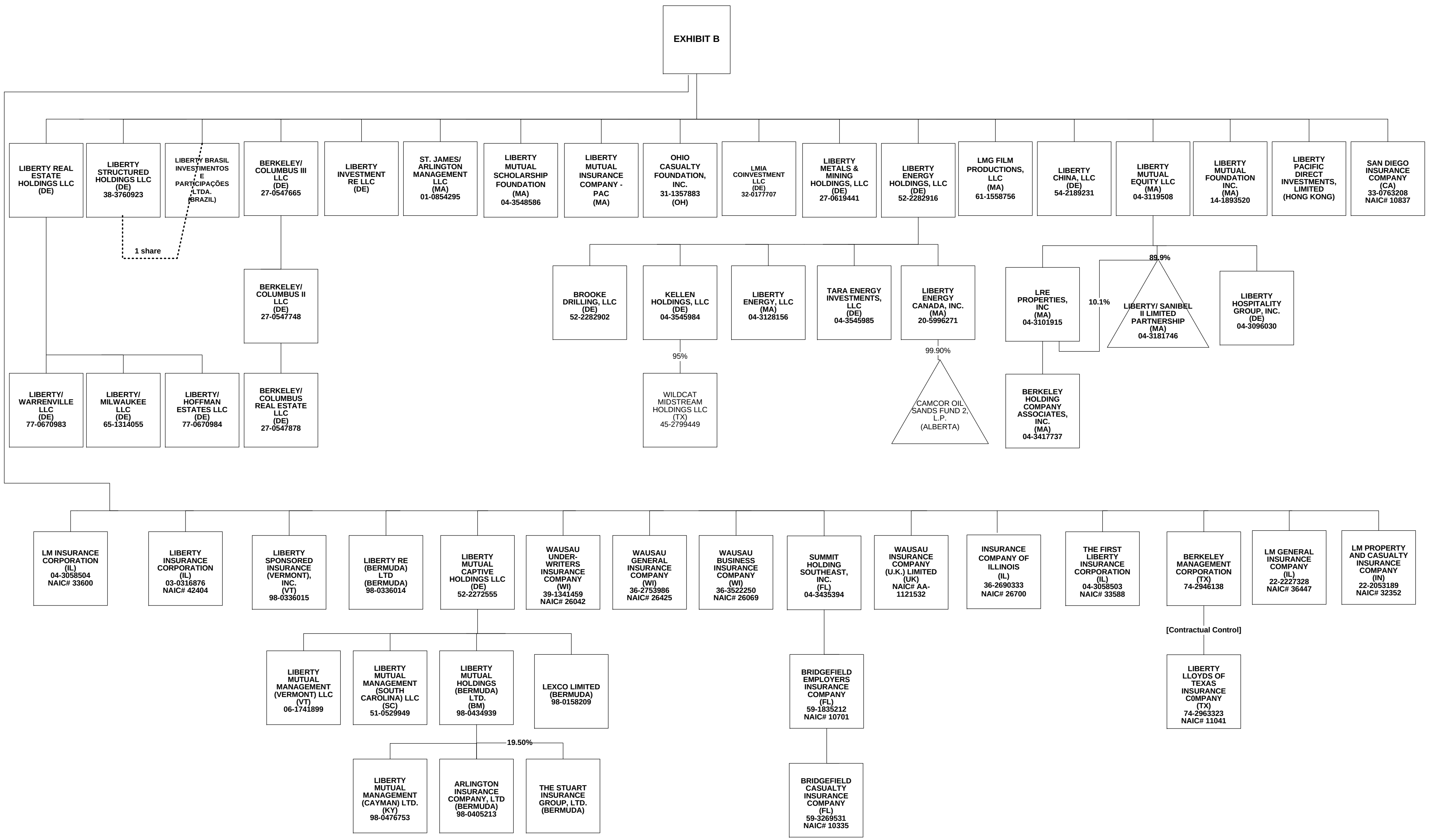
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



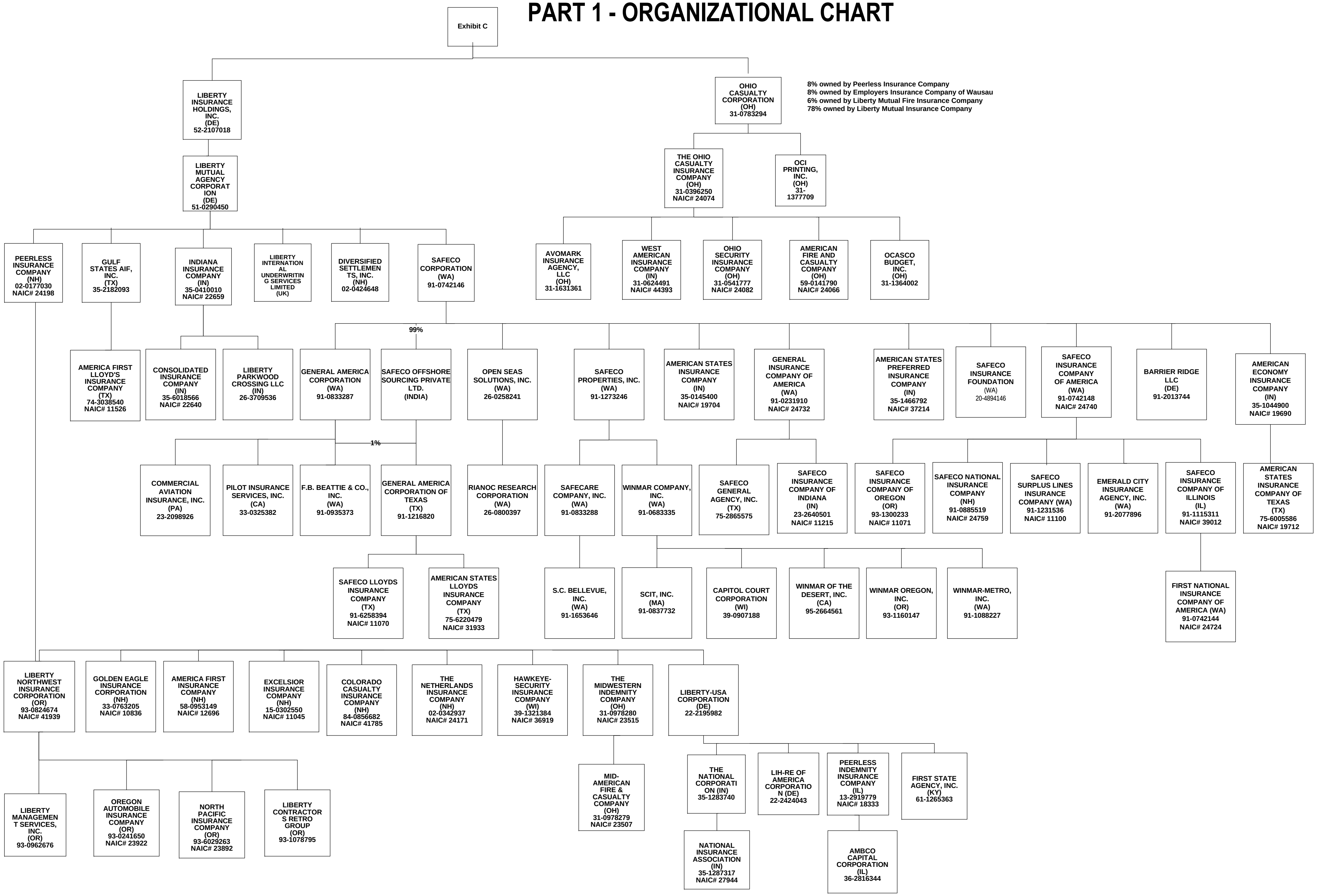
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES	1 Current Year	2 Prior Year
2504. Accrued return retrospective premiums		3,067,894
2505. Private passenger auto escrow		269,695
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)		3,337,589

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT