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, 2012

PROPERTY AND CASUALTY

2012

24198201220100100

ANNUAL STATEMENT

For the Year Ended December 31, 2012
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, US 03431 (City or Town, State, Country and Zip Code)

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

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

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

Internet Web Site Address www.LibertyMutualGroup.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	Vice President and Secretary
3.	Laurance Henry Soyer Yahia #	Vice President and Treasurer

VICE-PRESIDENTS

Name	Title	Name	Title
John Derek Doyle #	Vice President and Comptroller	Michael Joseph Fallon #	Vice President and Chief Financial Officer
Anthony Alexander Fontanes	Vice President and Chief Investment Officer	Kathryn Mary Winn #	Vice President and General Counsel

DIRECTORS OR TRUSTEES

Kristen Maria Bessette #	James Paul Condrin, III	John Derek Doyle	Michael Joseph Fallon
Michael Henry Hughes #	Dexter Robert Legg	Kathryn Mary Winn #	

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	Laurance Henry Soyer Yahia #
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President and Chief Executive Officer	Vice President and Secretary	Vice President and Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to (or affirmed) before me on this
22nd day of January , 2013, 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)	3,717,496,841		3,717,496,841	3,511,242,975
2. Stocks (Schedule D):				
2.1 Preferred stocks	41,310,800		41,310,800	33,539,450
2.2 Common stocks	1,216,905,643		1,216,905,643	1,335,625,635
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	135,076,671		135,076,671	120,615,022
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ 0 encumbrances)	3,905,758		3,905,758	4,013,651
4.2 Properties held for the production of income (less $ 0 encumbrances)				
4.3 Properties held for sale (less $ 0 encumbrances)				
5. Cash ($ 29,446,961, Schedule E - Part 1), cash equivalents ($ 20,709,043, Schedule E - Part 2), and short-term investments ($ 206,142,530, Schedule DA)	256,298,534		256,298,534	243,870,983
6. Contract loans (including $ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	94,975,514		94,975,514	49,343,687
9. Receivables for securities	5,370,475		5,370,475	690,086
10. Securities lending reinvested collateral assets (Schedule DL)	48,424,515		48,424,515	42,652,706
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	5,519,764,751		5,519,764,751	5,341,594,195
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	45,060,574		45,060,574	42,775,111
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	93,234,283	13,133,561	80,100,722	100,980,868
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 6,441,447 earned but unbilled premiums)	1,117,387,460	644,146	1,116,743,314	1,014,073,115
15.3 Accrued retrospective premiums	19,086	1,909	17,177	1,163,639
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	511,090,193		511,090,193	547,810,987
16.2 Funds held by or deposited with reinsured companies	14,129,577		14,129,577	14,765,486
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
18.2 Net deferred tax asset	237,430,000	19,806,120	217,623,880	158,117,222
19. Guaranty funds receivable or on deposit	2,383,184		2,383,184	3,029,871
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets ($ 0)	5,345	5,345		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	93,056,835		93,056,835	106,128,723
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	33,111,377	3,281,809	29,829,568	27,914,986
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	7,666,672,665	36,872,890	7,629,799,775	7,361,784,538
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	7,666,672,665	36,872,890	7,629,799,775	7,361,784,538

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	15,268,261		15,268,261	14,883,788
2502. Other assets	9,250,800	3,281,809	5,968,991	4,694,168
2503. Equities and deposits in pools and associations	8,592,316		8,592,316	8,337,030
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	33,111,377	3,281,809	29,829,568	27,914,986

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	2,228,057,451	2,271,621,602
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	324,221,647	349,195,045
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	509,545,123	502,296,047
4.	Commissions payable, contingent commissions and other similar charges	81,453,683	70,724,734
5.	Other expenses (excluding taxes, licenses and fees)	41,768,727	39,657,677
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	17,701,829	18,696,772
7.1	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))	84,275,738	
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 $ 3,970,858,047 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)	1,321,805,644	1,269,858,758
10.	Advance premium	9,878,022	8,668,174
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders	353,853	347,716
12.	Ceded reinsurance premiums payable (net of ceding commissions)	581,660,434	565,764,630
13.	Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	44,522,129	51,560,716
14.	Amounts withheld or retained by company for account of others	4,576,250	3,850,674
15.	Remittances and items not allocated		
16.	Provision for reinsurance (including $ 0 certified) (Schedule F, Part 8)	49,477,053	51,973,907
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding	86,971,225	89,730,645
19.	Payable to parent, subsidiaries and affiliates	239,259,708	168,112,625
20.	Derivatives	2,968,760	
21.	Payable for securities	9,944,694	12,641,959
22.	Payable for securities lending	48,424,515	42,652,706
23.	Liability for amounts held under uninsured plans		
24.	Capital notes $ 0 and interest thereon $ 0		
25.	Aggregate write-ins for liabilities	55,624,605	41,952,922
26.	Total liabilities excluding protected cell liabilities (Lines 1 through 25)	5,742,491,090	5,559,307,309
27.	Protected cell liabilities		
28.	Total liabilities (Lines 26 and 27)	5,742,491,090	5,559,307,309
29.	Aggregate write-ins for special surplus funds	4,421,906	34,843,267
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)	461,420,042	346,167,225
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)	1,887,308,685	1,802,477,229
38.	Totals (Page 2, Line 28, Col. 3)	7,629,799,775	7,361,784,538

	DETAILS OF WRITE-IN LINES		
2501.	Other liabilities	33,505,978	18,241,815
2502.	Retroactive reinsurance reserves	20,842,471	22,353,673
2503.	Amounts held under uninsured plans	1,276,156	1,357,434
2598.	Summary of remaining write-ins for Line 25 from overflow page		
2599.	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	55,624,605	41,952,922
2901.	Special surplus from retroactive reinsurance	4,421,906	5,297,652
2902.	SSAP 10R incremental change		29,545,615
2903.			
2998.	Summary of remaining write-ins for Line 29 from overflow page		
2999.	Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	4,421,906	34,843,267
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)	2,705,579,983	2,638,752,618
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	1,468,235,611	1,632,544,749
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	335,333,845	318,781,183
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	916,788,509	867,995,178
5.	Aggregate write-ins for underwriting deductions		(269,717)
6.	Total underwriting deductions (Lines 2 through 5)	2,720,357,965	2,819,051,393
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(14,777,982)	(180,298,775)
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	448,512,110	194,885,334
10.	Net realized capital gains (losses) less capital gains tax of $ (2,777,850) (Exhibit of Capital Gains (Losses))	(5,158,865)	1,874,131
11.	Net investment gain (loss) (Lines 9 + 10)	443,353,245	196,759,465
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 41,295 amount charged off $ 7,185,839)	(7,144,544)	(5,898,012)
13.	Finance and service charges not included in premiums	23,139,801	22,278,899
14.	Aggregate write-ins for miscellaneous income	(4,339,910)	(11,073,526)
15.	Total other income (Lines 12 through 14)	11,655,347	5,307,361
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	440,230,610	21,768,051
17.	Dividends to policyholders	6,488,375	5,299,127
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)	433,742,235	16,468,924
19.	Federal and foreign income taxes incurred	84,330,850	(7,123,147)
20.	Net income (Line 18 minus Line 19) (to Line 22)	349,411,385	23,592,071
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	1,802,477,229	1,777,675,330
22.	Net income (from Line 20)	349,411,385	23,592,071
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ 19,608,385	(166,358,574)	5,608,420
25.	Change in net unrealized foreign exchange capital gain (loss)	(6,929,188)	(12,174,019)
26.	Change in net deferred income tax	50,179,385	7,976,282
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	60,577,209	(15,153,564)
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	2,496,854	10,092,400
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		
	33.2 Transferred to capital (Stock Dividend)		
	33.3 Transferred from capital		
34.	Net remittances from or (to) Home Office		
35.	Dividends to stockholders	(175,000,000)	
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	(29,545,615)	2,840,987
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	84,831,456	24,801,899
39.	Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	1,887,308,685	1,802,477,229

	DETAILS OF WRITE-IN LINES		
0501.	Private passenger auto escrow		(269,717)
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)
1401.	Retroactive reinsurance gain/(loss)	8,894,469	(537,921)
1402.	Other income/(expense)	(13,234,379)	(10,535,605)
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(4,339,910)	(11,073,526)
3701.	SSAP 10R incremental change	(29,545,615)	2,840,987
3702.			
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page		
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(29,545,615)	2,840,987

CASH FLOW

		1	2
	Cash from Operations	Current Year	Prior Year
1.	Premiums collected net of reinsurance	2,690,459,270	2,658,070,078
2.	Net investment income	449,153,257	199,690,510
3.	Miscellaneous income	60,627,621	26,238,209
4.	Total (Lines 1 through 3)	3,200,240,148	2,883,998,797
5.	Benefit and loss related payments	1,557,752,163	1,611,532,428
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	1,233,016,587	1,166,319,847
8.	Dividends paid to policyholders	6,482,238	5,187,625
9.	Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	(6,153,073)	(32,393,368)
10.	Total (Lines 5 through 9)	2,791,097,915	2,750,646,532
11.	Net cash from operations (Line 4 minus Line 10)	409,142,233	133,352,265
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	897,090,641	612,532,755
	12.2 Stocks	156,694,482	128,552,145
	12.3 Mortgage loans	8,216,084	9,479,005
	12.4 Real estate		
	12.5 Other invested assets	311,905,778	245,395,747
	12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		264,706
	12.7 Miscellaneous proceeds	(4,240,100)	1,664,819
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,369,666,885	997,889,177
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	1,093,610,209	420,993,217
	13.2 Stocks	190,618,317	335,372,613
	13.3 Mortgage loans	23,127,569	188,207
	13.4 Real estate	292,637	95,617
	13.5 Other invested assets	364,239,081	254,406,486
	13.6 Miscellaneous applications	4,417,155	7,307,204
	13.7 Total investments acquired (Lines 13.1 to 13.6)	1,676,304,968	1,018,363,344
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)	(306,638,083)	(20,474,167)
	Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes		
	16.2 Capital and paid in surplus, less treasury stock		
	16.3 Borrowed funds		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders	175,000,000	
	16.6 Other cash provided (applied)	84,923,401	(161,797,104)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(90,076,599)	(161,797,104)
	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)	12,427,551	(48,919,006)
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	243,870,983	292,789,989
	19.2 End of year (Line 18 plus Line 19.1)	256,298,534	243,870,983

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
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	1,002,737	951,429
20.0004	13.1 Cost of Investment Acquired - Bonds	279,332,378	16,698,000
20.0005	13.5 Cost of Investment Acquired - Other invested assets	1,002,737	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	54,141,987	26,835,057	28,432,843	52,544,201
2. Allied lines	47,824,896	22,936,623	26,104,753	44,656,766
3. Farmowners multiple peril	22,271,241	10,538,909	11,285,939	21,524,211
4. Homeowners multiple peril	475,266,375	223,874,057	254,281,712	444,858,720
5. Commercial multiple peril	466,341,608	235,778,505	227,871,124	474,248,989
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	44,280,739	20,534,813	21,011,092	43,804,460
10. Financial guaranty				
11.1 Medical professional liability—occurrence	184,891	73,369	64,672	193,588
11.2 Medical professional liability—claims-made	16,526	11,539	4,442	23,623
12. Earthquake	8,980,001	4,586,256	4,561,841	9,004,416
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	200,576,286	86,592,179	69,608,107	217,560,358
17.1 Other liability—occurrence	134,292,479	65,864,429	64,982,251	135,174,657
17.2 Other liability—claims-made	5,725,543	2,574,169	2,432,598	5,867,114
17.3 Excess workers' compensation				
18.1 Products liability—occurrence	3,524,808	1,664,677	1,775,762	3,413,723
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	509,259,434	198,296,029	224,563,338	482,992,125
19.3,19.4 Commercial auto liability	193,590,752	99,457,589	92,607,815	200,440,526
21. Auto physical damage	403,909,509	160,157,412	180,827,735	383,239,186
22. Aircraft (all perils)				
23. Fidelity	1,550,579	1,324,974	1,263,938	1,611,615
24. Surety	179,397,702	109,522,876	104,743,593	184,176,985
26. Burglary and theft	73,291	35,277	35,973	72,595
27. Boiler and machinery	181,371	14,923	24,165	172,129
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	2,751,390,018	1,270,673,662	1,316,483,693	2,705,579,987

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	28,432,830	13			28,432,843
2.	Allied lines	26,104,732	21			26,104,753
3.	Farmowners multiple peril	11,285,293	646			11,285,939
4.	Homeowners multiple peril	254,281,712				254,281,712
5.	Commercial multiple peril	229,369,886	7,156	(1,505,918)		227,871,124
6.	Mortgage guaranty					
8.	Ocean marine					
9.	Inland marine	21,010,203	889			21,011,092
10.	Financial guaranty					
11.1	Medical professional liability—occurrence	64,672				64,672
11.2	Medical professional liablity—claims-made	4,442				4,442
12.	Earthquake	4,561,839	2			4,561,841
13.	Group accident and health					
14.	Credit accident and health (group and individual)					
15.	Other accident and health					
16.	Workers' compensation	73,527,955	751	(3,901,512)	(19,086)	69,608,108
17.1	Other liability—occurrence	64,463,932	308,082	210,237		64,982,251
17.2	Other liability—claims-made	2,564,271	10,871	(142,544)		2,432,598
17.3	Excess workers' compensation					
18.1	Products liability—occurrence	1,738,754	135	36,872		1,775,761
18.2	Products liability—claims-made					
19.1,19.2	Private passenger auto liability	224,563,338				224,563,338
19.3,19.4	Commercial auto liability	92,594,847	12,967			92,607,814
21.	Auto physical damage	180,825,696	2,039			180,827,735
22.	Aircraft (all perils)					
23.	Fidelity	472,745	791,193			1,263,938
24.	Surety	74,262,407	30,481,186			104,743,593
26.	Burglary and theft	35,973				35,973
27.	Boiler and machinery	24,165				24,165
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	1,290,189,692	31,615,951	(5,302,865)	(19,086)	1,316,483,692
36.	Accrued retrospective premiums based on experience					19,086
37.	Earned but unbilled premiums					5,302,865
38.	Balance (Sum of Lines 35 through 37)					1,321,805,643

	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	 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	21,806,226	195,519,247	1,773,134	164,797,722	158,898	54,141,987
2. Allied lines	15,171,194	177,665,496	1,474,017	146,075,508	410,303	47,824,896
3. Farmowners multiple peril	9,394,353	81,387,651		67,959,012	551,752	22,271,240
4. Homeowners multiple peril	160,884,793	1,759,818,202	1,277,193	1,441,283,233	5,430,580	475,266,375
5. Commercial multiple peril	221,803,499	1,701,558,312		1,452,501,928	4,518,275	466,341,608
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	46,383,932	131,207,095		132,222,820	1,087,468	44,280,739
10. Financial guaranty						
11.1 Medical professional liability--occurrence		733,693		548,802		184,891
11.2 Medical professional liability--claims-made		65,581		49,055		16,526
12. Earthquake	2,093,839	34,797,343	2,633	26,764,269	1,149,544	8,980,002
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		416,955		287,007	129,948	
16. Workers' compensation	103,880,901	671,194,969	21,618,595	595,322,431	795,748	200,576,286
17.1 Other liability—occurrence	81,882,997	474,681,905	278,016	402,119,314	20,431,125	134,292,479
17.2 Other liability—claims-made	414,801	22,305,631		16,994,865	24	5,725,543
17.3 Excess workers' compensation						
18.1 Products liability—occurrence	1,695,068	12,292,267	526	10,463,053		3,524,808
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	139,447,950	1,758,267,384	147,802,687	1,511,927,488	24,331,099	509,259,434
19.3,19.4 Commercial auto liability	78,818,377	686,757,711	4,518,413	574,644,655	1,859,093	193,590,753
21. Auto physical damage	119,423,555	1,354,886,596	129,642,270	1,199,789,859	253,053	403,909,509
22. Aircraft (all perils)			(50)	(50)		
23. Fidelity	37,492	6,115,598		4,602,511		1,550,579
24. Surety	482,565	724,297,180	373,287	532,504,756	13,250,574	179,397,702
26. Burglary and theft	80,547	209,751	1,815	218,398	424	73,291
27. Boiler and machinery	977,842	1,336,120		2,132,591		181,371
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-nonproportional assumed property	X X X					
32. Reinsurance-nonproportional assumed liability	X X X		15,738	18,554	(2,816)	
33. Reinsurance-nonproportional assumed financial lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	1,004,679,931	9,795,514,687	308,778,274	8,283,227,781	74,355,092	2,751,390,019

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

Line of Business	Losses Paid Less Salvage 1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire	6,988,015	69,021,168	56,771,288	19,237,895	8,522,333	8,469,755	19,290,473	36.713
2. Allied lines	10,808,826	104,622,507	86,384,498	29,046,835	6,033,332	7,461,935	27,618,232	61.846
3. Farmowners multiple peril	3,482,085	42,421,517	34,345,472	11,558,130	3,967,121	4,261,677	11,263,574	52.330
4. Homeowners multiple peril	98,723,515	989,745,342	816,240,091	272,228,766	111,981,377	120,153,924	264,056,219	59.357
5. Commercial multiple peril	87,393,430	972,403,613	795,093,873	264,703,170	453,311,752	468,211,364	249,803,558	52.674
6. Mortgage guaranty								
8. Ocean marine			(105)	105		6,079	(5,974)	
9. Inland marine	15,617,845	42,404,209	43,448,691	14,573,363	2,367,380	2,565,929	14,374,814	32.816
10. Financial guaranty								
11.1 Medical professional liability—occurrence		80,696	60,361	20,335	750,516	678,559	92,292	47.674
11.2 Medical professional liability—claims-made					141,792	133,340	8,452	35.779
12. Earthquake					(52,248)	401	(52,649)	(0.585)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health		1,433,351	1,244,845	188,506	11,358,902	11,698,554	(151,146)	
16. Workers' compensation	50,825,559	585,149,437	480,501,484	155,473,512	768,587,146	742,819,260	181,241,398	83.306
17.1 Other liability—occurrence	34,182,803	201,420,453	197,937,835	37,665,421	228,819,313	216,035,661	50,449,073	37.321
17.2 Other liability—claims-made	92,949	8,046,535	6,183,795	1,955,689	8,300,573	9,032,737	1,223,525	20.854
17.3 Excess workers' compensation								
18.1 Products liability—occurrence	141,720	10,280,029	7,420,118	3,001,631	8,341,289	8,092,756	3,250,164	95.209
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability	116,426,668	981,747,430	824,680,452	273,493,646	324,674,807	337,919,050	260,249,403	53.883
19.3,19.4 Commercial auto liability	46,569,334	449,831,978	372,031,556	124,369,756	252,211,262	236,852,859	139,728,159	69.711
21. Auto physical damage	79,690,965	838,283,803	686,019,408	231,955,360	12,200,505	13,558,657	230,597,208	60.171
22. Aircraft (all perils)		131,523	45,810	85,713	88,063	116,717	57,059	
23. Fidelity	(3,739)	1,374,668	1,025,454	345,475	456,985	534,172	268,288	16.647
24. Surety	121,668	277,741,981	207,750,775	70,112,874	18,899,194	33,109,773	55,902,295	30.352
26. Burglary and theft	2,834	4,434	5,436	1,832	672	754	1,750	2.411
27. Boiler and machinery	83,738	473,007	558,359	(1,614)	5,902	(21,761)	26,049	15.133
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-nonproportional assumed property	XXX							
32. Reinsurance-nonproportional assumed liability	XXX	8,440,201	6,656,830	1,783,371	7,089,483	49,929,451	(41,056,597)	
33. Reinsurance-nonproportional assumed financial lines	XXX							
34. Aggregate write-ins for other lines of business								
35. TOTALS	551,148,215	5,585,057,882	4,624,406,326	1,511,799,771	2,228,057,451	2,271,621,603	1,468,235,619	54.267

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
	1	2	3	4	5	6	7		
Line of Business	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire	2,615,009	24,737,829	20,762,362	6,590,476	288,511	7,377,589	5,734,243	8,522,333	867,152
2. Allied lines	3,026,316	14,984,507	13,595,196	4,415,627	204,050	6,215,414	4,801,759	6,033,332	1,246,027
3. Farmowners multiple peril	1,209,990	13,284,244	10,841,687	3,652,547	150,563	1,097,746	933,735	3,967,121	1,403,072
4. Homeowners multiple peril	31,352,449	267,914,104	224,963,377	74,303,176	13,805,135	135,711,543	111,838,476	111,981,378	21,096,154
5. Commercial multiple peril	117,834,870	1,013,415,884	849,486,790	281,763,964	96,833,081	603,641,429	528,926,723	453,311,751	188,805,419
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine	3,314,889	7,306,487	7,945,417	2,675,959	(3,538,309)	2,530,590	(699,141)	2,367,381	536,909
10. Financial guaranty									
11.1 Medical professional liablity—occurrence		429,248	321,216	108,032		2,549,543	1,907,058	750,517	386,756
11.2 Medical professional liablity—claims-made		50,000	37,400	12,600		512,667	383,475	141,792	31,256
12. Earthquake		780	583	197	(33,709)	(174,406)	(155,670)	(52,248)	3,861
13. Group accident and health								(a)	(643)
14. Credit accident and health (group and individual)									
15. Other accident and health		49,340,563	46,990,822	2,349,741		36,954,435	27,945,274	(a) 11,358,902	1,345,003
16. Workers' compensation	114,118,610	1,945,449,486	1,597,806,352	461,761,744	102,541,402	1,200,174,639	995,890,640	768,587,145	89,768,482
17.1 Other liability—occurrence	34,040,988	326,516,192	276,270,830	84,286,350	81,334,441	619,796,604	556,598,082	228,819,313	53,648,694
17.2 Other liability—claims-made	565,174	19,957,846	15,679,794	4,843,226	171,881	13,461,682	10,176,217	8,300,572	4,330,545
17.3 Excess workers' compensation			(1)	1				1	87
18.1 Products liability—occurrence	283,598	32,377,655	26,104,240	6,557,013	781,185	7,354,745	6,351,654	8,341,289	2,409,837
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	121,333,883	1,107,589,175	946,042,308	282,880,750	18,631,684	156,710,403	133,548,030	324,674,807	76,389,099
19.3,19.4 Commercial auto liability	52,938,670	570,443,447	468,477,350	154,904,767	34,270,916	358,785,136	295,749,557	252,211,262	35,429,558
21. Auto physical damage	6,141,954	19,319,325	19,117,057	6,344,222	1,734,277	21,510,185	17,388,179	12,200,505	6,132,566
22. Aircraft (all perils)		347,120	259,646	87,474		2,337	1,748	88,063	3,737
23. Fidelity		(7,262)	(5,431)	(1,831)	9,121	1,811,574	1,361,880	456,984	209,706
24. Surety	3,273,713	(89,111,795)	(63,542,442)	(22,295,640)	(440,735)	163,912,301	122,276,731	18,899,195	25,470,333
26. Burglary and theft	838	6	631	213	135	1,688	1,364	672	3,451
27. Boiler and machinery	26,142	9,499	35,318	323	14,104	8,036	16,561	5,902	11,107
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-nonproportional assumed property	XXX				XXX				
32. Reinsurance-nonproportional assumed liability	XXX				XXX	30,926,746	23,837,262	7,089,484	16,954
33. Reinsurance-nonproportional assumed financial lines	XXX				XXX				
34. Aggregate write-ins for other lines of business									
35. TOTALS	492,077,093	5,324,354,340	4,461,190,502	1,355,240,931	346,757,733	3,370,872,626	2,844,813,837	2,228,057,453	509,545,122

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	45,901,302			45,901,302
1.2 Reinsurance assumed	458,259,575			458,259,575
1.3 Reinsurance ceded	374,541,529			374,541,529
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	129,619,348			129,619,348
2. Commission and brokerage:				
2.1 Direct, excluding contingent		152,543,557		152,543,557
2.2 Reinsurance assumed, excluding contingent		1,503,057,713		1,503,057,713
2.3 Reinsurance ceded, excluding contingent		1,245,191,080		1,245,191,080
2.4 Contingent—direct		182,922,807		182,922,807
2.5 Contingent—reinsurance assumed		17,177,533		17,177,533
2.6 Contingent—reinsurance ceded		150,143,647		150,143,647
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)		460,366,883		460,366,883
3. Allowances to manager and agents	19,663	104,925		124,588
4. Advertising	1,390,886	15,230,344	8,409	16,629,639
5. Boards, bureaus and associations	1,060,223	5,117,967	424	6,178,614
6. Surveys and underwriting reports	35,004	17,735,821	146,674	17,917,499
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	124,846,032	149,240,067	5,324,311	279,410,410
8.2 Payroll taxes	2,882,970	14,874,285	34,477	17,791,732
9. Employee relations and welfare	21,271,374	72,429,359	259,221	93,959,954
10. Insurance	5,480,856	2,030,770	122,739	7,634,365
11. Directors' fees	375	1,977	1	2,353
12. Travel and travel items	8,951,140	11,852,708	200,324	21,004,172
13. Rent and rent items	4,729,748	15,940,647	63,708	20,734,103
14. Equipment	4,268,636	10,789,411	91,232	15,149,279
15. Cost or depreciation of EDP equipment and software	765,566	9,845,274	181,263	10,792,103
16. Printing and stationery	1,870,669	2,387,071	15,128	4,272,868
17. Postage, telephone and telegraph, exchange and express	11,104,774	8,650,128	173,081	19,927,983
18. Legal and auditing	488,866	1,532,041	467,327	2,488,234
19. Totals (Lines 3 to 18)	189,166,782	337,762,795	7,088,319	534,017,896
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 557,395		58,119,447		58,119,447
20.2 Insurance department licenses and fees		8,537,884		8,537,884
20.3 Gross guaranty association assessments		306,827		306,827
20.4 All other (excluding federal and foreign income and real estate)		6,435,589		6,435,589
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		73,399,747		73,399,747
21. Real estate expenses			1,259,189	1,259,189
22. Real estate taxes			394,954	394,954
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	16,547,720	45,259,038	1,433,884	63,240,642
25. Total expenses incurred	335,333,850	916,788,463	10,176,346	(a) 1,262,298,659
26. Less unpaid expenses—current year	509,545,123	140,880,502	43,738	650,469,363
27. Add unpaid expenses—prior year	502,296,047	129,021,398	57,785	631,375,230
28. Amounts receivable relating to uninsured plans, prior year		4		4
29. Amounts receivable relating to uninsured plans, current year		4		4
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	328,084,774	904,929,359	10,190,393	1,243,204,526

DETAILS OF WRITE-IN LINES				
2401. Other expenses	16,547,720	45,259,038	1,433,884	63,240,642
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)	16,547,720	45,259,038	1,433,884	63,240,642

(a) Includes management fees of $ 59,441,374 to affiliates and $ 490,971 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 10,490,772	10,463,146
1.1	Bonds exempt from U.S. tax	(a) 50,860,417	52,418,520
1.2	Other bonds (unaffiliated)	(a) 108,329,152	108,652,972
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b) 1,806,932	1,807,210
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	6,801,010	6,747,225
2.21	Common stocks of affiliates	265,419,705	265,419,705
3.	Mortgage loans	(c) 8,119,646	8,181,705
4.	Real estate	(d) 2,134,203	2,134,203
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) (118,953)	273,876
7.	Derivative instruments	(f) 70,061	99,846
8.	Other invested assets	1,627,290	1,627,290
9.	Aggregate write-ins for investment income	1,263,290	1,263,290
10.	Total gross investment income	456,803,525	459,088,988
11.	Investment expenses		(g) 10,176,347
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i) 400,530
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15)		10,576,877
17.	Net investment income (Line 10 minus Line 16)		448,512,111

	DETAILS OF WRITE-IN LINES		
0901.	Miscellaneous Income/(Expense)	1,263,290	1,263,290
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)	1,263,290	1,263,290
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		
1599.	Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		

(a) Includes $ 5,222,525 accrual of discount less $ 7,891,205 amortization of premium and less $ 5,116,573 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 $ 31,710 paid for accrued interest on purchases.
(d) Includes $ 2,134,203 for company's occupancy of its own buildings; and excludes $ 0 interest on encumbrances.
(e) Includes $ 57,247 accrual of discount less $ 74,869 amortization of premium and less $ 341,150 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 $ 400,530 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	(8,346)		(8,346)		
1.1	Bonds exempt from U.S. tax	789,459		789,459		
1.2	Other bonds (unaffiliated)	14,511,354	(2,633,659)	11,877,695	8,632,410	(8,888,238)
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)				7,771,350	
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)	5,082,254	(17,784,451)	(12,702,197)	47,734,206	1,938,228
2.21	Common stocks of affiliates				(189,614,062)	
3.	Mortgage loans	(439,230)		(439,230)	(10,606)	
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments					
7.	Derivative instruments	(1,719,890)		(1,719,890)	(2,968,760)	
8.	Other invested assets	521,952	(16,074)	505,878	1,815,366	20,823
9.	Aggregate write-ins for capital gains (losses)		(6,240,084)	(6,240,084)		
10.	Total capital gains (losses)	18,737,553	(26,674,268)	(7,936,715)	(126,640,096)	(6,929,187)

	DETAILS OF WRITE-IN LINES					
0901.	Impairment on Software		(6,240,084)	(6,240,084)		
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)		(6,240,084)	(6,240,084)		

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	13,133,561	13,046,898	(86,663)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	644,146	157,851	(486,295)
15.3 Accrued retrospective premiums	1,909	129,157	127,248
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	19,806,120	48,741,778	28,935,658
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	5,345	6,003	658
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	3,281,809	3,202,110	(79,699)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	36,872,890	67,904,486	31,031,596
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	36,872,890	67,904,486	31,031,596

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	3,281,809	3,202,110	(79,699)
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	3,281,809	3,202,110	(79,699)

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 2012.

13. The Company has no pharmaceutical rebate receivables.

Note 2 - Accounting Changes and Correction of Errors

Effective January 1, 2012, the Company adopted SSAP No. 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10* ("SSAP No. 101"). There was no cumulative effect adjustment resulting from the adoption of SSAP No. 101.

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; Employers Insurance Company of Wausau ("EICOW"), a Wisconsin insurance company; and Liberty Mutual Insurance Company ("LMIC"), a Massachusetts 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 a 8% ownership interest in Ohio Casualty Corporation, while the affiliates account for the remaining 92% (LMFIC 6%, EICOW 8%, and LMIC 78%). The transaction was accounted for as a statutory purchase and the cost was $222,400,560, resulting in goodwill in the amount of $117,712,240. Goodwill amortization relating to the purchase of Ohio Casualty Corporation was $11,771,227 for year ended December 31, 2012; 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

(1) The maximum and minimum lending rates for commercial mortgage loans during 2012 were 10.50% and 4.13% respectively.

(2) During 2012, the Company did not reduced interest rates of outstanding mortgage loans.

(3) The maximum percentage of any one loan to the value of security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages was 75%

	Current Year	Prior Year
(4) As of year end, the Company held mortgages with interest more than 180 days past due with a recorded investment excluding accrued interest	$422,475	$215,669
a. Total interest due on mortgages with interest more than 180 days past due	$20,653	$25,919
(5) Taxes, assessments and any amounts advanced and not included in the mortgage loan total	$12,940	$17,731
(6) Current year impaired loans with a related allowance for credit losses	$1,972,841	$1,939,357
a. Related allowance for credit losses	$855,740	$845,134
(7) Impaired Mortgage loans without an allowance for credit losses	$319,879	$282,720
(8) Average recorded investment in impaired loans	$50,586	$58,768
(9) Amount of interest income recognized within that period that the loans were impaired	$74,020	$30,243
(10) Amount of interest income recognized on a cash basis during the time within that period that the loans were impaired	$66,826	$30,243
(11) Allowance for credit losses:		
a. Balance at beginning of period	$845,134	$639,036
b. Additions charged to operations	$445,424	$758,836
c. Direct write-downs charged against the allowances	$434,818	$522,738
d. Recoveries of amounts previously charged off	$ -	$ -
e. Balance at end of period	$855,740	$845,134

(12) The Company recognizes interest income on its impaired loans upon receipt.

B. Troubled Debt Restructuring for Creditors

	Current Year	Prior Year
(1) The total recorded investment in restructured loans, as of year end	$1,860,166	$2,812,381
(2) The realized capital losses related to these loans	$ -	$ -
(3) Total contractual commitments to extend credit to debtors owing receivables whose terms have been modified in troubled debt restructurings	$ -	$ -

NOTES TO FINANCIAL STATEMENTS

(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 2012 as of December 31, 2012: None

3. Each Loan Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2012:

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
021468AD5	663,708	659,561	4,148	659,561	565,037	3/31/2012
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
02147XAN7	1,634,562	1,605,079	29,483	1,605,079	1,366,475	3/31/2012
02147XAN7	1,567,986	1,535,274	32,712	1,535,274	1,332,142	6/30/2012
02147XAN7	1,496,578	1,483,448	13,129	1,483,448	1,499,654	9/30/2012
02147XAN7	1,436,546	1,436,541	5	1,436,541	1,430,936	12/31/2012
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
76200RAG3	4,833,262	4,795,122	38,140	4,795,122	4,738,238	6/30/2012
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
74958YAA0	1,628,368	1,607,155	21,213	1,607,155	1,490,596	3/31/2012
74958YAA0	1,522,012	1,519,921	2,091	1,519,921	1,369,718	6/30/2012
74958YAA0	1,474,750	1,473,325	1,425	1,473,325	1,426,854	9/30/2012
74958YAA0	1,403,814	1,401,274	2,540	1,401,274	1,401,274	12/31/2012
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
12545CAU4	3,254,317	3,208,829	45,489	3,208,829	3,006,825	3/31/2012
12545CAU4	3,098,396	3,008,469	89,927	3,008,469	2,760,153	6/30/2012
94985RAQ5	4,584,364	4,201,229	383,135	4,201,229	4,192,347	6/30/2012
32056FAC6	4,321,256	3,941,973	379,283	3,941,973	3,901,366	6/30/2012
74958EAG1	4,907,100	4,809,873	97,227	4,809,873	4,854,439	12/31/2012

NOTES TO FINANCIAL STATEMENTS

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, 2012:

a.	The aggregate amount of unrealized losses:				
		1.	Less than 12 Months	$	(50,666)
		2.	12 Months or Longer	$	(443,831)
b.	The aggregate related fair value of securities with unrealized losses:				
		1.	Less than 12 Months	$	29,677,062
		2.	12 Months or Longer	$	6,463,716

2. 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. The Company has not entered into any repurchase agreements during the year. 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, 2012.

3. Aggregate Amount of Contractually open cash collateral positions:

a. Aggregate Amount Cash Collateral Received

	Fair Value
1. Repurchase Agreement	
(a) Open	$ -
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	-
(g) Securities Received	-
(h) Total Collateral Received	$ -
2. Securities Lending	
(a) Open	$ 48,424,515
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	48,424,515
(g) Securities Received	-
(h) Total Collateral Received	$ 48,424,515
3. Dollar Repurchase Agreement	
(a) Open	$ -
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	-
(g) Securities Received	-
(h) Total Collateral Received	$ -

b. The aggregate fair value of all securities acquired from the sale, trade or use of the accepted collateral (reinvested collateral) $ 48,424,515

NOTES TO FINANCIAL STATEMENTS

c. All collateral is received in the form of cash and/or securities equal to or in excess of 102% of the loaned value and are maintained in a separate custody account. Cash collateral is reinvested into short-term investments as outlined in the terms of the investment agreement. Per the terms of the investment agreement the company has the right and ability to redeem any eligible securities on short notice.

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
1. Repurchase Agreement		
(a) Open	$ -	$ -
(b) 30 Days or Less	-	-
(c) 31 to 60 Days	-	-
(d) 61 to 90 Days	-	-
(e) 91 to 120 Days	-	-
(f) 121 to 180 Days	-	-
(g) 181 to 365 Days	-	-
(h) 1 to 2 Years	-	-
(i) 2 to 3 Years	-	-
(j) Greater Than 3 Years	-	-
(k) Sub-Total	-	-
(l) Securities Received	-	-
(m) Total Collateral Reinvested	$ -	$ -
2. Securities Lending		
(a) Open	$ -	$ -
(b) 30 Days or Less	7,434,627	7,434,627
(c) 31 to 60 Days	18,925,296	18,925,088
(d) 61 to 90 Days	22,074,594	22,064,800
(e) 91 to 120 Days	-	-
(f) 121 to 180 Days	-	-
(g) 181 to 365 Days	-	-
(h) 1 to 2 Years	-	-
(i) 2 to 3 Years	-	-
(j) Greater Than 3 Years	-	-
(k) Sub-Total	48,434,517	48,424,515
(l) Securities Received	-	-
(m) Total Collateral Reinvested	$ 48,434,517	$ 48,424,515
3. Dollar Repurchase Agreement		
(a) Open	$ -	$ -
(b) 30 Days or Less	-	-
(c) 31 to 60 Days	-	-
(d) 61 to 90 Days	-	-
(e) 91 to 120 Days	-	-
(f) 121 to 180 Days	-	-
(g) 181 to 365 Days	-	-
(h) 1 to 2 Years	-	-
(i) 2 to 3 Years	-	-
(j) Greater Than 3 Years	-	-
(k) Sub-Total	-	-
(l) Securities Received	-	-
(m) Total Collateral Reinvested	$ -	$ -

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.

NOTES TO FINANCIAL STATEMENTS

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 twelve years remaining of unexpired tax credits. The required holding period for the LIHTC investment is fourteen 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.

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 $16,074 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, 2012.

Note 8 - Derivative Instruments

The Company has a Derivative Use Policy, which was approved in 2011 by the state of New York 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 immaterial to the underlying investment portfolio.

Beginning in July 2012, the Company, as part of its risk management program, diversification, and economic hedging strategies, entered into total return swap agreements with notional amounts totaling $80,300,000. As of December 31, 2012, the losses on these contracts totaled $4,688,650. Of this total, one position with notional amounts totaling $26,600,000 matured in December 2012 with realized losses of $1,719,890. The remaining losses $2,968,760 are attributable to the unrealized loss on the open positions. The remaining contracts expire at various points during 2013, with the last contract expiring in September 2013.

NOTES TO FINANCIAL STATEMENTS

Note 9 - Income Taxes

A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

1.

	12/31/2012		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
(a) Gross Deferred Tax Assets	$ 266,651,550	$ 10,964,450	$ 277,616,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	266,651,550	10,964,450	277,616,000
(d) Deferred Tax Assets Nonadmitted	16,928,791	2,877,329	19,806,120
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	249,722,759	8,087,121	257,809,880
(f) Deferred Tax Liabilities	33,276,176	6,909,824	40,186,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	$ 216,446,583	$ 1,177,297	$ 217,623,880

	12/31/2011		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
(a) Gross Deferred Tax Assets	$ 226,799,289	$ 24,832,711	$ 251,632,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	226,799,289	24,832,711	251,632,000
(d) Deferred Tax Assets Nonadmitted	31,918,748	16,823,029	48,741,777
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	194,880,541	8,009,682	202,890,223
(f) Deferred Tax Liabilities	38,051,250	6,721,750	44,773,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	$ 156,829,291	$ 1,287,932	$ 158,117,223

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
(a) Gross Deferred Tax Assets	$ 39,852,261	$ (13,868,261)	$ 25,984,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	39,852,261	(13,868,261)	25,984,000
(d) Deferred Tax Assets Nonadmitted	(14,989,957)	(13,945,700)	(28,935,657)
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	54,842,218	77,439	54,919,657
(f) Deferred Tax Liabilities	(4,775,074)	188,074	(4,587,000)
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	$ 59,617,292	$ (110,635)	$ 59,506,657

2.

	12/31/2012		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	$ 48,025,000	$ 1,177,297	$ 49,202,297
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	168,421,583	-	168,421,583
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	168,421,583	-	168,421,583
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			259,583,905
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	33,276,176	6,909,824	40,186,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	$ 249,722,759	$ 8,087,121	$ 257,809,880

NOTES TO FINANCIAL STATEMENTS

	12/31/2011		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	$ -	$ -	$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	156,829,291	1,287,932	158,117,223
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	156,829,291	1,287,932	158,117,223
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			219,515,934
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	38,051,250	6,721,750	44,773,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	$ 194,880,541	$ 8,009,682	$ 202,890,223

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	$ 48,025,000	$ 1,177,297	$ 49,202,297
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	11,592,292	(1,287,932)	10,304,360
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	11,592,292	(1,287,932)	10,304,360
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			40,067,971
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	(4,775,074)	188,074	(4,587,000)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	$ 54,842,218	$ 77,439	$ 54,919,657

3.

	2012	2011
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	459.02%	463.02%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	1,669,684,805	1,644,360,006

4.

	12/31/2012			12/31/2011			Change		
	(1) Ordinary Percent	(2) Capital Percent	(3) (Col 1+2) Total Percent	(4) Ordinary Percent	(5) Capital Percent	(6) (Col 4+5) Total Percent	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital Percent	(9) (Col 7+8) Total Percent
Impact of Tax-Planning Strategies									
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0%	0%	0%	0%	0%	0%	0%	0%	0%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	0%	0%	0%	0%	0%	0%	0%	0%	0%

(c) Does the Company's tax-planning strategies include the use of reinsurance: Yes ___ No __X__

B. The Company does not have any DTLs described in SSAP No. 101 Income Taxes, a Replacement of SSAP No. 10R and SSAP No. 10, paragraph 23.

NOTES TO FINANCIAL STATEMENTS

C. Current income taxes incurred consist of the following major components:

	(1) 12/31/2012	(2) 12/31/2011	(3) (Col 1-2) Change
1. Current Income Tax			
(a) Federal	$ 84,330,850	$ (7,123,147)	$ 91,453,997
(b) Foreign	-	-	-
(c) Subtotal	84,330,850	(7,123,147)	91,453,997
(d) Federal income tax on net capital gains	(2,777,850)	1,009,147	(3,786,997)
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	$ 81,553,000	$ (6,114,000)	$ 87,667,000
2. Deferred Tax Assets:			
(a) Ordinary			
(1) Discounting of unpaid losses	$ 71,705,000	$ 78,828,000	$ (7,123,000)
(2) Unearned premium reserve	93,043,000	89,496,000	3,547,000
(3) Policyholder reserves	-	-	-
(4) Investments	6,014,000	4,817,000	1,197,000
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	4,433,000	4,469,000	(36,000)
(8) Compensation and benefits accrual	6,095,000	4,609,000	1,486,000
(9) Pension accrual	-	1,239,000	(1,239,000)
(10) Receivables – nonadmitted	5,973,000	6,707,000	(734,000)
(11) Net operating loss carry-forward	22,246,000	20,417,000	1,829,000
(12) Tax credit carry-forward	5,280,000	842,000	4,438,000
(13) Other (including items <5% of total ordinary tax assets)	51,862,550	15,375,289	36,487,261
(99) Subtotal	266,651,550	226,799,289	39,852,261
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	16,928,791	31,918,748	(14,989,957)
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	249,722,759	194,880,541	54,842,218
(e) Capital			
(1) Investments	10,964,450	24,832,711	(13,868,261)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	10,964,450	24,832,711	(13,868,261)
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	2,877,329	16,823,029	(13,945,700)
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	8,087,121	8,009,682	77,439
(i) Admitted deferred tax assets (2d + 2h)	257,809,880	202,890,223	54,919,657
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	12,884,000	11,669,000	1,215,000
(2) Fixed assets	471,000	1,438,000	(967,000)
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total capital tax liabilities)	19,921,176	24,944,250	(5,023,074)
(99) Subtotal	33,276,176	38,051,250	(4,775,074)
(b) Capital:			
(1) Investments	6,909,824	6,721,750	188,074
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	6,909,824	6,721,750	188,074

NOTES TO FINANCIAL STATEMENTS

(c) Deferred tax liabilities (3a99 + 3b99)	40,186,000	44,773,000	(4,587,000)
4. Net deferred tax assets/liabilities (2i – 3c)	$ 217,623,880	$ 158,117,223	$ 59,506,657

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax exempt interest, excludable dividend income, impairments, deferred intercompany transactions, depreciation, discounting of unpaid losses and LAE, and unearned premium reserve deductions.

E. The Company has net operating loss carry-forwards which expire as follows:

Year Generated	Amount	Expiration
2011	$ 63,560,000	2031

The Company has general business credit carry-forwards which expire as follows:

Year Generated	Amount	Expiration
2011	$ 36,000	2031
2012	$ 5,244,000	2032

The Company has no alternative minimum tax credit carry-forwards.

The amount of Federal income taxes incurred and available for recoupment in the event of future losses are $48,025,000 from the current year and none from the preceding year.

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:

AMBCO Capital Corporation
America First Insurance Company
America First Lloyd’s Insurance Company
American Economy Insurance Company
American Fire and 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
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, LLC
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 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, LLC

NOTES TO FINANCIAL STATEMENTS

Liberty Insurance Corporation	Summit Consulting, Inc. of Louisiana
Liberty Insurance Holdings, Inc.	Summit Holding Southeast, Inc.
Liberty Insurance Underwriters Inc.	The First Liberty Insurance Corporation
Liberty International Europe Inc.	The Midwestern Indemnity Company
Liberty International Holdings Inc.	The National Corporation
Liberty Life Assurance Company of Boston	The Netherlands Insurance Company
Liberty Life Holdings Inc.	The Ohio Casualty Insurance Company
Liberty Lloyds of Texas Insurance Company	Wausau Business Insurance Company
Liberty Management Services, Inc.	Wausau General Insurance Company
Liberty Mexico Holdings Inc.	Wausau Underwriters Insurance Company
Liberty Mutual Agency Corporation	West American Insurance Company
Liberty Mutual Fire Insurance Company	Winmar Company, Inc.
Liberty Mutual Group Asset Management Inc.	Winmar of the Desert, Inc.
Liberty Mutual Group Inc.	Winmar Oregon, Inc.
Liberty Mutual Holding Company Inc.	Winmar-Metro, Inc.

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.

G. The Company does not expect the Federal and Foreign income tax loss contingencies, as determined in accordance with SSAP No. 5R, Liabilities, Contingencies and Impairments of Assets, with the modifications provided in SSAP No. 101, Income Taxes – A Replacement of SSAP No. 10R and SSAP No. 10, to significantly increase within twelve months of the reporting date.

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. Liberty Mutual Agency Corporation is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Insurance Holdings, Inc. is wholly owned by Liberty Mutual Insurance Company (“LMIC”), 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. As of December 31, 2012 the Company received dividends in the amount of $322,000,000.

D. At December 31, 2012, the Company reported a net $146,202,873 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.

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 LMGAM. 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.

NOTES TO FINANCIAL STATEMENTS

The Company is party to revolving credit agreements under which the Company may lend funds to the following SCA companies for the purpose of accommodating fluctuations in daily cash flow and to promote efficient management of investments:

Company	**Credit Line**
Indiana Insurance Company	$50,000,000
Liberty Mutual Insurance Company	$150,000,000
The Ohio Casualty Insurance Company	$100,000,000
Peerless Indemnity Insurance Company	$50,000,000
Safeco Insurance Company of America	$100,000,000
The Netherlands Insurance Company	$50,000,000

There were no outstanding loans as of December 31, 2012.

The Company is party to revolving credit agreements under which the Company may borrow funds from the following SCA companies for the purpose of accommodating fluctuations in daily cash flow and to promote efficient management of investments:

Company	**Credit Line**
Indiana Insurance Company	$50,000,000
Liberty Mutual Insurance Company	$150,000,000
The Ohio Casualty Insurance Company	$100,000,000
Peerless Indemnity Insurance Company	$50,000,000
Safeco Insurance Company of America	$100,000,000
The Netherlands Insurance Company	$50,000,000

There were no outstanding borrowings as of December 31, 2012.

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.

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. Federal Home Loan Bank Agreements

The Company is a member of the Federal Home Loan Bank of Boston. There were no outstanding borrowings as of December 31, 2012.

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.

NOTES TO FINANCIAL STATEMENTS

LMAC allocates defined benefit pension amounts for the pension plans it sponsors to the Company based on paid amounts. LMAC allocated $40,020,613 and $30,006,254 of defined benefit pension expense to the Company in 2012 and 2011, respectively.

The LMAC pension plans merged into the Liberty Mutual pension plans effective December 31, 2012. As a result of the merger, benefits previously accrued under both plans were combined and effective January 1, 2013, future benefits will now accrue under the Liberty Mutual pension plans.

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, 2012. All shares have a stated par value of $2.50.

   The Company has 113,043 preferred shares authorized and no shares are issued and outstanding as of December 31, 2012. 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 paid ordinary dividends to its parent in 2012 of:

	Ordinary	Total Dividends
March	$175,000,000	$175,000,000
June	-	-
September	-	-
December	-	-
Total	$ 175,000,000	$ 175,000,000

5. The maximum amount of dividends that can be paid by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is 10% of surplus. The maximum dividend payout that may be made without prior approval in 2013 is $188,730,868.

6. As of December 31, 2012, the Company has pre-tax restricted surplus of $4,421,906 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 2012.

10. The portion of unassigned funds (surplus) represented by cumulative net unrealized losses is $(408,212,900) after applicable deferred taxes of $(1,080,924).

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

   Refer to Note 10E.

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.

NOTES TO FINANCIAL STATEMENTS

The Company has accrued a liability for guaranty funds and other assessments of $8,750,319 that is offset by future premium tax credits of $1,151,608. 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 2013. During 2012 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	$ 1,322,201
b.	Decreases current year: Premium tax offset applied	170,594
c.	Increases current year: Premium tax offset increase	-
d.	Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	$ 1,151,607

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	$ 77,500

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.

F. All Other Contingencies

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

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

Note 15 - Leases

A. Lessee Leasing Arrangements

1. The Company leases office space, plant and equipment under various non-cancelable operating lease arrangements.

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

Year Ending December 31,	Operating Leases
2013	$ 10,877,602
2014	10,425,222
2015	8,180,935
2016	7,225,350
2017	5,258,249
2018 & thereafter	2,856,409
Total	$ 44,823,767

NOTES TO FINANCIAL STATEMENTS

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 $3,415,910.

2. The Company is not involved in any material sales-leaseback transactions.

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, 2012 the total fair value of securities on loan was $47,432,374, with corresponding collateral value of $48,424,515 of which $48,424,515 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

In 2008, 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 2012, the Company recorded net CEA administrative fees of $275,908.

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.

NOTES TO FINANCIAL STATEMENTS

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, 2012:

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	$ -	$24,072,608	$ -	$24,072,608
Residential Mortgage-Backed Securities	-	4,599,593	-	$4,599,593
Total Bonds	$ -	$28,672,201	$ -	$28,672,201
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	$ -	$41,310,800	$ -	$41,310,800
Total Preferred Stocks	$ -	$41,310,800	$ -	$41,310,800
Common Stocks				
Industrial and Miscellaneous	$382,865,040	$ -	$4,993,188	$387,858,228
Total Common Stocks	$382,865,040	$ -	$4,993,188	$387,858,228
Total assets at fair value	$382,865,040	$69,983,001	$4,993,188	$457,841,229
Liabilities at fair value				
Derivative Liabilities	$ -	$2,968,760	$ -	$2,968,760
Total liabilities at fair value	$ -	$2,968,760	$ -	$2,968,760

The Company did not have significant transfers between Levels 1 and 2 during the period ended December 31, 2012.

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 12/31/2011	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 12/31/2012
Bonds	$3,000,000	$ -	($3,000,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Preferred Stock	-	-	-	-	-	-	-	-	-	-
Common Stock	5,945,606	-	-	-	(2,309,953)	1,501,935	-	(144,400)	-	4,993,188
Total	$8,945,606	$ -	$(3,000,000)	$ -	$(2,309,953)	$ 1,501,935	$ -	$(144,400)	$ -	$4,993,188

3. Policy on Transfers Into and Out of Level 3

The Company holds NAIC designated 3-6 securities at the lower of cost or market as defined by SSAP No. 26. Market fluctuations cause securities to change from being held at cost to fair value or vice versa. These changes result in a transfer in or out of Level 3. In addition, the Company also transfers securities in or out of level 3 as a result of re-evaluation of the observability of pricing inputs.

NOTES TO FINANCIAL STATEMENTS

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.

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.

NOTES TO FINANCIAL STATEMENTS

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

Type of Financial Instrument	Aggregate Fair Value	Liabilities	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Derivative Liabilities	$2,968,760	$2,968,760		$2,968,760		
Total	$2,968,760	$2,968,760		$2,968,760		

B. Other Fair Value Disclosures

Not applicable

C. Aggregate Fair Value of All Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Cash, Cash Equivalents, and Short Term	$256,298,534	$256,298,534	$256,298,534	$ -	$ -	$ -
Bonds	3,961,858,755	3,717,496,841	25,562,833	3,912,797,139	23,498,783	-
Preferred Stock	41,310,800	41,310,800	-	41,310,800	-	-
Common Stock	387,858,227	387,858,228	382,865,040	-	4,993,187	-
Securities Lending	48,424,515	48,424,515	-	48,424,515	-	-
Mortgage Loans	151,465,521	135,076,671	-	-	151,465,521	-
Surplus Notes	-	-	-	-	-	-
Total	$4,847,216,352	$4,586,465,589	$664,726,407	$4,002,532,454	$179,957,491	$ -

D. Not Practicable 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 $855,254,223 and $828,092,040 as of December 31, 2012 and 2011, respectively, were on deposit with government authorities or trustees as required by law.

2) Interrogatory 6.1

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.

Interrogatory 6.2

The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, we employ RiskLink v11.0 from RMS and AIR Clasic/2 v12.5. For workers' compensation, Liberty Mutual utilizes RiskLink v11.0 from RMS.

Interrogatory 6.3

In 2012, as the lead company in the inter-company pool, the Company purchased traditional Prop Cat excess of loss reinsurance, with limits of $1B part of $1.3B xs $650M covering its direct and assumed from affiliates property business.

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.

NOTES TO FINANCIAL STATEMENTS

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable and Non-transferable Tax Credit

(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
Historical Rehabilitation Credit	CT	252,000	252,000
Film Credit	CT	440,000	440,000
Total		692,000	692,000

(2) Method of estimating utilization of remaining transferable and non-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) State Tax Credits Admitted and Nonadmitted

	Total Admitted	Total Nonadmitted
Transferable	-	-
Non-transferable	692,000	-

G. Subprime-Mortgage-Related Risk Exposure

1. The Company has 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 is through Investments in residential mortgage-backed securities.

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
$3,839,998	$3,839,576	$3,911,167	$ -

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 20, 2013, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2012 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 REINS CO OF ZURICH	00000	AA-1460045	-
MERCANTILE & GENERAL REINS CO LTD	00000	AA-1120950	-
NORTH AMER SPECIALTY INS CO	29874	02-0311919	-
SWISS RE EUROPE SA	00000	AA-1370021	-
SWISS RE FRANKONA REINS LTD	00000	AA-1120643	-
SWISS RE LIFE & HEALTH LTD	00000	AA-1120029	-
SWISS RE LIFE & HLTH AMER INC	82627	06-0839705	-
SWISS REINS AMERICA CORP	25364	13-1675535	-
SWISS REINS CO (UK) LTD	00000	AA-1121400	-
UNION RUCKVERSICHERUNGS GESELLSCHAFT	00000	AA-1460155	-
WESTPORT INS CORP	39845	48-0921045	-
Swiss Re Group (NAIC Code: 181)			$198,652,473
EUROPA RUCKVERSICHERUNGS AG	00000	AA-1340003	-
FINIAL REINS CO	39136	06-1325038	-
GENERAL REINS CORP	22039	13-2673100	-
GENERAL STAR IND CO	37362	06-0876629	-
NATIONAL IND CO	20087	47-0355979	-
PHILADELPHIA REINS CORP	12319	23-1620930	-
UNIONE ITALIANA REINS CO OF AMER	36048	13-2953213	-
YASUDA FIRE & MARINE INS CO OF EUROPE LTD	00000	AA-1121575	-
Berkshire Hathaway Group (NAIC Code: 31)			$141,256,407
MICHIGAN CATASTROPHIC CLAIMS ASSN	00000	AA-9991159	$81,083,903
HAMBURG MANNHEIMER SACHVERSICHERUNGS AG	00000	AA-1340110	-
HARTFORD STEAM BOIL INSPEC & INS CO	11452	06-0384680	-
MUNCHENER RUCKVERSICHERUNGS GESELLSCHAFT	00000	AA-1340165	-
MUNICH REINS AMER INC	10227	13-4924125	-
NOUVELLE CIE DE REASSUR S A	00000	AA-1460100	-
Munich Re Group (NAIC Code: 361)			$65,269,816
Total			$486,262,599

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, 2012.

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	4,663,349,323	699,502,398	3,923,454,853	588,518,228	739,894,470	110,984,170
b. All Other	151,951,948	3,854,729	47,403,192	11,702,541	104,548,756	(7,847,812)
c. TOTAL	4,815,301,271	703,357,127	3,970,858,045	600,220,769	844,443,226	103,136,358
d. Direct Unearned Premium Reserve $ 477,362,420						

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, 2012 are as follows:

	Direct	Assumed	Ceded	Net
a. Contingent Commission	$246,766,829	$62,506,731	$239,373,394	$69,900,166
b. Sliding Scale Adjustments	-	-	-	-
c. Other Profit Commission Arrangements	-	-	-	-
d. TOTAL	$246,766,829	$62,506,731	$239,373,394	$69,900,166

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: $(1,516,500), which is reflected as:

Income Statement Classification	Amount
Losses Incurred	$(1,516,500)
Loss Expenses Incurred	-
Premiums Earned	-
Other	-
Total	$(1,516,500)
Reinsurer	Amount
ALLSTATE INS CO	$(41,947)
ARGONAUT INS CO	(184)
ASSICURAZIONI GEN SPA	(12,155)
AVIVA INS CO OF CN	(54,614)
BERMUDA FIRE & MARINE INS CO LTD	(1,303)
CIGNA HLTHCARE OF NY INC	(6,767)
CITY INS CO (UK) LTD	(62,042)
DOMINION INS CO LTD	(30,559)
EL PASO INS CO LTD	(4,767)
GENERALI	(6,227)
HIGHLANDS INS CO (UK) LTD	(110,011)
ILLINOIS MINE SUBSIDENCE	(5,818)
INDEMNITY GUARANTEE ASSURANCE LTD	(38,941)
LLOYDS OF LONDON	(23,448)
LONDON & EDINBURGH INS CO LTD	(660)
MENTOR INS CO (UK) LTD	(358,765)
MICHIGAN AUTO INS PLACEMENT FACILITY	(152,631)
MUNICH REINS AMER INC	(68,227)
MUT REINS CO LTD	(66,243)
NATIONAL CAS CO	(1,147)
NEW HAMPSHIRE AUTO REINS FACILITY	(1,384)
TRANSFERCOM LTD	(2,097)
ORION INS CO PLC	(351,744)
SLATER WALKER INS CO LTD	(92,724)
SOVEREIGN MARINE & GENERAL	(7,228)
SWISS REINS AMERICA CORP	(10,583)
TRAVELERS IND CO	(504)
UNIONAMERICA INS CO LTD	(3,669)
TENECOM LTD	(111)
Total	$(1,516,500)

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 $81,346. This amount is shown below by Income Statement classification and by reinsurer.

Income Statement Classification	Amount
Losses Incurred	$(81,346)
Loss Expenses Incurred	-
Premiums Earned	-
Other	-
Total	$(81,346)
Reinsurer	Amount
ENGLISH & AMERICAN	$(81,346)
Total	$(81,346)

NOTES TO FINANCIAL STATEMENTS

F. Retroactive Reinsurance

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

	Reported Company	
	As:	
	Assumed	Ceded
a. Reserves Transferred:		
1. Initial Reserves	$508,403,066	$388,749,280
2. Adjustments – Prior Year (s)	(409,434,455)	(312,134,341)
3. Adjustments – Current Year	(10,213,901)	(8,702,699)
4. Current Total	$88,754,709	$67,912,239
b. Consideration Paid or Received:		
1. Initial Consideration	$508,403,066	$409,941,026
2. Adjustments – Prior Year (s)	14,892,933	11,139,914
3. Adjustments – Current Year	-	-
4. Current Total	$523,295,999	$421,080,940
c. Paid Losses Reimbursed or Recovered:		
1. Prior Year (s)	$506,032,459	$383,112,396
2. Current Year	10,143,202	7,774,071
3. Current Total	$516,175,660	$390,886,466
d. Special Surplus from the Retroactive Reinsurance:		
1. Initial Surplus Gain or Loss	$ -	$24,880,681
2. Adjustments – Prior Year (s)	(81,705,071)	(59,838,140)
3. Adjustments – Current Year	70,700	928,629
4. Current Year Restricted Surplus	-	(4,421,906)
5. Cumulative Total Transferred to Unassigned Funds	$(81,634,371)	$(29,606,924)
e. All cedents and reinsurers involved in all transactions included in summary totals above:		
Company	Assumed Amount	Ceded Amount
Great American Insurance Company	$88,754,709	$ -
Westport Insurance Corporation	-	5,199,941
LLOYD'S SYNDICATE # 0138	-	16,528
LLOYD'S SYNDICATE # 0183	-	33,047
LLOYD'S SYNDICATE # 0227	-	33,047
LLOYD'S SYNDICATE # 1003	-	14,540
LLOYD'S SYNDICATE # 1007	-	33,047
LLOYD'S SYNDICATE # 1047	-	33,047
LLOYD'S SYNDICATE # 1096	-	26,442
LLOYD'S SYNDICATE # 1173	-	99,151
LLOYD'S SYNDICATE # 1204	-	49,575
LLOYD'S SYNDICATE # 1212	-	99,160
LLOYD'S SYNDICATE # 1218	-	33,047
LLOYD'S SYNDICATE # 1223	-	33,047
LLOYD'S SYNDICATE # 1241	-	66,104
LLOYD'S SYNDICATE # 1415	-	16,528
LLOYD'S SYNDICATE # 1900	-	82,623
LLOYD'S SYNDICATE # 2003	-	51,554
LLOYD'S SYNDICATE # 2020	-	66,104
LLOYD'S SYNDICATE # 2027	-	49,576
American Security Insurance Company	-	10,382
American Economy Insurance Company	-	4,631,660
American Fire and Casualty Company	-	496,249
American States Insurance Company	-	6,285,825
American States Preferred Insurance Company	-	661,666
First National Insurance Company of America	-	661,666
General Insurance Company of America	-	7,609,156
Golden Eagle Insurance Corporation	-	2,481,247
Indiana Insurance Company	-	3,969,994
Peerless Indemnity Insurance Company	-	2,481,247
Safeco Insurance Company of America	-	12,571,649
Safeco Insurance Company of Illinois	-	1,654,164
The Netherlands Insurance Company	-	1,488,748
The Ohio Casualty Insurance Company	-	16,872,476
Total	$88,754,709	$67,912,238

NOTES TO FINANCIAL STATEMENTS

(f) List total Paid Loss/LAE amounts recoverable and amounts more than 90 days overdue, and collateral held as respects amounts recoverable from unauthorized reinsurers:

1. Authorized Reinsurers

Company	Total Paid/Loss/LAE Recoverable	Amounts Over 90 Days Overdue
Westport Insurance Corporation	$75,006	$ -
LLOYD'S SYNDICATE # 0138	220	-
LLOYD'S SYNDICATE # 0183	440	-
LLOYD'S SYNDICATE # 0227	440	-
LLOYD'S SYNDICATE # 1003	193	-
LLOYD'S SYNDICATE # 1007	440	-
LLOYD'S SYNDICATE # 1047	440	-
LLOYD'S SYNDICATE # 1096	352	-
LLOYD'S SYNDICATE # 1173	1,319	-
LLOYD'S SYNDICATE # 1204	660	-
LLOYD'S SYNDICATE # 1212	1,320	-
LLOYD'S SYNDICATE # 1218	440	-
LLOYD'S SYNDICATE # 1223	440	-
LLOYD'S SYNDICATE # 1241	880	-
LLOYD'S SYNDICATE # 1415	220	-
LLOYD'S SYNDICATE # 1900	1,100	-
LLOYD'S SYNDICATE # 2003	686	-
LLOYD'S SYNDICATE # 2020	880	-
LLOYD'S SYNDICATE # 2027	660	-
Total	$86,136	$ -

2. There are no Paid Loss/LAE amounts recoverable or amounts recoverable from unauthorized reinsurers.

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, 2012.

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.

I. Certified Reinsurers Downgraded or Status Subject to Revocation

1. Reporting Entity Ceding to Certified Reinsurer Downgraded or Status Subject to Revocation

   The Company has not entered into any reinsurance contracts with Certified Reinsurers.

2. Reporting Entity’s Certified Reinsurer Rating Downgraded or Status Subject to Revocation

   The Company is not a Certified Reinsurer.

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	$19,086
b.	Unsecured amount	
c.	Less: Nonadmitted amount (10%)	1,909
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	
e.	Admitted amount (a) - (c) - (d)	$17,177

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributable to insured events on prior years has decreased through the fourth quarter of 2012. This decrease was primarily the result of an updated reserve analysis and improving loss trends in the Nonproportional Assumed Liability, Commercial Multiple Peril, Other Liability Occurrence, Fidelity/Surety, Homeowners and Farmowners lines. This increase was partially offset by deteriorating loss trends in the Workers' Compensation, Commercial Auto and Truck Liability lines. 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, 2012:

Affiliate:	Amount:
The Netherlands Insurance Company	(3,094,905)
Indiana Insurance Company	(8,253,081)
Peerless Indemnity Insurance Company	(5,158,176)
Ohio Casualty Insurance Company	(29,638,430)
Ohio Security Insurance Company	14,611,937
West America Insurance Company	(848,348)
American Fire and Casualty Insurance Company	(795,255)
Golden Eagle Insurance Corporation	(5,158,176)
American Economy Insurance Company	(5,344,658)
American States Insurance Company	(8,510,934)
American States Insurance Company of Texas	466,415
American States Lloyds Insurance Company	68,381
American States Preferred Insurance Company	983,351
First National Insurance Company	10,140,420
General Insurance Company of America	(11,459,847)
Safeco Insurance Company of America	32,013,570
Safeco Insurance Company of Illinois	50,786,439
Safeco Insurance Company of Indiana	13,709,207
Safeco Insurance Company of Oregon	13,928,437
Safeco Lloyds Insurance Company	1,779,329
Safeco National Insurance Company	626,758
Safeco Surplus Insurance Company	(4,555)
Liberty Northwest Insurance Corporation	2,460,686
North Pacific Insurance Company	1,308,434
Oregon Automobile Insurance Company	332,933
Insurance Company of Illinois	3,350

Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2013, the Peerless Amended and Restated Reinsurance Pooling Agreement (the PIC Pool) was terminated and concurrently the participants in the PIC Pool became participants in the Liberty Mutual Second Amended and Restated Inter-Company Reinsurance Agreement (The Liberty Pool).

Effective January 1, 2013, Liberty County Mutual Insurance Company cancelled its 100% Quota Share Reinsurance Agreement with Liberty Mutual Insurance Company, the lead company in the Liberty Pool and became a participant in the Liberty Pool.

Effective January 1, 2013, Liberty Northwest Insurance Corporation, North Pacific Insurance Company, Oregon Automobile Insurance Company and Liberty Mutual Mid-Atlantic Insurance Company cancelled its 100% Quota Share Reinsurance Agreements with Peerless Insurance Company, the Lead Company in the PIC Pool, and became participants in the Liberty Pool.

NOTES TO FINANCIAL STATEMENTS

Effective January 1, 2013, the Liberty Pool structure is as follows:

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Liberty Mutual Insurance Company ("LMIC")	23043	50.0%	All Lines
Affiliated Pool Companies:	Peerless Insurance Company ("PIC")	24198	20.0%	All Lines
	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	8.00%	All Lines
	The Ohio Casualty Insurance Company ("OCIC")	24074	8.00%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	6.0%	All Lines
	American Economy Insurance Company ("AEIC")	19690	0.0%	All Lines
	America First Insurance Company ("AFIC")	12696	0.0%	All Lines
	America Fire and Casualty Company ("AFCIC")	24066	0.0%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.0%	All Lines
	American States Insurance Company ("ASIC")	19704	0.0%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.0%	All Lines
	American States Lloyd's Insurance Company ("ASLCO")	31933	0.0%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.0%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.0%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.0%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.0%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.0%	All Lines
	The First Liberty Insurance Corporation ("FST")	33588	0.0%	All Lines
	General Insurance Company of America ("GICA")	24732	0.0%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	0.0%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.0%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.0%	All Lines
	Indiana Insurance Company ("IIC")	22659	0.0%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	0.0%	All Lines
	Liberty Insurance Underwriters, Inc. ("LIU")	19917	0.0%	All Lines
	Liberty County Mutual Insurance Company ("LCMIC")	19544	0.0%	All Lines
	LM General Insurance Company ("LMGIC")	36447	0.0%	All Lines
	Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.0%	All Lines
	LM Insurance Corporation ("LMC")	33600	0.0%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.0%	All Lines
	Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.0%	All Lines
	Liberty Northwest Insurance Corporation ("LNW")	41939	0.0%	All Lines
	Liberty Personal Insurance Company (LPIC")	11746	0.0%	All Lines
	Liberty Surplus Insurance Corporation ("LSI")	10725	0.0%	All Lines
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.0%	All Lines
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.0%	All Lines
	The Midwestern Indemnity Company ("MWIC")	23515	0.0%	All Lines
	National Insurance Association ("NIA")	27944	0.0%	All Lines
	The Netherlands Insurance Company ("NIC")	24171	0.0%	All Lines
	North Pacific Insurance Company ("NPIC")	23892	0.0%	All Lines
	Ohio Security Insurance Company ("OSIC")	24082	0.0%	All Lines
	Oregon Automobile Insurance Company ("OAIC")	23922	0.0%	All Lines
	Peerless Indemnity Insurance Company ("PIIC")	18333	0.0%	All Lines
	Safeco Insurance Company of Illinois ("SICIL")	39012	0.0%	All Lines
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.0%	All Lines
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.0%	All Lines
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.0%	All Lines
	Safeco National Insurance Company ("SNIC")	24759	0.0%	All Lines
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.0%	All Lines
	Wausau Business Insurance Company ("WBIC")	26069	0.0%	All Lines
	Wausau General Insurance Company ("WGIC")	26425	0.0%	All Lines
	Wausau Underwriters Insurance Company ("WUIC")	26042	0.0%	All Lines
	West American Insurance Company ("WAIC")	44393	0.0%	All Lines
			100.00%	

NOTES TO FINANCIAL STATEMENTS

100% Quota Share Affiliated Companies:	Bridgefield Employers Insurance Company ("BEIC")	10701	0.0%	All Lines
	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.0%	All Lines
	LM Property and Casualty Insurance Company ("LMPAC")	32352	0.0%	All Lines

Note 27 - Structured Settlements

A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of $28,898,928 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 $28,898,928 as of December 31, 2012.

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	12/31/2012
3. Was anticipated investment income utilized in the calculation?	Yes

Note 31 - High Dollar Deductible Policies

Not applicable

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 Stastical Plan tables as approved by their respective states at an annual discount rate of 4.0%.

A. The amount of tabular discount for case and IBNR reserves is as follows:

Schedule P Lines of Business	Tabular Discount Included in Schedule P, Part 1*	
	1 Case	2 IBNR
1. Homeowners/Farmowners	-	-
2. Private Passenger Auto Liability/Medical	-	-
3. Commercial Auto/Truck Liability/Medical	-	-
4. Workers' Compensation	18,261,863	12,690,447
5. Commercial Multiple Peril	-	-
6. Medical Professional Liability – occurrence	-	-
7. Medical Professional Liability – claims-made	-	-
8. Special Liability	-	-
9. Other Liability - occurrence	-	-
10. Other Liability – claims-made	-	-
11. Special Property	-	-
12. Auto Physical Damage	-	-
13. Fidelity, Surety	-	-
14. Other (including Credit, Accident & Health)	-	-
15. International	-	-
16. Reinsurance Nonproportional Assumed Property	-	-
17. Reinsurance Nonproportional Assumed Liability	-	-
18. Reinsurance Nonproportional Assumed Financial Lines	-	-
19. Products Liability – occurrence	-	-
20. Products Liability – claims-made	-	-
21. Financial Guaranty/Mortgage Guaranty	-	-
22. Warranty	-	-
23. Total	18,261,863	12,690,447

* Must exclude medical loss reserves and all loss adjustment expense reserves.

B. Nontabular Discount:

Not applicable

NOTES TO FINANCIAL STATEMENTS

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.

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 third quarter of 2011, the Company completed asbestos ground-up and aggregate environmental reserve studies. These studies were completed by a multi-disciplinary team of internal claims, legal, reinsurance and actuarial personnel, and included all major business segments of the Company's direct, assumed, and ceded asbestos and environmental unpaid claim liabilities. As part of the internal review, policyholders with the largest direct asbestos unpaid claim liabilities were individually evaluated using the Company's proprietary stochastic ground-up model, which is consistent with published actuarial methods of 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, injury type, jurisdiction and legal defenses. Reinsurance recoveries for these policyholders were then separately evaluated by the Company's reinsurance and actuarial personnel. Asbestos and environmental unpaid claim liabilities for all other policyholders were evaluated using aggregate methods that utilized information and experience specific to these policyholders. The studies resulted in an increase to reserves.

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 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, 2012, 2011, 2010, 2009, and 2008:

Asbestos:

	2008	2009	2010	2011	2012
Direct Basis					
Beginning Reserves	40,766,930	42,180,352	39,463,233	35,511,880	25,874,515
Incurred losses and LAE	6,215,660	538,695	(3,267)	(7,150,522)	(1,162,385)
Calendar year payments	4,802,238	3,255,814	3,948,086	2,486,843	2,321,614
Ending Reserves	42,180,352	39,463,233	35,511,880	25,874,515	22,390,516

NOTES TO FINANCIAL STATEMENTS

Assumed Reinsurance Basis					
Beginning Reserves	33,517,404	28,690,658	39,969,251	34,874,064	38,674,456
Incurred losses and LAE	(1,138,881)	14,182,412	(14,053)	6,183,100	1,125,121
Calendar year payments	3,687,866	2,903,818	5,081,133	2,382,709	2,978,861
Ending Reserves	28,690,658	39,969,251	34,874,064	38,674,456	36,820,716
Net of Ceded Reinsurance Basis					
Beginning Reserves	60,191,920	57,742,584	67,991,210	59,804,480	52,270,123
Incurred losses and LAE	3,034,640	16,012,836	31,997	(448,597)	(1,613,288)
Calendar year payments	5,483,975	5,764,210	8,218,728	7,085,760	1,538,762
Ending Reserves	57,742,584	67,991,210	59,804,480	52,270,123	49,118,073

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	8,679,829
Assumed Reinsurance Basis	22,617,458
Net of Ceded Reinsurance Basis	26,849,517
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	6,408,230
Assumed Reinsurance Basis	786,652
Net of Ceded Reinsurance Basis	4,812,716

Environmental:

	2008	2009	2010	2011	2012
Direct Basis					
Beginning Reserves	46,855,257	40,029,408	34,098,413	30,521,848	32,270,397
Incurred losses and LAE	1,031,658	(1,737,580)	(182,367)	6,134,570	(230,294)
Calendar year payments	7,857,506	4,193,415	3,394,198	4,386,020	3,576,218
Ending Reserves	40,029,408	34,098,413	30,521,848	32,270,397	28,463,885
Assumed Reinsurance Basis					
Beginning Reserves	8,996,258	8,650,536	6,226,862	5,698,074	4,375,815
Incurred losses and LAE	506	(2,204,682)	114,616	(612,162)	746,223
Calendar year payments	346,228	218,993	643,404	710,097	790,830
Ending Reserves	8,650,536	6,226,862	5,698,074	4,375,815	4,331,208
Net of Ceded Reinsurance Basis					
Beginning Reserves	51,546,979	43,962,466	35,169,057	31,316,515	33,747,600
Incurred losses and LAE	(907,654)	(4,645,665)	19,595	(3,781)	7,534,799
Calendar year payments	6,676,859	4,147,744	3,872,137	(2,434,866)	11,679,936
Ending Reserves	43,962,466	35,169,057	31,316,515	33,747,600	29,602,464

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	11,752,384
Assumed Reinsurance Basis	2,689,532
Net of Ceded Reinsurance Basis	12,181,075
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	5,256,359
Assumed Reinsurance Basis	216,072
Net of Ceded Reinsurance Basis	4,738,540

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 [ ] No [X]

2.2 If yes, date of change:

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

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

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

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 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 FDIC	6 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

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).
During Q1 and Q3, 2012, Liberty Mutual Insurance Group published certain non-material changes to its Code of Business Ethics and Conduct designed to clarify existing Code 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 where the issuing or confirming bank is not on the SVO Bank List? 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]

GENERAL INTERROGATORIES

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

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

24.01 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 24.03) Yes [X] No [ ]

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

24.03 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

24.04 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 [ ]

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. $ 48,424,515

24.06 If answer to 24.04 is no, report amount of collateral for other programs. $ 0

24.07 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 [ ]

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

24.09 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 [ ]

24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101	Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	$ 48,424,515
24.102	Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	$ 48,424,515
24.103	Total payable for securities lending reported on the liability page	$ 48,424,515

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 24.03). 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	$ 855,254,223
25.29	Other	$ 0

GENERAL INTERROGATORIES

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 [X] No [ ]

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

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 Mellon	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 Group Asset Managemen	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116
N/A	Stancorp Mortgage Investors	100 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]

GENERAL INTERROGATORIES

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

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	3,936,770,906	4,181,132,682	244,361,776
30.2 Preferred stocks	41,310,800	41,310,800	0
30.3 Totals	3,978,081,706	4,222,443,482	244,361,776

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? $ 20,094,673

GENERAL INTERROGATORIES

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	$ 9,984,481
0	$ 0
	$ 0

34.1 Amount of payments for legal expenses, if any? $ 453,380

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
	$ 0

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 60,182

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
	$ 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
0

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	$ 2,705,579,983	$ 2,638,752,618
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 12,703,262	$ 13,256,075
2.5	Reserve Denominator	$ 4,383,509,523	$ 4,392,971,453
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	$ 7,663,197
3.22	Non-participating policies	$ 997,016,734

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

5.21	Out of Attorney's-in-fact compensation	Yes [ ] No [ ] N/A [X]
5.22	As a direct expense of the exchange	Yes [ ] No [ ] N/A [X]

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

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

5.5 If yes, give full information

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:
See Note 21C2

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 21C2

6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
See Note 21C2

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 [ ]

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 $ 85,403,180

12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 8,099,931

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? $ 19,086

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

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

12.41 From 0.00 %

12.42 To 9.00 %

12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting 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 $ 187,394,482

12.62 Collateral and other funds $ 35,857,110

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 80,892,000

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 [ ]

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

14.5 If the answer to 14.4 is no, please explain:
0

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 2012	2 2011	3 2010	4 2009	5 2008
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)	4,206,657,472	4,241,266,729	4,348,696,044	5,502,241,216	3,341,655,051
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,232,138,690	2,092,669,416	2,094,280,352	2,492,748,247	890,604,875
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	3,938,437,915	3,721,443,719	3,551,922,527	4,234,106,509	2,273,319,033
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	731,723,077	769,919,108	763,947,049	1,007,375,003	588,077,708
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	15,738	5,593	101,324	447	
6. Total (Line 35)	11,108,972,892	10,825,304,565	10,758,947,296	13,236,471,422	7,093,656,667
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)	1,047,170,720	1,057,486,168	1,083,788,422	1,203,777,911	1,176,509,499
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	559,210,424	521,337,402	521,044,350	558,694,420	288,317,217
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	964,060,594	912,053,153	867,865,058	797,777,742	668,664,285
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	180,948,281	188,720,524	184,097,912	205,445,421	245,999,332
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)				27	
12. Total (Line 35)	2,751,390,019	2,679,597,247	2,656,795,742	2,765,695,521	2,379,490,333
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(14,777,982)	(180,298,775)	(37,497,227)	111,053,844	75,006,667
14. Net investment gain (loss) (Line 11)	443,353,245	196,759,465	240,617,073	227,521,942	231,368,996
15. Total other income (Line 15)	11,655,347	5,307,361	(28,460,537)	(8,145,894)	(28,014,503)
16. Dividends to policyholders (Line 17)	6,488,375	5,299,127	(888,116)	11,295,896	16,399,916
17. Federal and foreign income taxes incurred (Line 19)	84,330,850	(7,123,147)	5,115,645	105,839,007	75,271,088
18. Net income (Line 20)	349,411,385	23,592,071	170,431,780	213,294,989	186,690,156
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	7,629,799,775	7,361,784,538	7,420,492,899	8,377,241,549	7,069,023,987
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	80,100,722	100,980,868	94,609,867	104,541,562	86,666,006
20.2 Deferred and not yet due (Line 15.2)	1,116,743,314	1,014,073,115	967,205,954	894,771,266	661,742,596
20.3 Accrued retrospective premiums (Line 15.3)	17,177	1,163,639	2,308,536	4,115,082	12,874,039
21. Total liabilities excluding protected cell business (Page 3, Line 26)	5,742,491,090	5,559,307,309	5,642,817,569	5,967,896,625	5,049,956,580
22. Losses (Page 3, Line 1)	2,228,057,451	2,271,621,602	2,250,497,523	2,368,875,142	2,482,289,010
23. Loss adjustment expenses (Page 3, Line 3)	509,545,123	502,296,047	502,280,553	563,987,478	568,418,457
24. Unearned premiums (Page 3, Line 9)	1,321,805,644	1,269,858,758	1,222,995,740	1,159,485,799	1,062,378,685
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)	1,887,308,685	1,802,477,229	1,777,675,330	2,409,344,924	2,019,067,407
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	409,142,233	133,352,265	(187,953,149)	167,282,626	534,551,630
Risk-Based Capital Analysis					
28. Total adjusted capital	1,887,308,685	1,802,477,229	1,777,675,330	2,409,344,924	2,019,067,407
29. Authorized control level risk-based capital	363,747,637	355,139,007	348,747,336	360,340,526	360,631,272
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)	67.3	65.7	68.9	73.7	74.4
31. Stocks (Lines 2.1 & 2.2)	22.8	25.6	21.6	18.5	19.7
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	2.4	2.3	2.4	1.9	2.0
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	4.6	5.4	4.9	2.8
35. Contract loans (Line 6)					
36. Derivatives (Line 7)				XXX	XXX
37. Other invested assets (Line 8)	1.7	0.9	0.2	1.0	1.1
38. Receivables for securities (Line 9)	0.1	0.0	0.0		
39. Securities lending reinvested collateral assets (Line 10)	0.9	0.8	1.3	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)	829,047,415	1,075,241,775	1,051,840,464	1,080,828,590	957,386,920
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	829,047,415	1,075,241,775	1,051,840,464	1,095,196,510	971,754,840
49. Total investment in parent included in Lines 42 to 47 above					
50. 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)	43.9				

FIVE – YEAR HISTORICAL DATA
(Continued)

	1 2012	2 2011	3 2010	4 2009	5 2008
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)	(166,358,574)	5,608,420	63,859,482	159,361,186	(63,572,475)
52. Dividends to stockholders (Line 35)	(175,000,000)		(1,087,270,097)		
53. Change in surplus as regards policyholders for the year (Line 38)	84,831,456	24,801,899	(631,669,594)	390,277,517	548,759,822
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54. 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)	2,484,795,591	2,605,914,794	3,238,365,280	(211,888,056)	(1,032,495,791)
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,167,444,606	1,175,686,120	1,062,145,551	1,005,318,086	402,783,851
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,194,857,770	2,531,818,792	1,921,266,867	1,225,018,873	774,628,585
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	280,667,929	189,950,176	145,057,226	(16,258,447)	(61,368,197)
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	8,440,201	9,625,235	22,590,406	(205,135,158)	24,953
59. Total (Line 35)	6,136,206,097	6,512,995,117	6,389,425,330	1,797,055,298	83,573,401
Net Losses Paid (Page 9, Part 2, Col. 4)					
60. 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)	595,979,990	640,132,157	803,359,317	728,746,061	363,905,605
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	294,815,285	295,835,761	267,003,448	262,985,915	176,985,694
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	548,574,270	625,895,627	462,532,552	478,434,177	559,640,613
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	70,646,855	47,569,969	36,429,413	29,040,723	(19,452,104)
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	1,783,371	1,987,156	5,395,568	(46,870,018)	231,416
65. Total (Line 35)	1,511,799,771	1,611,420,670	1,574,720,298	1,452,336,858	1,081,311,224
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	54.3	61.9	56.0	50.7	52.4
68. Loss expenses incurred (Line 3)	12.4	12.1	11.8	11.9	10.8
69. Other underwriting expenses incurred (Line 4)	33.9	32.9	33.6	33.2	33.8
70. Net underwriting gain (loss) (Line 8)	(0.5)	(6.8)	(1.4)	4.2	3.0
Other Percentages					
71. 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	32.9	32.2	33.9	32.0	36.9
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	66.7	73.9	67.8	62.6	63.2
73. 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)	145.8	148.7	149.5	114.8	117.9
One Year Loss Development (000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(105,626)	(70,998)	(30,610)	(194,378)	(223,610)
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100.0)	(5.9)	(4.0)	(1.3)	(9.6)	(15.2)
Two Year Loss Development (000 omitted)					
76. 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)	(135,500)	(63,709)	(155,396)	(280,089)	(386,263)
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0)	(7.6)	(2.6)	(7.7)	(19.1)	(31.7)

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
				Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments				
	1	2	3	4	5	6	7	8	9	10	11	
	Direct and Assumed	Ceded	Net (Cols. 1–2)	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	Number of Claims Reported Direct and Assumed
1. Prior	X X X	X X X	X X X	33,654	21,626	7,987	1,791	1,907	(2,798)	1,502	22,929	X X X
2. 2003	2,508,214	209,485	2,298,729	1,231,451	107,931	87,282	6,329	184,109	8,748	76,928	1,379,834	X X X
3. 2004	2,699,248	148,927	2,550,321	1,264,546	51,809	80,847	2,860	180,575	3,862	96,400	1,467,437	X X X
4. 2005	2,812,007	113,894	2,698,113	1,300,476	53,641	85,601	3,132	189,837	2,973	91,649	1,516,168	X X X
5. 2006	2,808,281	125,420	2,682,861	1,321,380	32,023	86,221	3,573	193,862	4,289	80,292	1,561,578	X X X
6. 2007	2,866,324	139,986	2,726,338	1,331,313	29,659	88,662	3,032	192,200	2,702	89,354	1,576,782	X X X
7. 2008	2,860,692	106,354	2,754,338	1,486,224	46,182	88,055	3,522	214,781	2,206	77,889	1,737,150	X X X
8. 2009	2,683,953	167,855	2,516,098	1,222,469	75,824	66,336	3,812	190,792	1,625	73,233	1,398,336	X X X
9. 2010	2,652,816	53,643	2,599,173	1,181,776	8,020	50,805	307	203,903	386	85,804	1,427,771	X X X
10. 2011	2,687,526	48,773	2,638,753	1,249,994	4,053	34,300	369	186,481	338	106,311	1,466,015	X X X
11. 2012	2,755,000	49,421	2,705,579	820,419	2,212	11,879	120	156,203	8	60,557	986,161	X X X
12. Totals	X X X	X X X	X X X	12,443,702	432,980	687,975	28,847	1,894,650	24,339	839,919	14,540,161	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						
	13	14	15	16	17	18	19	20	21	22			
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior	337,971	89,193	134,828	22,294	11,223	1,164	24,491	3,315	29,161	15	13,073	421,693	X X X
2. 2003	17,133	2,802	8,509	2,045	443	2	2,214	185	1,725	(1)	1,903	24,991	X X X
3. 2004	23,660	5,271	9,504	2,255	584		2,531	214	2,398	2	2,777	30,935	X X X
4. 2005	26,630	1,908	12,084	2,732	667		4,374	229	3,052		4,024	41,938	X X X
5. 2006	27,000	5,658	17,858	3,387	895		6,517	502	3,559	2	13,607	46,280	X X X
6. 2007	51,553	2,716	27,074	3,953	1,353	1	8,212	719	4,821	8	5,063	85,616	X X X
7. 2008	71,556	5,935	32,705	5,253	1,867	20	16,993	1,055	7,039	21	14,239	117,876	X X X
8. 2009	115,935	4,305	53,999	6,030	2,704	44	28,051	1,276	12,385	68	11,538	201,351	X X X
9. 2010	173,057	1,189	83,882	8,027	3,166	15	51,882	1,787	19,542	112	18,033	320,399	X X X
10. 2011	260,667	1,349	163,613	7,801	4,648	138	69,245	997	35,397	164	41,057	523,121	X X X
11. 2012	371,512	1,106	397,510	4,971	4,228	15	93,102	410	64,065	508	71,973	923,407	X X X
12. Totals	1,476,674	121,432	941,566	68,748	31,778	1,399	307,612	10,689	183,144	899	197,287	2,737,607	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	27	28	29	30	31	32	33		35	36
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense	Inter-Company Pooling Participation Percentage	Losses Unpaid	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	361,312	60,381
2. 2003	1,532,866	128,041	1,404,825	61.114	61.122	61.113			25.200	20,795	4,196
3. 2004	1,564,645	66,273	1,498,372	57.966	44.500	58.752			25.200	25,638	5,297
4. 2005	1,622,721	64,615	1,558,106	57.707	56.733	57.748			25.200	34,074	7,864
5. 2006	1,657,292	49,434	1,607,858	59.014	39.415	59.931			25.200	35,813	10,467
6. 2007	1,705,188	42,790	1,662,398	59.490	30.567	60.975			25.200	71,958	13,658
7. 2008	1,919,220	64,194	1,855,026	67.089	60.359	67.349			25.200	93,073	24,803
8. 2009	1,692,671	92,984	1,599,687	63.066	55.395	63.578			25.200	159,599	41,752
9. 2010	1,768,013	19,843	1,748,170	66.647	36.991	67.259			25.200	247,723	72,676
10. 2011	2,004,345	15,209	1,989,136	74.580	31.183	75.382			25.200	415,130	107,991
11. 2012	1,918,918	9,350	1,909,568	69.652	18.919	70.579			25.200	762,945	160,462
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,228,060	509,547

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 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012	DEVELOPMENT 11 One Year	12 Two Year
1. Prior	1,452,922	1,455,586	1,471,943	1,485,047	1,490,772	1,451,135	1,526,558	1,558,032	1,577,855	1,569,346	(8,509)	11,314
2. 2003	1,306,554	1,282,606	1,250,653	1,244,188	1,252,779	1,243,145	1,238,597	1,233,600	1,232,507	1,229,012	(3,495)	(4,588)
3. 2004	XXX	1,469,365	1,433,717	1,415,053	1,353,486	1,345,250	1,329,734	1,326,137	1,323,110	1,320,816	(2,294)	(5,321)
4. 2005	XXX	XXX	1,533,320	1,474,982	1,402,061	1,393,133	1,376,157	1,372,462	1,368,300	1,369,502	1,202	(2,960)
5. 2006	XXX	XXX	XXX	1,509,027	1,478,246	1,439,640	1,407,459	1,412,068	1,414,491	1,416,225	1,734	4,157
6. 2007	XXX	XXX	XXX	XXX	1,617,471	1,574,566	1,476,120	1,475,351	1,471,300	1,469,773	(1,527)	(5,578)
7. 2008	XXX	XXX	XXX	XXX	XXX	1,750,706	1,671,080	1,664,546	1,645,065	1,637,021	(8,044)	(27,525)
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	1,494,514	1,447,407	1,422,591	1,399,678	(22,913)	(47,729)
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,583,986	1,547,359	1,526,716	(20,643)	(57,270)
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,810,158	1,769,021	(41,137)	XXX
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,690,702	XXX	XXX
									12. Totals		(105,626)	(135,500)

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 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012	11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
1. Prior	000	377,102	627,792	782,226	884,874	966,006	1,016,112	1,074,285	1,141,648	1,159,873	XXX	XXX
2. 2003	610,032	878,474	1,007,174	1,091,128	1,147,812	1,172,557	1,187,455	1,195,500	1,200,984	1,204,474	XXX	XXX
3. 2004	XXX	632,941	950,544	1,098,676	1,186,661	1,238,631	1,264,315	1,276,638	1,285,562	1,290,724	XXX	XXX
4. 2005	XXX	XXX	647,978	962,129	1,112,554	1,210,318	1,271,559	1,301,184	1,316,593	1,329,304	XXX	XXX
5. 2006	XXX	XXX	XXX	659,915	980,432	1,120,002	1,232,691	1,302,314	1,344,669	1,372,005	XXX	XXX
6. 2007	XXX	XXX	XXX	XXX	685,750	1,018,579	1,171,497	1,282,322	1,351,348	1,387,284	XXX	XXX
7. 2008	XXX	XXX	XXX	XXX	XXX	795,113	1,175,746	1,341,525	1,452,231	1,524,575	XXX	XXX
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	664,132	962,591	1,106,659	1,209,169	XXX	XXX
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	729,449	1,066,818	1,224,254	XXX	XXX
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	918,829	1,279,872	XXX	XXX
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	829,967	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 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012
1. Prior	606,736	424,385	331,752	288,934	237,414	218,934	233,333	229,319	181,802	150,637
2. 2003	365,345	181,942	104,047	72,052	52,439	38,428	26,110	16,561	13,746	9,767
3. 2004	XXX	458,716	228,282	150,739	81,272	59,766	32,332	23,728	17,722	11,120
4. 2005	XXX	XXX	512,417	254,828	128,850	79,887	45,499	31,393	22,824	14,809
5. 2006	XXX	XXX	XXX	462,184	232,680	141,856	68,317	38,797	26,142	21,983
6. 2007	XXX	XXX	XXX	XXX	477,837	249,263	117,450	63,891	39,175	32,300
7. 2008	XXX	XXX	XXX	XXX	XXX	519,575	228,602	136,379	76,561	44,978
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	455,455	230,623	134,835	76,219
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	449,740	213,075	127,443
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	465,407	225,322
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	486,116

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				(345)	(486)	667		
2. Alaska AK	L					(227)	28,313		
3. Arizona AZ	L	31,984	35,506		43,748	(28,104)	65,722	193	
4. Arkansas AR	L	1,783,753	1,975,529		1,372,980	153,622	1,053,054	10,750	
5. California CA	L	190,667,087	187,011,378	11,860	72,913,758	72,870,118	109,074,682	1,149,106	
6. Colorado CO	L	759	2,925		697	1,099,716	1,138,319	5	
7. Connecticut CT	L	89,011,104	93,799,605	8,092	52,586,938	46,476,452	74,480,218	536,449	
8. Delaware DE	L	3,846,606	4,076,820		1,381,811	139,227	5,281,137	23,183	
9. District of Columbia DC	L	843,754	890,998		49,353	(122,865)	822,070	5,085	
10. Florida FL	L	72,287	58,031		39,013	48,785	51,807	436	
11. Georgia GA	L	22,553,278	24,377,570		14,729,023	11,612,308	11,125,704	135,923	
12. Hawaii HI	N								
13. Idaho ID	L								
14. Illinois IL	L	9,504,506	9,966,770	670	4,685,988	831,638	16,180,023	57,281	
15. Indiana IN	L	13,715,443	15,090,085		7,904,630	5,369,322	21,292,573	82,660	
16. Iowa IA	L	997,291	1,142,236		676,479	1,254,439	1,687,949	6,010	
17. Kansas KS	L	2,597,774	2,761,035		1,454,078	2,474,274	2,526,907	15,656	
18. Kentucky KY	L	5,196,377	5,212,563		2,879,650	2,702,623	4,471,505	31,317	
19. Louisiana LA	L	9,475,119	9,796,428		5,269,920	4,181,792	8,630,498	57,104	
20. Maine ME	L	54,731,977	55,400,485		21,959,130	18,878,654	23,908,484	329,857	
21. Maryland MD	L	13,712,318	14,338,040	1,009	4,956,925	3,498,592	15,239,870	82,641	
22. Massachusetts MA	L	72,862,709	73,271,428		41,304,171	43,460,610	64,072,544	439,127	
23. Michigan MI	L	986,536	1,067,064		455,948	(261,313)	995,198	5,946	
24. Minnesota MN	L	3,416,003	3,164,187		1,908,147	1,809,048	5,404,856	20,587	
25. Mississippi MS	L								
26. Missouri MO	L	5,984,537	6,565,173		3,438,764	3,167,066	5,441,817	36,067	
27. Montana MT	L					(1,196)			
28. Nebraska NE	L	1,350,842	1,547,160	19,105	884,175	1,232,719	1,441,681	8,141	
29. Nevada NV	L	8,006	7,151			(1,724)	1,417	48	
30. New Hampshire NH	L	45,026,074	66,450,063	40,574	29,658,434	25,791,028	56,498,608	271,362	
31. New Jersey NJ	Q	756	410			5,001	24,744	5	
32. New Mexico NM	L	4,882	1,315			(1,272)		29	
33. New York NY	L	183,676,559	196,122,642	437,834	114,470,513	145,339,453	186,938,378	1,106,976	
34. North Carolina NC	L	106,318,946	111,952,657		66,206,673	57,302,718	45,289,859	640,760	
35. North Dakota ND	L								
36. Ohio OH	L	5,649,975	5,743,123		1,156,313	(4,516,233)	(1,504,939)	34,051	
37. Oklahoma OK	L	13,491,426	14,890,274		8,965,231	10,654,285	13,835,564	81,310	
38. Oregon OR	L					2,062,708	2,086,373		
39. Pennsylvania PA	L	46,253,090	48,717,699	548	23,088,239	13,771,312	46,490,038	278,757	
40. Rhode Island RI	L	33,043,404	33,137,457	488	16,713,926	19,805,204	21,928,344	199,145	
41. South Carolina SC	L	12,819,481	25,979,153		19,621,729	24,259,596	30,743,054	77,260	
42. South Dakota SD	L								
43. Tennessee TN	L	5,492,939	5,486,300	5,856	2,482,609	1,963,234	5,441,821	33,105	
44. Texas TX	L	6,190,846	5,882,064	467	2,021,558	976,172	3,797,449	37,311	
45. Utah UT	L	2,466	3,632			(91)	470	15	
46. Vermont VT	L	20,942,155	27,566,855	87,756	12,048,577	11,003,238	26,121,508	126,213	
47. Virginia VA	L	21,045,472	22,401,581	1,613	12,060,937	10,254,672	16,374,215	126,836	
48. Washington WA	L					(659,105)	7,937,466		
49. West Virginia WV	L	184	184					1	
50. Wisconsin WI	L	1,371,226	1,520,771	165,441	1,758,500	1,447,147	2,414,861	8,264	
51. Wyoming WY	L								
52. American Samoa AS	N								
53. Guam GU	N								
54. Puerto Rico PR	N								
55. U.S. Virgin Islands VI	N								
56. Northern Mariana Islands MP	N								
57. Canada CAN	N								
58. Aggregate Other Alien OT	XXX								
59. Totals	(a) 49	1,004,679,931	1,077,414,347	781,313	551,148,220	540,304,157	838,834,828	6,054,972	

DETAILS OF WRITE-INS									
58001.	XXX								
58002.	XXX								
58003.	XXX								
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX								
58999. Totals (Lines 58001 through 58003 plus 58998) (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.

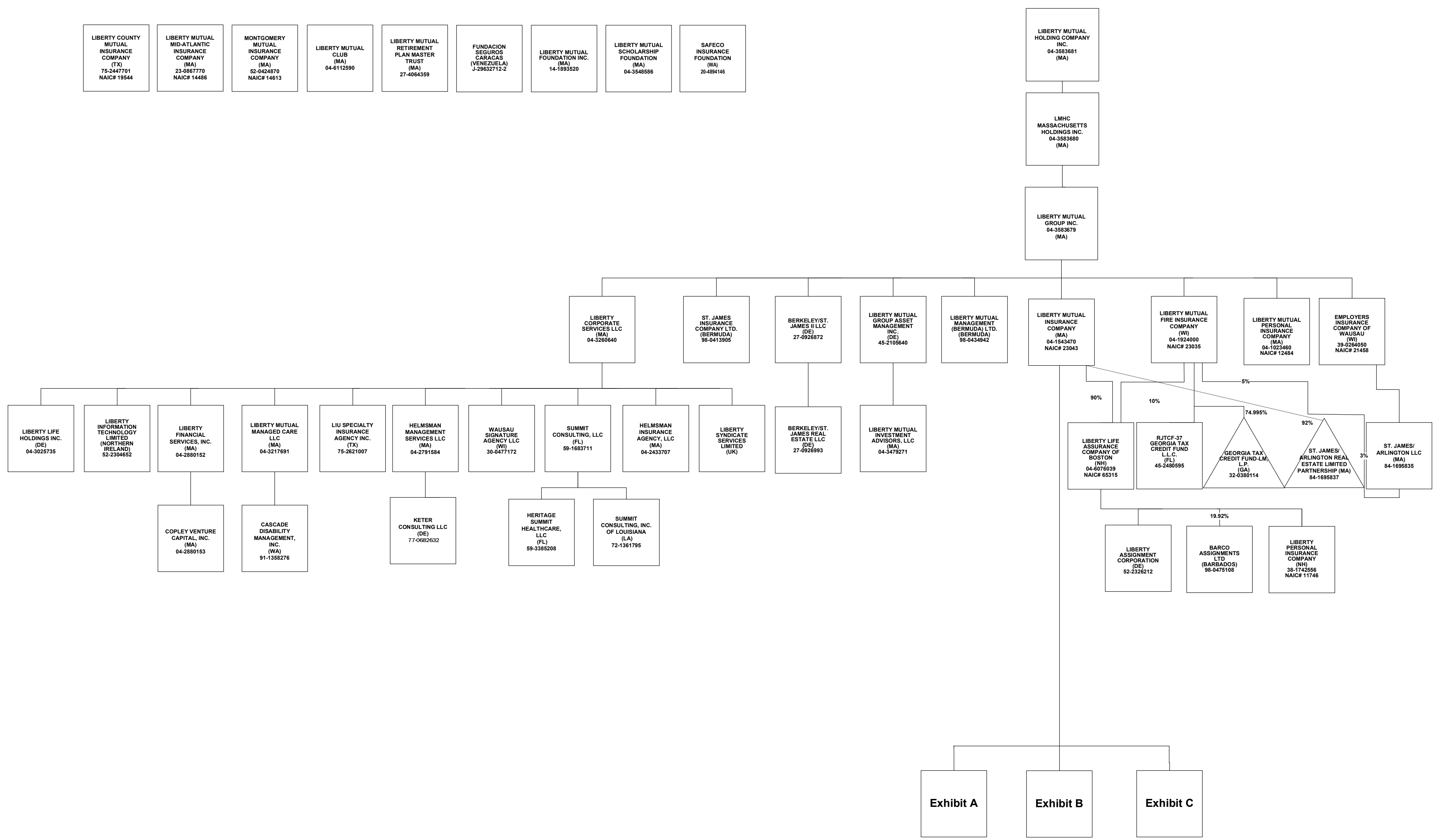
Explanation of basis of allocation of premiums by states, etc.

*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 Court or Obligee - Surety
*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage
*Address of Assured - Other Accident and Health
*Principal Location of business or location of coverage - Liability other than Auto, Fidelity, Warranty
*Location of Properties covered - Burglary and Theft
*Point of origin of shipment or principal location of assured - Inland Marine
*Principal Location of Assured - Ocean Marine, Credit
*State in which employees regularly work - Group Accident and Health
*Primary residence of Assured - Aircraft (all perils)

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

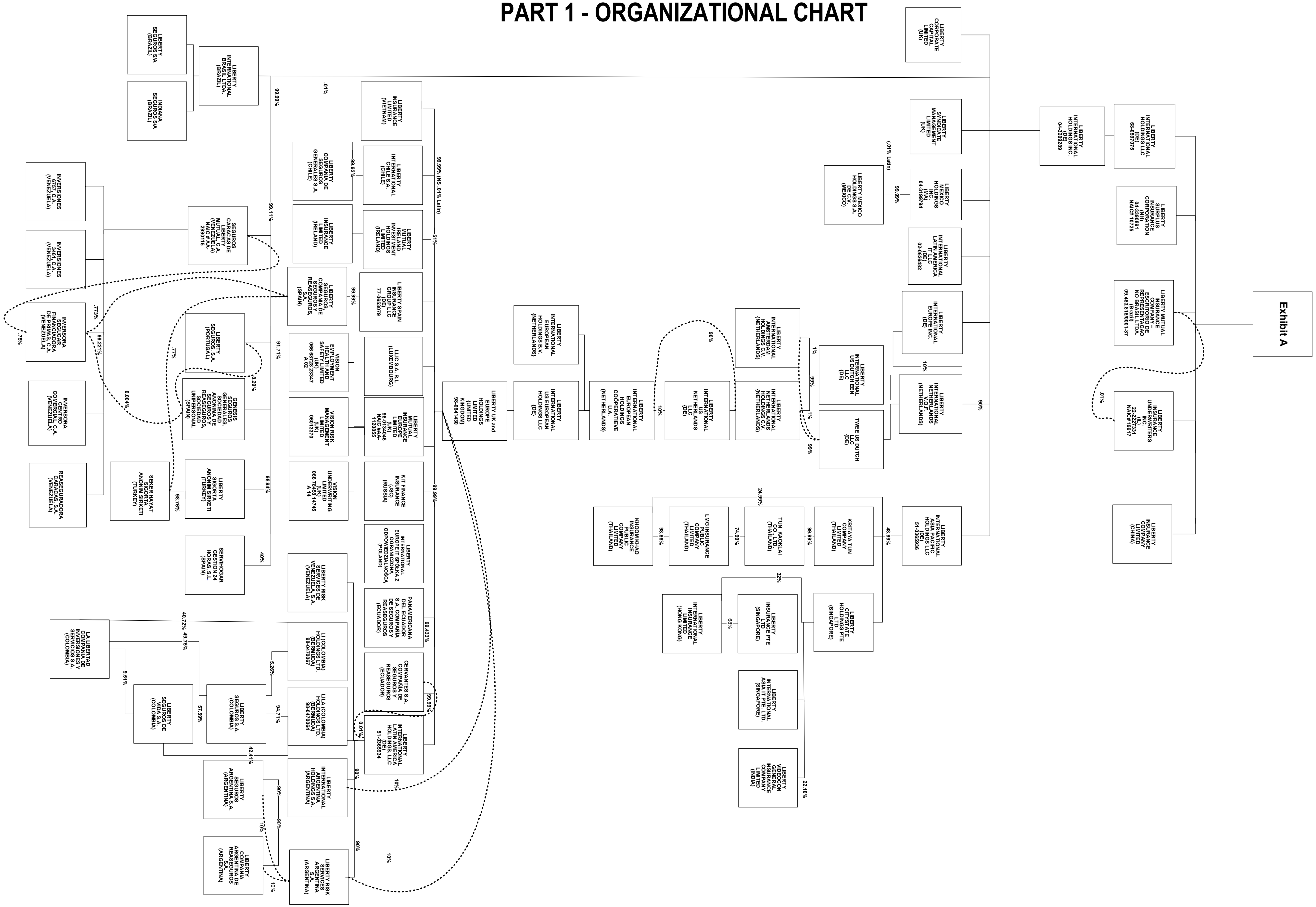
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



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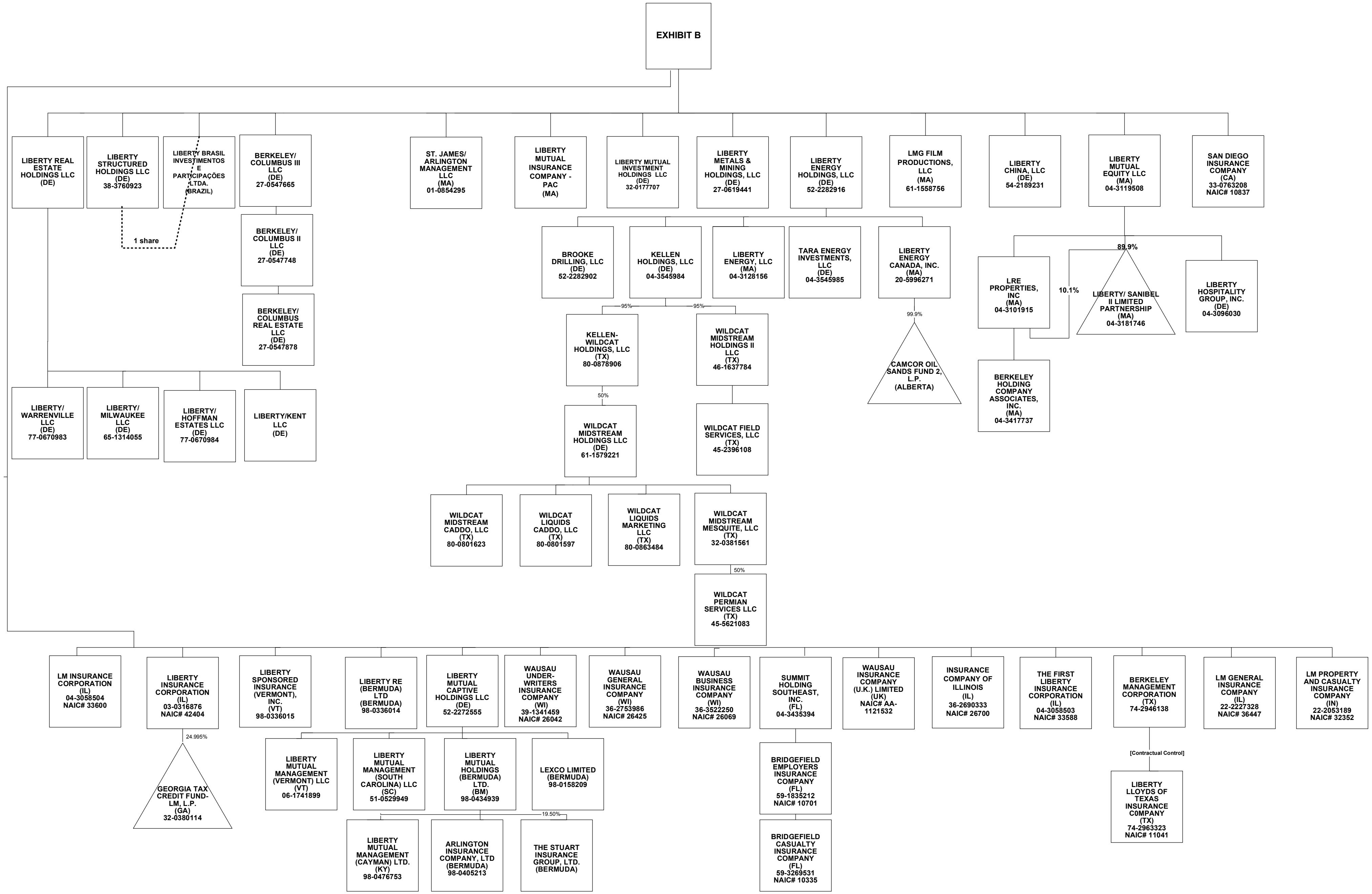

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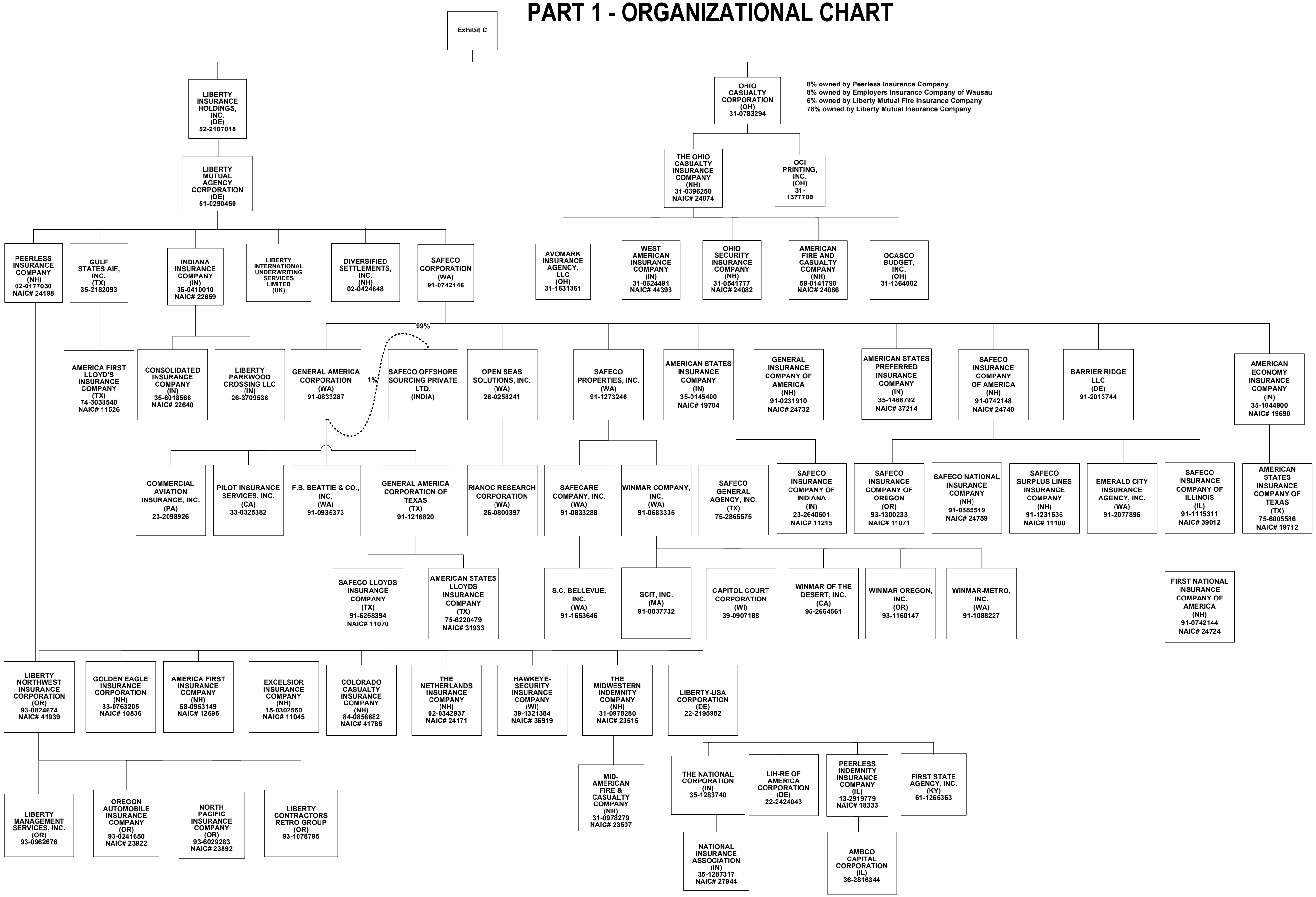
PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT