

ANNUAL STATEMENT

OF THE

PEERLESS INDEMNITY INSURANCE COMPANY

of **WARRENVILLE**

in the state of **ILLINOIS**

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2011

PROPERTY AND CASUALTY

2011



18333201120100100

ANNUAL STATEMENT

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

Peerless Indemnity Insurance Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) NAIC Company Code 18333 Employer's ID Number 13-2919779

Organized under the Laws of Illinois, State of Domicile or Port of Entry Illinois

Country of Domicile United States of America

Incorporated/Organized April 30, 2002 Commenced Business August 10, 2002

Statutory Home Office 27201 Bella Vista Parkway, Suite 130 (Street and Number), Warrenville, IL 60555 (City or Town, State and Zip Code)

Main Administrative Office 175 Berkeley Street (Street and Number)

Boston, MA 02116 (City or Town, State and Zip Code) 617-357-9500 (Area Code) (Telephone Number)

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

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

Internet Web Site Address www.lmac.com

Statutory Statement Contact Pamela Heenan (Name) 617-357-9500 x44689 (Area Code) (Telephone Number) (Extension)

Statutory.Compliance@LibertyMutual.com (E-Mail Address) 617-574-5955 (Fax Number)

OFFICERS

Chairman of the Board

James Paul Condrin, III #

Table with 2 columns: Name, Title. Rows include James Paul Condrin, III # (President and Chief Executive Officer), Dexter Robert Legg (Secretary), James Paul McKenney # (Treasurer and Chief Financial Officer).

VICE-PRESIDENTS

Table with 4 columns: Name, Title, Name, Title. Row 1: Anthony Alexander Fontanes (EVP and Chief Investment Officer), Michael Joseph Fallon # (Executive Vice President).

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Row 1: James Paul Condrin, III #, John Derek Doyle, Michael Joseph Fallon, John Christopher Ingram.

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

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

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

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	621,973,497		621,973,497	616,125,662
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				360,746
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 77,000, Schedule E - Part 1), cash equivalents (\$ 3,534,743, Schedule E - Part 2), and short-term investments (\$ 14,928,364, Schedule DA)	18,540,107		18,540,107	14,886,836
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	10,000,000		10,000,000	10,000,000
9. Receivables for securities	215,000		215,000	1,962,332
10. Securities lending reinvested collateral assets (Schedule DL)	14,077,360		14,077,360	14,104,254
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	664,805,964		664,805,964	657,439,830
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	6,457,854		6,457,854	6,428,655
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	13,574,738	1,553,203	12,021,535	10,769,340
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 187,916 earned but unbilled premiums)	90,482,244	18,792	90,463,452	86,612,612
15.3 Accrued retrospective premiums	153,904	15,376	138,528	274,825
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				2,602,581
18.2 Net deferred tax asset	22,946,000	5,625,055	17,320,945	16,863,464
19. Guaranty funds receivable or on deposit	360,699		360,699	506,905
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	4,957,434		4,957,434	
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	2,927,634	362,602	2,565,032	2,628,451
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	806,666,471	7,575,028	799,091,443	784,126,663
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	806,666,471	7,575,028	799,091,443	784,126,663

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	1,771,880		1,771,880	1,743,987
2502. Equities and deposits in pools and associations	785,855		785,855	793,589
2503. Other assets	369,899	362,602	7,297	90,875
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	2,927,634	362,602	2,565,032	2,628,451

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	270,431,143	267,916,372
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	20,185,384	17,976,496
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	59,797,148	59,795,304
4. Commissions payable, contingent commissions and other similar charges	8,419,611	8,092,093
5. Other expenses (excluding taxes, licenses and fees)	4,714,273	2,368,326
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	2,225,806	2,706,215
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	2,294,336	
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 \$ 363,828,357 and including warranty reserves of \$ 0 and accrued accident and health experience rating refunds including \$ 0 for medical loss ratio rebate per the Public Health Service Act)	151,173,662	145,594,731
10. Advance premium	1,031,925	986,794
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	41,395	28,121
12. Ceded reinsurance premiums payable (net of ceding commissions)		
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	296,735	178,947
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	10,682,219	9,819,847
19. Payable to parent, subsidiaries and affiliates	2,974,742	8,346,760
20. Derivatives		
21. Payable for securities	3,010,170	6,014,982
22. Payable for securities lending	14,077,360	14,104,254
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	4,984,373	5,138,762
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	556,340,282	549,068,004
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	556,340,282	549,068,004
29. Aggregate write-ins for special surplus funds	2,373,772	3,262,265
30. Common capital stock	3,500,000	3,500,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	156,560,419	156,560,419
35. Unassigned funds (surplus)	80,316,970	71,735,975
36. Less treasury stock, at cost:		
36.1 0 shares common (value included in Line 30 \$ 0)		
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)	242,751,161	235,058,659
38. Totals (Page 2, Line 28, Col. 3)	799,091,443	784,126,663

DETAILS OF WRITE-IN LINES		
2501. Retroactive reinsurance reserves	2,661,152	2,862,031
2502. Other liabilities	2,161,622	1,556,576
2503. Amounts held under uninsured plans	161,599	322,823
2598. Summary of remaining write-ins for Line 25 from overflow page		397,332
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	4,984,373	5,138,762
2901. SSAP 10R incremental change	1,743,099	2,613,395
2902. Special surplus from retroactive reinsurance	630,673	648,870
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	2,373,772	3,262,265
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	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	314,137,216	309,425,400
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	194,350,565	173,374,128
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	37,950,141	36,528,064
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	101,280,327	103,986,673
5. Aggregate write-ins for underwriting deductions	(32,109)	(16,926)
6. Total underwriting deductions (Lines 2 through 5)	333,548,924	313,871,939
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(19,411,708)	(4,446,539)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	28,918,581	28,148,750
10. Net realized capital gains (losses) less capital gains tax of \$ (43,266) (Exhibit of Capital Gains (Losses))	(80,351)	304,348
11. Net investment gain (loss) (Lines 9 + 10)	28,838,230	28,453,098
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 11,126 amount charged off \$ 713,270)	(702,144)	(1,300,168)
13. Finance and service charges not included in premiums	2,652,250	2,730,393
14. Aggregate write-ins for miscellaneous income	(801,884)	(3,719,537)
15. Total other income (Lines 12 through 14)	1,148,222	(2,289,312)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	10,574,744	21,717,247
17. Dividends to policyholders	630,848	(105,728)
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)	9,943,896	21,822,975
19. Federal and foreign income taxes incurred	2,068,266	5,403,220
20. Net income (Line 18 minus Line 19) (to Line 22)	7,875,630	16,419,755
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	235,058,659	219,497,857
22. Net income (from Line 20)	7,875,630	16,419,755
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (116,441)	(551,993)	422,713
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(139,921)	(1,356,254)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	1,138,687	1,195,606
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles	240,395	
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	(870,296)	(1,121,018)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	7,692,502	15,560,802
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	242,751,161	235,058,659

DETAILS OF WRITE-IN LINES		
0501. Private passenger auto escrow	(32,109)	(16,926)
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)	(32,109)	(16,926)
1401. Retroactive reinsurance gain/(loss)	(64,038)	(3,831,833)
1402. Other income/(expense)	(737,846)	112,296
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(801,884)	(3,719,537)
3701. Other changes in surplus		(182,407)
3702. SSAP 10R incremental change	(870,296)	(938,611)
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(870,296)	(1,121,018)

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	314,612,504	316,666,509
2. Net investment income	29,459,102	28,241,564
3. Miscellaneous income	1,144,620	(3,312,951)
4. Total (Lines 1 through 3)	345,216,226	341,595,122
5. Benefit and loss related payments	188,764,534	187,709,062
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	136,795,169	154,806,345
8. Dividends paid to policyholders	617,574	120,850
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(2,871,916)	12,348,951
10. Total (Lines 5 through 9)	323,305,361	354,985,208
11. Net cash from operations (Line 4 minus Line 10)	21,910,865	(13,390,086)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	87,728,963	113,968,297
12.2 Stocks	25,000	
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	77,129,718	
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	1,747,332	(1,962,332)
12.8 Total investment proceeds (Lines 12.1 to 12.7)	166,631,013	112,005,965
13. Cost of investments acquired (long-term only):		
13.1 Bonds	94,602,822	134,349,465
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	77,102,824	14,104,254
13.6 Miscellaneous applications	3,004,812	5,267,379
13.7 Total investments acquired (Lines 13.1 to 13.6)	174,710,458	153,721,098
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)	(8,079,445)	(41,715,133)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(10,178,149)	7,384,077
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(10,178,149)	7,384,077
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)	3,653,271	(47,721,142)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	14,886,836	62,607,978
19.2 End of year (Line 18 plus Line 19.1)	18,540,107	14,886,836

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

20.0001	12.1 - Proceeds from investments sold, matured or repaid - Bonds		29,513,187
20.0002			
20.0003			

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	6,054,805	2,992,131	3,194,650	5,852,286
2. Allied lines	5,026,430	2,484,462	2,730,550	4,780,342
3. Farmowners multiple peril	2,501,335	1,164,370	1,254,632	2,411,073
4. Homeowners multiple peril	50,109,422	24,028,725	26,651,673	47,486,474
5. Commercial multiple peril	55,963,742	28,477,370	28,068,870	56,372,242
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	5,066,389	2,441,312	2,444,621	5,063,080
10. Financial guaranty				
11.1 Medical professional liability—occurrence	22,064	10,840	8,734	24,170
11.2 Medical professional liability—claims-made	2,982	1,253	1,374	2,861
12. Earthquake	1,056,735	521,561	545,983	1,032,313
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	26,524,908	11,414,901	10,308,593	27,631,216
17.1 Other liability—occurrence	16,013,986	8,010,567	7,841,003	16,183,550
17.2 Other liability—claims-made	681,380	320,644	306,449	695,575
17.3 Excess workers' compensation				
18.1 Products liability—occurrence	392,281	223,295	198,176	417,400
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	57,755,488	21,278,702	23,606,670	55,427,520
19.3,19.4 Commercial auto liability	24,498,119	12,259,104	11,840,189	24,917,034
21. Auto physical damage	44,851,201	17,537,062	19,066,359	43,321,904
22. Aircraft (all perils)				
23. Fidelity	193,251	160,566	157,735	196,082
24. Surety	22,273,478	13,074,396	13,038,438	22,309,436
26. Burglary and theft	8,416	4,475	4,200	8,691
27. Boiler and machinery	3,258	2,484	1,777	3,965
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	318,999,670	146,408,220	151,270,676	314,137,214

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	3,194,650				3,194,650
2. Allied lines	2,730,550				2,730,550
3. Farmowners multiple peril	1,254,632				1,254,632
4. Homeowners multiple peril	26,651,673				26,651,673
5. Commercial multiple peril	27,961,923	211	105,045	1,690	28,068,869
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	2,438,459	6,161			2,444,620
10. Financial guaranty					
11.1 Medical professional liability—occurrence	8,734				8,734
11.2 Medical professional liability—claims-made	1,368	6			1,374
12. Earthquake	545,983				545,983
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	10,348,593		113,904	(153,904)	10,308,593
17.1 Other liability—occurrence	7,779,610	31,623	31,460	(1,690)	7,841,003
17.2 Other liability—claims-made	302,734	3,570	144		306,448
17.3 Excess workers' compensation					
18.1 Products liability—occurrence	197,812		364		198,176
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	23,606,670				23,606,670
19.3,19.4 Commercial auto liability	11,750,024	90,165			11,840,189
21. Auto physical damage	19,051,399	14,960			19,066,359
22. Aircraft (all perils)					
23. Fidelity	55,778	101,957			157,735
24. Surety	8,965,494	4,072,944			13,038,438
26. Burglary and theft	4,200				4,200
27. Boiler and machinery	1,777				1,777
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	146,852,063	4,321,597	250,917	(153,904)	151,270,673
36. Accrued retrospective premiums based on experience					153,904
37. Earned but unbilled premiums					(250,917)
38. Balance (Sum of Lines 35 through 37)					151,173,660

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		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	2,832,132	6,054,805		2,832,132		6,054,805
2. Allied lines	2,164,514	5,026,430		2,164,514		5,026,430
3. Farmowners multiple peril	6,433,562	2,501,335		6,433,562		2,501,335
4. Homeowners multiple peril	41,033,273	50,109,422		41,033,273		50,109,422
5. Commercial multiple peril	365,665,088	55,963,742		365,665,088		55,963,742
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	5,669,297	5,066,389		5,669,297		5,066,389
10. Financial guaranty						
11.1 Medical professional liability--occurrence		22,064				22,064
11.2 Medical professional liability--claims-made		2,982				2,982
12. Earthquake	2,128,835	1,056,735		2,128,835		1,056,735
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	40,060,405	26,524,908		40,060,405		26,524,908
17.1 Other liability—occurrence	26,243,310	16,013,986		26,243,310		16,013,986
17.2 Other liability—claims-made	82,710	681,380		82,710		681,380
17.3 Excess workers' compensation						
18.1 Products liability—occurrence	428,686	392,281		428,686		392,281
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	41,723,845	57,755,488		41,723,845		57,755,488
19.3,19.4 Commercial auto liability	142,059,144	24,498,119		142,059,144		24,498,119
21. Auto physical damage	69,958,660	44,851,201		69,958,660		44,851,201
22. Aircraft (all perils)						
23. Fidelity		193,251				193,251
24. Surety		22,273,478				22,273,478
26. Burglary and theft	7,979	8,416		7,979		8,416
27. Boiler and machinery	86,019	3,258		86,019		3,258
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-nonproportional assumed property	X X X					
32. Reinsurance-nonproportional assumed liability	X X X					
33. Reinsurance-nonproportional assumed financial lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	746,577,459	318,999,670		746,577,459		318,999,670

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	380,869	645,400	380,869	645,400	36,973	362,904	36,973	1,008,304	83,681
2. Allied lines	402,820	805,177	402,820	805,177	10,385	83,148	10,385	888,325	53,396
3. Farmowners multiple peril	333,381	501,118	333,381	501,118	71,644	6,224	71,644	507,342	165,002
4. Homeowners multiple peril	9,537,738	9,420,151	9,537,738	9,420,151	4,307,000	4,883,888	4,307,000	14,304,039	2,206,356
5. Commercial multiple peril	174,351,317	34,030,413	174,351,317	34,030,413	106,472,823	21,709,034	106,472,823	55,739,447	22,859,784
6. Mortgage guaranty									
8. Ocean marine		851		851		(127)		724	1
9. Inland marine	377,689	323,831	377,689	323,831	64,116	(18,363)	64,116	305,468	49,794
10. Financial guaranty									
11.1 Medical professional liability—occurrence		11,816		11,816		68,965		80,781	41,547
11.2 Medical professional liability—claims-made						15,874		15,874	4,486
12. Earthquake		48		48				48	503
13. Group accident and health								(a)	(77)
14. Credit accident and health (group and individual)									
15. Other accident and health		306,007		306,007		1,086,678		(a)	185,496
16. Workers' compensation	16,709,673	55,714,990	16,709,673	55,714,990	17,783,995	32,715,874	17,783,995	88,430,864	10,499,564
17.1 Other liability—occurrence	5,191,498	10,011,549	5,191,498	10,011,549	13,112,528	15,706,982	13,112,528	25,718,531	7,277,346
17.2 Other liability—claims-made		440,445		440,445		17,675	17,675	1,075,326	701,769
17.3 Excess workers' compensation									11
18.1 Products liability—occurrence	186,399	706,704	186,399	706,704	155,513	256,719	155,513	963,423	350,936
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	36,201,782	34,510,238	36,201,782	34,510,238	5,937,715	5,718,220	5,937,715	40,228,458	7,832,509
19.3,19.4 Commercial auto liability	72,137,123	18,141,253	72,137,123	18,141,253	43,944,995	10,055,516	43,944,995	28,196,769	4,289,365
21. Auto physical damage	3,861,736	836,469	3,861,736	836,469	1,116,775	777,657	1,116,775	1,614,126	291,599
22. Aircraft (all perils)		13,834		13,834		61		13,895	
23. Fidelity		13,382		13,382		50,210		63,592	22,985
24. Surety		(2,271,744)		(2,271,744)		6,213,384		3,941,640	2,716,264
26. Burglary and theft		9		9		80		89	394
27. Boiler and machinery		(2,174)		(2,174)	1,150	(416)	1,150	(2,590)	1,127
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-nonproportional assumed property	X X X				X X X				
32. Reinsurance-nonproportional assumed liability	X X X	2,526,662		2,526,662	X X X	3,417,321		5,943,983	163,310
33. Reinsurance-nonproportional assumed financial lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	319,672,025	166,686,429	319,672,025	166,686,429	193,033,287	103,744,714	193,033,287	270,431,143	59,797,148

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

(a) Including \$ 0 for present value of life indemnity claims.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	60,272,284			60,272,284
1.2 Reinsurance assumed	14,737,359			14,737,359
1.3 Reinsurance ceded	60,272,284			60,272,284
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	14,737,359			14,737,359
2. Commission and brokerage:				
2.1 Direct, excluding contingent		115,407,845		115,407,845
2.2 Reinsurance assumed, excluding contingent		47,442,577		47,442,577
2.3 Reinsurance ceded, excluding contingent		115,407,845		115,407,845
2.4 Contingent—direct				
2.5 Contingent—reinsurance assumed		4,442,455		4,442,455
2.6 Contingent—reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1+2.2-2.3+2.4+2.5-2.6+2.7)		51,885,032		51,885,032
3. Allowances to manager and agents	2,327	17,092		19,419
4. Advertising	212,599	2,435,979	11,053	2,659,631
5. Boards, bureaus and associations	46,881	656,907	317	704,105
6. Surveys and underwriting reports	3,563	1,947,807	7,863	1,959,233
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	13,498,968	17,131,437	710,394	31,340,799
8.2 Payroll taxes	367,777	1,940,823	23,856	2,332,456
9. Employee relations and welfare	1,968,013	6,905,698	90,924	8,964,635
10. Insurance	1,025,460	276,330	13,083	1,314,873
11. Directors' fees	42	60		102
12. Travel and travel items	976,186	1,282,405	24,117	2,282,708
13. Rent and rent items	604,820	2,195,182	29,170	2,829,172
14. Equipment	485,759	1,184,115	15,827	1,685,701
15. Cost or depreciation of EDP equipment and software	119,244	1,105,297	33,786	1,258,327
16. Printing and stationery	211,828	269,174	3,035	484,037
17. Postage, telephone and telegraph, exchange and express	1,286,964	1,054,398	32,928	2,374,290
18. Legal and auditing	64,269	204,505	48,328	317,102
19. Totals (Lines 3 to 18)	20,874,700	38,607,209	1,044,681	60,526,590
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 97,793		7,053,645		7,053,645
20.2 Insurance department licenses and fees		886,732		886,732
20.3 Gross guaranty association assessments		56,967		56,967
20.4 All other (excluding federal and foreign income and real estate)		624,833		624,833
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		8,622,177		8,622,177
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	2,338,083	2,165,908	202,889	4,706,880
25. Total expenses incurred	37,950,142	101,280,326	1,247,570	(a) 140,478,038
26. Less unpaid expenses—current year	59,797,148	15,359,690		75,156,838
27. Add unpaid expenses—prior year	59,795,304	13,166,634		72,961,938
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	37,948,298	99,087,270	1,247,570	138,283,138

DETAILS OF WRITE-IN LINES				
2401. Other expenses	2,338,083	2,165,908	202,889	4,706,880
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)	2,338,083	2,165,908	202,889	4,706,880

(a) Includes management fees of \$ 3,382,393 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 4,741,465	4,572,179
1.1 Bonds exempt from U.S. tax	(a) 6,500,196	6,497,258
1.2 Other bonds (unaffiliated)	(a) 18,322,096	18,522,686
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates	335,746	335,746
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 17,884	18,716
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	219,567	219,567
10. Total gross investment income	30,136,954	30,166,152
11. Investment expenses		(g) 1,247,571
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		1,247,571
17. Net investment income (Line 10 minus Line 16)		28,918,581

DETAILS OF WRITE-IN LINES		
0901. Aggregate write-ins for investment income	219,567	219,567
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)	219,567	219,567
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 \$ 781,099 accrual of discount less \$ 1,350,818 amortization of premium and less \$ 278,077 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax	(6,219)		(6,219)		
1.2 Other bonds (unaffiliated)	102,995	(220,393)	(117,398)	(332,688)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates				(335,746)	
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	96,776	(220,393)	(123,617)	(668,434)	

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

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. 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	1,553,203	1,299,230	(253,973)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	18,792	2,009	(16,783)
15.3 Accrued retrospective premiums	15,376	30,488	15,112
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	5,625,055	6,106,016	480,961
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
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	362,602	405,676	43,074
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	7,575,028	7,843,419	268,391
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	7,575,028	7,843,419	268,391

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	362,602	405,676	43,074
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)	362,602	405,676	43,074

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 Illinois, the accompanying financial statements of Peerless Indemnity Insurance Company (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

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

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

C. Accounting Policies

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

In addition, the Company 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, *Investment in Subsidiary, Controlled and Affiliated Entities*, and the SVO Manual.
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
9. Derivative Securities, refer to Note 8.
10. Investment income is anticipated as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*. Refer to Note 30.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2011.
13. The Company has no pharmaceutical rebate receivables.

Note 2 - Accounting Changes and Correction of Errors

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

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

NOTES TO FINANCIAL STATEMENTS

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

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

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

The Company does not invest in mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
2. All Loan-Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2011 as of December 31, 2011: None
3. Each Loan-Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2011:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than- temporary impairment	Amortized cost after other-than- temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
02147XAN7	1,456,969	1,341,448	99,837	1,341,448	1,076,370	9/30/2010
02147XAN7	1,357,132	1,350,611	6,521	1,350,611	1,069,197	12/31/2010
02147XAN7	1,350,611	1,322,705	27,906	1,322,705	1,190,130	3/31/2011
02147XAN7	1,322,705	1,312,012	10,693	1,312,012	1,159,012	6/30/2011
02147XAN7	1,312,012	1,311,410	602	1,311,410	1,131,149	9/30/2011
02147XAN7	1,299,908	1,260,839	39,070	1,260,839	1,088,570	12/31/2011
12544LAK7	976,910	952,190	24,720	952,190	952,190	3/31/2011
12544LAK7	952,091	942,184	9,907	942,184	941,455	9/30/2011
12544LAK7	897,858	887,181	10,677	887,181	886,614	12/31/2011
12545CAU4	989,099	909,932	79,167	909,932	865,079	6/30/2011
12545CAU4	860,881	843,229	17,652	843,229	771,243	12/31/2011

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

	1	2
	Less Than 12 Months	12 Months or Longer
Gross Unrealized Loss	(218)	(221,240)
Fair Value of Securities with Unrealized Losses	205,194	3,042,425

NOTES TO FINANCIAL STATEMENTS

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

E. Repurchase Agreements and Securities Lending

1. The Company did not enter into any repurchase agreements during the year. Refer to Note 17B for the policy on requiring collateral for securities lending.
2. The Company has not pledged any of its assets as collateral as of December 31, 2011.
3. Aggregate Amount of Contractually open cash collateral positions:

Aging of Collateral	Total Fair Value
Open	\$ 14,077,360
30 Days or Less	-
31 to 60 Days	-
61 to 90 Days	-
Greater than 90 Days	-
Sub-Total	14,077,360
Securities Received	-
Total Collateral Received	\$ 14,077,360

4. Securities Lending Transactions Administered by an Affiliated Agent

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

5. Collateral Reinvestment

a. Aggregate Amount Cash Collateral Reinvested

	Amortized Cost	Fair Value
Open	\$ -	\$ -
30 Days or Less	3,487,892	\$ 3,487,903
31 to 60 Days	6,885,013	6,885,133
61 to 90 Days	3,705,711	3,705,936
90 to 120 Days	-	-
121 to 180 Days	-	-
181 to 365 Days	-	-
1 to 2 Years	-	-
2 to 3 Years	-	-
Greater than 3 Years	-	-
Subtotal	14,078,616	14,078,972
Securities Received		
Total Collateral Reinvested	\$ 14,078,616	\$ 14,078,972

- 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

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

- A. 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.

NOTES TO FINANCIAL STATEMENTS

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

The Company does not own any investments in joint ventures, partnerships, and limited liability companies.

Note 7 - Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2011.

Note 8 - Derivative Instruments

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

Note 9 - Income Taxes

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross Deferred Tax Assets	23,676,206	1,224,794	24,901,000	22,608,220	1,117,420	23,725,640	1,067,986	107,374	1,175,360
Statutory Valuation Allowance Adjustment	-	-	-	-	-	-	-	-	-
Adjusted Gross Deferred Tax Assets	23,676,206	1,224,794	24,901,000	22,608,220	1,117,420	23,725,640	1,067,986	107,374	1,175,360
Deferred Tax Liabilities	(1,954,300)	(700)	(1,955,000)	(756,160)	-	(756,160)	(1,198,140)	(700)	(1,198,840)
Net DTA (DTL)	21,721,906	1,224,094	22,946,000	21,852,060	1,117,420	22,969,480	(130,154)	106,674	(23,480)
Deferred Tax Assets Nonadmitted	(4,400,961)	(1,224,094)	(5,625,055)	(6,083,768)	(22,248)	(6,106,016)	1,682,807	(1,201,846)	480,961
Net Admitted DTA (DTL)	17,320,945	-	17,320,945	15,768,292	1,095,172	16,863,464	1,552,653	(1,095,172)	457,481

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

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10a.)	1,188,731	-	1,188,731	13,135,091	239,298	13,374,389	(11,946,360)	(239,298)	(12,185,658)
Lesser of:									
Expected to be recognized within one year (10bi.)	14,389,116	-	14,389,116	-	875,679	875,679	14,389,116	(875,679)	13,513,437
10% of adjusted capital and surplus (10bii.)			21,861,518			20,864,907			
Adj. gross DTAs offset against existing DTLs (10c.)	1,954,300	700	1,955,000	756,160	-	756,160	1,198,140	700	1,198,840
Total	17,532,147	700	17,532,847	13,891,251	1,114,977	15,006,228	3,640,896	(1,114,277)	2,526,619

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	1,188,731	-	1,188,731	14,563,046	219,492	14,782,538	(13,374,315)	(219,492)	(13,593,807)
Lesser of:									
Expected to be recognized within three years (10eii.)	16,132,215	-	16,132,215	1,205,247	875,679	2,080,926	14,926,968	(875,679)	14,051,289
15% of adjusted capital and surplus (10eib.)			32,792,277			31,297,361			
Adj. gross DTAs offset against existing DTLs (10eiii.)	1,954,300	700	1,955,000	756,160	-	756,160	1,198,140	700	1,198,840
Total	19,275,246	700	19,275,946	16,524,453	1,095,171	17,619,624	2,750,793	(1,094,471)	1,656,322

NOTES TO FINANCIAL STATEMENTS

Used in SSAP No. 10R, Paragraph 10.d.	December 31, 2011		December 31, 2010		Change
Total Adjusted Capital	241,008,062		232,445,264		8,562,798
Authorized Control Level	28,126,260		28,050,632		75,628

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	(Col 1 + 2)			(Col 4 + 5)			(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
Impact of Tax Planning Strategies	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent
(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 Gross DTAs)	0%	0%	0%	0%	5%	5%	0%	(5%)	(5%)

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	(Col 1 + 2)			(Col 4 + 5)			(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	15,577,847	0	15,577,847	13,135,091	1,114,977	14,250,068	2,442,756	(1,114,977)	1,327,779
Admitted Assets			799,091,443			784,126,663			
Adjusted Statutory Surplus*			218,615,178			208,649,072			
Total Adjusted Capital from DTAs	15,577,847	0	15,577,847	13,135,091	1,114,977	14,250,068	2,442,756	(1,114,977)	1,327,779

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

Increase due to SSAP No. 10R, Paragraph 10.e.	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	(Col 1 + 2)			(Col 4 + 5)			(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	1,743,099	-	1,743,099	2,633,201	(19,805)	2,613,396	(890,102)	19,805	(870,297)
Admitted Assets	1,743,099	-	1,743,099	2,633,201	(19,805)	2,613,396	(890,102)	19,805	(870,297)
Adjusted Statutory Surplus	1,743,099	-	1,743,099	2,633,201	(19,805)	2,613,396	(890,102)	19,805	(870,297)

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

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

	2011	2010
Federal	2,068,266	5,403,220
Foreign	-	-
Realized capital gains	(43,266)	163,880
Federal and foreign income taxes incurred	2,025,000	5,567,100

The Company's deferred tax assets and liabilities result primarily from limits on unearned premium reserves and discounting of unpaid losses and LAE reserves.

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

	2011
Change in net deferred income tax (without unrealized gain or loss)	(139,921)
Change in tax effect of unrealized (gains) losses	116,441
Total change in net deferred income tax	(23,480)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, proration of tax exempt income, unearned premium reserves, and discounting of unpaid losses and LAE reserves, allowance for doubtful accounts, and depreciation.

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is \$2,157,000 from the current year and none from the preceding year.

The Company has no net operating loss carry-forward available to offset future net income subject to Federal income taxes.

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

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

Access Insurance Services, Co. (Dissolved 10/24/2011)
AMBCO Capital Corporation

Liberty Mutual Holding Company Inc.
Liberty Mutual Insurance Company

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

- A. All of the outstanding shares of capital stock of the Company are held by Liberty-USA Corporation (“Liberty-USA”), an insurance holding company incorporated in Delaware. Liberty-USA is wholly owned by Peerless Insurance Company (“PIC”), a New Hampshire insurance company. PIC is wholly owned by Liberty Mutual Agency Corporation, 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., a Massachusetts company.
- B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.
- C. As of December 31, 2011, the Company had the following capital transactions with its parent and subsidiaries:
1. Received return of capital distributions of \$25,000.
 2. Received dividends in the amount of \$335,746.
- D. At December 31, 2011, the Company reported a net \$1,982,692 due from 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.
- F. Refer to Note 26 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

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

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

The Company is party to a Federal Tax Sharing Agreement between LMHC and affiliates. Refer to Note 9F.

The Company is a party to a revolving credit agreement under which the Company may borrow up to \$100,000,000 from LMIC. The purpose of the extension of credit is for operating liquidity to accommodate fluctuations in daily cash flow and to promote efficient management of investments. As of December 31, 2011, there have been no drawings under this agreement.

- 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 does not own any investments in subsidiary, controlled or affiliated entities, as such no impairments were recognized.
- K. The Company does not hold any investments in foreign insurance subsidiaries.
- L. The Company does not hold any investments in downstream non-insurance holding companies.

Note 11 - Debt

- B. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

- C. Federal Home Loan Bank Agreements

The Company has not entered into any agreements with the Federal Home Loan Bank.

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

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

NOTES TO FINANCIAL STATEMENTS

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

1. The Company has 500,000 shares authorized and 10,000 shares issued and outstanding as of December 31, 2011. All shares have a stated par value of \$350.
2. Preferred Stock
Not applicable
3. There are no dividend restrictions.
4. The Company did not pay any dividends to its parent during 2011.
5. The maximum amount of dividends that can be paid by Illinois-domiciled insurance companies to shareholders without prior approval of the Insurance Director is the greater of (a) 10% of surplus or (b) net income, subject to the availability of accumulated undistributed earnings. The maximum dividend payout that may be made without prior approval in 2012 is \$24,275,116.
6. As of December 31, 2011, the Company has restricted surplus of \$1,743,099 from recording the increase in admitted deferred tax assets as a result of applying the revised guidance in SSAP No. 10R, *Income Taxes*, and pre-tax restricted surplus of \$630,673 resulting from retroactive reinsurance contracts.
7. The Company had no advances to surplus.
8. The Company does not hold stock for special purposes.
9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2011 and from the adoption of the revised guidance on calculating admitted deferred tax assets in SSAP 10R.
10. The portion of unassigned funds (surplus) represented by cumulative net unrealized losses is \$(1,264,411) after applicable deferred taxes of \$442,544.
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.

The Company has accrued a liability for guaranty funds and other assessments of \$1,224,745 that is offset by future premium tax credits of \$157,405. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2012. During 2011 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

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

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$ 250,040
b. Decreases current year: Premium tax offset applied	92,635
c. Increases current year: Premium tax offset increase	-
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	<u>\$ 157,405</u>

C. Gain Contingencies

Not applicable

NOTES TO FINANCIAL STATEMENTS

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	\$50,000

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

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

Note 15 - Leases

A. Lessee Leasing Arrangements

The Company leases office space, plant and equipment under various non-cancelable operating lease arrangements. The Company has also entered into sale-leaseback arrangements with unrelated parties on certain property, plant and equipment. The transactions have been accounted for in accordance with SSAP No. 22. The Company has a purchase option for all property, plant and equipment at the end of each respective lease.

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

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2012	\$ 170,176	\$ 1,208,902
2013	170,176	1,204,439
2014	14,181	1,117,878
2015	-	871,562
2016	-	792,813
2017 & thereafter	-	976,867
Total	\$ 354,534	\$ 6,172,460

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 \$428,488.

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.

NOTES TO FINANCIAL STATEMENTS

B. Transfers and Servicing of Financial Assets

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

At December 31, 2011 the total fair value of securities on loan was \$13,733,607, with corresponding collateral value of \$14,077,360 of which \$14,077,360 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

In 2008, 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 intercompany pooling agreement. In 2011, the Company recorded net CEA administrative fees of \$34,357.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20 - Fair Value Measurements

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

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

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

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

- Level 1 — Valuations based on unadjusted observable quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 — Valuations based on directly or indirectly observable inputs (other than Level 1 prices) at the measurement date, such as quoted prices in active markets or prices in markets that are not active for similar assets or liabilities or other inputs that are observable.
- Level 3 — Valuations based on inputs that are unobservable and reflect the Company's own assumptions about the assumptions that market participants might use.

NOTES TO FINANCIAL STATEMENTS

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

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	-	\$ 27,310,764	-	\$ 27,310,764
Residential Mortgage-Backed Securities	-	2,519,661	-	2,519,661
Total Bonds	-	\$ 29,830,425	-	\$ 29,830,425
Preferred Stocks	-	-	-	-
Common Stocks	-	-	-	-
Total assets at fair value	-	\$ 29,830,425	-	\$ 29,830,425
Liabilities at fair value	-	-	-	-
Total liabilities at fair value	\$ 0	\$ 0	\$ 0	\$ 0

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

2. Rollforward of Level 3 Items

The Company has no assets or liabilities measured at fair value in the Level 3 category.

3. Policy on Transfers Into and Out of Level 3

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

4. Inputs and Techniques Used for Fair Value

Fixed Maturities

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

U.S. government and agency

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

Mortgage-Backed Securities

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

Asset-Backed Securities

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

NOTES TO FINANCIAL STATEMENTS

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.

Other Investments

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

5. Derivative Fair Values

Not applicable

B. Other Fair Value Disclosures

Not applicable

C. Reasons Not Practical to Estimate Fair Value

Not applicable

Note 21 - Other Items

A. Extraordinary Items

The Company has no extraordinary items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

- 1) Assets in the amount of \$8,660,546 and \$7,794,106 as of December 31, 2011 and 2010, respectively, were on deposit with government authorities or trustees as required by law.
- 2) Interrogatory 6.2

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

NOTES TO FINANCIAL STATEMENTS

Interrogatory 6.3

In 2011, the Company ceded 100% of its business to Peerless Insurance Company and had the benefit, together with its affiliates that cede business to the Peerless Insurance Company or that are members of the intercompany reinsurance pool of which Peerless Insurance Company is the lead company, of traditional prop cat excess of loss reinsurance with limits of \$742,500,000,000 part of \$825,000,000 xs \$500,000,000 purchased by Peerless Insurance Company and covering Peerless' 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.

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable and Non-transferable Tax Credits

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

<u>Description of State Transferable and Non-transferable Tax Credits</u>	<u>State</u>	<u>Carrying Value</u>	<u>Unused Amount</u>
Urban Industrial Site Reinvestment Tax Credit	CT	\$136,000	\$136,000
Total		\$136,000	\$136,000

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

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

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

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

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

<u>Description of State Transferable and Non-transferable Tax Credits</u>	<u>State</u>		<u>Transferable</u>	<u>Non-Transferable</u>
Urban Industrial Site Reinvestment Tax Credit	CT	Admitted	-	\$136,000
		Non Admitted	-	-
Total				\$136,000

G. Subprime-Mortgage-Related Risk Exposure

- The Company has not purchased securities characterized by the market as subprime. The Company reviews such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities.
- The Company does not have any direct exposure through investments in sub-prime mortgage loans.
- The Company does not have any direct exposure through other investments.
- The Company does not have any underwriting exposure to sub-prime mortgage risk.

Note 22 - Events Subsequent

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

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

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverable

Excluding amounts arising pursuant to the Intercompany Reinsurance Agreement, as described in Note 26, there are no unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholder's surplus.

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.

NOTES TO FINANCIAL STATEMENTS

C. Reinsurance Assumed & Ceded

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

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$ 151,173,662	\$ 22,676,049	\$ 363,828,357	\$54,574,254	\$(212,654,695)	\$(31,898,204)
All Other	-	-	-	-	-	-
Total	\$ 151,173,662	\$ 22,676,049	\$ 363,828,357	\$54,574,254	\$(212,654,695)	\$(31,898,204)

Direct Unearned Premium Reserve: \$ 363,828,357

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

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$ -	\$ 8,365,441	\$ -	\$ 8,365,441
Sliding scale adjustments	-	-	-	-
Other profit commissions	-	-	-	-
Totals	\$ -	\$ 8,365,441	\$ -	\$ 8,365,441

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

D. Uncollectible Reinsurance

The Company did not write off any uncollectible balances in the current year.

E. Commutation of Ceded Reinsurance

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

F. Retroactive Reinsurance

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

	Assumed	Ceded
a. Reserves Transferred:		
1. Initial	\$ 14,244,498	-
2. Adjustments – Prior Year(s)	(11,382,467)	-
3. Adjustments – Current Year	(200,880)	-
4. Total	\$ 2,661,152	-
b. Consideration Paid or Received:		
1. Initial	\$ 11,721,671	-
2. Adjustments – Prior Year(s)	446,788	-
3. Adjustments – Current Year	-	-
4. Total	\$ 12,168,459	-
c. Amounts Recovered / Paid – Cumulative:		
1. Initial		
2. Adjustments – Prior Year(s)	\$ 14,414,587	-
3. Adjustments – Current Year	218,754	-
4. Total	\$ 14,633,341	-
d. Special Surplus from Retroactive Reinsurance:		
1. Initial Surplus Gain or Loss	\$ (2,961,986)	-
2. Adjustments – Prior Year(s)	(2,585,331)	-
3. Adjustments – Current Year	(17,875)	-
4. Current Year Special Surplus	630,673	-
5. Cumulative Total Transferred to Unassigned Funds	\$ (6,195,865)	-
e. All cedents and reinsurers included in the above transactions:		
Peerless Insurance Company	\$ 2,661,152	-
Total	\$ 2,661,152	-

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

NOTES TO FINANCIAL STATEMENTS

G. Reinsurance Accounted for as a Deposit

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

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

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

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

- A. The Company estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing case-base loss development with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium.
- B. Accrued retrospective premiums are recorded as a component of written premiums.
- C. For detail of net premium written subject to retrospective rating features refer to Schedule P, Part 7A.
- D. 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.
- 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	\$153,904
b.	Unsecured amount	
c.	Less: Nonadmitted amount (10%)	15,376
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	
e.	Admitted amount (a) - (c) - (d)	\$138,528

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributed to insured events on prior years has decreased \$8,793,154 during 2011. This decrease was primarily the result of updated reserving analysis and improving loss trends in the Commercial Multiple Peril \$3,757,642, Other Liability \$3,311,054, Fidelity/Surety \$2,662,296, and Private Passenger Auto Liability / Medical \$2,394,623 lines. This was partially offset by deteriorating loss trends in the Workers Compensation \$3,350,494 line. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 26 - Intercompany Pooling Arrangements

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

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Peerless Insurance Company ("PIC")	24198	25.20%	All Lines
Affiliated Pool Companies:	The Ohio Casualty Insurance Company ("OCIC")	24074	20.40%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	15.20%	All Lines
	General Insurance Company of America ("GICA")	24732	9.20%	All Lines
	American States Insurance Company ("ASIC")	19704	7.60%	All Lines
	American Economy Insurance Company ("AEIC")	19690	5.60%	All Lines
	Indiana Insurance Company ("IIC")	22659	4.80%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	3.00%	All Lines
	Peerless Indemnity Insurance Company ("PIIC")	18333	3.00%	All Lines
	Safeco Insurance Company of Illinois ("SICIL")	39012	2.00%	All Lines
	The Netherlands Insurance Company ("NIC")	24171	1.80%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.80%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.80%	All Lines
	American Fire and Casualty Company ("AFCIC")	24066	0.60%	All Lines
	America First Insurance Company ("AFIC")	12696	0.00%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines
	American States Lloyds Insurance Company ("ASLCO")	31933	0.00%	All Lines

NOTES TO FINANCIAL STATEMENTS

	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%	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%	All Lines
Quota	North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
Share	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
Affiliated Companies:	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	All Lines

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

- (a) Each Affiliated Pool Company cedes its net underwriting activity to the Lead Company. 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 of December 31, 2011:

Affiliate:	Amount:
Peerless Insurance Company	\$ (2,204,142)

Note 27 - Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$3,677,993 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 \$3,677,993 as of December 31, 2011.
- B. The Company does not have material structured settlements from life insurers for which the Company has not obtained a release of liability from the claimant.

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 30 - Premium Deficiency Reserves

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

Note 31 - High Dollar Deductible Policies

Not applicable

Note 32 - Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2011 liabilities subject to discount were carried at a value representing a discount of \$3,985,193 net of all reinsurance.

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

Note 33 - Asbestos/Environmental Reserves

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

Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Uncertainty Regarding Reserving Methodologies

As a result of the significant uncertainty inherent in determining a company's asbestos and environmental liabilities and establishing related reserves, the amount of reserves required to adequately fund the Company's asbestos and environmental claims cannot be accurately estimated using conventional reserving methodologies based 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, 2011, 2010, 2009, 2008, and 2007:

Asbestos:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Direct Basis					
Beginning Reserves	5,144,424	4,853,206	5,021,470	4,698,004	4,227,605
Incurring losses and LAE	280,984	739,960	64,130	(389)	(851,253)
Calendar year payments	512,202	571,695	387,597	470,010	296,053
Ending Reserves	<u>4,913,206</u>	<u>5,021,471</u>	<u>4,698,003</u>	<u>4,227,605</u>	<u>3,080,299</u>

Assumed Reinsurance Basis

Beginning Reserves	3,230,789	3,990,167	3,415,554	4,758,244	4,151,674
Incurring losses and LAE	919,361	(135,581)	1,688,382	(1,673)	736,083
Calendar year payments	309,529	439,032	345,693	604,897	283,656
Ending Reserves	<u>3,840,621</u>	<u>3,415,554</u>	<u>4,758,243</u>	<u>4,151,674</u>	<u>4,604,102</u>

Net of Ceded Reinsurance Basis

Beginning Reserves	6,765,694	7,165,705	6,874,117	8,094,192	7,119,581
Incurring losses and LAE	992,609	361,267	1,906,290	3,809	(53,404)
Calendar year payments	684,161	652,854	686,215	978,420	843,543
Ending Reserves	<u>7,074,142</u>	<u>6,874,118</u>	<u>8,094,192</u>	<u>7,119,581</u>	<u>6,222,634</u>

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

Direct Basis	463,610
Assumed Reinsurance Basis	23,376
Net of Ceded Reinsurance Basis	240,038

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

Direct Basis	904,448
Assumed Reinsurance Basis	39,203
Net of Ceded Reinsurance Basis	610,692

Environmental:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Direct Basis					
Beginning Reserves	5,866,766	5,578,007	4,765,406	4,059,335	3,633,553
Incurring losses and LAE	1,543,527	122,816	(206,855)	(21,710)	730,306
Calendar year payments	1,115,426	935,417	499,216	404,071	522,145
Ending Reserves	<u>6,294,867</u>	<u>4,765,406</u>	<u>4,059,335</u>	<u>3,633,554</u>	<u>3,841,714</u>

Assumed Reinsurance Basis

Beginning Reserves	1,101,893	1,070,983	1,029,826	741,293	678,342
Incurring losses and LAE	16,095	60	(262,462)	13,645	(72,876)
Calendar year payments	28,098	41,218	26,071	76,596	84,535
Ending Reserves	<u>1,089,890</u>	<u>1,029,825</u>	<u>741,293</u>	<u>678,342</u>	<u>520,930</u>

Net of Ceded Reinsurance Basis

Beginning Reserves	6,136,856	6,136,545	5,233,627	4,186,793	3,728,157
Incurring losses and LAE	1,703,039	(108,054)	(553,055)	2,333	(450)
Calendar year payments	946,488	794,864	493,779	460,969	(289,865)
Ending Reserves	<u>6,893,407</u>	<u>5,233,627</u>	<u>4,186,793</u>	<u>3,728,157</u>	<u>4,017,571</u>

NOTES TO FINANCIAL STATEMENTS

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	279,846
Assumed Reinsurance Basis	1,000
Net of Ceded Reinsurance Basis	234,240
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	651,062
Assumed Reinsurance Basis	6,744
Net of Ceded Reinsurance Basis	595,314

Upon entering the PIC Pool, effective January 1, 2008 (refer to Note 26), the Ohio Casualty Companies' asbestos and environmental claims coding was revised to reflect the definition employed by the PIC Pool, which is consistent with industry practice. As a result, the 2007 ending balances for asbestos and environmental reserves, which is the sum of the former PIC Pool's amounts and the Ohio Casualty Companies' Pool amounts, differ from the 2008 beginning balances, which reflect a single common definition.

Note 34 - Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

Note 36 - Financial Guaranty Insurance

Not applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes No
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes No N/A
- 1.3 State Regulating? _____ Illinois _____
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes No
- 2.2 If yes, date of change: _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. _____ 12/31/2008 _____
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. _____ 12/31/2008 _____
- 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). _____ 07/19/2010 _____
- 3.4 By what department or departments?
 Illinois Department of Financial and Professional Regulation Division of Insurance

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

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

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

GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....

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

7.2 If yes,

7.21 State the percentage of foreign control. _____ 0.00 %
 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity
.....

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

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

.....

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

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

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

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

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

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

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

.....

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

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

.....

GENERAL INTERROGATORIES

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

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

.....

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

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

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

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

	0
\$	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

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

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

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 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 No

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

In 2011, Code provisions were added for Registered Investment Adviser compliance, as a Liberty Mutual subsidiary obtained SEC approval as a Registered Investment Adviser. Several non-material Code changes were also made to clarify existing provisions.

.....

GENERAL INTERROGATORIES

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

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

.....

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

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

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

BOARD OF DIRECTORS

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

17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No []

18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No []

FINANCIAL

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

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

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

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

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

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

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

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

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

22.2 If answer is yes:

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

GENERAL INTERROGATORIES

- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes No
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

INVESTMENT

- 24.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.3) Yes No
- 24.2 If no, give full and complete information, relating thereto:

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

- 24.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes No N/A
- 24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. \$ 14,077,360
- 24.6 If answer to 24.4 is no, report amount of collateral for other programs. \$ 0
- 24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes No N/A
- 24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes No N/A
- 24.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes No N/A
- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.3). Yes No

- 25.2 If yes, state the amount thereof at December 31 of the current year:
- | | | | |
|--|-------|--|---------------------|
| | 25.21 | Subject to repurchase agreements | \$ <u>0</u> |
| | 25.22 | Subject to reverse repurchase agreements | \$ <u>0</u> |
| | 25.23 | Subject to dollar repurchase agreements | \$ <u>0</u> |
| | 25.24 | Subject to reverse dollar repurchase agreements | \$ <u>0</u> |
| | 25.25 | Pledged as collateral | \$ <u>0</u> |
| | 25.26 | Placed under option agreements | \$ <u>0</u> |
| | 25.27 | Letter stock or securities restricted as to sale | \$ <u>0</u> |
| | 25.28 | On deposit with state or other regulatory body | \$ <u>8,660,546</u> |
| | 25.29 | Other | \$ <u>0</u> |

25.3 For category (25.27) provide the following:

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

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes No
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes No N/A
 If no, attach a description with this statement.

GENERAL INTERROGATORIES

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

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

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

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

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase	1 Chase Manhattan Plaza, New York, NY 10005
Bank of New York	601 Travis Street, Houston, TX 77002

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

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

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

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address
N/A	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Group Asset Managemen	175 Berkeley Street, Boston, MA 02116

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

29.2 If yes, complete the following schedule:

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

GENERAL INTERROGATORIES

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

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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	636,901,861	682,450,489	45,548,628
30.2 Preferred stocks	0	0	0
30.3 Totals	636,901,861	682,450,489	45,548,628

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? \$ _____ 0

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
.....	\$ 0
.....	\$ 0
.....	\$ 0

34.1 Amount of payments for legal expenses, if any? \$ _____ 63,226

GENERAL INTERROGATORIES

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

1 Name	2 Amount Paid
.....	\$ 0
.....	\$ 0
.....	\$ 0

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

\$ 15,361

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

1 Name	2 Amount Paid
.....	\$ 0
.....	\$ 0
.....	\$ 0

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

.....

.....

.....

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

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ 0

1.62 Total incurred claims \$ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned \$ 0

1.65 Total incurred claims \$ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ 0

1.72 Total incurred claims \$ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned \$ 0

1.75 Total incurred claims \$ 0

1.76 Number of covered lives 0

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ <u>0</u>	\$ <u>0</u>
2.2 Premium Denominator	\$ <u>314,137,216</u>	\$ <u>309,425,400</u>
2.3 Premium Ratio (2.1/2.2)	<u>0.00</u>	<u>0.00</u>
2.4 Reserve Numerator	\$ <u>1,578,104</u>	\$ <u>1,511,857</u>
2.5 Reserve Denominator	\$ <u>501,587,337</u>	\$ <u>491,648,128</u>
2.6 Reserve Ratio (2.4/2.5)	<u>0.00</u>	<u>0.00</u>

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

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

3.21 Participating policies \$ 2,108,714

3.22 Non-participating policies \$ 744,468,747

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:
 In 2011, the Company was a member of an intercompany reinsurance pooling arrangement where it ceded its business to Peerless Insurance Company.

.....

.....

.....

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
See Note 21C
.....
.....
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
See Note 21C
.....
.....
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes No
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to 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
- 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
- 8.2 If yes, give full information
.....
.....
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes No
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes No
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 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 No
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
(a) The entity does not utilize reinsurance; or, Yes No
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes No
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes No

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | | | |
|---|--|----|------------|
| 12.11 Unpaid losses | | \$ | 10,278,196 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | | \$ | 956,102 |
- 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? \$ 127,860
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes No N/A
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- | | | | |
|------------|--|--|--------|
| 12.41 From | | | 0.00 % |
| 12.42 To | | | 9.00 % |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting 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 No
- 12.6 If yes, state the amount thereof at December 31 of current year:
- | | | | |
|----------------------------------|--|----|------------|
| 12.61 Letters of Credit | | \$ | 23,826,345 |
| 12.62 Collateral and other funds | | \$ | 5,343,204 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 14,020,400
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes No
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes No
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:

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

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

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

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

* Disclose type of coverage: _____

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

Yes [] No [X]

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

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

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

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

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

Yes [] No [X]

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

\$ 0

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

Yes [] No [X]

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

\$ 0

FIVE – YEAR HISTORICAL DATA

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

	1	2	3	4	5
	2011	2010	2009	2008	2007
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	376,489,308	352,197,569	307,153,805	291,436,451	(9,872,604)
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	144,825,393	140,670,249	131,106,323	96,032,491	1,146,188
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	521,795,699	476,524,877	375,791,878	299,307,083	16,948,557
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	22,466,729	21,916,418	24,457,788	29,343,370	3,397
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)			3		
6. Total (Line 35)	1,065,577,129	991,309,113	838,509,797	716,119,395	8,225,538
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)	125,891,208	129,022,431	143,306,894	195,355,211	5,121,318
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	62,063,976	62,029,090	66,511,240	55,457,304	1,612,085
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	108,577,757	103,317,269	94,973,541	138,515,067	4,406,411
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	22,466,729	21,916,418	24,457,788	29,343,370	3,397
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)			3		
12. Total (Line 35)	318,999,670	316,285,208	329,249,466	418,670,952	11,143,211
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(19,411,708)	(4,446,539)	13,199,996	8,929,365	182,337
14. Net investment gain (loss) (Line 11)	28,838,230	28,453,098	28,752,333	26,652,858	8,557,849
15. Total other income (Line 15)	1,148,222	(2,289,312)	(429,111)	(4,159,317)	21,763
16. Dividends to policyholders (Line 17)	630,848	(105,728)	1,344,750	1,952,371	25,996
17. Federal and foreign income taxes incurred (Line 19)	2,068,266	5,403,220	13,229,259	29,444,476	9,664,734
18. Net income (Line 20)	7,875,630	16,419,755	26,949,209	26,059	(928,781)
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	799,091,443	784,126,663	799,014,885	757,377,031	196,263,441
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	12,021,535	10,769,340	11,885,797	10,317,385	524,753
20.2 Deferred and not yet due (Line 15.2)	90,463,452	86,612,612	84,394,960	79,634,561	3,443,203
20.3 Accrued retrospective premiums (Line 15.3)	138,528	274,825	489,891	1,532,624	28,885
21. Total liabilities excluding protected cell business (Page 3, Line 26)	556,340,282	549,068,004	579,517,028	569,224,173	29,367,800
22. Losses (Page 3, Line 1)	270,431,143	267,916,372	282,008,945	295,510,596	9,508,103
23. Loss adjustment expenses (Page 3, Line 3)	59,797,148	59,795,304	67,141,366	67,668,864	2,175,926
24. Unearned premiums (Page 3, Line 9)	151,173,662	145,594,731	138,034,024	126,473,653	5,076,012
25. Capital paid up (Page 3, Lines 30 & 31)	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
26. Surplus as regards policyholders (Page 3, Line 37)	242,751,161	235,058,659	219,497,857	188,152,858	166,895,641
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	21,910,865	(13,390,086)	34,666,248	420,127,396	9,186,449
Risk-Based Capital Analysis					
28. Total adjusted capital	242,751,161	235,058,659	219,497,857	188,152,858	166,895,641
29. Authorized control level risk-based capital	28,127,256	28,051,951	28,380,208	27,886,383	1,683,197
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)	93.6	93.7	89.1	90.2	87.6
31. Stocks (Lines 2.1 & 2.2)		0.1		0.3	0.1
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	2.8	2.3	9.4	7.9	7.0
35. Contract loans (Line 6)					
36. Derivatives (Line 7)			X X X	X X X	X X X
37. Other invested assets (Line 8)	1.5	1.5	1.5	1.6	5.3
38. Receivables for securities (Line 9)	0.0	0.3			0.0
39. Securities lending reinvested collateral assets (Line 10)	2.1	2.1	X X X	X X X	X X X
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)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)		360,746			
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	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
48. Total of above Lines 42 to 47	10,000,000	10,360,746	10,000,000	10,000,000	10,000,000
49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	4.1	4.4	4.6	5.3	6.0

FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2011	2010	2009	2008	2007
Capital and Surplus Accounts (Page 4)					
50. Net unrealized capital gains (losses) (Line 24)	(551,993)	422,713	(548,769)	(474,817)	(8,670)
51. Dividends to stockholders (Line 35)					
52. Change in surplus as regards policyholders for the year (Line 38)	7,692,502	15,560,802	31,344,999	12,785,614	(1,224,424)
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
53. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	185,643,839	162,387,208	133,706,716	(119,264,831)	119,332,010
54. Property lines (Lines 1, 2, 9, 12, 21 & 26)	96,551,501	82,958,455	67,007,710	37,796,134	11,900,535
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	373,387,880	238,523,141	176,129,524	53,756,884	56,438,931
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	5,663,092	4,336,834	3,457,229	(3,855,543)	604,397
57. Nonproportional reinsurance lines (Lines 31, 32 & 33)	236,566	642,329	(5,579,764)	(34,646)	440
58. Total (Line 35)	661,482,878	488,847,967	374,721,415	(31,602,002)	188,276,313
Net Losses Paid (Page 9, Part 2, Col. 4)					
59. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	76,206,210	95,638,013	86,755,484	(137,504,722)	2,279,822
60. Property lines (Lines 1, 2, 9, 12, 21 & 26)	35,218,542	31,786,125	31,307,846	18,207,181	705,912
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	74,511,384	55,063,399	56,956,450	(6,199,549)	1,855,691
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	5,663,092	4,336,834	3,457,229	(3,855,543)	1,019
63. Nonproportional reinsurance lines (Lines 31, 32 & 33)	236,566	642,329	(5,579,764)	(34,646)	440
64. Total (Line 35)	191,835,794	187,466,700	172,897,245	(129,387,279)	4,842,884
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
65. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
66. Losses incurred (Line 2)	61.9	56.0	50.7	52.4	51.4
67. Loss expenses incurred (Line 3)	12.1	11.8	11.9	10.8	11.3
68. Other underwriting expenses incurred (Line 4)	32.2	33.6	33.2	33.8	35.6
69. Net underwriting gain (loss) (Line 8)	(6.2)	(1.4)	4.2	3.0	1.7
Other Percentages					
70. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	31.4	33.6	31.8	25.1	34.3
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	73.9	67.8	62.6	63.2	62.7
72. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	131.4	134.6	150.0	222.5	6.7
One Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(8,450)	(3,641)	(23,139)	(26,627)	(803)
74. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100.0)	(3.6)	(1.7)	(12.3)	(16.0)	(0.5)
Two Year Loss Development (000 omitted)					
75. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(7,584)	(18,494)	(33,344)	(45,987)	(672)
76. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0)	(3.5)	(9.8)	(19.0)	(27.4)	(0.1)

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

Yes [] No [X]

If no, please explain:

Not applicable

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

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4	5	6	7	8	9			
				Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	X X X	X X X	X X X	7,415	881	1,025	55	396	85	100	7,815	X X X
2. 2002	273,505	26,888	246,617	150,955	15,087	11,435	1,074	19,381	980	8,879	164,630	X X X
3. 2003	298,597	24,939	273,658	146,248	12,802	10,278	750	21,903	1,040	9,140	163,837	X X X
4. 2004	321,339	17,729	303,610	150,030	6,096	9,446	337	21,477	457	11,314	174,063	X X X
5. 2005	334,763	13,559	321,204	153,443	6,220	9,876	362	22,537	354	10,814	178,920	X X X
6. 2006	334,319	14,931	319,388	154,273	3,497	9,724	421	22,836	510	9,439	182,405	X X X
7. 2007	341,229	16,665	324,564	155,222	3,418	9,425	354	22,691	321	10,164	183,245	X X X
8. 2008	340,559	12,661	327,898	169,726	5,170	8,703	374	25,149	263	8,934	197,771	X X X
9. 2009	319,518	19,983	299,535	135,457	8,870	5,581	423	22,069	191	7,976	153,623	X X X
10. 2010	315,811	6,386	309,425	124,414	852	3,472	33	23,379	44	8,030	150,336	X X X
11. 2011	319,944	5,806	314,138	108,369	385	1,414	13	18,387	36	6,082	127,736	X X X
12. Totals	X X X	X X X	X X X	1,455,552	63,278	80,379	4,196	220,205	4,281	90,872	1,684,381	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13	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			
1. Prior	36,509	12,757	18,056	2,645	1,231	282	3,513	419	2,959	1	860	46,164	X X X
2. 2002	6,538	1,020	848	354	74	6	252	22	286		6	6,596	X X X
3. 2003	2,428	364	1,194	166	52		482	18	232		132	3,840	X X X
4. 2004	3,027	746	1,686	205	80		481	24	308		557	4,607	X X X
5. 2005	3,739	414	1,945	286	113		937	34	392		667	6,392	X X X
6. 2006	5,787	768	1,973	291	181		1,307	62	579		1,801	8,706	X X X
7. 2007	9,763	460	3,567	717	314	1	1,747	139	905		660	14,979	X X X
8. 2008	13,589	297	6,880	1,367	554	4	3,528	164	1,666		2,167	24,385	X X X
9. 2009	21,363	450	12,068	1,266	665	19	5,259	209	2,536		2,263	39,947	X X X
10. 2010	31,402	287	18,493	1,216	733	6	8,209	302	4,401		3,747	61,427	X X X
11. 2011	50,357	252	46,124	577	600	1	9,824	56	7,286	123	6,294	113,182	X X X
12. Totals	184,502	17,815	112,834	9,090	4,597	319	35,539	1,449	21,550	124	19,154	330,225	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26	27	28	29	30	31	32	33		35	36
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense		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	39,163	7,001
2. 2002	189,769	18,543	171,226	69.384	68.964	69.430			3.000	6,012	584
3. 2003	182,817	15,140	167,677	61.225	60.708	61.272			3.000	3,092	748
4. 2004	186,535	7,865	178,670	58.049	44.362	58.849			3.000	3,762	845
5. 2005	192,982	7,670	185,312	57.647	56.568	57.693			3.000	4,984	1,408
6. 2006	196,660	5,549	191,111	58.824	37.164	59.837			3.000	6,701	2,005
7. 2007	203,634	5,410	198,224	59.677	32.463	61.074			3.000	12,153	2,826
8. 2008	229,795	7,639	222,156	67.476	60.335	67.752			3.000	18,805	5,580
9. 2009	204,998	11,428	193,570	64.159	57.189	64.623			3.000	31,715	8,232
10. 2010	214,503	2,740	211,763	67.921	42.906	68.438			3.000	48,392	13,035
11. 2011	242,361	1,443	240,918	75.751	24.854	76.692			3.000	95,652	17,530
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	270,431	59,794

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

SCHEDULE P – PART 2 – SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT		
	1	2	3	4	5	6	7	8	9	10	11	12	
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	One Year	Two Year	
1. Prior	157,036	167,811	169,548	174,788	176,897	178,807	175,098	183,159	187,089	187,216	127	4,057	
2. 2002	157,921	157,116	155,696	152,405	151,854	150,625	149,615	150,533	150,502	152,737	2,235	2,204	
3. 2003	X X X	155,542	152,691	148,887	148,118	149,140	147,993	147,452	146,857	146,727	(130)	(725)	
4. 2004	X X X	X X X	174,924	170,681	168,459	161,129	160,149	158,302	157,873	157,513	(360)	(789)	
5. 2005	X X X	X X X	X X X	182,538	175,593	166,912	165,849	163,828	163,388	162,893	(495)	(935)	
6. 2006	X X X	X X X	X X X	X X X	179,646	175,982	171,386	167,555	168,103	168,392	289	837	
7. 2007	X X X	X X X	X X X	X X X	X X X	192,556	187,448	175,729	175,637	175,155	(482)	(574)	
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	208,417	198,938	198,160	195,841	(2,319)	(3,097)	
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	177,918	172,310	169,356	(2,954)	(8,562)	
10. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	188,570	184,209	(4,361)	X X X	
11. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	215,495	X X X	X X X	
											12. Totals	(8,450)	(7,584)

SCHEDULE P – PART 3 – SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011		
1. Prior	000	46,609	75,608	94,347	107,055	115,988	123,568	128,412	134,138	141,642	X X X	X X X
2. 2002	71,969	105,351	121,245	132,350	138,027	141,314	143,393	144,514	145,713	146,229	X X X	X X X
3. 2003	X X X	72,623	104,580	119,902	129,896	136,644	139,590	141,364	142,321	142,974	X X X	X X X
4. 2004	X X X	X X X	75,350	113,160	130,795	141,269	147,456	150,514	151,981	153,043	X X X	X X X
5. 2005	X X X	X X X	X X X	77,140	114,539	132,447	144,086	151,376	154,903	156,737	X X X	X X X
6. 2006	X X X	X X X	X X X	X X X	78,561	116,718	133,334	146,749	155,037	160,080	X X X	X X X
7. 2007	X X X	X X X	X X X	X X X	X X X	81,637	121,259	139,464	152,657	160,875	X X X	X X X
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	94,656	139,970	159,705	172,885	X X X	X X X
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	79,063	114,594	131,745	X X X	X X X
10. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	86,839	127,002	X X X	X X X
11. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	109,384	X X X	X X X

SCHEDULE P – PART 4 – SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Prior	59,802	47,850	36,644	31,477	28,516	24,277	23,422	25,334	25,845	20,721
2. 2002	47,959	24,380	13,878	8,017	5,881	3,987	2,642	2,444	1,455	922
3. 2003	X X X	43,493	21,660	12,387	8,578	6,243	4,575	3,108	1,972	1,636
4. 2004	X X X	X X X	54,609	27,176	17,945	9,675	7,115	3,849	2,825	2,110
5. 2005	X X X	X X X	X X X	61,002	30,337	15,339	9,510	5,417	3,737	2,717
6. 2006	X X X	X X X	X X X	X X X	55,022	27,700	16,888	8,133	4,619	3,112
7. 2007	X X X	X X X	X X X	X X X	X X X	56,885	29,674	13,982	7,606	4,664
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	61,854	27,215	16,236	9,114
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	54,221	27,455	16,052
10. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	53,540	25,366
11. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	55,406

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

States, Etc.	Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		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)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	L							
2. Alaska	AK	L							
3. Arizona	AZ	L	40,830,346	39,120,352	31,226,594	43,720,415	30,392,630	226,083	
4. Arkansas	AR	L	4,738,909	4,343,096	3,808,052	5,851,078	3,584,107	26,240	
5. California	CA	L	23,974,372	21,507,642	4,608,360	15,145,960	17,242,224	132,749	
6. Colorado	CO	L	45,306,709	42,251,911	14,800,930	23,202,194	19,598,490	250,869	
7. Connecticut	CT	L	32,709,678	31,584,680	28,296,143	43,005,975	30,418,863	181,118	
8. Delaware	DE	L	4,766,770	4,593,297	2,534,672	1,984,179	3,257,934	26,394	
9. District of Columbia	DC	L	938,503	802,944	214,146	325,754	342,409	5,197	
10. Florida	FL	L			(2,087)	(2,087)			
11. Georgia	GA	L	11,163,053	12,189,241	8,664,983	13,932,341	10,953,307	61,811	
12. Hawaii	HI	L							
13. Idaho	ID	L							
14. Illinois	IL	L	22,641,191	24,940,250	15,590,190	24,561,380	20,164,883	125,367	
15. Indiana	IN	L	16,806,608	17,116,203	13,659,212	18,298,541	16,396,932	93,060	
16. Iowa	IA	L	3,759,660	3,816,579	3,207,139	4,187,105	4,252,500	20,818	
17. Kansas	KS	L	4,870,854	4,352,610	7,024,261	7,937,838	2,592,657	26,971	
18. Kentucky	KY	L	23,760,994	21,785,464	16,519,182	23,284,670	17,065,064	131,568	
19. Louisiana	LA	L	16,406,625	14,878,385	1,972,478	4,906,990	7,575,294	90,846	
20. Maine	ME	L	9,612,252	8,571,084	3,407,497	4,933,594	4,451,847	53,224	
21. Maryland	MD	L	19,347,626	18,333,882	9,601,117	13,669,037	12,494,829	107,130	
22. Massachusetts	MA	L	20,586,016	19,407,276	10,572,702	15,589,233	13,923,556	113,987	
23. Michigan	MI	L	6,932,678	7,555,736	6,727,330	5,367,137	7,661,563	38,387	
24. Minnesota	MN	L	9,077,023	9,499,530	4,873,409	6,750,236	8,130,033	50,261	
25. Mississippi	MS	L							
26. Missouri	MO	L	13,624,165	12,606,473	13,523,026	20,635,081	11,532,295	75,439	
27. Montana	MT	L							
28. Nebraska	NE	L	3,748,171	3,762,192	4,005	2,119,802	2,238,265	1,943,155	20,754
29. Nevada	NV	L	21,662,876	20,131,096	6,962,104	10,511,701	10,231,690	119,950	
30. New Hampshire	NH	L	10,191,567	9,646,228	3,268,062	5,009,877	3,287,855	56,432	
31. New Jersey	NJ	L	30,676,388	28,742,623	14,220,414	28,682,120	30,777,431	169,859	
32. New Mexico	NM	L	22,167,393	21,086,993	14,343,377	15,113,098	14,321,893	122,744	
33. New York	NY	L	2,321,194	1,722,526	206,434	1,036,830	2,738,065	12,853	
34. North Carolina	NC	L	19,511,534	20,608,464	16,785,344	23,998,841	20,313,114	108,038	
35. North Dakota	ND	L							
36. Ohio	OH	L	54,638,606	55,635,330	42,912,204	48,586,905	26,620,525	302,541	
37. Oklahoma	OK	L	13,279,171	11,992,429	7,155,042	8,725,164	6,599,168	73,528	
38. Oregon	OR	L							
39. Pennsylvania	PA	L	90,478,879	92,696,482	67,106,604	82,285,193	63,406,988	500,993	
40. Rhode Island	RI	L	8,105,700	7,407,424	4,500,933	5,154,727	3,835,745	44,882	
41. South Carolina	SC	L	17,089,153	18,022,884	13,187,715	16,748,197	13,230,412	94,625	
42. South Dakota	SD	L							
43. Tennessee	TN	L	15,126,525	16,156,508	23,000,078	27,958,591	16,673,026	83,758	
44. Texas	TX	L	43,427,225	39,027,363	26,120,812	31,364,891	20,162,030	240,462	
45. Utah	UT	L	24,443,163	22,359,705	3,002	7,867,321	13,822,161	12,138,970	135,345
46. Vermont	VT	L	4,019,255	3,526,865	9,031	1,131,395	1,637,237	1,427,411	22,255
47. Virginia	VA	L	13,824,939	12,851,410	216	5,889,959	11,105,344	8,906,729	76,550
48. Washington	WA	L							
49. West Virginia	WV	L							
50. Wisconsin	WI	L	10,636,596	11,690,844	77,484	8,895,278	10,573,548	10,915,908	58,896
51. Wyoming	WY	L	9,375,096	8,476,327	3,144,872	4,514,447	3,143,791	51,911	
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	N							
55. U.S. Virgin Islands	VI	N							
56. Northern Mariana Islands	MP	N							
57. Canada	CN	N							
58. Aggregate Other Alien	OT	X X X							
59. Totals	(a)	51	746,577,463	724,800,328	110,691	469,647,086	646,353,788	512,705,323	4,133,895

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

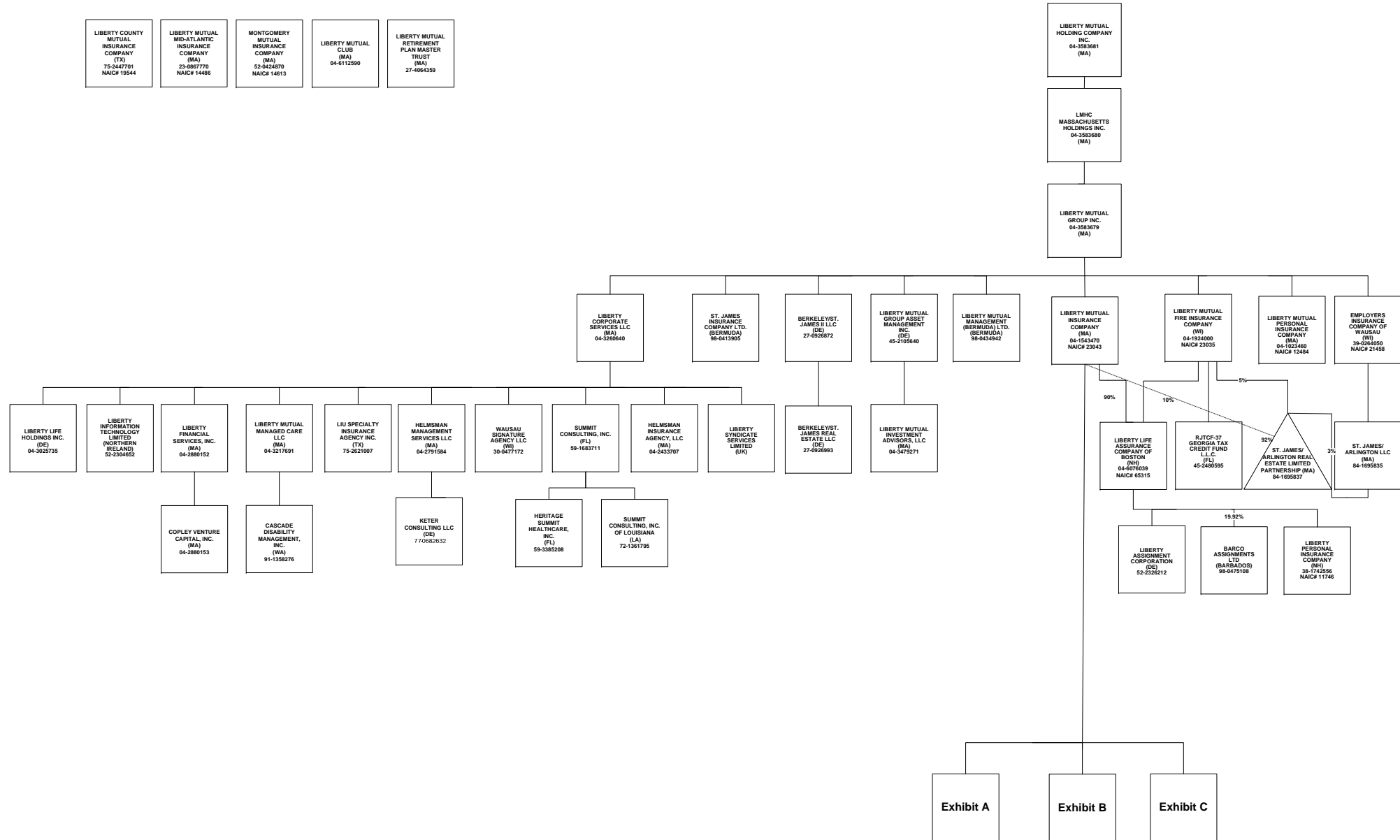
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business 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	*Location of Court - Surety
*States employee's main work place - Worker's Compensation	*Address of Assured - Other Accident and Health
*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage	*Location of Properties covered - Burglary and Theft
*Principal Location of business or location of coverage - Liability other than Auto, Fidelity, Warranty	*Principal Location of Assured - Ocean Marine, Credit
*Point of origin of shipment or principal location of assured - Inland Marine	*Primary residence of Assured - Aircraft (all perils)
*State in which employees regularly work - Group Accident and Health	

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

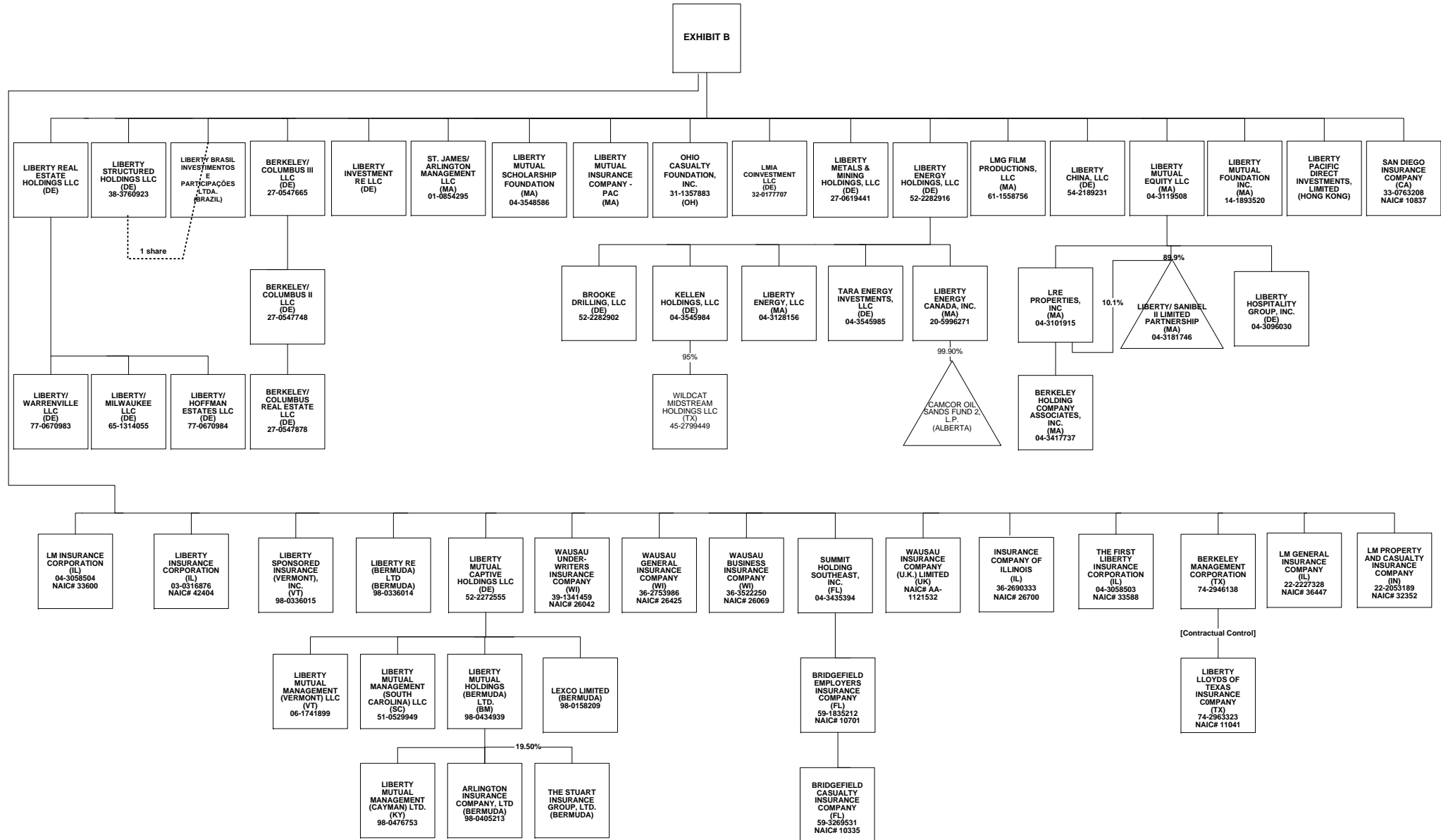
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

	1	2
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES	Current Year	Prior Year
2504. Accrued return retrospective premiums		365,225
2505. Private passenger auto escrow		32,107
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)		397,332

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