

**ANNUAL STATEMENT**

**OF THE**

**SAFECO INSURANCE COMPANY OF AMERICA**

---

---

---

---

**of SEATTLE**

**in the state of WASHINGTON**

**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2009**

**PROPERTY AND CASUALTY**

**2009**

# ANNUAL STATEMENT



24740200920100100

For the Year Ended December 31, 2009  
OF THE CONDITION AND AFFAIRS OF THE

## Safeco Insurance Company of America

<b>NAIC Group Code</b>	<u>0111</u> <small>(Current Period)</small>	<u>0111</u> <small>(Prior Period)</small>	<b>NAIC Company Code</b>	<u>24740</u>	<b>Employer's ID Number</b>	<u>91-0742148</u>
<b>Organized under the Laws of</b>	<u>Washington</u>			<b>State of Domicile or Port of Entry</b> <u>Washington</u>		
<b>Country of Domicile</b>	<u>United States of America</u>					
<b>Incorporated/Organized:</b>	<u>September 2, 1953</u>			<b>Commenced Business:</b> <u>October 1, 1953</u>		
<b>Statutory Home Office:</b>	<u>1001 Fourth Avenue, Safeco Plaza</u> <small>(Street and Number)</small>			<u>Seattle, WA 98154</u> <small>(City or Town, State and Zip Code)</small>		
<b>Main Administrative Office:</b>	<u>1001 Fourth Avenue, Safeco Plaza</u> <small>(Street and Number)</small>			<u>Seattle, WA 98154</u> <small>(City or Town, State and Zip Code)</small>		
				<u>206-545-5000</u> <small>(Area Code) (Telephone Number)</small>		
<b>Mail Address:</b>	<u>175 Berkeley Street</u> <small>(Street and Number or P.O. Box)</small>			<u>Boston, MA 02116</u> <small>(City or Town, State and Zip Code)</small>		
<b>Primary Location of Books and Records:</b>	<u>175 Berkeley Street</u> <small>(Street and Number)</small>			<u>Boston, MA 02116</u> <small>(City or Town, State and Zip Code)</small>		<u>617-357-9500</u> <small>(Area Code) (Telephone Number)</small>
<b>Internet Web Site Address:</b>	<u>WWW.SAFECO.COM</u>					
<b>Statutory Statement Contact:</b>	<u>Joanne Connolly</u> <small>(Name)</small>			<u>617-357-9500 x44393</u> <small>(Area Code) (Telephone Number) (Extension)</small>		
	<u>Statutory.Compliance@LibertyMutual.com</u> <small>(E-Mail Address)</small>			<u>617-574-5955</u> <small>(Fax Number)</small>		

### OFFICERS

#### Chairman of the Board

Gary Richard Gregg

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

#### VICE-PRESIDENTS

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

#### DIRECTORS OR TRUSTEES

<u>John Derek Doyle</u>	<u>Michael Joseph Fallon</u>	<u>Joseph Anthony Gilles</u>	<u>Scott Rhodes Goodby</u>
<u>Gary Richard Gregg</u>	<u>Christopher Charles Mansfield</u>		

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) <u>Gary Richard Gregg</u> (Printed Name) 1. President and Chief Executive Officer (Title)	_____ (Signature) <u>Dexter Robert Legg</u> (Printed Name) 2. Secretary (Title)	_____ (Signature) <u>Michael Joseph Fallon</u> (Printed Name) 3. Chief Financial Officer and Treasurer (Title)
---	---	--

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

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

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	2,928,288,834		2,928,288,834	2,367,265,747
2. Stocks (Schedule D):				
2.1 Preferred stocks	53,009,802		53,009,802	94,428,198
2.2 Common stocks	127,831,429		127,831,429	187,403,551
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	30,292,503		30,292,503	
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 (\$ 123,138,997, Schedule E - Part 1), cash equivalents (\$ 5,994,412, Schedule E - Part 2), and short-term investments (\$ 199,333,186, Schedule DA)	328,466,595		328,466,595	267,363,750
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	79,524,945	1,008,000	78,516,945	34,583,608
8. Receivables for securities				286,260
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	3,547,414,108	1,008,000	3,546,406,108	2,951,331,114
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	38,227,938		38,227,938	34,037,369
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	69,778,861	9,557,506	60,221,355	280,278,446
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ (10,781,427) earned but unbilled premiums)	427,335,790	(265,343)	427,601,133	276,167,757
13.3 Accrued retrospective premiums	2,821,442	339,329	2,482,113	770,606
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	81,169,230		81,169,230	259,224,748
14.2 Funds held by or deposited with reinsured companies				118,512
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon	12,325,682		12,325,682	16,991,688
16.2 Net deferred tax asset	184,744,700	51,590,400	133,154,300	101,838,820
17. Guaranty funds receivable or on deposit	2,814,086		2,814,086	2,570,849
18. Electronic data processing equipment and software	41,646,855	33,445,155	8,201,700	20,064,992
19. Furniture and equipment, including health care delivery assets (\$ 0)	69,893,506	69,893,506		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	1,885,680	1,064	1,884,616	6,455,732
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	21,167,377	8,251,064	12,916,313	2,382,575
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	4,501,225,255	173,820,681	4,327,404,574	3,952,233,208
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	4,501,225,255	173,820,681	4,327,404,574	3,952,233,208

DETAILS OF WRITE-IN LINES				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301. Other assets	8,945,422	8,251,064	694,358	2,382,575
2302. Cash Surrender Value Life Insurance	8,613,619		8,613,619	
2303. Equities and deposits in pools and associations	3,608,336		3,608,336	
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	21,167,377	8,251,064	12,916,313	2,382,575

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	1,428,845,322	1,279,500,807
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	92,116,680	187,478,497
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	340,182,924	298,266,655
4. Commissions payable, contingent commissions and other similar charges	40,489,072	47,391,929
5. Other expenses (excluding taxes, licenses and fees)	48,066,199	86,460,564
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	14,570,798	16,320,234
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 792,191,590 and including warranty reserves of \$ 0)	699,372,386	666,660,985
10. Advance premium	4,978,188	10,473,801
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	1,290,476	2,164,985
12. Ceded reinsurance premiums payable (net of ceding commissions)	122,040,162	325,514,565
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		430,979
14. Amounts withheld or retained by company for account of others	(662,266)	6,237,273
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		177,619,584
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	49,946,080	
19. Payable to parent, subsidiaries and affiliates	206,947,023	61,023,001
20. Payable for securities	10,807,518	
21. Liability for amounts held under uninsured plans		1,529,215
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	121,302,113	15,334,697
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	3,180,292,675	3,182,407,771
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	3,180,292,675	3,182,407,771
27. Aggregate write-ins for special surplus funds	23,709,935	3,399,995
28. Common capital stock	5,000,000	5,000,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	346,118,108	346,118,108
33. Unassigned funds (surplus)	772,283,856	415,307,334
34. Less treasury stock, at cost:		
34.1 0 shares common (value included in Line 28 \$ 0)		
34.2 0 shares preferred (value included in Line 29 \$ 0)		
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	1,147,111,899	769,825,437
36. Totals (Page 2, Line 26, Col. 3)	4,327,404,574	3,952,233,208

DETAILS OF WRITE-IN LINES		
2301. Other liabilities	72,743,884	18,896,953
2302. Collateral held for securities loaned	21,713,248	
2303. Retroactive reinsurance reserves	13,690,406	(3,562,256)
2398. Summary of remaining write-ins for Line 23 from overflow page	13,154,575	
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	121,302,113	15,334,697
2701. SSAP10R incremental change	20,679,659	
2702. Special surplus from retroactive reinsurance	3,030,276	3,399,995
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	23,709,935	3,399,995
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

## STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	1,592,432,536	1,824,806,360
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	807,604,342	1,013,043,859
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	189,069,582	209,796,621
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	528,724,861	553,357,953
5. Aggregate write-ins for underwriting deductions	248,433	
6. Total underwriting deductions (Lines 2 through 5)	1,525,647,218	1,776,198,433
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	66,785,318	48,607,927
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	148,103,660	153,366,526
10. Net realized capital gains (losses) less capital gains tax of \$ (12,585,257) (Exhibit of Capital Gains (Losses))	(23,372,620)	(8,852,916)
11. Net investment gain (loss) (Lines 9 + 10)	124,731,040	144,513,610
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 71,323 amount charged off \$ 7,120,175)	(7,048,852)	(10,940,646)
13. Finance and service charges not included in premiums	13,576,651	8,544,590
14. Aggregate write-ins for miscellaneous income	(13,034,078)	5,361,009
15. Total other income (Lines 12 through 14)	(6,506,279)	2,964,953
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	185,010,079	196,086,490
17. Dividends to policyholders	6,813,398	2,193,020
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)	178,196,681	193,893,470
19. Federal and foreign income taxes incurred	73,806,207	30,076,708
20. Net income (Line 18 minus Line 19) (to Line 22)	104,390,474	163,816,762
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	769,825,439	838,610,694
22. Net income (from Line 20)	104,390,474	163,816,762
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 7,953,581	21,223,709	(126,609,775)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(4,014,529)	(72,399,087)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	74,431,106	50,546,456
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	177,619,584	2,006,156
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		10,510,414
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		71,115,235
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		(158,000,000)
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	3,636,116	(9,771,416)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	377,286,460	(68,785,255)
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	1,147,111,899	769,825,439

<b>DETAILS OF WRITE-IN LINES</b>		
0501. Private Passenger Auto Escrow	248,433	
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)	248,433	
1401. Retroactive reinsurance gain/(loss)	(205,304)	5,361,009
1402. Other income/(expense)	(12,828,774)	
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(13,034,078)	5,361,009
3701. SSAP10R incremental change	20,679,659	
3702. Other changes in surplus	(17,043,543)	(9,771,416)
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	3,636,116	(9,771,416)

## CASH FLOW

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	1,355,222,562	1,891,129,624
2. Net investment income	156,551,543	159,286,362
3. Miscellaneous income	(5,012,612)	3,104,625
4. Total (Lines 1 through 3)	1,506,761,493	2,053,520,611
5. Benefit and loss related payments	677,927,592	1,041,992,684
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	713,557,649	754,366,780
8. Dividends paid to policyholders	7,687,907	2,449,646
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	56,554,944	38,271,080
10. Total (Lines 5 through 9)	1,455,728,092	1,837,080,190
11. Net cash from operations (Line 4 minus Line 10)	51,033,401	216,440,421
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	867,108,769	247,183,431
12.2 Stocks	154,839,487	299,124,942
12.3 Mortgage loans	93,851	
12.4 Real estate		
12.5 Other invested assets	12,432,127	645,166
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments	(12,758)	1,679
12.7 Miscellaneous proceeds	1,921	587,445
12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,034,463,397	547,542,663
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,439,516,552	185,381,972
13.2 Stocks	31,082,579	151,742,084
13.3 Mortgage loans	30,386,354	
13.4 Real estate		
13.5 Other invested assets	87,095,533	25,370,737
13.6 Miscellaneous applications	(10,807,521)	4,042,100
13.7 Total investments acquired (Lines 13.1 to 13.6)	1,577,273,497	366,536,893
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)	(542,810,100)	181,005,770
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		158,000,000
16.6 Other cash provided (applied)	552,879,545	(25,565,567)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	552,879,545	(183,565,567)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	61,102,846	213,880,624
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	267,363,749	53,483,125
19.2 End of year (Line 18 plus Line 19.1)	328,466,595	267,363,749

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

20.0001		
20.0002		
20.0003		

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	19,531,946	21,088,601	14,443,200	26,177,347
2. Allied lines	17,718,345	15,523,228	11,619,111	21,622,462
3. Farmowners multiple peril	11,682,562	4,905,634	5,636,290	10,951,906
4. Homeowners multiple peril	152,880,846	101,963,954	114,084,437	140,760,363
5. Commercial multiple peril	342,175,973	94,656,650	148,396,339	288,436,284
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	28,811,579	11,383,027	12,651,742	27,542,864
10. Financial guaranty				
11.1 Medical professional liability—occurrence	22,752	215,716	61,458	177,010
11.2 Medical professional liability—claims-made	8,045	13,084	5,971	15,158
12. Earthquake	2,756,523	5,579,689	2,731,594	5,604,618
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	(1,146,867)	2,238,141	12,103	1,079,171
16. Workers' compensation	247,032,602	17,139,802	57,391,667	206,780,737
17.1 Other liability—occurrence	94,263,504	32,553,232	42,484,490	84,332,246
17.2 Other liability—claims-made	(329,307)	5,406,295	1,508,166	3,568,822
17.3 Excess Workers' Compensation	219,417		74,665	144,752
18.1 Products liability—occurrence	3,037,290	900,617	1,468,405	2,469,502
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	255,362,237	119,813,990	86,400,020	288,776,207
19.3,19.4 Commercial auto liability	150,658,056	53,726,709	65,362,017	139,022,748
21. Auto physical damage	215,062,845	92,146,647	76,194,456	231,015,036
22. Aircraft (all perils)				
23. Fidelity	1,717,119	128,456	833,202	1,012,373
24. Surety	96,786,499	81,678,446	65,651,725	112,813,220
26. Burglary and theft	82,602	34,927	29,073	88,456
27. Boiler and machinery	46,391		5,151	41,240
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property				
32. Reinsurance-Nonproportional Assumed Liability	16			16
33. Reinsurance-Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	1,638,380,975	661,096,845	707,045,282	1,592,432,538

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	14,443,195	4			14,443,199
2. Allied lines	11,619,050	61			11,619,111
3. Farmowners multiple peril	5,636,290				5,636,290
4. Homeowners multiple peril	114,084,437				114,084,437
5. Commercial multiple peril	144,712,072		3,675,706	8,562	148,396,340
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	12,572,524	79,184	33		12,651,741
10. Financial guaranty					
11.1 Medical professional liability—occurrence	61,458				61,458
11.2 Medical professional liability—claims-made	5,971				5,971
12. Earthquake	2,731,594				2,731,594
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	12,103				12,103
16. Workers' compensation	54,337,298	16,781	2,926,268	111,319	57,391,666
17.1 Other liability—occurrence	41,555,298	211,363	701,225	16,604	42,484,490
17.2 Other liability—claims-made	1,503,483	2,902	1,781		1,508,166
17.3 Excess Workers' Compensation	74,665				74,665
18.1 Products liability—occurrence	1,231,788		236,617		1,468,405
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	86,400,005		15		86,400,020
19.3,19.4 Commercial auto liability	64,612,803	754,448	33	(5,268)	65,362,016
21. Auto physical damage	76,022,556	171,900			76,194,456
22. Aircraft (all perils)					
23. Fidelity	305,570	527,632			833,202
24. Surety	28,659,786	36,991,939			65,651,725
26. Burglary and theft	29,073				29,073
27. Boiler and machinery	5,151				5,151
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	660,616,170	38,756,214	7,541,678	131,217	707,045,279
36. Accrued retrospective premiums based on experience					(131,217)
37. Earned but unbilled premiums					(7,541,678)
38. Balance (Sum of Lines 35 through 37)					699,372,384

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

(a) State here basis of computation used in each case Daily pro rata



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	102,417,306	25,638,546		108,523,906		19,531,946
2. Allied lines	74,403,760	18,558,687		75,244,101		17,718,346
3. Farmowners multiple peril		1,719,239		(9,963,322)		11,682,561
4. Homeowners multiple peril	541,922,950	84,121,173		473,163,277		152,880,846
5. Commercial multiple peril	30,172,122	156,934,218		(155,069,632)		342,175,972
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	33,203,274	22,134,641		26,526,336		28,811,579
10. Financial guaranty						
11.1 Medical professional liability--occurrence	29,823	(394,201)		(387,130)		22,752
11.2 Medical professional liability--claims-made		(18,520)		(26,565)		8,045
12. Earthquake	6,004,519	(11,478,321)		(8,230,325)		2,756,523
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		(8,171,742)		(7,024,875)		(1,146,867)
16. Workers' compensation	574,495	213,345,354		(33,112,753)		247,032,602
17.1 Other liability—occurrence	65,646,274	56,111,022		27,493,792		94,263,504
17.2 Other liability—claims-made		(11,450,408)		(11,121,101)		(329,307)
17.3 Excess Workers' Compensation		219,417				219,417
18.1 Products liability—occurrence	(196)	1,208,272		(1,829,213)		3,037,289
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	357,298,927	105,153,881		207,090,571		255,362,237
19.3,19.4 Commercial auto liability	1,170,629	42,086,216		(107,401,211)		150,658,056
21. Auto physical damage	270,526,352	99,650,148		155,113,655		215,062,845
22. Aircraft (all perils)						
23. Fidelity	178	1,456,584		(260,356)		1,717,118
24. Surety	337,866,462	149,057,250		390,137,213		96,786,499
26. Burglary and theft	98,711	57,488		73,597		82,602
27. Boiler and machinery	1,368	(483,796)		(528,819)		46,391
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X					
32. Reinsurance-Nonproportional Assumed Liability	X X X	16				16
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	1,821,336,954	945,455,164		1,128,411,146		1,638,380,972

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

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

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

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



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	11,717,078	3,362,600	11,717,078	3,362,600	6,408,494	1,340,521	6,408,494	4,703,121	582,127
2. Allied lines	6,640,465	3,471,259	6,640,465	3,471,259	1,945,225	459,684	1,945,225	3,930,943	393,401
3. Farmowners multiple peril		3,140,485		3,140,485		568,792		3,709,277	848,450
4. Homeowners multiple peril	101,081,194	33,467,161	101,081,194	33,467,161	41,077,494	10,782,666	41,077,494	44,249,827	9,339,638
5. Commercial multiple peril	14,497,636	149,210,789	14,497,636	149,210,789	16,857,724	96,131,667	16,857,724	245,342,456	122,359,378
6. Mortgage guaranty									
8. Ocean marine		2,223		2,223				2,223	
9. Inland marine	2,561,358	1,697,767	2,561,358	1,697,767	1,387,343	2,327,481	1,387,343	4,025,248	534,466
10. Financial guaranty									
11.1 Medical professional liability—occurrence	891,604	135,524	891,604	135,524		195,143		330,667	147,083
11.2 Medical professional liability—claims-made		63,080		63,080		10,555		73,635	17,849
12. Earthquake		9,143		9,143				9,143	(1,111)
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)									
15. Other accident and health		1,169,663		1,169,663				(a)	(11)
16. Workers' compensation	58,905,044	287,518,648	58,905,044	287,518,648	25,365,373	233,608,627	25,365,373	521,127,275	71,699,080
17.1 Other liability—occurrence	37,733,362	49,894,735	37,733,362	49,894,735	51,846,876	85,258,990	51,846,876	135,153,725	45,893,118
17.2 Other liability—claims-made	100,000	2,268,218	100,000	2,268,218	72,390	2,026,479	72,390	4,294,697	2,743,143
17.3 Excess Workers' Compensation		90,780		90,780		(24,383)		66,397	(18,057)
18.1 Products liability—occurrence	64,560	2,825,915	64,560	2,825,915	302,016	1,587,688	302,016	4,413,603	2,172,219
18.2 Products liability—claims-made						117		117	
19.1,19.2 Private passenger auto liability	231,615,182	183,059,542	231,615,182	183,059,542	53,446,096	40,345,384	53,446,096	223,404,926	44,861,214
19.3,19.4 Commercial auto liability	1,705,067	87,658,175	1,705,067	87,658,175	621,739	59,835,668	621,739	147,493,843	22,684,195
21. Auto physical damage	42,546	6,218,487	42,546	6,218,487	8,857,973	4,698,286	8,857,973	10,916,773	3,220,409
22. Aircraft (all perils)		16,279		16,279		(119,375)		(103,096)	
23. Fidelity		80,452		80,452		261,876		342,328	
24. Surety	(26,645,539)	(7,936,865)	(26,645,539)	(7,936,865)	152,013,815	53,575,164	152,013,815	45,638,299	12,596,282
26. Burglary and theft		23,502		23,502		3,100		24,600	9,619
27. Boiler and machinery						7,896		7,896	14,091
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	15,493,402		15,493,402	X X X	13,024,332		28,517,734	16,301
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	440,909,557	822,940,964	440,909,557	822,940,964	360,877,496	605,904,356	360,877,496	1,428,845,320	340,182,924

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	34,108,439			34,108,439
1.2 Reinsurance assumed	53,919,384			53,919,384
1.3 Reinsurance ceded	34,108,439			34,108,439
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	53,919,384			53,919,384
2. Commission and brokerage:				
2.1 Direct, excluding contingent		286,559,895		286,559,895
2.2 Reinsurance assumed, excluding contingent		229,150,848		229,150,848
2.3 Reinsurance ceded, excluding contingent		286,559,895		286,559,895
2.4 Contingent—direct		26,316,110		26,316,110
2.5 Contingent—reinsurance assumed		24,936,565		24,936,565
2.6 Contingent—reinsurance ceded		26,316,110		26,316,110
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)		254,087,413		254,087,413
3. Allowances to manager and agents		126,959	3	126,962
4. Advertising	1,835,952	8,571,006	3,299	10,410,257
5. Boards, bureaus and associations	157,857	3,850,505	98	4,008,460
6. Surveys and underwriting reports	28,875	8,410,527	3,415	8,442,817
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	64,433,515	102,270,978	616,038	167,320,531
8.2 Payroll taxes	3,866,899	9,051,654	35,360	12,953,913
9. Employee relations and welfare	12,991,890	32,063,529	34,294	45,089,713
10. Insurance	7,650,278	1,034,120	7,156	8,691,554
11. Directors' fees		4,052		4,052
12. Travel and travel items	3,430,955	6,592,296	11,277	10,034,528
13. Rent and rent items	7,571,768	12,458,565	11,200	20,041,533
14. Equipment	4,499,806	8,487,883	9,908	12,997,597
15. Cost or depreciation of EDP equipment and software	2,645,429	4,449,362	5,080	7,099,871
16. Printing and stationery	614,344	2,098,245	1,626	2,714,215
17. Postage, telephone and telegraph, exchange and express	2,643,976	8,514,494	20,346	11,178,816
18. Legal and auditing	494,107	2,028,721	20,401	2,543,229
19. Totals (Lines 3 to 18)	112,865,651	210,012,896	779,501	323,658,048
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 560,232		38,408,194		38,408,194
20.2 Insurance department licenses and fees		3,313,819		3,313,819
20.3 Gross guaranty association assessments		(217,207)		(217,207)
20.4 All other (excluding federal and foreign income and real estate)		1,331,354		1,331,354
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		42,836,160		42,836,160
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	22,284,546	21,788,391	110,867	44,183,804
25. Total expenses incurred	189,069,581	528,724,860	890,368	(a) 718,684,809
26. Less unpaid expenses—current year	340,182,924	103,126,069		443,308,993
27. Add unpaid expenses—prior year	298,266,656	150,125,338	47,389	448,439,383
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)	147,153,313	575,724,129	937,757	723,815,199

DETAILS OF WRITE-IN LINES				
2401. Other expenses	8,390,856	21,788,391	110,867	30,290,114
2402. Change in unallocated expense reserves	13,893,690			13,893,690
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	22,284,546	21,788,391	110,867	44,183,804

(a) Includes management fees of \$ 892,460 to affiliates and \$ 8,337 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 8,764,321	10,459,557
1.1 Bonds exempt from U.S. tax	(a) 76,531,163	76,067,299
1.2 Other bonds (unaffiliated)	(a) 45,527,183	49,387,539
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 5,089,628	3,839,522
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	467,475	467,475
2.21 Common stocks of affiliates		
3. Mortgage loans	(c) 231,157	399,096
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 3,248,202	3,314,211
7. Derivative instruments	(f)	
8. Other invested assets	1,564,350	1,564,350
9. Aggregate write-ins for investment income	3,494,979	3,494,979
10. Total gross investment income	144,918,458	148,994,028
11. Investment expenses		(g) 890,367
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)		890,367
17. Net investment income (Line 10 minus Line 16)		148,103,661

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense) - Repooling Restatement	2,944,803	2,944,803
0902. Miscellaneous Income/(Expense)	550,176	550,176
0903.		
0998. Summary of remaining write-ins for Line 09 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)	3,494,979	3,494,979
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		

**NONE**

- (a) Includes \$ 1,050,200 accrual of discount less \$ 13,691,746 amortization of premium and less \$ 8,176,543 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 \$ 99,441 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 \$ 163,231 accrual of discount less \$ 11,333 amortization of premium and less \$ 50,884 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 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	525,267		525,267		
1.1 Bonds exempt from U.S. tax	2,490,161	(6,240,842)	(3,750,681)	898,781	
1.2 Other bonds (unaffiliated)	1,423,465	(8,640,176)	(7,216,711)	10,800,194	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	4,168,899	(24,843,005)	(20,674,106)	29,949,696	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	1,256,281		1,256,281	5,780,747	
2.21 Common stocks of affiliates				6,453,772	
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	23,792	(36,550)	(12,758)		
7. Derivative instruments					
8. Other invested assets	157,350	(6,242,519)	(6,085,169)	(24,704,901)	
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	10,045,215	(46,003,092)	(35,957,877)	29,178,289	

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

**NONE**

## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)	1,008,000	1,068,000	60,000
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)	1,008,000	1,068,000	60,000
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	9,557,506	9,784,149	226,643
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	(265,343)	536,251	801,594
13.3 Accrued retrospective premiums	339,329	85,623	(253,706)
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	51,590,400	94,873,991	43,283,591
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software	33,445,155	44,213,755	10,768,600
19. Furniture and equipment, including health care delivery assets	69,893,506	10,959,421	(58,934,085)
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates	1,064		(1,064)
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	8,251,064	107,414,145	99,163,081
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	173,820,681	268,935,335	95,114,654
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	173,820,681	268,935,335	95,114,654

DETAILS OF WRITE-IN LINES			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets	8,251,064	107,414,145	99,163,081
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	8,251,064	107,414,145	99,163,081

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

There are no differences between Washington prescribed or permitted practices and NAIC statutory accounting practices that resulted in a difference for the Company.

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

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

#### C. Accounting Policies

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

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
3. Common stocks are carried at fair value except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1 C(7).
4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual.
5. Mortgage loans are reported at unpaid principal balances, less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are stated at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company carries its investments in SCA companies in accordance with SSAP No. 97, Investment in Subsidiaries, Controlled Entities and Affiliates, and the SVO Manual. Schedule D Part 6-Section 1 illustrates the valuation method used for each SCA company.
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
9. Derivative Securities, refer to Note 8.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2009.
13. The Company has no pharmaceutical rebate receivables.

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

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

## NOTES TO FINANCIAL STATEMENTS

### **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

Not applicable

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

The Company has no discontinued operations to report.

### **Note 5- Investments**

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

During 2009, the company participated in direct investment in commercial mortgage loans using an experienced external manager, StanCorp Mortgage Investors.

- (1) The maximum and minimum lending rates for mortgage loans during 2009 were 10.25% and 5.24% respectively.
- (2) During 2009, the company did not reduce interest rates of any outstanding mortgage loans.
- (3) The maximum loan to value of any loan written during 2009 was 75%.
- (4) No loans had interest more than 180 days past due.
- (5) There were \$276 in taxes, assessments and any amounts advanced and not included in the mortgage loan.
- (6) There was no recorded investment in impaired loans as of December 31, 2009.
- (7) There was no recorded investment in impaired loans without a related allowance for credit losses.
- (8) There was no average recorded investment in impaired loans for 2009.
- (9) There was no interest income recognized for impaired loans during 2009.
- (10) There was no interest income recognized on a cash basis for impaired loans during 2009.
- (11)
  - a) There was no allowance for credit losses in 2009 or 2008.
  - b) There were no additions charged to operations.
  - c) There were no direct write-downs charged against the allowance.
  - d) There were no recoveries of amounts previously charged off.
  - e) The balance in the allowance for credit losses was \$0 in 2009 and \$0 in 2008.

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

#### B. Troubled Debt Restructuring for Creditors

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

#### C. Reverse Mortgages

The company has no reverse mortgages.

#### D. Loan-Backed Securities

1. Not used.
2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
3. Not used.
4. All Loan Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2009 as of December 31, 2009:



## NOTES TO FINANCIAL STATEMENTS

	1 Amortized Cost Basis Before Other-than-Temporary Impairment	2 Other-than-Temporary Impairment Recognized in Loss	3 Fair Value (C1-C2)
Aggregate Intent to Sell			
Aggregate Intent & Ability	2,203,412	244,077	1,595,690

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

1 CUSIP	2 Book/Adj Carrying Value Amortized cost before current period OTTI	3 Projected Cash Flows	4 Recognized other-than-tempor ary impairment	5 Amortized cost after other-than-tempor ary impairment	6 Fair Value
59023XAB2	730,659	639,116	91,544	639,116	640,061
59023XAB2	710,214	595,909	114,305	595,909	490,708
61749BAB9	762,539	724,311	38,228	724,311	464,920

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

	1 Less Than 12 Months	2 Greater Than 12 Months
Gross Unrealized Loss	(2,719,280)	(24,921,189)

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

8. Not used.

### E. Repurchase Agreements

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

	Under 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Total
Fair value of open reinvested collateral positions	6,504,419	6,878,082	5,647,185	2,683,561	21,713,248

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

### F. Real Estate

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

## NOTES TO FINANCIAL STATEMENTS

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

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

### **Note 6- Joint Ventures, Partnerships & Limited Liability Companies**

- A. The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of its admitted assets.
- B. The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the assets leads to impairment losses being recognized by management. The Company realized impairment losses of \$6,242,519 during the year.

### **Note 7- Investment Income**

#### A. Accrued Investment Income

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

#### B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2009.

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

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

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

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

	December 31, 2009			December 31, 2008	Change
	Ordinary	Capital	Total	Total	
Total gross DTAs	176,459,224	24,412,076	200,871,300	214,232,961	(13,361,661)
Total gross DTLs	(15,941,800)	(184,800)	(16,126,600)	(17,520,150)	1,393,550
Net DTA (DTL)	160,517,424	24,227,276	184,744,700	196,712,811	(11,968,111)
Net DTA non-admitted			(51,590,400)	(94,873,991)	43,283,591
Net Admitted DTA (DTL)			133,154,300	101,838,820	31,315,480

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

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

Ordinary	20,679,659
Capital	0
Total increase in net admitted DTAs	20,679,659

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

	December 31, 2009			December 31, 2008
	Ordinary	Capital	Total	Total
Recoverable through loss carrybacks (10a.)	58,141,000	10,390,000	68,531,000	101,838,820
Lesser of:				
Expected to be recognized within one year (10bi.)	30,106,365	13,837,276	43,943,641	0
10% of adjusted capital and surplus (10bii.)			98,148,255	54,642,140
Adj. gross DTAs offset against existing DTLs (10c.)	15,941,800	184,800	16,126,600	17,520,150

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

	December 31, 2009		
	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	58,141,000	10,390,000	68,531,000
Lesser of:			
Expected to be recognized within three years (10eiii.)	50,786,024	13,837,276	64,623,300
15% of adjusted capital and surplus (10eib.)			147,222,383
Adj. gross DTAs offset against existing DTLs (10eiii.)	15,941,800	184,800	16,126,600

## NOTES TO FINANCIAL STATEMENTS

Risk-based capital level used in paragraph 10d:	December 31, 2009
Total adjusted capital	1,126,432,241
Authorized control level	146,149,259

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

	December 31, 2009
Admitted DTA	112,474,641
Admitted assets	4,306,724,915
Statutory surplus	1,126,432,241
Total adjust capital	1,126,432,241

Admitted DTA, admitted assets and statutory surplus increased by \$20,679,659 resulting from the use of paragraph 10e.

- 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:

	2009	2008
Federal	73,806,207	30,076,708
Foreign	0	0
Realized capital gains	(12,585,257)	(3,182,728)
Federal and foreign income taxes incurred	61,220,950	26,893,980

The Company's DTAs and DTLs result primarily from capital loss limitation, limits on unearned premium reserve deductions, discounting of unpaid losses and LAE reserves, postretirement benefit obligations, allowance for doubtful accounts, depreciation, accrual of market discount on owned securities, investment impairments, unrealized gain and loss, and statutory non-admitted assets.

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

	2009
Change in net deferred income tax (without unrealized gain or loss)	(4,014,530)
Change in tax effect of unrealized (gains) losses	(7,953,581)
Total change in net deferred income tax	(11,968,111)

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, proration, capital loss limitation, discounting of unpaid losses and LAE reserves, investment impairments and severance.
- E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is \$53,625,950 from the current year and \$4,294,700 from the preceding year.

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

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

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

Access Insurance Services, Co.	Liberty Insurance Holdings, Inc.
AMBCO Capital Corporation	Liberty Insurance Underwriters, Inc.
America First Insurance Company	Liberty International Europe Inc.*
America First Lloyds Insurance Company	Liberty International Holdings Inc.
American Ambassador Casualty Company (merged 10/21/2009)	Liberty Life Assurance Company of Boston
American Economy Insurance Company	Liberty Life Holdings, Inc.
American Fire & Casualty Company	Liberty Lloyds of Texas Insurance Company
American States Insurance Company	Liberty Management Services, Inc.
American States Insurance Company of Texas	Liberty Mexico Holdings, Inc.
American States Lloyds Insurance Company	Liberty Mutual Fire Insurance Company
American States Preferred Insurance Company	Liberty Mutual Group Inc.
Avomark Insurance Company	Liberty Mutual Holding Company Inc.
Barrier Ridge LLC	Liberty Mutual Insurance Company
Berkeley Holding Company Associates, Inc.	Liberty Mutual Personal Insurance Company
Berkeley Management Corporation	Liberty Northwest Insurance Corporation
Bridgefield Casualty Insurance Company	Liberty Personal Insurance Company
Bridgefield Employers Insurance Company	Liberty RE (Bermuda) Limited
Capitol Court Corporation	Liberty Sponsored Insurance (Vermont) Inc.
Capitol Agency, Inc., The (Arizona corporation)	Liberty Surplus Insurance Corporation
Capitol Agency, Inc., The (Ohio corporation)	LIH U.S. P&C Corporation
Capitol Agency, Inc., The (Tennessee corporation)	LIH-RE of America Corporation
Cascade Disability Management, Inc.	LIU Specialty Insurance Agency Inc.
Colorado Casualty Insurance Company	LM General Insurance Company
	LM Insurance Corporation

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

- A. All of the outstanding shares of capital stock of the Company are held by Safeco Corporation (“Safeco”), a company incorporated in Washington. Safeco is wholly owned by LIH US P&C Corporation, an insurance holding company incorporated in Delaware. LIH US P&C Corporation is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Insurance Holdings, Inc. is owned by Liberty Mutual Insurance Company (“LMIC” 93%), a Massachusetts insurance company; Liberty Mutual Fire Insurance Company (“LMFIC” 4%), a Wisconsin insurance company; and Employers Insurance Company of Wausau (“EICOW” 3%), a Wisconsin insurance company. The ultimate parent of LMIC, LMFIC and EICOW is Liberty Mutual Holding Company Inc., a Massachusetts company.
- B. Transactions between the Company and its affiliates are described in Schedule Y Part 2.
- C. Refer to Notes 10F, 22 and 25.
- D. At December 31, 2009, the Company reported \$205,062,407 due to affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated an undertaking for the benefit of affiliates which result in a material contingent exposure of the Company’s or affiliates’ assets or liabilities.
- F. Refer to Note 25 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

The Company is a party to a services agreement (the “Agreement”) with Peerless Insurance Company (“PIC”) and other affiliates. The Agreement allows PIC to provide services related to common management function including, but not

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Refer to 10I

### **Note 11- Debt**

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

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

As a result of the acquisition of the Company's parent, Safeco Corporation, by Liberty Mutual on September 22, 2008, the Company's eligible U.S. employees became employees of Liberty Mutual and began participating in non contributory defined benefit pension plans and contributory defined contribution pension plans sponsored by LMGI, effective January 1, 2009. The Safeco 401(k) plan assets merged into the Liberty Mutual Employees' Thrift-Incentive plan in May of 2009.

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

The Safeco Corporation continues to sponsor a cash balance defined benefit pension plan (CBP) covering a wide range of former Company employees. Safeco Corporation terminated the CBP effective December 31, 2008 and will distribute plan assets to eligible participants as soon as administratively practicable. The distribution of assets is expected to occur within 2 to 3 years after the November 2008 filing of a request for approval of the plan termination with applicable regulators. The CBP pension costs are subject to the inter-company pooling agreement described in Note 25. These costs amounted to \$216,753 and \$91,108 in 2009 and 2008, respectively. Also, a CBP additional minimum liability of \$754,530 and \$1,485,255, also subject to the inter-company pooling agreement, was recognized in 2009 and 2008 respectively in accordance with SSAP 89 and is reported as a component of unassigned funds (surplus). The Company has no legal obligation for benefits under this plan.

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

- 1. Common Stock

The Company has 20,000 shares authorized, issued and outstanding as of December 31, 2009. All shares have a stated par value of \$250.

- 2. Preferred Stock

Not applicable

- 3. Dividend Restrictions

Not applicable

## NOTES TO FINANCIAL STATEMENTS

4. The Company did not pay a dividend to its parent during 2009.
5. The maximum amount of dividends that can be paid by Washington-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner 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 2010 is \$114,711,190.
6. As of December 31, 2009, the Company has restricted surplus of \$20,679,659, from recording the increase in admitted adjusted gross DTA's as a result of applying the revised guidance in SSAP No. 10R (refer to Note 2A) and pre-tax restricted surplus of \$3,030,276 resulting from retroactive reinsurance contracts.
7. The Company had no advances to surplus.
8. The Company did not hold stock for special purposes.
9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2009 and from the adoption of the revised guidance on calculating admitted adjusted gross DTA's in SSAP 10R.
10. The portion of unassigned funds (surplus) represented by cumulative unrealized loss is (\$2,717,881) after applicable deferred taxes of \$13,533,988.
11. Surplus Notes  
Not applicable
12. Quasi re-organization (dollar impact)  
Not applicable
13. Quasi re-organization (effective date)  
Not applicable

### **Note 14- Contingencies**

#### A. Contingent Commitments

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

#### B. Assessments

The Company is subject to guaranty funds and other assessments by the states in which it writes business. Guaranty funds assessments are accrued at the time of insolvencies. Other assessments are accrued either at the time of assessments or in the case of premium based assessments, at the time the premiums are written, or, in the case of loss based assessments, at the time the losses are incurred.

The Company has accrued a liability for guaranty funds and other assessments of \$12,120,004 that is offset by future premium tax credits of \$2,024,438. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2009.

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

#### C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$6,358,070

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			

## NOTES TO FINANCIAL STATEMENTS

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

( f ) Per Claim [ x ]                      ( g ) Per Claimant [ ]

E. All other Contingencies

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

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

Pursuant to North Carolina General Statute #58-36-25, the potential interest payable to policyholders for the 2009 Private Passenger Automobile Escrow was \$473.

**Note 15- Leases**

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

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

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2010	\$862,227	\$7,529,713
2011	862,227	7,485,479
2012	862,227	6,593,807
2013	862,227	2,432,007
2014	71,852	2,065,311
2015 & thereafter	0	4,886,856
Total	\$3,520,760	\$30,993,173

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

Not applicable

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

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

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

A. The Company did not sell premium receivables.

B. Transfers and servicing of financial assets:

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

At December 31, 2009 the total fair value of securities on loan was \$21,524,181 with corresponding collateral value of \$22,324,687 of which \$21,713,248 represents cash collateral.

C. Wash Sales

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

## NOTES TO FINANCIAL STATEMENTS

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

In 2008, Safeco Insurance Company of America and other members of the Peerless Amended and Restated Reinsurance Pooling Agreement (refer to note 25) agreed to become participating insurers of the California Earthquake Authority (“CEA”), a publicly-managed, privately funded organization that provides residential earthquake insurance in California. As a participating insurer of the CEA, Safeco and its affiliates act as a third party administrator and perform certain administrative services on behalf of the CEA, including underwriting, policy issuance, premium collection, and claims payment. The CEA reimburses the Company for commissions and claims paid on behalf of the CEA. The Company also receives an administrative fee equal to 3.43% of premium and 9% of claims paid. These fees are subject to the inter-company pooling agreement. In 2009, the Company recorded CEA administrative fees of \$158,080.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not Applicable

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

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

### **Note 20- Other Items**

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

1) Assets in the amount of \$113,067,489 and \$113,984,922 as of December 31, 2009 and 2008, respectively, were on deposit with government authorities or trustees as required by law.

2) 2009 North Carolina Private Passenger Automobile Escrow

As mandated by North Carolina Statute #58-7-26(C), the escrow account of the company was \$34,282 at December 31, 2009.

3) During the current year, certain members of the Peerless Pool, of which the Company is a member, changed the nature of their cash disbursement accounts, so that disbursement transactions reflect the characteristics of drafts. In prior years, cash disbursement transactions were accounted for as checks. As a result of this change, the Company increased its cash disbursement accounts balance by \$172,418,561 and increased its year end drafts outstanding balance by \$45,260,291 which represents the Company’s pool share of the Peerless Pool’s increase in drafts outstanding. (Refer to Note 25)

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

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

<u>Description of State Transferable Tax Credits</u>	<u>State</u>	<u>Carrying Value</u>	<u>Unused Amount</u>
Historical Rehabilitation Credit	CT	256,000	256,000
<u>Total</u>		<u>256,000</u>	<u>256,000</u>



## NOTES TO FINANCIAL STATEMENTS

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

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

(3) Impairment Loss

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

G. Sub-Prime Lending

1. The Company has not purchased securities characterized by the market as subprime. The Company looks at such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities. The Company's only exposure to subprime was inherited through past acquisitions of insurance companies.
2. The Company does not have any direct exposure through investments in sub-prime mortgage loans.
3. The Company has direct exposure through their investment in residential mortgage-backed securities.

<u>Actual Cost</u>	<u>Book Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Other Than Temporary Impairments Recognized</u>
\$1,972,413	\$1,972,413	\$1,657,201	\$244,077

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

**Note 21- Events Subsequent**

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

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

**Note 22- Reinsurance**

- A. Excluding amounts arising pursuant to the inter-company Reinsurance Agreement, as described in Note 25, there are no unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus.
- B. There are no reinsurance recoverables in dispute from an individual reinsurer which exceed 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.
- C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2009.

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net Reinsurance</u>	
	<u>UEP</u>	<u>Commission Equity</u>	<u>UEP</u>	<u>Commission Equity</u>	<u>UEP</u>	<u>Commission Equity</u>
Affiliates	699,372,386	97,912,134	792,191,590	110,906,823	(92,819,204)	(12,994,689)
All Other	-	-	-	-	-	-
Total	699,372,386	97,912,134	792,191,590	110,906,823	(92,819,204)	(12,994,689)

Direct Unearned Premium Reserve of 792,191,590

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

Direct	\$46,216,635
Assumed	39,060,436
Ceded	(46,216,635)
Net	<u>\$39,060,436</u>

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

- D. The Company did not write off any uncollectible balances in 2009.
- E. The Company does not have any ceded commutations.

## NOTES TO FINANCIAL STATEMENTS

- F. The Company has one assumed and one ceded retroactive contract that transferred liabilities for losses that had already occurred. The impact of the Inter-Company Reinsurance Agreement is also shown.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	72,172,125	
	2. Adjustment – Prior Year(s)	(56,219,895)	
	3. Adjustment – Current Year	(2,261,824)	
	4. Total	13,690,406	
b.	Consideration Paid or Received:		
	1. Initial Reserves	78,389,802	
	2. Adjustment – Prior Year(s)	2,263,726	
	3. Adjustment – Current Year	-	
	4. Total	80,653,528	
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	-	
	2. Adjustment – Prior Year(s)	69,213,121	
	3. Adjustment – Current Year	4,066,462	
	4. Total	73,279,583	
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	(3,992,605)	
	2. Adjustment – Prior Year(s)	(10,725,961)	
	3. Adjustment – Current Year	317,036	
	4. Total	(3,030,276)	
	5. Cumulative Total Transferred to Unassigned Funds	(17,431,805)	
e.	Other insurers included in the above transactions:		
	Peerless Insurance Company	13,690,406	

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

- G. The Company has not entered into any deposit type agreements as of December 31, 2009.

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

- A. The Company estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing case-base loss development with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium.
- B. Accrued retrospective premiums are recorded as a component of written premiums.
- C. For detail of net premium written subject to retrospective rating features see Schedule P - Part 7A.
- D. Ten percent of the amount not offset by retrospective return premiums or collateral has been designated non-admitted and charged to surplus.

a. Total accrued retro premium	\$2,821,442
b. Less: Non-admitted amount	339,329
c. Admitted amount	<u>\$2,482,113</u>

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

Incurred loss and loss adjustment expense attributed to insured events on prior years has decreased \$117,234,509 during 2009. This decrease was primarily the result of improving loss trends in the Other Liability \$43,454,703, Private Passenger Auto Liability \$23,704,728, Commercial Multit-Peril \$18,061,200, Workers' Compensation \$13,618,394, Fidelity/Surety \$8,798,025 and Commercial Auto Liability \$6,263,002 lines. Prior estimates are revised as additional information becomes known regarding individual claims.

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

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

## NOTES TO FINANCIAL STATEMENTS

		NAIC Company Number	2009 Pooling Percentage
Lead Company	Peerless Insurance Company ("PIC")	24198	25.20%
Affiliated Pool Companies	The Ohio Casualty Insurance Company ("OCIC")	24074	20.40%
	Safeco Insurance Company of America ("SICOA")	24740	15.20%
	General Insurance Company of America ("GICA")	24732	9.20%
	American States Insurance Company ("ASIC")	19704	7.60%
	American Economy Insurance Company ("AEIC")	19690	5.60%
	Indiana Insurance Company ("IIC")	22659	4.80%
	Golden Eagle Insurance Corporation ("GEIC")	10836	3.00%
	Peerless Indemnity Insurance Company ("PIIC")	18333	3.00%
	Safeco Insurance Company of Illinois ("SICIL")	39012	2.00%
	The Netherlands Insurance Company ("NIC")	24171	1.80%
	American States Preferred Insurance Company ("ASPCO")	37214	0.80%
	First National Insurance Company of America ("FNICA")	24724	0.80%
	American Fire and Casualty Company ("AFCIC")	24066	0.60%
	America First Insurance Company ("AFIC")	12696	0.00%
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%
	American States Insurance Company of Texas ("ASICT")	19712	0.00%
	American States Lloyds Insurance Company ("ASLCO")	31933	0.00%
	Avomark Insurance Company ("AVOIC")	10792	0.00%
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%
	Consolidated Insurance Company ("CIC")	22640	0.00%
	Excelsior Insurance Company ("EIC")	11045	0.00%
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%
	Insurance Company of Illinois ("ICIL")	26700	0.00%
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%
	National Insurance Association ("NIA")	27944	0.00%
	Ohio Security Insurance Company ("OSIC")	24082	0.00%
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%
	Safeco National Insurance Company ("SNIC")	24759	0.00%
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%
	West American Insurance Company ("WAIC")	44393	0.00%
			100.00%
100% Quota Share Affiliated Companies	Bridgefield Employers Insurance Company ("BEIC")	10701	0.00%
	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.00%
	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%
	North Pacific Insurance Company ("NPIC")	23892	0.00%
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%

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

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

## NOTES TO FINANCIAL STATEMENTS

(h) Amount due to affiliated entity participating in the Peerless inter-company pool as at December 31, 2009:

Affiliate:	Amount:
Peerless Insurance Company	(924,194)

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

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

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

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

		NAIC Company Number	2010 Pooling Percentage
Lead Company	Peerless Insurance Company ("PIC")	24198	25.20%
Affiliated Pool Companies	The Ohio Casualty Insurance Company ("OCIC")	24074	20.40%
	Safeco Insurance Company of America ("SICOA")	24740	15.20%
	General Insurance Company of America ("GICA")	24732	9.20%
	American States Insurance Company ("ASIC")	19704	7.60%
	American Economy Insurance Company ("AEIC")	19690	5.60%
	Indiana Insurance Company ("IIC")	22659	4.80%
	Golden Eagle Insurance Corporation ("GEIC")	10836	3.00%
	Peerless Indemnity Insurance Company ("PIIC")	18333	3.00%
	Safeco Insurance Company of Illinois ("SICIL")	39012	2.00%
	The Netherlands Insurance Company ("NIC")	24171	1.80%
	American States Preferred Insurance Company ("ASPCO")	37214	0.80%
	First National Insurance Company of America ("FNICA")	24724	0.80%
	American Fire and Casualty Company ("AFCIC")	24066	0.60%
	America First Insurance Company ("AFIC")	12696	0.00%
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%
	American States Insurance Company of Texas ("ASICT")	19712	0.00%
	American States Lloyds Insurance Company ("ASLCO")	31933	0.00%
	Avomark Insurance Company ("AVOIC")	10792	0.00%
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%
	Consolidated Insurance Company ("CIC")	22640	0.00%
	Excelsior Insurance Company ("EIC")	11045	0.00%
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%
	National Insurance Association ("NIA")	27944	0.00%
	Ohio Security Insurance Company ("OSIC")	24082	0.00%
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%
	Safeco National Insurance Company ("SNIC")	24759	0.00%
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%
	West American Insurance Company ("WAIC")	44393	0.00%
			100.00%
100% Quota Share	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%
	North Pacific Insurance Company ("NPIC")	23892	0.00%
Affiliated Companies	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%

## NOTES TO FINANCIAL STATEMENTS

### **Note 26- Structured Settlements**

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$17,792,773 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$17,792,773 as of December 31, 2009.
- B. Not applicable

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

Not applicable

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

Not applicable

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

As of December 31, 2009, the Company had no liabilities related to premium deficiency reserves. The Company considers anticipated investment income when calculating its premium deficiency reserves.

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

The Company does not have any high deductible policies.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2009 liabilities subject to discount were carried at a value representing a discount of \$22,872,464, net of all reinsurance.

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

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

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

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

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

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

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

#### *Uncertainty Regarding Reserving Methodologies*

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

## NOTES TO FINANCIAL STATEMENTS

As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment.

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

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

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

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

**Asbestos:**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Direct Basis</b>					
Beginning Reserves	18,157,909	22,544,015	26,065,083	24,589,577	25,442,117
Incurring losses and LAE	6,206,104	5,363,360	1,423,653	3,749,128	324,927
Calendar year payments	1,819,998	1,842,292	2,595,155	2,896,588	1,963,824
Ending Reserves	22,544,015	26,065,083	24,893,581	25,442,117	23,803,220
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	16,431,026	16,594,458	16,369,332	20,216,847	17,305,476
Incurring losses and LAE	1,118,878	717,008	4,658,094	(686,944)	8,554,471
Calendar year payments	955,446	942,134	1,568,280	2,224,427	1,751,509
Ending Reserves	16,594,458	16,369,332	19,459,146	17,305,476	24,108,438
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	28,223,029	32,229,743	34,279,518	36,306,237	34,828,860
Incurring losses and LAE	6,650,846	4,578,831	5,029,217	1,830,418	9,658,536
Calendar year payments	2,644,132	2,529,056	3,466,415	3,307,795	3,476,825
Ending Reserves	32,229,743	34,279,518	35,842,320	34,828,860	41,010,571

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

Direct Basis	13,493,161
Assumed Reinsurance Basis	13,568,996
Net of Ceded Reinsurance Basis	24,962,946
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>	
Direct Basis	8,130,259
Assumed Reinsurance Basis	44,209
Net of Ceded Reinsurance Basis	6,855,853

**Environmental:**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Direct Basis</b>					
Beginning Reserves	27,319,601	30,509,920	29,724,948	28,261,901	24,144,723
Incurring losses and LAE	6,680,446	2,806,796	7,820,539	622,270	(1,048,065)
Calendar year payments	3,490,127	3,591,768	5,651,491	4,739,448	2,529,361
Ending Reserves	30,509,920	29,724,948	31,893,996	24,144,723	20,567,297

---

**NOTES TO FINANCIAL STATEMENTS**


---

**Assumed Reinsurance Basis**

Beginning Reserves	8,467,159	6,184,593	5,582,923	5,426,315	5,217,784
Incurred losses and LAE	(1,888,963)	123,026	81,546	305	(1,329,808)
Calendar year payments	393,603	724,696	142,365	208,836	132,091
Ending Reserves	6,184,593	5,582,923	5,522,104	5,217,784	3,755,885

**Net of Ceded Reinsurance Basis**

Beginning Reserves	33,799,169	33,393,231	31,093,404	31,091,829	26,517,043
Incurred losses and LAE	2,887,143	1,666,107	8,628,731	(547,474)	(2,802,147)
Calendar year payments	3,293,081	3,965,934	4,795,541	4,027,312	2,501,814
Ending Reserves	33,393,231	31,093,404	34,926,594	26,517,043	21,213,082

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

Direct Basis	13,678,480
Assumed Reinsurance Basis	2,365,627
Net of Ceded Reinsurance Basis	13,999,190

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

Direct Basis	6,986,669
Assumed Reinsurance Basis	16,917
Net of Ceded Reinsurance Basis	6,807,617

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

**Note 33- Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 34 - Multiple Peril Crop Insurance**

Not applicable

**Note 35 – Financial Guarantee Insurance Contracts**

Not applicable

# GENERAL INTERROGATORIES

## 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? \_\_\_\_\_ Washington \_\_\_\_\_
- 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: \_\_\_\_\_ 01/01/2009 \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. \_\_\_\_\_ 12/31/2005 \_\_\_\_\_
- 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. \_\_\_\_\_ 12/31/2005 \_\_\_\_\_
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). \_\_\_\_\_ 06/12/2007 \_\_\_\_\_
- 3.4 By what department or departments?  
 Washington State Office of the Insurance Commissioner  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
- 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.

\_\_\_\_\_

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

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

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

Yes [ ] No [X]

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

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

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

Yes [ ] No [X]

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

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

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

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

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

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

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

Yes [ ] No [X]

11.11 Name of real estate holding company

\_\_\_\_\_

11.12 Number of parcels involved

0

11.13 Total book/adjusted carrying value

\$ \_\_\_\_\_ 0

11.2 If yes, provide explanation:

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

## GENERAL INTERROGATORIES

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

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

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

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

Yes  No

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

Yes  No

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

Yes  No  N/A

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

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

Yes  No

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

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

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

Yes  No

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

Safeco companies changed from Safeco Code of Conduct to Liberty Mutual Group Code of Conduct as of 1/1/2009

.....  
 .....

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

Yes  No

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

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

## BOARD OF DIRECTORS

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

Yes  No

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

Yes  No

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

Yes  No

## FINANCIAL

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

Yes  No

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

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

## GENERAL INTERROGATORIES

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

## INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3) Yes  No
- 22.2 If no, give full and complete information relating thereto:  
 .....  
 .....  
 .....
- 22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)  
 Please Reference Note 17B. ....  
 .....  
 .....
- 22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes  No  N/A
- 22.5 If answer to 22.4 is yes, report amount of collateral. \$ 22,324,687
- 22.6 If answer to 22.4 is no, report amount of collateral. \$ 0
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3.) Yes  No
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- |  |  |                       |
|--|--|-----------------------|
|  | 23.21 Subject to repurchase agreements                 | \$ <u>0</u>           |
|  | 23.22 Subject to reverse repurchase agreements         | \$ <u>0</u>           |
|  | 23.23 Subject to dollar repurchase agreements          | \$ <u>0</u>           |
|  | 23.24 Subject to reverse dollar repurchase agreements  | \$ <u>0</u>           |
|  | 23.25 Pledged as collateral                            | \$ <u>0</u>           |
|  | 23.26 Placed under option agreements                   | \$ <u>0</u>           |
|  | 23.27 Letter stock or securities restricted as to sale | \$ <u>0</u>           |
|  | 23.28 On deposit with state or other regulatory body   | \$ <u>113,067,489</u> |
|  | 23.29 Other  | \$ <u>0</u>           |

## GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

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

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

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

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

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

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

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

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

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

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

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

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
The Bank of New York Mellon .....	JP Morgan Chase .....	01/02/2009 .....	Transfer to Liberty Mutual Custodian .....
.....	.....	.....	.....

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

1 Central Registration Depository Number(s)	2 Name(s)	3 Address
N/A .....	Liberty Mutual Insurance Company .....	175 Berkeley Street, Boston, MA 02116 .....
N/A .....	Liberty Mutual Investment Advisors .....	175 Berkeley Street, Boston, MA 02116 .....

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

## GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

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

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

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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	3,133,616,432	3,182,668,071	49,051,639
28.2 Preferred stocks	53,009,802	53,009,816	14
28.3 Totals	3,186,626,234	3,235,677,887	49,051,653

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

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

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

Yes [ ] No [X]

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

Yes [ ] No [X]

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

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

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

Yes [X] No [ ]

30.2 If no, list exceptions:

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

### OTHER

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

\$ \_\_\_\_\_ 0

## GENERAL INTERROGATORIES

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

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

32.1 Amount of payments for legal expenses, if any? \$ 266,346

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

1 Name	2 Amount Paid
PERKINS COIE LLP .....	95,356
BINGHAM MCCUTCHEN LLP .....	104,968
.....	0

33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 42

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

1 Name	2 Amount Paid
TEXAS SECRETARY OF STATE .....	42
.....	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>1,079,171</u>	\$ <u>0</u>
2.2 Premium Denominator	\$ <u>1,592,432,536</u>	\$ <u>1,824,806,360</u>
2.3 Premium Ratio (2.1/2.2)	<u>0.00</u>	<u>0.00</u>
2.4 Reserve Numerator	\$ <u>1,181,766</u>	\$ <u>4,961,344</u>
2.5 Reserve Denominator	\$ <u>2,560,517,312</u>	\$ <u>1,765,245,959</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 \$ 28,584,724

3.22 Non-participating policies \$ 1,792,752,230

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

.....

.....

.....

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

5.5 If yes, give full information

.....

.....

.....

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

.....

.....

.....

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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



## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes  No  N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes  No
- 11.2 If yes, give full information  
 .....  
 .....
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |   |  |    |                  |  |
|---|--|----|------------------|--|
| 12.11 Unpaid losses   |  | \$ | <u>7,654,929</u> |  |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) |  | \$ | <u>850,489</u>   |  |
- 12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 2,362,663
- 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   |  | _____ | <u>9.00</u> |  |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes  No
- 12.6 If yes, state the amount thereof at December 31 of current year:
- |                                  |  |    |                   |  |
|----------------------------------|--|----|-------------------|--|
| 12.61 Letters of Credit          |  | \$ | <u>5,752,643</u>  |  |
| 12.62 Collateral and other funds |  | \$ | <u>54,704,108</u> |  |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 65,373,367
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes  No
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. \_\_\_\_\_ 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes  No
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
 Premiums and recoverables were allocated pursuant to separate intercompany agreement  
 .....  
 .....
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes  No
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes  No
- 14.5 If the answer to 14.4 is no, please explain:  
 .....  
 .....
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes  No
- 15.2 If yes, give full information  
 .....  
 .....
- 16.1 Does the reporting entity write any warranty business? Yes  No   
 If yes, disclose the following information for each of the following types of warranty coverage:
- |                  |    | 1                         | 2                       | 3                         | 4                          | 5                        |
|------------------|----|---------------------------|-------------------------|---------------------------|----------------------------|--------------------------|
|                  |    | Direct Losses<br>Incurred | Direct Losses<br>Unpaid | Direct Written<br>Premium | Direct Premium<br>Unearned | Direct Premium<br>Earned |
| 16.11 Home       | \$ | 0                         | 0                       | 0                         | 0                          | 0                        |
| 16.12 Products   | \$ | 0                         | 0                       | 0                         | 0                          | 0                        |
| 16.13 Automobile | \$ | 0                         | 0                       | 0                         | 0                          | 0                        |
| 16.14 Other*     | \$ | 0                         | 0                       | 0                         | 0                          | 0                        |

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

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

Yes [ ] No [X]

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

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

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

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

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

Yes [ ] No [X]

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

\$ 0

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

Yes [ ] No [X]

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

\$ 0

## FIVE – YEAR HISTORICAL DATA

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

	1	2	3	4	5
	2009	2008	2007	2006	2005
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3)	830,980,985	2,242,988,983	2,440,949,274	2,452,299,816	2,524,276,056
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	641,215,111	1,511,408,587	1,683,941,321	1,588,927,702	1,615,972,028
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	814,387,274	1,486,835,741	1,478,338,249	1,441,409,188	1,488,672,687
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	480,208,732	473,211,643	427,531,094	363,567,199	313,776,728
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	16	10,672	1,575	1,780	23,072
6. Total (Line 35)	2,766,792,118	5,714,455,626	6,030,761,513	5,846,205,685	5,942,720,571
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
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)	750,274,595	734,489,362	797,640,802	801,612,939	824,877,559
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	283,963,841	445,621,177	463,324,041	477,451,233	522,367,234
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	506,785,770	433,589,745	476,845,500	465,310,209	478,979,592
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	97,356,750	148,810,566	128,717,049	108,177,959	92,382,677
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	16	3,522	363	462	4,724
12. Total (Line 35)	1,638,380,972	1,762,514,372	1,866,527,755	1,852,552,802	1,918,611,786
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	66,785,318	48,607,927	119,854,947	214,562,522	175,087,794
14. Net investment gain (loss) (Line 11)	124,731,040	144,513,610	189,293,143	177,961,936	169,256,716
15. Total other income (Line 15)	(6,506,279)	2,964,953	5,888,524	(103,196)	2,845,827
16. Dividends to policyholders (Line 17)	6,813,398	2,193,020	1,565,709	2,191,199	940,368
17. Federal and foreign income taxes incurred (Line 19)	73,806,207	30,076,708	65,084,793	101,388,753	90,285,774
18. Net income (Line 20)	104,390,474	163,816,762	248,386,112	288,841,310	255,964,195
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	4,327,404,574	3,952,233,208	4,067,248,117	4,522,038,349	4,468,951,833
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	60,221,355	280,278,446	380,951,206	354,707,622	312,906,713
20.2 Deferred and not yet due (Line 13.2)	427,601,133	276,167,757	243,930,098	271,271,918	315,936,238
20.3 Accrued retrospective premiums (Line 13.3)	2,482,113	770,606	672,317	796,362	791,482
21. Total liabilities excluding protected cell business (Page 3, Line 24)	3,180,292,675	3,182,407,771	3,228,637,423	3,366,636,926	3,271,077,347
22. Losses (Page 3, Line 1)	1,428,845,322	1,279,500,807	1,260,744,966	1,245,291,499	1,300,451,324
23. Loss adjustment expenses (Page 3, Line 3)	340,182,924	298,266,655	300,168,984	317,949,016	319,816,429
24. Unearned premiums (Page 3, Line 9)	699,372,386	666,660,985	728,534,002	706,885,898	711,109,819
25. Capital paid up (Page 3, Lines 28 & 29)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
26. Surplus as regards policyholders (Page 3, Line 35)	1,147,111,899	769,825,437	838,610,694	1,155,401,423	1,197,874,486
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	51,033,401	216,440,421	207,841,398	304,872,790	270,870,670
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	1,147,111,899	769,825,437	838,610,694	1,155,401,423	1,197,874,486
29. Authorized control level risk-based capital	146,163,549	168,373,602	169,567,368	167,821,458	170,583,709
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	82.6	80.2	81.2	82.7	84.7
31. Stocks (Lines 2.1 & 2.2)	5.1	9.5	16.2	14.7	12.4
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	0.9				
33. Real estate (Lines 4.1, 4.2 & 4.3)					0.3
34. Cash, cash equivalents and short-term investments (Line 5)	9.3	9.1	1.7	2.4	2.5
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)	2.2	1.2	0.8	0.2	0.2
37. Receivables for securities (Line 8)		0.0	0.0	0.1	0.0
38. Aggregate write-ins for invested assets (Line 9)					
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
40. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	101,837,244	95,383,472	36,971,000	35,286,000	33,861,000
43. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
44. Affiliated mortgage loans on real estate					
45. All other affiliated	1,008,000	1,068,000			
46. Total of above Lines 40 to 45	102,845,244	96,451,472	36,971,000	35,286,000	33,861,000
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)	9.0	12.5	4.4	3.1	2.8

## FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2009	2008	2007	2006	2005
<b>Capital and Surplus Accounts (Page 4)</b>					
48. Net unrealized capital gains (losses) (Line 24)	21,223,709	(126,609,775)	(27,037,006)	24,050,522	(19,784,599)
49. Dividends to stockholders (Line 35)		(158,000,000)	(465,000,000)	(255,000,000)	(110,000,000)
50. Change in surplus as regards policyholders for the year (Line 38)	377,286,460	(68,785,255)	(316,790,729)	(42,473,063)	154,477,258
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3)	1,976,962,218	1,331,349,779	1,499,134,455	1,362,872,021	1,344,414,608
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	465,028,005	805,155,673	828,633,791	822,593,425	833,100,629
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	884,772,230	881,795,580	679,718,355	645,832,524	635,428,198
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	36,835,851	30,385,250	(5,669,475)	10,817,561	65,100,337
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	174,043,403	21,127,486	13,881,778	8,220,114	11,757,891
56. Total (Line 35)	3,537,641,707	3,069,813,768	3,015,698,904	2,850,335,645	2,889,801,663
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3)	240,535,052	421,444,618	482,748,854	439,800,529	434,765,659
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	175,526,221	253,438,828	256,969,292	269,010,014	274,459,126
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	198,064,665	288,732,055	221,604,622	211,350,907	207,753,539
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	7,098,766	7,530,585	(1,033,695)	8,594,236	22,614,049
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	37,035,119	6,972,070	4,580,987	(166,365)	3,494,923
62. Total (Line 35)	658,259,823	978,118,156	964,870,060	928,589,321	943,087,296
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	50.7	55.5	53.1	47.1	49.7
65. Loss expenses incurred (Line 3)	11.9	11.5	9.7	11.4	12.7
66. Other underwriting expenses incurred (Line 4)	33.2	30.3	30.7	30.0	28.6
67. Net underwriting gain (loss) (Line 8)	4.2	2.7	6.5	11.6	9.1
<b>Other Percentages</b>					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	32.7	31.2	30.0	30.0	28.4
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	62.6	67.0	62.9	58.5	62.3
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)	142.8	229.0	222.6	160.3	160.2
<b>One Year Loss Development (000 omitted)</b>					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(117,240)	(51,398)	(48,484)	(46,030)	(33,721)
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)	(15.2)	(6.1)	(4.2)	(3.8)	(3.2)
<b>Two Year Loss Development (000 omitted)</b>					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(168,945)	(73,754)	(101,682)	(42,175)	(42,872)
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	(20.1)	(6.4)	(8.5)	(4.0)	(5.2)

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

Yes [ ] No [ X ]

If no, please explain:

Not applicable

## SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

### SCHEDULE P – PART 1 – SUMMARY

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported - Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	17,660	6,677	5,523	460	1,616	84	635	17,578	X X X
2. 2000	1,303,516	79,646	1,223,870	894,664	56,407	60,961	4,026	97,931	2,870	47,366	990,253	X X X
3. 2001	1,310,418	79,124	1,231,294	834,669	56,468	60,430	3,138	100,909	3,110	45,005	933,292	X X X
4. 2002	1,436,626	136,231	1,300,395	784,100	75,083	57,058	5,218	99,260	4,778	44,788	855,339	X X X
5. 2003	1,574,678	126,356	1,448,322	764,217	63,470	52,152	3,729	111,651	5,069	44,943	855,752	X X X
6. 2004	1,711,541	89,829	1,621,712	782,675	30,230	47,423	1,680	111,391	2,262	56,565	907,317	X X X
7. 2005	1,803,554	68,698	1,734,856	791,532	30,102	48,544	1,742	115,746	1,644	52,056	922,334	X X X
8. 2006	1,818,296	75,650	1,742,646	765,166	16,275	41,555	2,060	114,724	2,424	44,265	900,686	X X X
9. 2007	1,836,685	84,436	1,752,249	731,139	15,179	32,478	1,772	111,818	1,462	42,509	857,022	X X X
10. 2008	1,813,820	64,151	1,749,669	741,561	20,578	22,185	893	121,040	1,047	36,541	862,268	X X X
11. 2009	1,693,677	101,244	1,592,433	439,653	30,552	7,355	1,386	86,285	494	19,360	500,861	X X X
12. Totals	X X X	X X X	X X X	7,547,036	401,021	435,664	26,104	1,072,371	25,244	434,033	8,602,702	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded			
1. Prior	159,970	46,058	91,231	10,917	7,065	670	23,129	2,303	14,828	433	3,100	235,842	X X X
2. 2000	21,035	6,081	8,789	2,126	211	110	3,128	354	1,855	142	314	26,205	X X X
3. 2001	21,904	5,975	10,149	2,093	432	92	3,631	262	2,388	122	792	29,960	X X X
4. 2002	22,962	4,158	11,241	2,028	471	18	4,310	275	2,083	44	578	34,544	X X X
5. 2003	18,552	2,518	14,791	2,174	573	5	5,414	262	2,335	11	1,323	36,695	X X X
6. 2004	25,315	4,487	18,537	2,546	730	4	6,738	325	2,995	3	3,216	46,950	X X X
7. 2005	40,626	3,362	26,464	3,554	1,352	5	10,001	522	5,018	4	2,093	76,014	X X X
8. 2006	70,551	5,207	38,788	5,166	2,326	7	16,392	767	7,834	6	5,673	124,738	X X X
9. 2007	120,958	5,059	61,164	7,224	3,745	9	28,222	1,144	12,737	9	5,464	213,381	X X X
10. 2008	171,320	4,201	128,100	16,632	4,508	18	44,792	2,198	21,769	16	12,908	347,424	X X X
11. 2009	246,986	10,133	257,154	6,042	3,125	39	55,235	673	51,663	5	37,752	597,271	X X X
12. Totals	920,179	97,239	666,408	60,502	24,538	977	200,992	9,085	125,505	795	73,213	1,769,024	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	194,226	41,616
2. 2000	1,088,574	72,116	1,016,458	83.511	90.546	83.053			15.200	21,617	4,588
3. 2001	1,034,512	71,260	963,252	78.945	90.061	78.231			15.200	23,985	5,975
4. 2002	981,485	91,602	889,883	68.319	67.240	68.432			15.200	28,017	6,527
5. 2003	969,685	77,238	892,447	61.580	61.127	61.619			15.200	28,651	8,044
6. 2004	995,804	41,537	954,267	58.182	46.240	58.843			15.200	36,819	10,131
7. 2005	1,039,283	40,935	998,348	57.624	59.587	57.546			15.200	60,174	15,840
8. 2006	1,057,336	31,912	1,025,424	58.150	42.184	58.843			15.200	98,966	25,772
9. 2007	1,102,261	31,858	1,070,403	60.014	37.730	61.087			15.200	169,839	43,542
10. 2008	1,255,275	45,583	1,209,692	69.206	71.056	69.138			15.200	278,587	68,837
11. 2009	1,147,456	49,324	1,098,132	67.749	48.718	68.959			15.200	487,965	109,306
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	1,428,846	340,178

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

## SCHEDULE P – PART 2 – SUMMARY

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	One Year	Two Year
1. Prior	720,702	750,765	774,738	808,597	816,807	841,951	855,364	864,429	864,999	893,562	28,563	29,133
2. 2000	864,005	895,756	905,139	920,680	919,615	921,728	920,727	921,502	917,191	921,157	3,966	(345)
3. 2001	X X X	858,073	853,861	859,627	863,189	864,821	860,091	864,222	858,502	864,549	6,047	327
4. 2002	X X X	X X X	831,425	825,751	818,058	800,912	799,577	793,705	790,300	794,585	4,285	880
5. 2003	X X X	X X X	X X X	829,296	812,248	792,121	788,663	792,992	786,884	784,651	(2,233)	(8,341)
6. 2004	X X X	X X X	X X X	X X X	943,197	913,947	900,291	861,552	853,293	843,470	(9,823)	(18,082)
7. 2005	X X X	X X X	X X X	X X X	X X X	988,899	952,403	901,598	891,085	880,409	(10,676)	(21,189)
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	985,754	956,856	926,860	906,730	(20,130)	(50,126)
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,049,856	1,013,001	948,654	(64,347)	(101,202)
10. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,122,210	1,069,318	(52,892)	X X X
11. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	961,525	X X X	X X X
12. Totals											(117,240)	(168,945)

## SCHEDULE P – PART 3 – SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		
1. Prior	000	216,096	362,220	453,047	510,996	554,259	590,487	618,461	645,853	661,900	X X X	X X X
2. 2000	443,908	648,039	744,681	808,633	845,244	867,790	878,869	886,436	891,098	895,192	X X X	X X X
3. 2001	X X X	425,400	614,345	702,025	758,684	790,473	809,411	820,661	830,015	835,493	X X X	X X X
4. 2002	X X X	X X X	371,869	549,480	635,191	694,875	725,477	743,604	754,725	760,857	X X X	X X X
5. 2003	X X X	X X X	X X X	378,488	548,696	632,716	686,676	723,071	739,269	749,170	X X X	X X X
6. 2004	X X X	X X X	X X X	X X X	394,740	596,011	691,759	748,532	781,669	798,188	X X X	X X X
7. 2005	X X X	X X X	X X X	X X X	X X X	408,138	608,661	706,201	768,747	808,232	X X X	X X X
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	415,892	624,095	715,679	788,386	X X X	X X X
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	430,215	646,307	746,666	X X X	X X X
10. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	495,469	742,276	X X X	X X X
11. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	415,064	X X X	X X X

## SCHEDULE P – PART 4 – SUMMARY

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Prior	282,723	207,542	169,570	160,405	126,495	115,717	105,062	93,931	102,143	111,355
2. 2000	178,017	86,652	52,679	38,640	27,837	21,918	20,214	15,449	10,413	10,910
3. 2001	X X X	203,318	97,214	55,336	40,824	28,459	24,877	16,412	14,601	12,787
4. 2002	X X X	X X X	259,914	132,541	76,779	45,334	32,582	21,332	16,111	14,471
5. 2003	X X X	X X X	X X X	241,240	120,398	69,730	48,872	35,769	27,066	18,881
6. 2004	X X X	X X X	X X X	X X X	307,374	153,593	102,194	57,995	41,656	23,727
7. 2005	X X X	X X X	X X X	X X X	X X X	340,789	171,658	92,307	56,926	33,566
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	307,477	163,060	99,051	50,681
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	330,030	170,717	82,354
10. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	348,748	155,434
11. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	306,517

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

### Allocated By States and Territories

States, Etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
		2	3						
1. Alabama	AL	L	19,884,882	19,577,647		13,287,377	15,723,199	9,404,980	252,009
2. Alaska	AK	L	19,280,787	18,069,540		14,309,904	4,789,266	(2,859,856)	244,353
3. Arizona	AZ	L	53,893,985	55,163,422		23,107,166	21,779,324	15,942,580	683,019
4. Arkansas	AR	L	12,561,890	11,723,534		10,997,731	11,752,077	4,346,002	159,202
5. California	CA	L	541,016,787	542,213,980		223,713,247	227,256,691	247,720,014	6,856,508
6. Colorado	CO	L	98,126,624	96,075,092		70,060,371	77,759,584	41,450,326	1,243,595
7. Connecticut	CT	L	42,206,089	44,684,009	1,881	21,602,966	20,879,626	26,725,306	534,894
8. Delaware	DE	L	669,850	1,123,650		419	75,338	423,564	8,489
9. District of Columbia	DC	L	3,899,221	4,811,475		(77,825)	486,579	1,355,996	49,416
10. Florida	FL	L	23,781,223	28,831,826	2,053,864	7,128,973	847,079	15,466,390	301,388
11. Georgia	GA	L	30,567,757	31,172,427		19,352,409	20,613,226	14,503,958	387,397
12. Hawaii	HI	L	4,297,049	5,075,689		(2,797,340)	538,092	(4,684,422)	54,458
13. Idaho	ID	L	7,136,921	7,358,372		5,248,881	(441,946)	9,264,334	90,449
14. Illinois	IL	L	13,162,544	14,697,789		1,955,238	2,023,452	7,800,894	166,814
15. Indiana	IN	L	13,358,436	14,952,299		6,933,789	8,421,437	4,538,877	169,296
16. Iowa	IA	L	11,443,034	11,335,723		7,627,160	7,770,134	4,863,756	145,022
17. Kansas	KS	L	63,510,580	64,758,597		30,860,177	29,212,711	18,300,514	804,893
18. Kentucky	KY	L	19,591,477	19,618,000		17,517,442	15,986,406	6,232,953	248,290
19. Louisiana	LA	L	33,387,578	30,327,121		23,351,439	20,597,991	14,061,239	423,133
20. Maine	ME	L	650,334	860,520		129	132,661	245,324	8,242
21. Maryland	MD	L	35,999,623	35,507,127		17,658,963	17,764,592	15,109,744	456,237
22. Massachusetts	MA	L	13,084,908	16,470,506		409,017	2,458,084	3,354,488	165,830
23. Michigan	MI	L	22,072,786	25,992,041		18,627,705	29,732,807	35,535,328	279,737
24. Minnesota	MN	L	14,963,273	14,852,560		8,060,698	7,400,960	8,558,267	189,635
25. Mississippi	MS	L	37,957,649	35,318,879		16,886,707	15,180,973	7,031,773	481,052
26. Missouri	MO	L	51,819,959	53,320,135		20,235,250	17,411,101	13,219,259	656,734
27. Montana	MT	L	32,338,439	31,393,501		19,345,133	18,961,966	13,925,972	409,837
28. Nebraska	NE	L	4,539,251	4,789,835		2,350,737	1,370,583	1,510,376	57,528
29. Nevada	NV	L	17,705,904	22,483,038		4,874,646	5,171,156	6,439,026	224,394
30. New Hampshire	NH	L	6,489,794	5,728,313		2,933,372	2,218,492	2,763,789	82,248
31. New Jersey	NJ	L	12,199,440	12,894,580		2,395,329	5,544,656	6,580,938	154,608
32. New Mexico	NM	L	41,777,480	41,558,977		22,237,598	19,829,987	17,599,692	529,462
33. New York	NY	L	42,249,962	39,337,454		12,554,747	21,824,047	18,724,858	535,450
34. North Carolina	NC	L	12,921,908	13,129,652		3,741,223	3,289,879	3,807,618	163,764
35. North Dakota	ND	L	7,803,684	7,875,025		3,177,976	3,633,363	1,329,853	98,899
36. Ohio	OH	L	7,542,101	8,234,679		5,296,417	2,625,767	5,461,380	95,584
37. Oklahoma	OK	L	38,824,511	39,526,586		25,327,861	21,541,033	10,778,682	492,038
38. Oregon	OR	L	6,627,280	7,109,009		7,631,401	9,362,762	26,148,781	83,990
39. Pennsylvania	PA	L	15,911,276	18,947,667		3,333,408	3,140,071	9,158,931	201,650
40. Rhode Island	RI	L	1,777,269	1,218,750		6,483	155,839	443,712	22,524
41. South Carolina	SC	L	23,442,999	25,966,800		10,422,395	6,111,259	1,684,312	297,102
42. South Dakota	SD	L	10,668,758	10,481,472		6,265,462	4,766,320	3,193,905	135,209
43. Tennessee	TN	L	29,210,129	28,823,245		16,223,733	14,871,819	11,179,130	370,191
44. Texas	TX	L	71,926,127	77,141,214	5,572,573	34,874,988	40,209,320	47,790,939	911,547
45. Utah	UT	L	9,359,591	10,032,179		3,543,039	4,257,762	3,572,064	118,618
46. Vermont	VT	L	2,157,770	1,955,620		862,623	518,031	590,536	27,346
47. Virginia	VA	L	11,376,386	12,292,821		2,498,683	811,248	6,832,214	144,177
48. Washington	WA	L	177,261,457	176,905,169		86,693,568	76,699,989	67,880,388	2,246,501
49. West Virginia	WV	L	28,773,504	28,624,634		11,428,858	11,437,333	9,903,664	364,657
50. Wisconsin	WI	L	7,896,198	8,264,329		2,841,923	3,007,757	4,107,114	100,071
51. Wyoming	WY	L	12,230,495	11,764,490		5,926,593	4,488,204	2,465,191	155,002
52. American Samoa	AS	N							
53. Guam	GU	L		344,733			(148,570)		
54. Puerto Rico	PR	N		69,001			(34,693)		
55. U.S. Virgin Islands	VI	N		28,072			(12,105)		
56. Northern Mariana Islands	MP	N							
57. Canada	CN	N		158,446			(65,930)	2,395	
58. Aggregate Other Alien	OT	X X X		103,612			(44,681)		
59. Totals	(a) 52		1,821,336,959	1,851,074,863	7,628,318	872,846,189	861,694,108	801,787,048	23,082,489

DETAILS OF WRITE-INS									
5801. Other alien	X X X			103,612				(44,681)	
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			103,612				(44,681)	

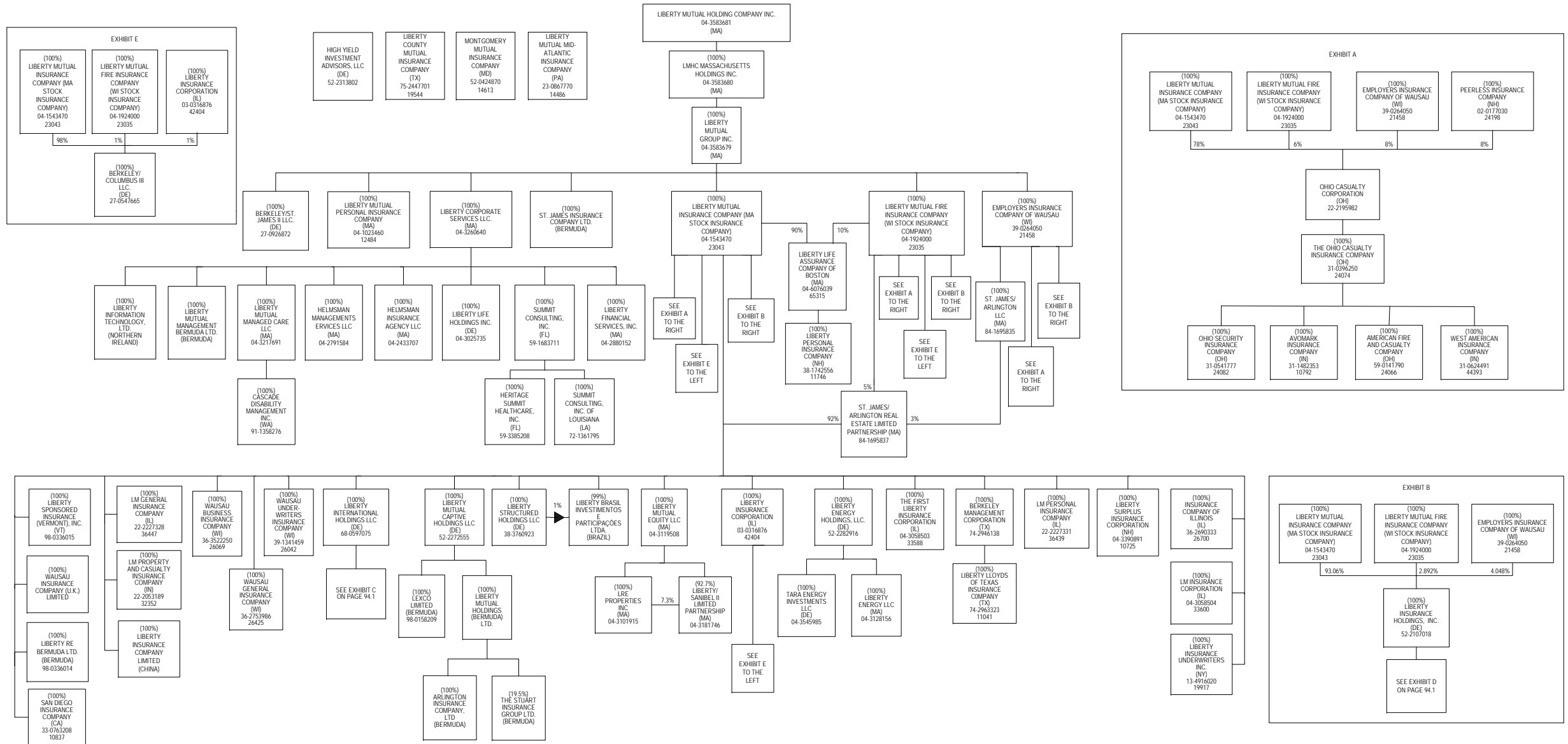
#### Explanation of basis of allocation of premiums by states, etc.

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

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

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

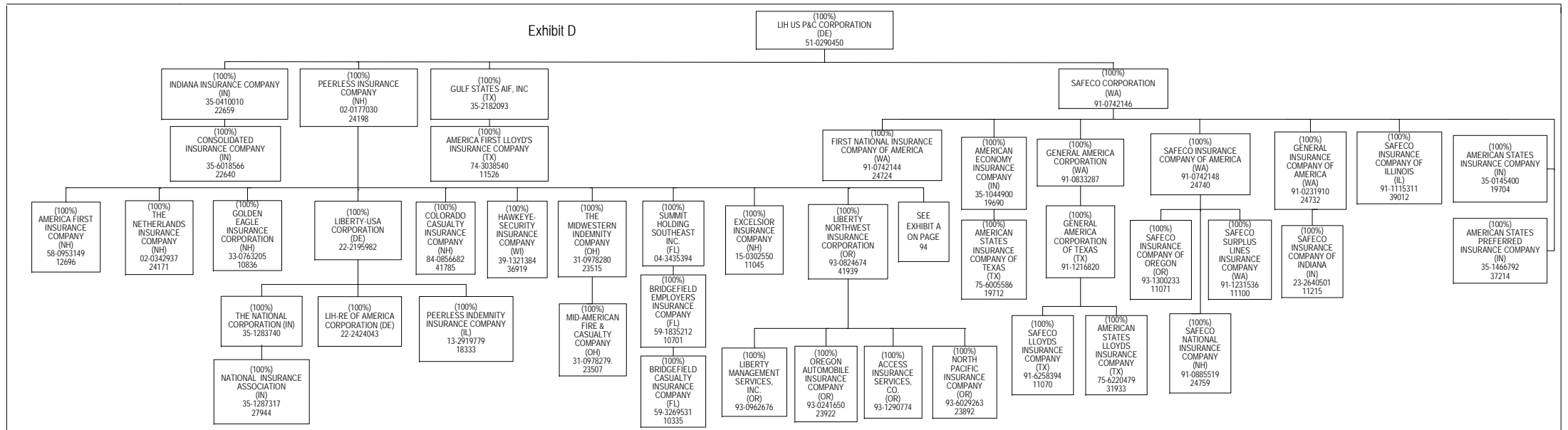
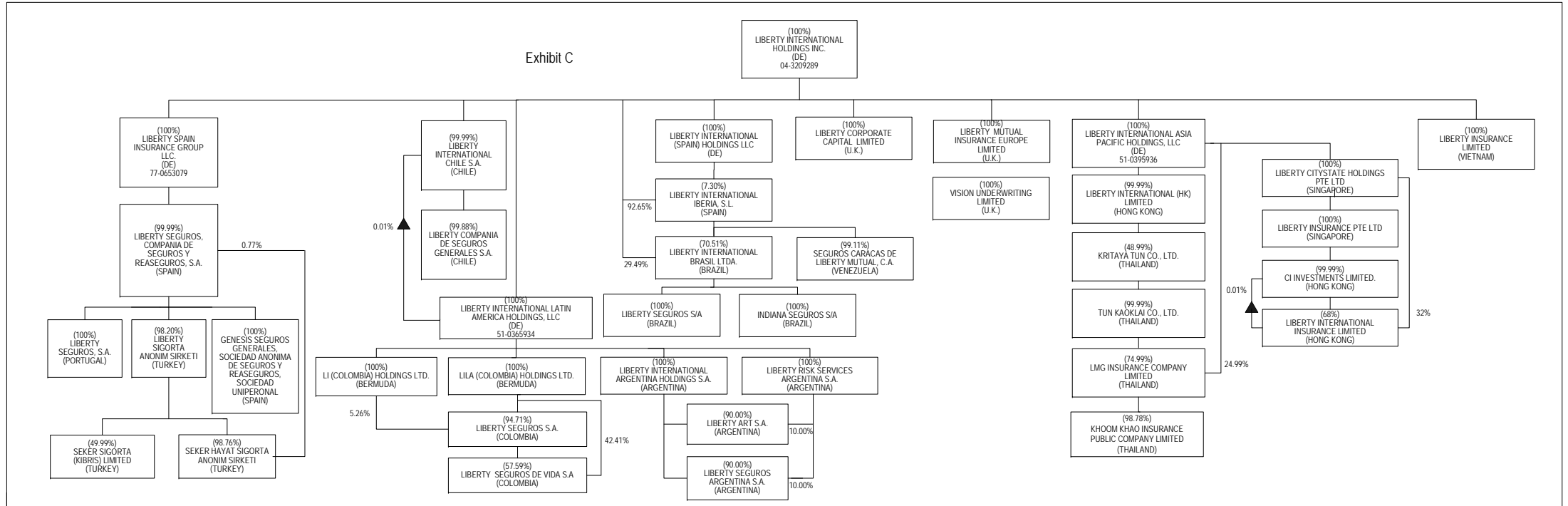
## PART 1 - ORGANIZATIONAL CHART





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

## PART 1 - ORGANIZATIONAL CHART



**OVERFLOW PAGE FOR WRITE-INS**

**Page 3 - Continuation**

	1	2
<b>REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES</b>	Current Year	Prior Year
2304. Amounts held under uninsured plans .....	11,020,446	
2305. Accrued return retrospective premiums .....	1,885,696	
2306. Private Passenger Auto Escrow .....	248,433	
2397. Totals (Lines 2304 through 2396) (Page 3, Line 2398)	13,154,575	

## ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

Assets	2	Schedule E – Part 2 – Cash Equivalents	E26
Cash Flow	5	Schedule E – Part 3 – Special Deposits	E27
Exhibit of Capital Gains (Losses)	12	Schedule E – Verification Between Years	SI16
Exhibit of Net Investment Income	12	Schedule F – Part 1	20
Exhibit of Nonadmitted Assets	13	Schedule F – Part 2	21
Exhibit of Premiums and Losses (State Page)	19	Schedule F – Part 3	22
Five-Year Historical Data	17	Schedule F – Part 4	23
General Interrogatories	15	Schedule F – Part 5	24
Jurat Page	1	Schedule F – Part 6	25
Liabilities, Surplus and Other Funds	3	Schedule F – Part 7	26
Notes To Financial Statements	14	Schedule F – Part 8	27
Overflow Page For Write-ins	97	Schedule H – Accident and Health Exhibit – Part 1	28
Schedule A – Part 1	E01	Schedule H – Part 2, Part 3 and Part 4	29
Schedule A – Part 2	E02	Schedule H – Part 5 – Health Claims	30
Schedule A – Part 3	E03	Schedule P – Part 1 – Analysis of Losses and Loss Expenses	31
Schedule A – Verification Between Years	SI02	Schedule P – Part 1A – Homeowners/Farmowners	33
Schedule B – Part 1	E04	Schedule P – Part 1B – Private Passenger Auto Liability/Medical	34
Schedule B – Part 2	E05	Schedule P – Part 1C – Commercial Auto/Truck Liability/Medical	35
Schedule B – Part 3	E06	Schedule P – Part 1D – Workers' Compensation	36
Schedule B – Verification Between Years	SI02	Schedule P – Part 1E – Commercial Multiple Peril	37
Schedule BA – Part 1	E07	Schedule P – Part 1F – Section 1 – Medical Professional Liability	
Schedule BA – Part 2	E08	– Occurrence	38
Schedule BA – Part 3	E09	Schedule P – Part 1F – Section 2 – Medical Professional Liability	
Schedule BA – Verification Between Years	SI03	– Claims-Made	39
Schedule D – Part 1	E10	Schedule P – Part 1G - Special Liability (Ocean, Marine, Aircraft (All	
Schedule D – Part 1A – Section 1	SI05	Perils), Boiler and Machinery)	40
Schedule D – Part 1A – Section 2	SI08	Schedule P – Part 1H – Section 1 – Other Liability – Occurrence	41
Schedule D – Part 2 – Section 1	E11	Schedule P – Part 1H – Section 2 – Other Liability – Claims-Made	42
Schedule D – Part 2 – Section 2	E12	Schedule P – Part 1I – Special Property (Fire, Allied Lines, Inland Marine,	
Schedule D – Part 3	E13	Earthquake, Burglary & Theft)	43
Schedule D – Part 4	E14	Schedule P – Part 1J – Auto Physical Damage	44
Schedule D – Part 5	E15	Schedule P – Part 1K – Fidelity/Surety	45
Schedule D – Part 6 – Section 1	E16	Schedule P – Part 1L – Other (Including Credit, Accident and Health)	46
Schedule D – Part 6 – Section 2	E16	Schedule P – Part 1M – International	47
Schedule D – Summary By Country	SI04	Schedule P – Part 1N – Reinsurance	48
Schedule D – Verification Between Years	SI03	Schedule P – Part 1O – Reinsurance	49
Schedule DA – Part 1	E17	Schedule P – Part 1P – Reinsurance	50
Schedule DA – Verification Between Years	SI11	Schedule P – Part 1R – Section 1 – Products Liability – Occurrence	51
Schedule DB – Part A – Section 1	E18	Schedule P – Part 1R – Section 2 – Products Liability – Claims – Made	52
Schedule DB – Part A – Section 2	E18	Schedule P – Part 1S – Financial Guaranty/Mortgage Guaranty	53
Schedule DB – Part A – Section 3	E19	Schedule P – Part 1T – Warranty	54
Schedule DB – Part A – Verification Between Years	SI12	Schedule P – Part 2, Part 3 and Part 4 - Summary	32
Schedule DB – Part B – Section 1	E19	Schedule P – Part 2A – Homeowners/Farmowners	55
Schedule DB – Part B – Section 2	E20	Schedule P – Part 2B – Private Passenger Auto Liability/Medical	55
Schedule DB – Part B – Section 3	E20	Schedule P – Part 2C – Commercial Auto/Truck Liability/Medical	55
Schedule DB – Part B – Verification Between Years	SI12	Schedule P – Part 2D – Workers' Compensation	55
Schedule DB – Part C – Section 1	E21	Schedule P – Part 2E – Commercial Multiple Peril	55
Schedule DB – Part C – Section 2	E21	Schedule P – Part 2F – Section 1 – Medical Professional Liability	
Schedule DB – Part C – Section 3	E22	– Occurrence	56
Schedule DB – Part C – Verification Between Years	SI13	Schedule P – Part 2F - Medical Professional Liability - Claims - Made	56
Schedule DB – Part D – Section 1	E22	Schedule P – Part 2G – Special Liability (Ocean Marine, Aircraft (All Perils),	
Schedule DB – Part D – Section 2	E23	Boiler and Machinery)	56
Schedule DB – Part D – Section 3	E23	Schedule P – Part 2H – Section 1 – Other Liability – Occurrence	56
Schedule DB – Part D – Verification Between Years	SI13	Schedule P – Part 2H – Section 2 – Other Liability – Claims – Made	56
Schedule DB – Part E – Section 1	E24	Schedule P – Part 2I – Special Property (Fire, Allied Lines, Inland Marine,	
Schedule DB – Part E – Verification	SI13	Earthquake, Burglary, and Theft)	57
Schedule DB – Part F – Section 1	SI14	Schedule P – Part 2J – Auto Physical Damage	57
Schedule DB – Part F – Section 2	SI15	Schedule P – Part 2K – Fidelity, Surety	57
Schedule E – Part 1 – Cash	E25	Schedule P – Part 2L – Other (Including Credit, Accident and Health)	57

## ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

Schedule P – Part 2M – International	57	Schedule P – Part 4K – Fidelity/Surety	67
Schedule P – Part 2N – Reinsurance	58	Schedule P – Part 4L – Other (Including Credit, Accident and Health)	67
Schedule P – Part 2O – Reinsurance	58	Schedule P – Part 4M – International	67
Schedule P – Part 2P – Reinsurance	58	Schedule P – Part 4N – Reinsurance	68
Schedule P – Part 2R – Section 1 – Products Liability – Occurrence	59	Schedule P – Part 4O – Reinsurance	68
Schedule P – Part 2R – Section 2 – Products Liability – Claims-Made	59	Schedule P – Part 4P – Reinsurance	68
Schedule P – Part 2S – Financial Guaranty/Mortgage Guaranty	59	Schedule P – Part 4R – Section 1 – Products Liability – Occurrence	69
Schedule P – Part 2T – Warranty	59	Schedule P – Part 4R – Section 2 – Products Liability – Claims-Made	69
Schedule P – Part 3A – Homeowners/Farmowners	60	Schedule P – Part 4S – Financial Guaranty/Mortgage Guaranty	69
Schedule P – Part 3B – Private Passenger Auto Liability/Medical	60	Schedule P – Part 4T – Warranty	69
Schedule P – Part 3C – Commercial Auto/Truck Liability/Medical	60	Schedule P – Part 5A – Homeowners/Farmowners	70
Schedule P – Part 3D – Workers' Compensation	60	Schedule P – Part 5B – Private Passenger Auto Liability/Medical	71
Schedule P – Part 3E – Commercial Multiple Peril	60	Schedule P – Part 5C – Commercial Auto/Truck Liability/Medical	72
Schedule P – Part 3F – Section 1 – Medical Professional Liability – Occurrence	61	Schedule P – Part 5D – Workers' Compensation	73
Schedule P – Part 3F – Section 2 – Medical Professional Liability – Claims-Made	61	Schedule P – Part 5E – Commercial Multiple Peril	74
Schedule P – Part 3G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	61	Schedule P – Part 5F – Medical Professional Liability – Claims-Made	76
Schedule P – Part 3H – Section 1 – Other Liability – Occurrence	61	Schedule P – Part 5F – Medical Professional Liability – Occurrence	75
Schedule P – Part 3H – Section 2 – Other Liability – Claims-Made	61	Schedule P – Part 5H – Other Liability – Claims-Made	78
Schedule P – Part 3I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	62	Schedule P – Part 5H – Other Liability – Occurrence	77
Schedule P – Part 3J – Auto Physical Damage	62	Schedule P – Part 5R – Products Liability – Claims-Made	80
Schedule P – Part 3K – Fidelity/Surety	62	Schedule P – Part 5R – Products Liability – Occurrence	79
Schedule P – Part 3L – Other (Including Credit, Accident and Health)	62	Schedule P – Part 5T – Warranty	81
Schedule P – Part 3M – International	62	Schedule P – Part 6C – Commercial Auto/Truck Liability/Medical	82
Schedule P – Part 3N – Reinsurance	63	Schedule P – Part 6D – Workers' Compensation	82
Schedule P – Part 3O – Reinsurance	63	Schedule P – Part 6E – Commercial Multiple Peril	83
Schedule P – Part 3P – Reinsurance	63	Schedule P – Part 6H – Other Liability – Claims-Made	84
Schedule P – Part 3R – Section 1 – Products Liability – Occurrence	64	Schedule P – Part 6H – Other Liability – Occurrence	83
Schedule P – Part 3R – Section 2 – Products Liability – Claims-Made	64	Schedule P – Part 6M – International	84
Schedule P – Part 3S – Financial Guaranty/Mortgage Guaranty	64	Schedule P – Part 6N – Reinsurance	85
Schedule P – Part 3T – Warranty	64	Schedule P – Part 6O – Reinsurance	85
Schedule P – Part 4A – Homeowners/Farmowners	65	Schedule P – Part 6R – Products Liability – Claims-Made	86
Schedule P – Part 4B – Private Passenger Auto Liability/Medical	65	Schedule P – Part 6R – Products Liability – Occurrence	86
Schedule P – Part 4C – Commercial Auto/Truck Liability/Medical	65	Schedule P – Part 7A – Primary Loss Sensitive Contracts	87
Schedule P – Part 4D – Workers' Compensation	65	Schedule P – Part 7B – Reinsurance Loss Sensitive Contracts	89
Schedule P – Part 4E – Commercial Multiple Peril	65	Schedule P Interrogatories	91
Schedule P – Part 4F – Section 1 – Medical Professional Liability – Occurrence	66	Schedule T – Exhibit of Premiums Written	92
Schedule P – Part 4F – Section 2 – Medical Professional Liability – Claims-Made	66	Schedule T – Part 2 – Interstate Compact	93
Schedule P – Part 4G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	66	Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group	94
Schedule P – Part 4H – Section 1 – Other Liability – Occurrence	66	Schedule Y – Part 2 – Summary of Insurer's Transactions With Any Affiliates	95
Schedule P – Part 4H – Section 2 – Other Liability – Claims-Made	66	Statement of Income	4
Schedule P – Part 4I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary and Theft)	67	Summary Investment Schedule	SI01
Schedule P – Part 4J – Auto Physical Damage	67	Supplemental Exhibits and Schedules Interrogatories	96
		Underwriting and Investment Exhibit Part 1	6
		Underwriting and Investment Exhibit Part 1A	7
		Underwriting and Investment Exhibit Part 1B	8
		Underwriting and Investment Exhibit Part 2	9
		Underwriting and Investment Exhibit Part 2A	10
		Underwriting and Investment Exhibit Part 3	11