ANNUAL STATEMENT

OF THE

SAFECO INSURANCE COMPANY OF ILLINOIS

of HOFFMAN ESTATES

in the state of ILLINOIS

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2009

PROPERTY AND CASUALTY

2009

39012200920100100

ANNUAL STATEMENT

For the Year Ended December 31, 2009

OF THE CONDITION AND AFFAIRS OF THE

Safeco Insurance Company of Illinois

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) **NAIC Company Code** 39012 **Employer's ID Number** 91-1115311

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

Country of Domicile United States of America

Incorporated/Organized: August 29, 1980 **Commenced Business:** January 1, 1981

Statutory Home Office: 2800 West Higgins Road, Suite 1000 (Street and Number) , Hoffman Estates, IL 60169 (City or Town, State and Zip Code)

Main Administrative Office: 1001 Fourth Avenue, Safeco Plaza (Street and Number)

Seattle, WA 98154 (City or Town, State and Zip Code) 206-545-5000 (Area Code) (Telephone Number)

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

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

Internet Web Site Address: WWW.SAFECO.COM

Statutory Statement Contact: Joanne Connolly (Name) 617-357-9500 x44393 (Area Code) (Telephone Number) (Extension)

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

OFFICERS

Chairman of the Board

Gary Richard Gregg

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

VICE-PRESIDENTS

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

DIRECTORS OR TRUSTEES

Deborah Lucille Michel #	Stephen Douglas Hylka #	Gary Richard Gregg	Mary Ann Thaman
John Derek Doyle #	Michael Joseph Fallon #	Joseph Anthony Gilles #	Scott Rhodes Goodby #
Christopher Charles Mansfield #			

State of Massachusetts

County of Suffolk ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

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

Subscribed and sworn to (or affirmed) before me on this

1st day of February , 2010, by

a. Is this an original filing? [X] Yes [ ] No

b. If no: 1. State the amendment number

2. Date filed

3. Number of pages attached

ASSETS

	Current Year 1 Assets	Current Year 2 Nonadmitted Assets	Current Year 3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	424,602,013		424,602,013	319,905,645
2. Stocks (Schedule D):				
2.1 Preferred stocks	7,722,750		7,722,750	11,627,132
2.2 Common stocks	2,242,494		2,242,494	32,768,072
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ 0 encumbrances)				
4.2 Properties held for the production of income (less $ 0 encumbrances)				
4.3 Properties held for sale (less $ 0 encumbrances)				
5. Cash ($ 0, Schedule E - Part 1), cash equivalents ($ 0, Schedule E - Part 2), and short-term investments ($ 30,076,698, Schedule DA)	30,076,698		30,076,698	91,800,470
6. Contract loans (including $ 0 premium notes)				
7. Other invested assets (Schedule BA)	6,139,474		6,139,474	6,139,473
8. Receivables for securities				123,101
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	470,783,429		470,783,429	462,363,893
11. Title plants less $ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	4,996,942		4,996,942	4,698,810
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	9,181,429	1,257,567	7,923,862	24,882,764
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ (1,418,609) earned but unbilled premiums)	56,228,393	(34,914)	56,263,307	41,843,600
13.3 Accrued retrospective premiums	371,242	44,649	326,593	116,759
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	61,675,285		61,675,285	64,479,263
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				1,992,670
16.2 Net deferred tax asset	18,880,050	7,018,850	11,861,200	11,129,898
17. Guaranty funds receivable or on deposit	370,274		370,274	389,523
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets ($ 0)				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	18,001,255		18,001,255	28,654,629
22. Health care ($ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	2,178,426	495,374	1,683,052	221,813
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	642,666,725	8,781,526	633,885,199	640,773,622
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	642,666,725	8,781,526	633,885,199	640,773,622

DETAILS OF WRITE-IN LINES				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301. Cash Surrender Value Life Insurance	1,133,371		1,133,371	
2302. Other assets	570,268	495,374	74,894	221,813
2303. Equities and deposits in pools and associations	474,787		474,787	
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	2,178,426	495,374	1,683,052	221,813

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	188,005,964	193,863,759
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	12,120,616	13,327,640
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	44,760,911	45,191,918
4.	Commissions payable, contingent commissions and other similar charges	5,327,510	7,180,595
5.	Other expenses (excluding taxes, licenses and fees)	6,324,500	12,742,414
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	1,917,210	3,646,893
7.1	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))	1,203,791	
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 $ 325,344,984 and including warranty reserves of $ 0)	92,022,682	101,009,240
10.	Advance premium	655,025	1,586,940
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders	169,800	328,028
12.	Ceded reinsurance premiums payable (net of ceding commissions)	72,691,118	86,766,402
13.	Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14.	Amounts withheld or retained by company for account of others	(60,647)	900,321
15.	Remittances and items not allocated		
16.	Provision for reinsurance (Schedule F, Part 7)		
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding	6,571,853	
19.	Payable to parent, subsidiaries and affiliates	3,280,309	13,541,510
20.	Payable for securities	10,114,844	640
21.	Liability for amounts held under uninsured plans		
22.	Capital notes $ 0 and interest thereon $ 0		
23.	Aggregate write-ins for liabilities	5,034,211	1,087,623
24.	Total liabilities excluding protected cell liabilities (Lines 1 through 23)	450,139,697	481,173,923
25.	Protected cell liabilities		
26.	Total liabilities (Lines 24 and 25)	450,139,697	481,173,923
27.	Aggregate write-ins for special surplus funds	2,635,291	
28.	Common capital stock	2,500,000	2,500,000
29.	Preferred capital stock		
30.	Aggregate write-ins for other than special surplus funds		
31.	Surplus notes		
32.	Gross paid in and contributed surplus	41,580,363	41,580,363
33.	Unassigned funds (surplus)	137,029,848	115,519,336
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)	183,745,502	159,599,699
36.	Totals (Page 2, Line 26, Col. 3)	633,885,199	640,773,622

	DETAILS OF WRITE-IN LINES		
2301.	Retroactive reinsurance reserves	1,801,369	
2302.	Other liabilities	1,501,976	988,441
2303.	Amounts held under uninsured plans	1,450,059	
2398.	Summary of remaining write-ins for Line 23 from overflow page	280,807	99,182
2399.	Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	5,034,211	1,087,623
2701.	SSAP 10R incremental change	2,236,571	
2702.	Special surplus from retroactive reinsurance	398,720	
2703.			
2798.	Summary of remaining write-ins for Line 27 from overflow page		
2799.	Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	2,635,291	
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 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 35, Column 4)	209,530,597	276,485,812
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	106,263,729	153,491,498
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	24,877,577	31,787,366
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	69,556,605	83,842,115
5.	Aggregate write-ins for underwriting deductions	32,689	
6.	Total underwriting deductions (Lines 2 through 5)	200,730,600	269,120,979
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	8,799,997	7,364,833
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	18,965,201	20,598,943
10.	Net realized capital gains (losses) less capital gains tax of $ (181,958) (Exhibit of Capital Gains (Losses))	6,900,603	(2,718,752)
11.	Net investment gain (loss) (Lines 9 + 10)	25,865,804	17,880,191
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 9,385 amount charged off $ 936,865)	(927,481)	(1,657,674)
13.	Finance and service charges not included in premiums	1,786,402	1,294,635
14.	Aggregate write-ins for miscellaneous income	(1,212,874)	812,279
15.	Total other income (Lines 12 through 14)	(353,953)	449,240
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	34,311,848	25,694,264
17.	Dividends to policyholders	896,500	332,276
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)	33,415,348	25,361,988
19.	Federal and foreign income taxes incurred	5,991,008	6,593,658
20.	Net income (Line 18 minus Line 19) (to Line 22)	27,424,340	18,768,330
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	159,599,699	185,497,986
22.	Net income (from Line 20)	27,424,340	18,768,330
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ 941,509	(4,939,192)	(19,578,574)
25.	Change in net unrealized foreign exchange capital gain (loss)		
26.	Change in net deferred income tax	(2,216,261)	(246,551)
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	1,494,513	(9,953,461)
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29.	Change in surplus notes		
30.	Surplus (contributed to) withdrawn from protected cells		
31.	Cumulative effect of changes in accounting principles		1,592,487
32.	Capital changes:		
	32.1 Paid in		
	32.2 Transferred from surplus (Stock Dividend)		
	32.3 Transferred to surplus		
33.	Surplus adjustments:		
	33.1 Paid in		
	33.2 Transferred to capital (Stock Dividend)		
	33.3 Transferred from capital		
34.	Net remittances from or (to) Home Office		
35.	Dividends to stockholders		(15,000,000)
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	2,382,403	(1,480,518)
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	24,145,803	(25,898,287)
39.	Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	183,745,502	159,599,699

	DETAILS OF WRITE-IN LINES		
0501.	Private passenger auto escrow	32,689	
0502.			
0503.			
0598.	Summary of remaining write-ins for Line 05 from overflow page		
0599.	Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)	32,689	
1401.	Retroactive reinsurance gain/(loss)	(27,014)	
1402.	Other income/(expense)	(1,185,860)	812,279
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(1,212,874)	812,279
3701.	SSAP 10R incremental change	2,236,571	
3702.	Other changes in surplus	145,832	(1,480,518)
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page		
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	2,382,403	(1,480,518)

CASH FLOW

		1	2
	Cash from Operations	Current Year	Prior Year
1.	Premiums collected net of reinsurance	171,310,413	262,470,799
2.	Net investment income	20,073,873	21,562,095
3.	Miscellaneous income	(1,240,375)	449,240
4.	Total (Lines 1 through 3)	190,143,911	284,482,134
5.	Benefit and loss related payments	103,952,718	139,724,564
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	103,413,619	115,804,560
8.	Dividends paid to policyholders	1,054,729	371,159
9.	Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	2,612,589	6,483,197
10.	Total (Lines 5 through 9)	211,033,655	262,383,480
11.	Net cash from operations (Line 4 minus Line 10)	(20,889,744)	22,098,654
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	129,553,390	61,332,090
	12.2 Stocks	38,683,463	87,524,339
	12.3 Mortgage loans		
	12.4 Real estate		
	12.5 Other invested assets		1,408,257
	12.6 Net gains (or losses) on cash, cash equivalents and short-term investments	(1,291)	17,925
	12.7 Miscellaneous proceeds	264	4
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	168,235,826	150,282,615
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	235,483,484	53,233,168
	13.2 Stocks	1,698,995	24,910,781
	13.3 Mortgage loans		
	13.4 Real estate		
	13.5 Other invested assets		1,132,777
	13.6 Miscellaneous applications	(10,114,205)	867,154
	13.7 Total investments acquired (Lines 13.1 to 13.6)	227,068,274	80,143,880
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)	(58,832,448)	70,138,735
	Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes		
	16.2 Capital and paid in surplus, less treasury stock		
	16.3 Borrowed funds		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders		15,000,000
	16.6 Other cash provided (applied)	17,998,421	4,581,477
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	17,998,421	(10,418,523)
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(61,723,771)	81,818,866
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	91,800,469	9,981,603
	19.2 End of year (Line 18 plus Line 19.1)	30,076,698	91,800,469

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	2,149,567	3,195,243	1,900,421	3,444,389
2. Allied lines	2,021,887	2,352,004	1,528,830	2,845,061
3. Farmowners multiple peril	1,439,379	743,278	741,617	1,441,040
4. Homeowners multiple peril	18,083,126	15,449,084	15,011,110	18,521,100
5. Commercial multiple peril	43,136,060	14,341,917	19,525,834	37,952,143
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	3,564,063	1,724,701	1,664,703	3,624,061
10. Financial guaranty				
11.1 Medical professional liability—occurrence	(1,307)	32,684	8,087	23,290
11.2 Medical professional liability—claims-made	798	1,982	786	1,994
12. Earthquake	251,463	845,407	359,420	737,450
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	(195,524)	339,112	1,593	141,995
16. Workers' compensation	32,162,588	2,596,940	7,551,535	27,207,993
17.1 Other liability—occurrence	11,754,105	4,932,308	5,590,065	11,096,348
17.2 Other liability—claims-made	(151,111)	819,136	198,443	469,582
17.3 Excess Workers' Compensation	28,871		9,824	19,047
18.1 Products liability—occurrence	381,689	136,457	193,211	324,935
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	31,211,658	18,153,635	11,368,424	37,996,869
19.3,19.4 Commercial auto liability	18,752,322	8,140,410	8,600,265	18,292,467
21. Auto physical damage	26,460,688	13,961,613	10,025,586	30,396,715
22. Aircraft (all perils)				
23. Fidelity	223,376	19,463	109,632	133,207
24. Surety	11,106,707	12,375,522	8,638,385	14,843,844
26. Burglary and theft	10,172	5,292	3,825	11,639
27. Boiler and machinery	6,104		678	5,426
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property				
32. Reinsurance-Nonproportional Assumed Liability	2			2
33. Reinsurance-Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	202,396,683	100,166,188	93,032,274	209,530,597

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	1,900,420	1			1,900,421
2. Allied lines	1,528,822	8			1,528,830
3. Farmowners multiple peril	741,617				741,617
4. Homeowners multiple peril	15,011,110				15,011,110
5. Commercial multiple peril	19,041,062		483,645	1,127	19,525,834
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	1,654,279	10,419	4		1,664,702
10. Financial guaranty					
11.1 Medical professional liability—occurrence	8,087				8,087
11.2 Medical professional liablity—claims-made	786				786
12. Earthquake	359,420				359,420
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	1,593				1,593
16. Workers' compensation	7,149,645	2,208	385,035	14,647	7,551,535
17.1 Other liability—occurrence	5,467,802	27,811	92,266	2,185	5,590,064
17.2 Other liability—claims-made	197,827	382	234		198,443
17.3 Excess Workers' Compensation	9,824				9,824
18.1 Products liability—occurrence	162,077		31,134		193,211
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	11,368,422		2		11,368,424
19.3,19.4 Commercial auto liability	8,501,685	99,269	4	(693)	8,600,265
21. Auto physical damage	10,002,968	22,618			10,025,586
22. Aircraft (all perils)					
23. Fidelity	40,207	69,425			109,632
24. Surety	3,762,025	4,876,360			8,638,385
26. Burglary and theft	3,825				3,825
27. Boiler and machinery	678				678
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	86,914,181	5,108,501	992,324	17,266	93,032,272
36. Accrued retrospective premiums based on experience					(17,266)
37. Earned but unbilled premiums					(992,324)
38. Balance (Sum of Lines 35 through 37)					92,022,682

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 2 From Affiliates	Reinsurance Assumed 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	Reinsurance Ceded 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	592,364	2,149,567		592,364		2,149,567
2. Allied lines	206,418	2,021,887		206,418		2,021,887
3. Farmowners multiple peril		1,439,379				1,439,379
4. Homeowners multiple peril	119,348,741	18,083,126		119,348,741		18,083,126
5. Commercial multiple peril		43,136,060				43,136,060
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	4,764,097	3,564,063		4,764,097		3,564,063
10. Financial guaranty						
11.1 Medical professional liability--occurrence		(1,307)				(1,307)
11.2 Medical professional liability--claims-made		798				798
12. Earthquake	7,631,975	251,463		7,631,975		251,463
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		(195,524)				(195,524)
16. Workers' compensation	427,848	32,162,588		427,848		32,162,588
17.1 Other liability—occurrence	2,285,814	11,754,105		2,285,814		11,754,105
17.2 Other liability—claims-made		(151,111)				(151,111)
17.3 Excess Workers' Compensation		28,871				28,871
18.1 Products liability—occurrence		381,689				381,689
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	654,523,151	31,211,658		654,523,151		31,211,658
19.3,19.4 Commercial auto liability		18,752,322				18,752,322
21. Auto physical damage	392,659,105	26,460,688		392,659,105		26,460,688
22. Aircraft (all perils)						
23. Fidelity		223,376				223,376
24. Surety		11,106,707				11,106,707
26. Burglary and theft		10,172				10,172
27. Boiler and machinery		6,104				6,104
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X					
32. Reinsurance-Nonproportional Assumed Liability	X X X	2				2
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	1,182,439,513	202,396,683		1,182,439,513		202,396,683

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 – LOSSES PAID AND INCURRED

	Losses Paid Less Salvage				5	6	7	8
Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	Net Losses Unpaid Current Year (Part 2A, Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire	593,716	2,449,093	593,716	2,449,093	618,832	1,569,977	1,497,948	43.490
2. Allied lines	234,757	2,559,164	234,757	2,559,164	517,229	1,124,507	1,951,886	68.606
3. Farmowners multiple peril		874,668		874,668	488,063	351,644	1,011,087	70.164
4. Homeowners multiple peril	51,515,157	16,841,456	51,515,157	16,841,456	5,822,346	11,128,476	11,535,326	62.282
5. Commercial multiple peril		13,296,846		13,296,846	32,281,902	26,297,283	19,281,465	50.805
6. Mortgage guaranty								
8. Ocean marine		3,868		3,868	292	6,447	(2,287)	
9. Inland marine	2,695,995	1,175,858	2,695,995	1,175,858	529,638	334,480	1,371,016	37.831
10. Financial guaranty						13	(13)	
11.1 Medical professional liability—occurrence		50,817		50,817	43,509	83,075	11,251	48.308
11.2 Medical professional liability—claims-made		25,373		25,373	9,689	37,622	(2,560)	(128.385)
12. Earthquake	61,352	(93)	61,352	(93)	1,203	6,368	(5,258)	(0.713)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health		291,507		291,507	153,903	412,606	32,804	23.102
16. Workers' compensation	3,357,032	(18,592,418)	3,357,032	(18,592,418)	68,569,379	31,485,679	18,491,282	67.963
17.1 Other liability—occurrence	2,054,631	3,472,494	2,054,631	3,472,494	17,783,385	19,805,048	1,450,831	13.075
17.2 Other liability—claims-made		1,728,803		1,728,803	565,092	2,339,288	(45,393)	(9.667)
17.3 Excess Workers' Compensation		5,054		5,054	8,736		13,790	72.400
18.1 Products liability—occurrence		72,103		72,103	580,737	674,765	(21,925)	(6.748)
18.2 Products liability—claims-made		47		47	15	78	(16)	
19.1,19.2 Private passenger auto liability	385,872,659	52,882,251	385,872,659	52,882,251	29,395,385	62,135,856	20,141,780	53.009
19.3,19.4 Commercial auto liability		9,970,054		9,970,054	19,407,085	19,974,343	9,402,796	51.403
21. Auto physical damage	217,074,924	17,579,463	217,074,924	17,579,463	1,436,417	2,048,978	16,966,902	55.818
22. Aircraft (all perils)		24,056		24,056	(13,565)	40,183	(29,692)	
23. Fidelity		(7,646)		(7,646)	45,043	7,997	29,400	22.071
24. Surety		1,241,428		1,241,428	6,005,039	4,072,811	3,173,656	21.380
26. Burglary and theft		1,267		1,267	3,237	1,575	2,929	25.165
27. Boiler and machinery		(2,584)		(2,584)	1,039	2,445	(3,990)	(73.535)
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-Nonproportional Assumed Property	X X X							
32. Reinsurance-Nonproportional Assumed Liability	X X X	6,260,808	82,212	6,178,596	3,752,334	9,922,218	8,712	435600.000
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
34. Aggregate write-ins for other lines of business								
35. TOTALS	663,460,223	112,203,737	663,542,435	112,121,525	188,005,964	193,863,762	106,263,727	50.715

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

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

	Reported Losses				Incurred But Not Reported			8	9
	1	2	3	4	5	6	7		
Line of Business	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire	288,674	442,447	288,674	442,447	11,693	176,384	11,693	618,831	76,596
2. Allied lines	23,730	456,745	23,730	456,745	3,669	60,485	3,669	517,230	51,763
3. Farmowners multiple peril		413,222		413,222		74,841		488,063	111,638
4. Homeowners multiple peril	25,498,657	4,403,574	25,498,657	4,403,574	4,376,748	1,418,772	4,376,748	5,822,346	1,228,900
5. Commercial multiple peril		19,632,999		19,632,999	734	12,648,903	734	32,281,902	16,099,919
6. Mortgage guaranty									
8. Ocean marine		292		292				292	
9. Inland marine	92,508	223,391	92,508	223,391	131,590	306,248	131,590	529,639	70,323
10. Financial guaranty									
11.1 Medical professional liablity—occurrence		17,832		17,832		25,677		43,509	19,353
11.2 Medical professional liablity—claims-made		8,300		8,300		1,389		9,689	2,348
12. Earthquake	6,150	1,203	6,150	1,203				1,203	(146)
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)									
15. Other accident and health		153,903		153,903				(a) 153,903	(1)
16. Workers' compensation	28,310,704	37,831,401	28,310,704	37,831,401	9,779,168	30,737,977	9,779,168	68,569,378	9,434,090
17.1 Other liability—occurrence	659,500	6,565,097	659,500	6,565,097	1,989,337	11,218,288	1,989,337	17,783,385	6,038,568
17.2 Other liability—claims-made		298,450		298,450		266,642		565,092	360,940
17.3 Excess Workers' Compensation		11,945		11,945		(3,208)		8,737	(2,376)
18.1 Products liability—occurrence		371,831		371,831	7,409	208,906	7,409	580,737	285,818
18.2 Products liability—claims-made						15		15	
19.1,19.2 Private passenger auto liability	490,072,424	24,086,782	490,072,424	24,086,782	104,938,163	5,308,603	104,938,163	29,395,385	5,902,791
19.3,19.4 Commercial auto liability		11,533,970		11,533,970	627	7,873,114	627	19,407,084	2,984,763
21. Auto physical damage	53,074	818,222	53,074	818,222	9,318,024	618,195	9,318,024	1,436,417	423,738
22. Aircraft (all perils)		2,142		2,142		(15,707)		(13,565)	
23. Fidelity		10,586		10,586	8	34,457	8	45,043	9,216
24. Surety		(1,044,324)		(1,044,324)		7,049,364		6,005,040	1,657,406
26. Burglary and theft		3,092		3,092		144		3,236	1,266
27. Boiler and machinery						1,039		1,039	1,854
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-Nonproportional Assumed Property	XXX				XXX				
32. Reinsurance-Nonproportional Assumed Liability	XXX	2,038,606		2,038,606	XXX	1,713,728		3,752,334	2,145
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX				XXX				
34. Aggregate write-ins for other lines of business									
35. TOTALS	545,005,421	108,281,708	545,005,421	108,281,708	130,557,170	79,724,256	130,557,170	188,005,964	44,760,912

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	30,956,334			30,956,334
1.2 Reinsurance assumed	7,094,656			7,094,656
1.3 Reinsurance ceded	30,956,334			30,956,334
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	7,094,656			7,094,656
2. Commission and brokerage:				
2.1 Direct, excluding contingent		161,160,485		161,160,485
2.2 Reinsurance assumed, excluding contingent		30,151,428		30,151,428
2.3 Reinsurance ceded, excluding contingent		161,160,485		161,160,485
2.4 Contingent—direct				
2.5 Contingent—reinsurance assumed		3,281,127		3,281,127
2.6 Contingent—reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1+2.2-2.3+2.4+2.5-2.6+2.7)		33,432,555		33,432,555
3. Allowances to manager and agents		16,705		16,705
4. Advertising	241,573	1,127,764	545	1,369,882
5. Boards, bureaus and associations	20,771	506,645	16	527,432
6. Surveys and underwriting reports	3,799	1,106,648	565	1,111,012
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	8,478,094	13,456,708	101,907	22,036,709
8.2 Payroll taxes	508,802	1,191,007	5,845	1,705,654
9. Employee relations and welfare	1,709,459	4,218,885	5,669	5,934,013
10. Insurance	1,006,616	136,068	1,183	1,143,867
11. Directors' fees		533		533
12. Travel and travel items	451,441	867,407	1,864	1,320,712
13. Rent and rent items	996,285	1,639,285	1,851	2,637,421
14. Equipment	592,080	1,116,827	1,638	1,710,545
15. Cost or depreciation of EDP equipment and software	348,083	585,442	840	934,365
16. Printing and stationery	80,835	276,085	269	357,189
17. Postage, telephone and telegraph, exchange and express	347,892	1,120,328	3,363	1,471,583
18. Legal and auditing	65,014	266,937	3,372	335,323
19. Totals (Lines 3 to 18)	14,850,744	27,633,274	128,927	42,612,945
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 73,715		5,053,710		5,053,710
20.2 Insurance department licenses and fees		436,029		436,029
20.3 Gross guaranty association assessments		(28,580)		(28,580)
20.4 All other (excluding federal and foreign income and real estate)		175,178		175,178
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		5,636,337		5,636,337
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	2,932,177	2,854,438	18,327	5,804,942
25. Total expenses incurred	24,877,577	69,556,604	147,254	(a) 94,581,435
26. Less unpaid expenses—current year	44,760,911	13,569,220		58,330,131
27. Add unpaid expenses—prior year	45,191,917	23,569,902		68,761,819
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)	25,308,583	79,557,286	147,254	105,013,123

DETAILS OF WRITE-IN LINES				
2401. Other expenses	1,104,060	2,854,438	18,327	3,976,825
2402. Change in unallocated expense reserves	1,828,117			1,828,117
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	2,932,177	2,854,438	18,327	5,804,942

(a) Includes management fees of $ 147,530 to affiliates and $ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 2,461,209	3,331,878
1.1	Bonds exempt from U.S. tax	(a) 8,987,087	8,614,017
1.2	Other bonds (unaffiliated)	(a) 6,139,702	5,882,704
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b) 774,766	826,867
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	4,467	4,467
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 455,035	454,857
7.	Derivative instruments	(f)	
8.	Other invested assets	1,281	1,281
9.	Aggregate write-ins for investment income	(3,615)	(3,615)
10.	Total gross investment income	18,819,932	19,112,456
11.	Investment expenses		(g) 147,255
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)		147,255
17.	Net investment income (Line 10 minus Line 16)		18,965,201

	DETAILS OF WRITE-IN LINES		
0901.	Miscellaneous Income/(Expense)	137,743	137,743
0902.	Investment Income/(Expense) – Pooling Restatement	(141,358)	(141,358)
0903.			
0998.	Summary of remaining write-ins for Line 09 from overflow page		
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)	(3,615)	(3,615)
1501.			
1502.	NONE		
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		
1599.	Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		

(a) Includes $ 179,379 accrual of discount less $ 1,580,849 amortization of premium and less $ 263,578 paid for accrued interest on purchases.
(b) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued dividends on purchases.
(c) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.
(d) Includes $ 0 for company's occupancy of its own buildings; and excludes $ 0 interest on encumbrances.
(e) Includes $ 17,961 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.
(f) Includes $ 0 accrual of discount less $ 0 amortization of premium.
(g) Includes $ 0 investment expenses and $ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $ 0 interest on surplus notes and $ 0 interest on capital notes.
(i) Includes $ 0 depreciation on real estate and $ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 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					
1.1	Bonds exempt from U.S. tax	(43,534)	(1,912,905)	(1,956,439)	945,711	
1.2	Other bonds (unaffiliated)	(28,702)	(537,023)	(565,725)	1,744,195	
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)	2,454,137	(450,563)	2,003,574	(543,382)	
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)				543,500	
2.21	Common stocks of affiliates	7,238,525		7,238,525	(6,687,709)	
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments	3,497	(4,788)	(1,291)		
7.	Derivative instruments				1	
8.	Other invested assets					
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	9,623,923	(2,905,279)	6,718,644	(3,997,684)	

	DETAILS OF WRITE-IN LINES					
0901.						
0902.		NONE				
0903.						
0998.	Summary of remaining write-ins for Line 09 from overflow page					
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)					

EXHIBIT OF NONADMITTED ASSETS

	1 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)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued		5,610	5,610
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	1,257,567	1,482,447	224,880
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	(34,914)	81,250	116,164
13.3 Accrued retrospective premiums	44,649	12,973	(31,676)
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	7,018,850	10,907,922	3,889,072
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	495,374	22,407	(472,967)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	8,781,526	12,512,609	3,731,083
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	8,781,526	12,512,609	3,731,083

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	495,374	22,407	(472,967)
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)	495,374	22,407	(472,967)

NOTES TO FINANCIAL STATEMENTS

Note 1- Summary of Significant Accounting Policies

A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of Illinois, the accompanying financial statements of Safeco Insurance Company of Illinois (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

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

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

C. Accounting Policies

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

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
3. Common stocks are carried at fair value.
4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual.
5. The Company does not own mortgage loans.
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 does not own any subsidiaries, controlled or affiliated entities.
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)

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

NOTES TO FINANCIAL STATEMENTS

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

The Company does not invest in Mortgage Loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. Not used.

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

3. Not used.

4. All Loaned Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2009 as of December 31, 2009:

	1 Amortized Cost Basis Before Other-than-Temporary Impairment	2 Other-than-Temporary Impairment Recognized in Loss	3 Fair Value (C1-C2)
Aggregate Intent to Sell			
Aggregate Intent & Ability	379,775	37,206	276,471

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-temporary impairment	5 Amortized cost after other-than-temporary impairment	6 Fair Value
59023XAB2	140,306	122,728	17,579	122,728	122,909
59023XAB2	93,041	80,754	12,286	80,754	64,285
61749BAB9	146,428	139,087	7,341	139,087	89,277

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	(468,882)	(1,814,305)

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

NOTES TO FINANCIAL STATEMENTS

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

The Company did not enter into any repurchase agreements during the year.

The Company does not have any open reinvested collateral positions. (Refer to note 17B)

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.

G. Investments in Low-Income Housing Tax Credits ("LIHTC")

1. The Company has two investments that generate Low Income Housing Tax Credits (LIHTC). The investment in Southern side Apartments, LP has eight remaining years of unexpired tax credits and the required holding period is ten years. The investment in NW Apartment, LP has eight remaining years of unexpired tax credits and the required holding period is nine years.

2. The company is not aware of any regulatory reviews related to the LIHTC properties.

3. The LIHTC investments do not exceed 10% of the Company's total admitted assets.

4. The Company did not recognize an impairment loss on the LIHTC investments

5. The Company did not recognize a write-down or reclassification of the LIHTC investments during the year due to forfeiture or ineligibility of the 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 did not realize any impairment losses 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	19,591,228	103,272	19,694,500	24,099,172	(4,404,672)
Total gross DTLs	(814,450)	0	(814,450)	(2,061,352)	1,246,902
Net DTA (DTL)	18,776,778	103,272	18,880,050	22,037,820	(3,157,770)
Net DTA non-admitted			(7,018,850)	(10,907,922)	3,889,072
Net Admitted DTA (DTL)			11,861,200	11,129,898	731,302

NOTES TO FINANCIAL STATEMENTS

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	2,236,571
Capital	0
Total increase in net admitted DTAs	2,236,571

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.)	5,643,000	103,000	5,746,000	11,129,898
Lesser of:				
Expected to be recognized within one year (10bi.)	3,878,629	0	3,878,629	0
10% of adjusted capital and surplus (10bii.)			16,598,882	15,239,649
Adj. gross DTAs offset against existing DTLs (10c.)	814,450	0	814,450	2,061,352

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

	December 31, 2009		
	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	5,643,000	103,000	5,746,000
Lesser of:			
Expected to be recognized within three years (10eiia.)	6,115,200	0	6,115,200
15% of adjusted capital and surplus (10eiib.)			24,898,323
Adj. gross DTAs offset against existing DTLs (10eiii.)	814,450	0	814,450

Risk-based capital level used in paragraph 10d:	December 31, 2009
Total adjusted capital	181,508,931
Authorized control level	19,091,827

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

	December 31, 2009
Admitted DTA	9,624,629
Admitted asset	631,648,628
Statutory surplus	181,508,931
Total adjust capital	181,508,931

Admitted DTAs, admitted assets and statutory surplus increased by $2,236,571 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	5,991,008	6,593,658
Foreign		
Realized capital gains	(181,958)	(1,463,943)
Federal and foreign income taxes incurred	5,809,050	5,129,715

The Company's DTAs and DTLs result primarily from 20% adjustment to unearned premiums, discounting of unpaid losses and LAE, postretirement benefit obligations, accretion of market discount on owned securities, allowance for doubtful accounts, severance and nonadmitted assets.

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

	2009
Change in net deferred income tax (without unrealized gain or loss)	(2,216,261)
Change in tax effect of unrealized (gains) losses	(941,509)
Total change in net deferred income tax	(3,157,770)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, intercompany eliminations, 20% adjustment to unearned premiums and discounting of unpaid losses and LAE.

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is $5,839,050 from the current year and none from the preceding year.

NOTES TO FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

* 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 $14,720,946 due from 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 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

NOTES TO FINANCIAL STATEMENTS

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 $28,520 and $12,080 in 2009 and 2008, respectively. Also, a CBP additional minimum liability of $99,280 and $195,428, 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 $125.

2. Preferred Stock

   Not applicable

3. Dividend Restrictions

   Not applicable

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

5. The maximum amount of dividends which can be paid by Illinois-domiciled insurance companies to shareholders without the prior approval of the Insurance Director is the greater of (a) 10% of surplus, or (b) net income subject to the availability of accumulated undistributed earnings. The maximum dividend payout which may be made without prior approval in 2010 is $27,424,341.

6. As of December 31, 2009, the Company has restricted surplus of $2,236,571, 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 $398,720 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 ($133,941) after applicable deferred taxes of $72,122.

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 $1,594,737 that is offset by future premium tax credits of $266,373. 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

NOTES TO FINANCIAL STATEMENTS

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	$824,324

Number of claims where amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits during the reporting period.

(a) 0-25 Claims	(b) 26-50 Claims	(c) 51-100 Claims	(d) 101-500 Claims	(e) More than 500 Claims
X				

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

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

E. All other Contingencies

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

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

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:

Year(s)	Sale Lease-back	All Other Operating Lease Arrangements
2010	$113,451	$990,752
2011	113,451	984,931
2012	113,451	867,606
2013	113,451	320,001
2014	9,454	271,751
2015 & thereafter	0	643,007
Total	$463,258	$4,078,048

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:

NOTES TO FINANCIAL STATEMENTS

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 $2,003,120 with corresponding collateral value of $2,071,519 of which $0 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

In 2008, the Company's affiliate, Safeco Insurance Company of America and other members of the Peerless Amended and Restated Reinsurance Pooling Agreement (refer to note 25) agreed to become participating insurers of the California Earthquake Authority ("CEA"), a publicly-managed, privately funded organization that provides residential earthquake insurance in California. As participating insurers of the CEA, the companies act as a third party administrator and perform certain administrative services on behalf of the CEA, including underwriting, policy issuance, premium collection, and claims payment. The CEA reimburses the companies for commissions and claims paid on behalf of the CEA. The companies also receive an administrative fee equal to 3.43% of premium and 9% of claims paid. These administrative fees are subject to the inter-company pooling agreement. In 2009, the Company recorded CEA administrative fees of $20,800.

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 $16,921,607 and $17,050,377 as of December 31, 2009 and 2008, respectively, were on deposit with government authorities or trustees as required by law.

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

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

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

NOTES TO FINANCIAL STATEMENTS

Description of State Transferable Tax Credits	State	Carrying Value	Unused Amount
Historical Rehabilitation Credit	CT	416,000	416,000
Total		416,000	416,000

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

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

(3) Impairment Loss

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

G. 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.

Actual Cost	Book Adjusted Carrying Value	Fair Value	Other Then Temporary Impairments Recognized
$323,900	$323,900	$268,807	$37,206

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.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	92,022,682	12,883,176	325,344,984	45,548,298	(233,322,301)	(32,665,122)
All Other	-	-	-	-	-	-
Total	92,022,682	12,883,176	325,344,984	45,548,298	(233,322,301)	(32,665,122)

Direct Unearned Premium Reserve of 325,344,984

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	$0
Assumed	5,139,531
Ceded	0
Net	$5,139,531

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

NOTES TO FINANCIAL STATEMENTS

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

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

F. The Company has one assumed and 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	9,496,332	
	2. Adjustment – Prior Year(s)	(7,397,355)	
	3. Adjustment – Current Year	(297,608)	
	4. Total	1,801,369	
b.	Consideration Paid or Received:		
	1. Initial Reserves	10,314,448	
	2. Adjustment – Prior Year(s)	297,859	
	3. Adjustment – Current Year	-	
	4. Total	10,612,306	
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	-	
	2. Adjustment – Prior Year(s)	9,106,990	
	3. Adjustment – Current Year	535,061	
	4. Total	9,642,050	
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	525,343	
	2. Adjustment – Prior Year(s)	(1,633,682)	
	3. Adjustment – Current Year	(41,715)	
	4. Total	398,720	
	5. Cumulative Total Transferred to Unassigned Funds	(751,334)	
e.	Other insurers included in the above transactions:		
	Peerless Insurance Company	1,801,369	

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	$371,242
b. Less: Non-admitted amount	44,649
c. Admitted amount	$326,594

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 $15,425,593 during 2009. This decrease was primarily the result of improving loss trends in the Other Liability $5,717,724, Private Passenger Auto Liability $3,119,043, Commercial Mulit-Peril $2,376,474, Workers' Compensation $1,791,894, Fidelity/Surety $1,157,635 and Commercial Auto Liability $824,079 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:

NAIC 2009

NOTES TO FINANCIAL STATEMENTS

		Company Number	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.

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

Affiliate:	Amount:
Peerless Insurance Company	(5,759,683)

NOTES TO FINANCIAL STATEMENTS

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

Note 26- Structured Settlements

A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of $2,341,154 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 $2,341,154 as of December 31, 2009.

NOTES TO FINANCIAL STATEMENTS

B. Not applicable

Note 27 - Health Care Receivables

Not applicable

Note 28 - Participating Policies

Not applicable

Note 29 – Premium Deficiency Reserves

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

Note 30- High Dollar Deductible Policies

The Company does not have any high deductible policies.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2009 liabilities subject to discount were carried at a value representing a discount of $3,009,535, 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. 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

NOTES TO FINANCIAL STATEMENTS

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:

	2005	2006	2007	2008	2009
Direct Basis					
Beginning Reserves	2,389,198	2,966,318	3,429,616	3,235,471	3,347,647
Incurred losses and LAE	816,593	705,705	187,323	493,306	42,754
Calendar year payments	239,473	242,407	341,468	381,130	258,398
Ending Reserves	2,966,318	3,429,616	3,275,471	3,347,647	3,132,003
Assumed Reinsurance Basis					
Beginning Reserves	2,161,977	2,183,481	2,153,859	2,660,111	2,277,036
Incurred losses and LAE	147,221	94,343	612,907	(90,387)	1,125,588
Calendar year payments	125,717	123,965	206,353	292,688	230,462
Ending Reserves	2,183,481	2,153,859	2,560,413	2,277,036	3,172,162
Net of Ceded Reinsurance Basis					
Beginning Reserves	3,713,556	4,240,755	4,510,463	4,777,136	4,582,744
Incurred losses and LAE	875,111	602,479	661,739	240,844	1,270,861
Calendar year payments	347,912	332,771	456,107	435,236	457,477
Ending Reserves	4,240,755	4,510,463	4,716,095	4,582,744	5,396,128

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	1,775,416
Assumed Reinsurance Basis	1,785,394
Net of Ceded Reinsurance Basis	3,284,598
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	1,069,771
Assumed Reinsurance Basis	5,817
Net of Ceded Reinsurance Basis	902,086

Environmental:	2005	2006	2007	2008	2009
Direct Basis					
Beginning Reserves	3,594,684	4,014,463	3,911,177	3,718,671	3,176,937
Incurred losses and LAE	879,006	369,315	1,029,018	81,878	(137,903)
Calendar year payments	459,227	472,601	743,617	623,612	332,811
Ending Reserves	4,014,463	3,911,177	4,196,578	3,176,937	2,706,223
Assumed Reinsurance Basis					
Beginning Reserves	1,114,100	813,762	734,595	713,989	686,551
Incurred losses and LAE	(248,548)	16,188	10,730	40	(174,975)
Calendar year payments	51,790	95,355	18,732	27,478	17,380
Ending Reserves	813,762	734,595	726,593	686,551	494,196

NOTES TO FINANCIAL STATEMENTS

Net of Ceded Reinsurance Basis					
Beginning Reserves	4,447,259	4,393,846	4,091,238	4,091,030	3,489,085
Incurred losses and LAE	379,887	219,225	1,135,358	(72,036)	(368,704)
Calendar year payments	433,300	521,833	630,992	529,909	329,186
Ending Reserves	4,393,846	4,091,238	4,595,604	3,489,085	2,791,195

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	1,799,800
Assumed Reinsurance Basis	311,267
Net of Ceded Reinsurance Basis	1,841,999
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	919,299
Assumed Reinsurance Basis	2,226
Net of Ceded Reinsurance Basis	895,739

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 [X] No [ ]

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

1.3 State Regulating? Illinois

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

2.2 If yes, date of change: 05/01/2009

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). 07/05/2007

3.4 By what department or departments?
Illinois Department of Financial and Professional Regulation, Division of Insurance

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

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

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

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

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

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

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

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

GENERAL INTERROGATORIES

6.2 If yes, give full information:

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

7.2 If yes,

7.21 State the percentage of foreign control.

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

1 Nationality	2 Type of Entity

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

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

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

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young, LLP
200 Clarendon Street
Boston, MA 02116

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
William M Finn, FCAS, MAAA
62 Maple Avenue Keene, NH 03431
Vice President & Chief Actuary of Liberty Mutual Agency Markets

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

11.11 Name of real estate holding company

11.12 Number of parcels involved 0

11.13 Total book/adjusted carrying value $ 0

11.2 If yes, provide explanation:

GENERAL INTERROGATORIES

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

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

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

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

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
c. Compliance with applicable governmental laws, rules, and regulations;
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
e. Accountability for adherence to the code. Yes [X] No [ ]

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

13.2 Has the code of ethics for senior managers been amended? Yes [X] 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 [X]

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

BOARD OF DIRECTORS

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

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

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

FINANCIAL

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

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

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

GENERAL INTERROGATORIES

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

18.21	To directors or other officers	$ 0
18.22	To stockholders not officers	$ 0
18.23	Trustees, supreme or grand (Fraternal only)	$ 0

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

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

19.21	Rented from others	$ 0
19.22	Borrowed from others	$ 0
19.23	Leased from others	$ 0
19.24	Other	$ 0

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

20.2 If answer is yes:

20.21	Amount paid as losses or risk adjustment	$ 0
20.22	Amount paid as expenses	$ 0
20.23	Other amounts paid	$ 0

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

22.5 If answer to 22.4 is yes, report amount of collateral. $ 2,071,519

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 [X]

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

23.21	Subject to repurchase agreements	$ 0
23.22	Subject to reverse repurchase agreements	$ 0
23.23	Subject to dollar repurchase agreements	$ 0
23.24	Subject to reverse dollar repurchase agreements	$ 0
23.25	Pledged as collateral	$ 0
23.26	Placed under option agreements	$ 0
23.27	Letter stock or securities restricted as to sale	$ 0
23.28	On deposit with state or other regulatory body	$ 16,921,607
23.29	Other	$ 0

GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		0
		0
		0

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

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

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

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

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

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

1 Name of Custodian(s)	2 Custodian's Address
JP MORGAN CHASE	3 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 Investment Advisors, LL	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Insurance Company	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
27.2999 TOTAL		0

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

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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	454,678,711	464,678,949	10,000,238
28.2 Preferred stocks	7,722,750	7,722,750	0
28.3 Totals	462,401,461	472,401,699	10,000,238

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? $ 0

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

1 Name	2 Amount Paid
	0
	0
	0

33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 0

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

1 Name	2 Amount Paid
	0
	0
	0

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

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

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

1.6 Individual policies:

Most current three years:

1.61	Total premium earned	$ 0
1.62	Total incurred claims	$ 0
1.63	Number of covered lives	0

All years prior to most current three years:

1.64	Total premium earned	$ 0
1.65	Total incurred claims	$ 0
1.66	Number of covered lives	0

1.7 Group policies:

Most current three years:

1.71	Total premium earned	$ 0
1.72	Total incurred claims	$ 0
1.73	Number of covered lives	0

All years prior to most current three years:

1.74	Total premium earned	$ 0
1.75	Total incurred claims	$ 0
1.76	Number of covered lives	0

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$ 141,996	$ 0
2.2	Premium Denominator	$ 209,530,597	$ 276,485,812
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 155,496	$ 751,718
2.5	Reserve Denominator	$ 336,910,173	$ 252,383,317
2.6	Reserve Ratio (2.4/2.5)	0.00	0.00

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

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

3.21 Participating policies $ 0

3.22 Non-participating policies $ 0

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 [X] No [ ]

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

7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [X] 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 [X] No [ ]

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

8.2 If yes, give full information

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

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

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

9.4 Except for transactions meeting the requirements of paragraph 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 [X]

9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
(a) The entity does not utilize reinsurance; or, Yes [ ] No [X]
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [X] 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 [X] No [ ] N/A [ ]

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

11.2 If yes, give full information

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

12.11 Unpaid losses $ 1,007,228

12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 111,906

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? $ 310,877

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

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

12.41 From 0.00

12.42 To 9.00

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

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

12.61 Letters of Credit $ 756,927

12.62 Collateral and other funds $ 7,197,909

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 8,601,759

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

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

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

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

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

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

15.2 If yes, give full information

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

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

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

* Disclose type of coverage:

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5. Yes [ ] No [X]

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

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

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

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

18.1	Do you act as a custodian for health savings accounts?	Yes [ ] No [X]
18.2	If yes, please provide the amount of custodial funds held as of the reporting date.	$ 0
18.3	Do you act as an administrator for health savings accounts?	Yes [ ] No [X]
18.4	If yes, please provide the balance of the funds adminstered as of the reporting date.	$ 0

FIVE – YEAR HISTORICAL DATA

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

	1 2009	2 2008	3 2007	4 2006	5 2005
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,	751,376,426	862,673,548	876,330,835	859,202,453	877,413,049
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	440,311,799	557,433,320	554,246,613	542,477,296	576,987,863
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	182,013,410	176,931,418	149,232,862	143,299,326	145,627,366
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	11,134,559	22,547,059	19,502,583	16,390,600	13,997,375
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	2	534	55	70	716
6. Total (Line 35)	1,384,836,196	1,619,585,879	1,599,312,948	1,561,369,745	1,614,026,369
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,	94,139,613	111,286,267	120,854,667	121,456,506	124,981,448
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	34,457,840	67,518,357	70,200,612	72,341,096	79,146,543
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	62,664,669	65,695,415	72,249,318	70,501,547	72,572,673
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	11,134,559	22,547,059	19,502,583	16,390,600	13,997,375
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	2	534	55	70	716
12. Total (Line 35)	202,396,683	267,047,632	282,807,235	280,689,819	290,698,755
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	8,799,997	7,364,833	18,159,841	32,509,474	26,528,450
14. Net investment gain (loss) (Line 11)	25,865,804	17,880,191	21,592,667	22,820,994	24,313,824
15. Total other income (Line 15)	(353,953)	449,240	965,743	(12,425)	431,186
16. Dividends to policyholders (Line 17)	896,500	332,276	237,229	332,000	142,480
17. Federal and foreign income taxes incurred (Line 19)	5,991,008	6,593,658	9,768,199	13,892,474	15,145,032
18. Net income (Line 20)	27,424,340	18,768,330	30,712,823	41,093,569	35,985,948
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	633,885,199	640,773,622	671,062,138	664,143,852	665,020,385
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	7,923,862	24,882,764	34,066,401	30,768,248	26,201,761
20.2 Deferred and not yet due (Line 13.2)	56,263,307	41,843,600	36,959,106	41,101,806	47,869,127
20.3 Accrued retrospective premiums (Line 13.3)	326,593	116,759	101,866	120,661	119,921
21. Total liabilities excluding protected cell business (Page 3, Line 24)	450,139,697	481,173,923	485,564,153	475,461,207	491,198,864
22. Losses (Page 3, Line 1)	188,005,964	193,863,759	191,021,964	188,680,531	197,038,079
23. Loss adjustment expenses (Page 3, Line 3)	44,760,911	45,191,918	45,480,149	48,174,093	48,457,035
24. Unearned premiums (Page 3, Line 9)	92,022,682	101,009,240	110,383,940	107,103,924	107,743,912
25. Capital paid up (Page 3, Lines 28 & 29)	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
26. Surplus as regards policyholders (Page 3, Line 35)	183,745,502	159,599,699	185,497,985	188,682,645	173,821,521
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	(20,889,744)	22,098,653	32,556,078	37,088,905	63,793,812
Risk-Based Capital Analysis					
28. Total adjusted capital	183,745,502	159,599,699	185,497,985	188,682,645	173,821,521
29. Authorized control level risk-based capital	19,094,167	23,168,931	26,074,935	25,908,122	25,511,599
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	90.2	69.2	69.1	73.5	79.4
31. Stocks (Lines 2.1 & 2.2)	2.1	9.6	27.5	25.7	20.4
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	6.4	19.9	2.1		0.0
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)	1.3	1.3	1.3	0.7	0.2
37. Receivables for securities (Line 8)		0.0	0.0	0.0	0.0
38. Aggregate write-ins for invested assets (Line 9)					
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)		32,768,072	31,780,000	30,168,000	29,100,000
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					
46. Total of above Lines 40 to 45		32,768,072	31,780,000	30,168,000	29,100,000
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)		20.5	17.1	16.0	16.7

FIVE – YEAR HISTORICAL DATA

(Continued)

	1 2009	2 2008	3 2007	4 2006	5 2005
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	(4,939,192)	(19,578,574)	4,384,423	5,029,057	(2,424,261)
49. Dividends to stockholders (Line 35)		(15,000,000)	(40,000,000)	(35,985,000)	(25,000,000)
50. Change in surplus as regards policyholders for the year (Line 38)	24,145,803	(25,898,287)	(3,184,659)	14,861,124	7,443,649
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,	440,898,900	484,388,769	543,279,706	488,348,476	449,813,544
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	244,425,496	296,105,902	297,464,317	303,760,381	298,716,823
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	82,553,467	95,912,280	69,626,069	60,843,412	63,270,065
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,525,289	1,140,564	(156,621)	1,302,157	3,426,371
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	6,260,808	1,056,374	694,089	(25,207)	529,534
56. Total (Line 35)	775,663,960	878,603,889	910,907,560	854,229,219	815,756,337
Net Losses Paid (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,	49,614,578	63,855,245	73,143,766	66,635,407	65,873,585
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	23,764,752	38,399,822	38,934,741	40,759,093	41,584,716
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	31,038,310	43,747,715	33,576,458	32,022,866	31,477,809
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,525,289	1,140,564	(156,621)	1,302,157	3,426,371
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	6,178,596	1,056,374	694,089	(25,207)	529,534
62. Total (Line 35)	112,121,525	148,199,720	146,192,433	140,694,316	142,892,015
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	50.7	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
Other Percentages					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0	34.6	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)	110.2	167.3	152.5	148.8	167.2
One Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(15,425)	(7,788)	(7,346)	(6,974)	(5,109)
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)	(9.7)	(4.2)	(3.9)	(4.0)	(3.1)
Two Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(22,228)	(11,175)	(15,406)	(6,390)	(6,496)
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)	(12.0)	(5.9)	(8.9)	(3.8)	(4.2)

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
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported - Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1–2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	X X X	X X X	X X X	2,324	879	727	60	213	11	84	2,314	X X X
2. 2000	171,515	10,480	161,035	117,719	7,422	8,021	530	12,886	378	6,232	130,296	X X X
3. 2001	172,423	10,411	162,012	109,825	7,430	7,951	413	13,278	409	5,922	122,802	X X X
4. 2002	189,030	17,925	171,105	103,171	9,879	7,508	687	13,060	629	5,893	112,544	X X X
5. 2003	207,194	16,626	190,568	100,555	8,351	6,862	491	14,691	667	5,914	112,599	X X X
6. 2004	225,203	11,820	213,383	102,984	3,978	6,240	221	14,657	298	7,443	119,384	X X X
7. 2005	237,310	9,039	228,271	104,149	3,961	6,387	229	15,230	216	6,850	121,360	X X X
8. 2006	239,249	9,954	229,295	100,680	2,141	5,468	271	15,095	319	5,824	118,512	X X X
9. 2007	241,669	11,110	230,559	96,202	1,997	4,273	233	14,713	192	5,593	112,766	X X X
10. 2008	238,660	8,441	230,219	97,574	2,708	2,919	117	15,926	138	4,808	113,456	X X X
11. 2009	222,852	13,322	209,530	57,849	4,020	968	182	11,353	65	2,547	65,903	X X X
12. Totals	X X X	X X X	X X X	993,032	52,766	57,324	3,434	141,102	3,322	57,110	1,131,936	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR						Number of Claims Outstanding Direct and Assumed
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	
1. Prior	21,049	6,060	12,004	1,436	930	88	3,043	303	1,951	57	408	31,033	X X X
2. 2000	2,768	800	1,156	280	28	14	412	47	244	19	41	3,448	X X X
3. 2001	2,882	786	1,335	275	57	12	478	34	314	16	104	3,943	X X X
4. 2002	3,021	547	1,479	267	62	2	567	36	274	6	76	4,545	X X X
5. 2003	2,441	331	1,946	286	75	1	712	34	307	1	174	4,828	X X X
6. 2004	3,331	590	2,439	335	96	1	887	43	394		423	6,178	X X X
7. 2005	5,346	442	3,482	468	178	1	1,316	69	660		275	10,002	X X X
8. 2006	9,283	685	5,104	680	306	1	2,157	101	1,031	1	746	16,413	X X X
9. 2007	15,915	666	8,048	951	493	1	3,713	151	1,676	1	719	28,075	X X X
10. 2008	22,542	553	16,855	2,188	593	2	5,894	289	2,864	2	1,698	45,714	X X X
11. 2009	32,498	1,333	33,836	795	411	5	7,268	89	6,798	1	4,968	78,588	X X X
12. Totals	121,076	12,793	87,684	7,961	3,229	128	26,447	1,196	16,513	104	9,632	232,767	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	25,557	5,476
2. 2000	143,234	9,490	133,744	83.511	90.553	83.053			2.000	2,844	604
3. 2001	136,120	9,375	126,745	78.945	90.049	78.232			2.000	3,156	787
4. 2002	129,142	12,053	117,089	68.318	67.241	68.431			2.000	3,686	859
5. 2003	127,589	10,162	117,427	61.579	61.121	61.619			2.000	3,770	1,058
6. 2004	131,028	5,466	125,562	58.182	46.244	58.843			2.000	4,845	1,333
7. 2005	136,748	5,386	131,362	57.624	59.586	57.547			2.000	7,918	2,084
8. 2006	139,124	4,199	134,925	58.150	42.184	58.843			2.000	13,022	3,391
9. 2007	145,033	4,192	140,841	60.013	37.732	61.087			2.000	22,346	5,729
10. 2008	165,167	5,997	159,170	69.206	71.046	69.139			2.000	36,656	9,058
11. 2009	150,981	6,490	144,491	67.749	48.716	68.960			2.000	64,206	14,382
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	188,006	44,761

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

SCHEDULE P – PART 2 – SUMMARY

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End ($000 OMITTED) 1 2000	2 2001	3 2002	4 2003	5 2004	6 2005	7 2006	8 2007	9 2008	10 2009	DEVELOPMENT 11 One Year	12 Two Year
1. Prior	94,829	98,785	101,939	106,394	107,475	110,783	112,548	113,741	113,816	117,574	3,758	3,833
2. 2000	113,685	117,863	119,097	121,142	121,002	121,280	121,148	121,250	120,683	121,205	522	(45)
3. 2001	X X X	112,904	112,350	113,109	113,577	113,792	113,170	113,713	112,961	113,756	795	43
4. 2002	X X X	X X X	109,398	108,651	107,639	105,383	105,208	104,435	103,987	104,551	564	116
5. 2003	X X X	X X X	X X X	109,118	106,875	104,226	103,771	104,341	103,537	103,244	(293)	(1,097)
6. 2004	X X X	X X X	X X X	X X X	124,105	120,256	118,459	113,362	112,275	110,983	(1,292)	(2,379)
7. 2005	X X X	X X X	X X X	X X X	X X X	130,118	125,316	118,631	117,248	115,843	(1,405)	(2,788)
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	129,704	125,902	121,955	119,307	(2,648)	(6,595)
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	138,139	133,290	124,823	(8,467)	(13,316)
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	147,659	140,700	(6,959)	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	126,517	X X X	X X X
										12. Totals	(15,425)	(22,228)

SCHEDULE P – PART 3 – SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End ($000 OMITTED) 1 2000	2 2001	3 2002	4 2003	5 2004	6 2005	7 2006	8 2007	9 2008	10 2009	11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
1. Prior	000	28,434	47,661	59,611	67,236	72,929	77,696	81,377	84,981	87,092	X X X	X X X
2. 2000	58,409	85,268	97,984	106,399	111,216	114,183	115,641	116,636	117,250	117,788	X X X	X X X
3. 2001	X X X	55,974	80,835	92,372	99,827	104,010	106,501	107,982	109,213	109,933	X X X	X X X
4. 2002	X X X	X X X	48,930	72,300	83,578	91,431	95,458	97,843	99,306	100,113	X X X	X X X
5. 2003	X X X	X X X	X X X	49,801	72,197	83,252	90,352	95,141	97,272	98,575	X X X	X X X
6. 2004	X X X	X X X	X X X	X X X	51,940	78,422	91,021	98,491	102,851	105,025	X X X	X X X
7. 2005	X X X	X X X	X X X	X X X	X X X	53,702	80,087	92,921	101,151	106,346	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	54,723	82,118	94,168	103,735	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	56,607	85,040	98,245	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	65,194	97,668	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	54,614	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 2000	2 2001	3 2002	4 2003	5 2004	6 2005	7 2006	8 2007	9 2008	10 2009
1. Prior	37,200	27,308	22,312	21,106	16,644	15,226	13,824	12,359	13,440	14,652
2. 2000	23,423	11,402	6,931	5,084	3,663	2,884	2,660	2,033	1,370	1,436
3. 2001	X X X	26,752	12,791	7,281	5,372	3,745	3,273	2,159	1,921	1,683
4. 2002	X X X	X X X	34,199	17,440	10,102	5,965	4,287	2,807	2,120	1,904
5. 2003	X X X	X X X	X X X	31,742	15,842	9,175	6,431	4,706	3,561	2,484
6. 2004	X X X	X X X	X X X	X X X	40,444	20,210	13,447	7,631	5,481	3,122
7. 2005	X X X	X X X	X X X	X X X	X X X	44,841	22,587	12,146	7,490	4,417
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	40,457	21,455	13,033	6,669
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	43,425	22,463	10,836
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	45,888	20,452
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	40,332

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken 2 Direct Premiums Written	3 Direct Premiums Earned	4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama AL	L	28,833,268	29,934,243		16,349,434	16,206,720	10,998,441	365,415	
2. Alaska AK	L	11,046,695	11,093,767		5,201,534	3,857,965	4,709,745	139,999	
3. Arizona AZ	L	641,517	579,682		369,906	219,243	102,755	8,130	
4. Arkansas AR	L	22,109,902	22,914,571		12,383,478	12,007,217	7,832,352	280,207	
5. California CA	L	68,757,598	80,346,585		29,537,996	37,421,232	52,482,682	871,391	
6. Colorado CO	L	(117)	(117)		730,925	(288,149)	452,425	(1)	
7. Connecticut CT	L	78,597,209	82,487,117		48,617,354	37,586,838	77,714,543	996,092	
8. Delaware DE	N								
9. District of Columbia DC	N								
10. Florida FL	L	113,570,050	119,643,453		71,139,010	67,534,312	64,195,187	1,439,316	
11. Georgia GA	L	12,339,125	12,973,161		7,299,045	5,334,067	4,362,400	156,378	
12. Hawaii HI	N								
13. Idaho ID	L	51,441,152	51,304,778		24,092,995	32,010,634	18,237,911	651,933	
14. Illinois IL	L	94,032,798	94,869,456		50,081,570	47,623,058	42,746,188	1,191,713	
15. Indiana IN	L	14,889,747	14,337,461		10,583,776	8,147,436	10,904,574	188,703	
16. Iowa IA	L	232,696	228,373		140,342	259,792	148,109	2,949	
17. Kansas KS	L	363,490	346,911		210,169	105,719	24,383	4,607	
18. Kentucky KY	L	47,523,217	50,132,504		31,026,317	31,154,074	26,898,940	602,280	
19. Louisiana LA	L	386,891	366,978		213,718	80,992	72,710	4,903	
20. Maine ME	N								
21. Maryland MD	L	8,663,640	9,069,346		5,449,681	4,110,465	5,722,378	109,798	
22. Massachusetts MA	N								
23. Michigan MI	L	26,551,400	27,812,909		18,817,971	16,368,629	42,778,760	336,496	
24. Minnesota MN	L	11,572,080	11,330,541		7,187,611	5,697,368	5,209,069	146,657	
25. Mississippi MS	L	32,160,045	32,636,837		16,277,422	14,729,246	10,775,012	407,576	
26. Missouri MO	L	100,500,965	104,633,368		52,596,020	51,281,195	51,678,413	1,273,686	
27. Montana MT	L	50,845,782	51,981,351		26,396,090	21,509,781	22,890,586	644,388	
28. Nebraska NE	L	6,801,189	6,975,442		3,778,910	3,541,081	2,646,953	86,194	
29. Nevada NV	L	10,033,109	10,653,114		5,060,623	3,720,697	6,001,598	127,153	
30. New Hampshire NH	N								
31. New Jersey NJ	N								
32. New Mexico NM	L					1,812			
33. New York NY	N								
34. North Carolina NC	N								
35. North Dakota ND	N								
36. Ohio OH	L	33,855,997	34,766,607		20,355,264	17,508,087	15,188,626	429,070	
37. Oklahoma OK	L	602,156	558,718		212,079	217,784	107,822	7,631	
38. Oregon OR	L	3,890,880	3,969,035		112,242	(35,063)	1,867,977	49,311	
39. Pennsylvania PA	L	1,207,990	1,052,451		520,732	598,059	401,098	15,309	
40. Rhode Island RI	N								
41. South Carolina SC	N								
42. South Dakota SD	N								
43. Tennessee TN	L	55,668,530	57,837,365		31,076,623	32,857,110	23,675,160	705,508	
44. Texas TX	L	27,102,941	29,589,195		16,445,153	13,621,655	9,803,953	343,486	
45. Utah UT	L	6,488,596	6,646,139		4,887,502	3,631,080	3,190,448	82,232	
46. Vermont VT	N								
47. Virginia VA	L	4,521,250	4,620,029		2,049,396	1,926,786	2,693,513	57,299	
48. Washington WA	L	227,954,544	235,297,503		127,246,282	100,284,570	138,118,853	2,888,953	
49. West Virginia WV	N								
50. Wisconsin WI	L	9,775,656	10,147,554		5,849,837	4,266,898	5,753,623	123,891	
51. Wyoming WY	L	19,477,529	19,800,486		11,163,212	7,860,242	5,175,406	246,846	
52. American Samoa AS	N								
53. Guam GU	N								
54. Puerto Rico PR	N								
55. U.S. Virgin Islands VI	N								
56. Northern Mariana Islands MP	N								
57. Canada CN	N								
58. Aggregate Other Alien OT	XXX								
59. Totals	(a) 36	1,182,439,517	1,230,936,913		663,460,219	602,958,632	675,562,593	14,985,499	

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

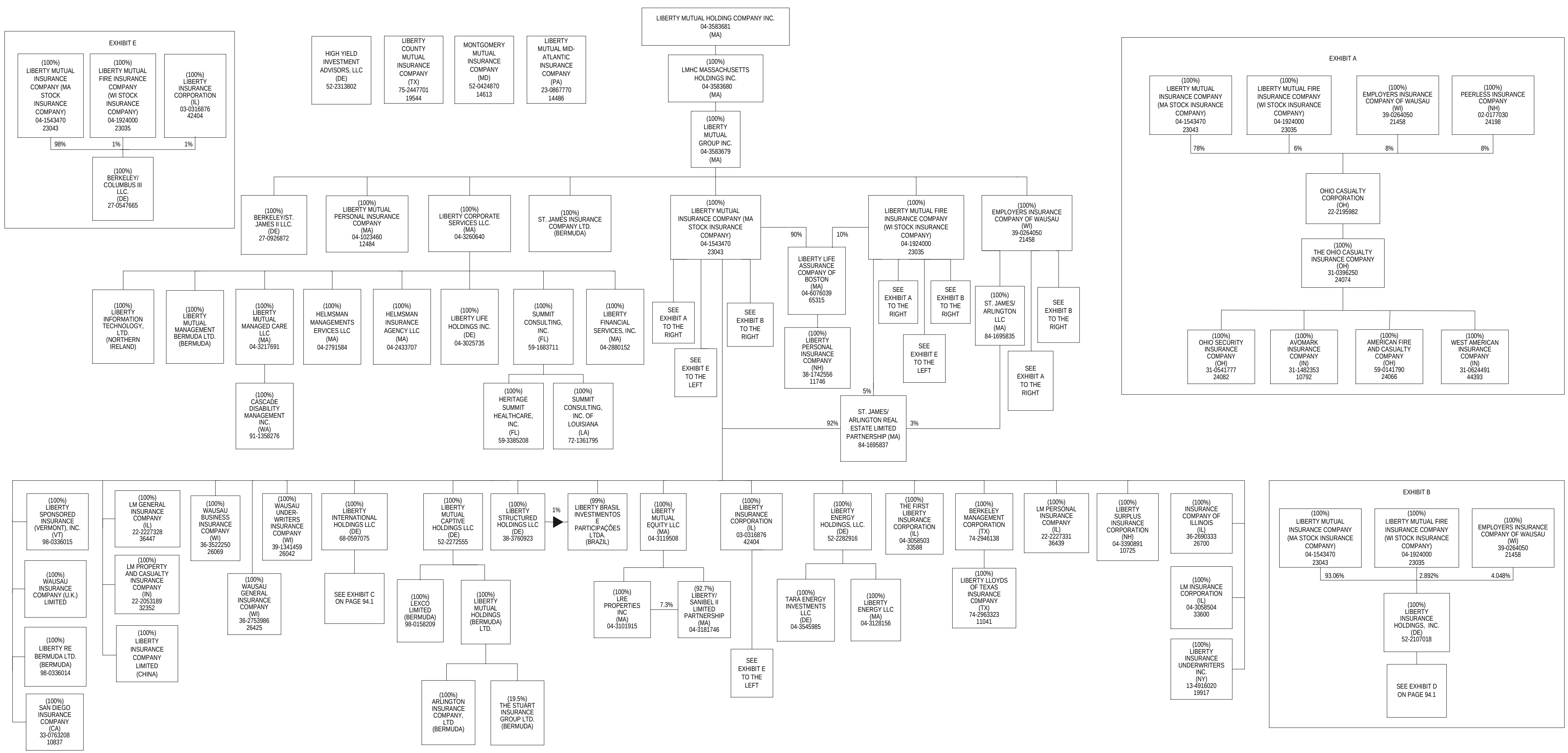
Explanation of basis of allocation of premiums by states, etc.

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

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

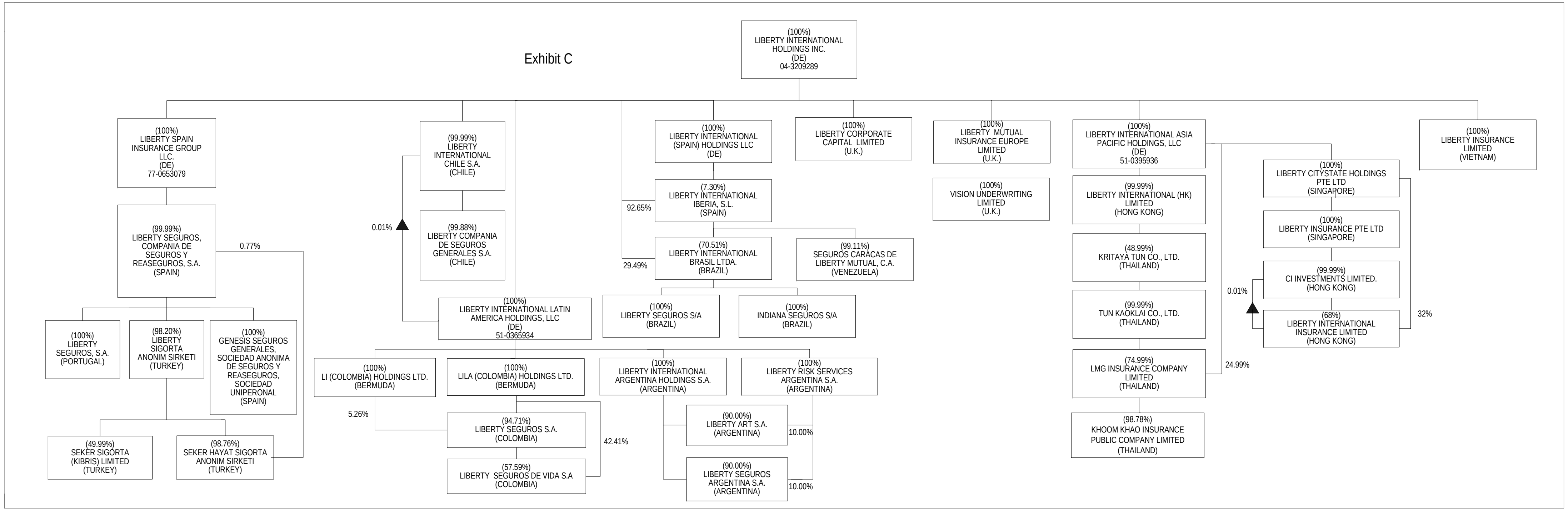
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

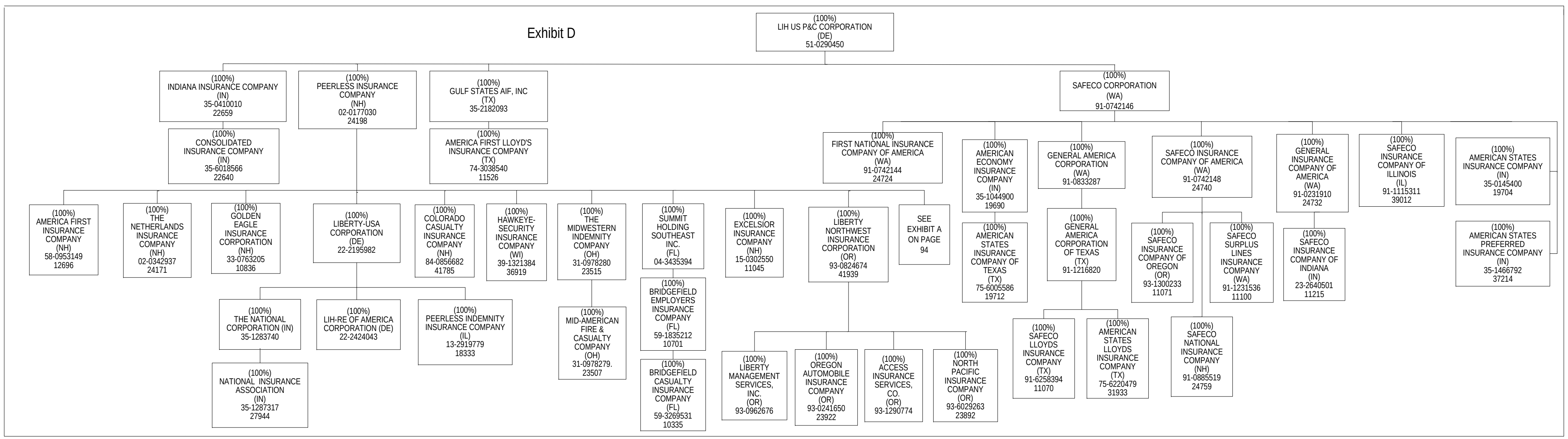
PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART





OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES	1 Current Year	2 Prior Year
2304. Accrued return retrospective premiums	248,118	99,182
2305. Private passenger auto escrow	32,689	
2397. Totals (Lines 2304 through 2396) (Page 3, Line 2398)	280,807	99,182

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

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